

STATE OF ARIZONA

FY 2015

Appropriations Report

June 2014

JLBC

FY 2015 APPROPRIATIONS REPORT

INTRODUCTION

This annual *Appropriations Report* provides detailed information on FY 2015 appropriations, as provided in the General Appropriation Act (Laws 2014, Chapter 18), the Department of Child Safety legislation (Laws 2014, 2nd Special Session, Chapter 2) and other legislative acts. The *Report* also includes the economic and state revenue forecast upon which the budget was based. This *Report* provides information relative to the legislative intent of appropriations.

TABLE OF CONTENTS

	<u>Page</u>
BUDGET HIGHLIGHTS	
• FY 2014 - FY 2017.....	BH-2
• FY 2005 - FY 2015 “Then and Now” Comparisons.....	BH-20
BUDGET DETAIL	
• Summary of Appropriations by Individual Chapter	BD-2
• Summary of Fiscal-Related Vetoes	BD-4
• Summary of Appropriated Funds by Agency	BD-6
• Summary of Capital Outlay Appropriations	BD-9
• Summary of Additional Operating and Statutory Appropriations	BD-11
• Summary of Total Spending Authority (Appropriated and Non-Appropriated Funds).....	BD-13
• State Personnel Summary by Agency.....	BD-17
BUDGET UNITS (<i>see Specific Agency Pages</i>)	1
CAPITAL OUTLAY	
• Capital Outlay.....	320
• Summary of Rent Charges.....	339
• Lease-Purchase Appropriations	343
• Privatized Lease-to-Own Appropriations	344
ECONOMIC AND REVENUE FORECAST	
• General Fund Revenue	346
• Budget Stabilization Fund	359
GENERAL PROVISIONS OF THE GENERAL APPROPRIATION ACT AND OTHER OVERALL ISSUES	
• General Provisions Index.....	362
• General Provisions of the General Appropriation Act and Other Overall Issues	363
• Salary Adjustments for State Employees Since FY 2005 and Elected Officials’ Salaries	368
• Budget Cycle	369
AGENCY DETAIL AND ALLOCATIONS	
• Detailed List of Changes by Agency	372
• Crosswalk of General Appropriation Act to Appropriations Report Totals	382
• Summary of Risk Management Charges	393
BUDGET RECONCILIATION BILLS AND MAJOR FOOTNOTE CHANGES	396
FY 2014 GENERAL FUND ADJUSTMENTS	408
JLBC STAFF AND AGENCY DIRECTORY LISTINGS	424

ALPHABETICAL INDEX OF STATE AGENCIES

	<u>Page No.</u>		<u>Page No.</u>
Accountancy, Arizona State Board of.....	1	Judiciary	
Acupuncture Board of Examiners.....	2	Supreme Court.....	189
Administration, Arizona Department of.....	3	Court of Appeals.....	192
Administration, Arizona Department of -		Superior Court.....	193
Automation Projects Fund.....	12	Juvenile Corrections, Department of.....	199
Department of Child Safety.....	21	Land Department, State.....	201
Administrative Hearings, Office of.....	22	Legislative Council.....	207
African-American Affairs, Arizona Commission of.....	23	Liquor Licenses & Control, Department of.....	210
Agriculture, Arizona Department of.....	24	Lottery Commission, Arizona State.....	212
AHCCCS.....	26	Massage Therapy, Board of.....	216
Appraisal, State Board of.....	44	Medical Board, Arizona.....	217
Arts, Arizona Commission on the.....	45	Mine Inspector, State.....	218
Athletic Training, Board of.....	46	Naturopathic Physicians Medical Board.....	220
Attorney General - Department of Law.....	47	Navigable Stream Adjudication Commission, Arizona.....	221
Auditor General.....	204	Nursing, State Board of.....	223
Automobile Theft Authority.....	53	Nursing Care Institution Administrators and Assisted Living	
Barbers, Board of.....	55	Facility Managers, Board of Examiners of.....	225
Behavioral Health Examiners, Board of.....	56	Occupational Safety & Health Review Bd.....	226
Capital Budget.....	320	Occupational Therapy Examiners, Board of.....	227
Charter Schools, State Board for.....	57	Opticians, State Board of Dispensing.....	228
Child Safety, Department of.....	58	Optometry, State Board of.....	229
Chiropractic Examiners, State Board of.....	73	Osteopathic Examiners, Arizona Board of.....	230
Citizens Clean Elections Commission.....	74	Parents Comm. on Drug Education & Prevention, Arizona.....	231
Commerce Authority, Arizona.....	75	Parks Board, Arizona State.....	232
Community Colleges, Arizona.....	77	Personnel Board, State.....	234
Constable Ethics Standards and Training Board.....	83	Pest Management, Office of.....	235
Contractors, Registrar of.....	84	Pharmacy, Arizona State Board of.....	236
Corporation Commission.....	86	Physical Therapy, Board of.....	237
Corrections, State Department of.....	89	Pioneers' Home, Arizona.....	238
Cosmetology, Board of.....	95	Podiatry Examiners, State Board of.....	239
County Funding.....	96	Postsecondary Education, Commission for.....	240
Criminal Justice Commission, Arizona.....	97	Power Authority, Arizona.....	243
Deaf & the Blind, Arizona State Schools for the.....	99	Private Postsecondary Education, State Bd. for.....	244
Deaf & the Hard of Hearing, Commission for the.....	102	Psychologist Examiners, State Board of.....	245
Dental Examiners, State Board of.....	103	Public Safety, Department of.....	246
Early Childhood Development and Health Board, Arizona.....	104	Public Safety Personnel Retirement System.....	255
Economic Security, Department of.....	105	Racing, Arizona Department of.....	258
Education, Department of.....	121	Radiation Regulatory Agency.....	260
Emergency and Military Affairs, Department of.....	137	Real Estate Department, State.....	262
Environmental Quality, Department of.....	140	Residential Utility Consumer Office.....	263
Equal Opportunity, Governor's Office of.....	144	Respiratory Care Examiners, Board of.....	264
Equalization, State Board of.....	145	Retirement System, Arizona State.....	265
Executive Clemency, Board of.....	146	Revenue, Department of.....	269
Exposition & State Fair Board, Arizona.....	148	School Facilities Board.....	272
Financial Institutions, Department of.....	149	Secretary of State, Department of State.....	276
Fire, Building and Life Safety, Department of.....	151	Senate.....	209
Forester, State.....	153	State Boards' Office.....	278
Funeral Directors & Embalmers, State Board of.....	156	Tax Appeals, State Board of.....	279
Game and Fish Department, Arizona.....	157	Technical Registration, State Board of.....	280
Gaming, Department of.....	159	Tourism, Office of.....	281
Geological Survey, Arizona.....	162	Transportation, Department of.....	283
Governor, Office of the.....	163	Treasurer, State.....	286
Governor's Office of Strategic Planning & Budgeting.....	164	Uniform State Laws, Commission on.....	288
Health Services, Department of.....	165	Universities	
Historical Society, Arizona.....	178	Regents, Arizona Board of.....	289
Historical Society of Arizona, Prescott.....	180	Arizona State University - Tempe/DPC.....	294
Homeland Security, Arizona Department of.....	181	Arizona State University - East Campus.....	297
Homeopathic & Integrated Medicine Examiners, Bd. of.....	182	Arizona State University - West Campus.....	299
House of Representatives.....	205	Northern Arizona University.....	301
Housing, Arizona Department of.....	183	University of Arizona - Main Campus.....	304
Independent Redistricting Commission.....	184	University of Arizona - Health Sciences Center.....	307
Indian Affairs, Arizona Commission of.....	186	Veterans' Services, Department of.....	310
Industrial Commission of Arizona.....	187	Veterinary Medical Examining Board, Arizona State.....	312
Insurance, Department of.....	188	Water Resources, Department of.....	313
Joint Legislative Budget Committee.....	206	Water Infrastructure Finance Authority.....	316
		Weights and Measures, Department of.....	317

BUDGET HIGHLIGHTS

HIGHLIGHTS OF THE FY 2015 BUDGET

The FY 2015 budget is based primarily upon the actions of the 51st Legislature's 2nd Regular Session and 2nd Special Session. On April 11, 2014, the Governor signed into law the FY 2015 budget for the year beginning July 1, 2014. On May 29, 2014, the Governor signed Laws 2014, 2nd Special Session, Chapter 2, which transferred child welfare resources from the Department of Economic Security to the newly-created Department of Child Safety and appropriated additional child welfare resources.

The state's FY 2015 General Fund budget is \$9.27 billion. After accounting for non-General Fund monies, the state's "all funds" budget is \$31.7 billion. (*See the Summary of Appropriated Funds and Summary of Total Spending Authority for more details.*)

Revised FY 2014 Budget – At the time of publication of the *FY 2014 Appropriations Report* in July 2013 after the 51st Legislature's 1st Regular Session, the FY 2014 ending balance was forecasted to be \$248 million. By January 2014, however, the projected FY 2014 balance had grown to an estimated \$655 million. The primary adjustments included:

- Increased balance forward from FY 2013 of \$895 million, or \$202 million above the original forecast.
- Increased FY 2014 revenue of \$100 million, albeit at a lower growth rate.
- Increased one-time funding sources of \$101 million, due primarily to the delayed receipt of the national mortgage settlement proceeds.

As part of the FY 2015 budget, the Legislature approved additional FY 2014 changes. The Legislature also added \$60 million in supplemental spending, including \$47 million in K-12 formula spending, \$11 million in new child safety staff and services, \$1 million for Independent Redistricting Commission costs, and \$443,600 in miscellaneous supplementals. An \$18 million supplemental for DHS and a \$(73) million ex-appropriation were previously accounted for in reversion estimates and so had no net impact to the balance sheet.

These adjustments result in a budgeted FY 2014 ending balance of \$596 million. (*See FY 2014 General Fund Adjustments at the end of this Appropriations Report for more details.*)

Comparison to the JLBC Baseline – At the beginning of session, the JLBC Staff calculated the growth in the state's anticipated FY 2015 spending based on existing statutory funding formulas and other technical requirements. The projected spending level was \$9.04 billion.

In comparison, the January Baseline Revenues were based on the 4-sector consensus projections. Excluding enacted

statutory changes and one-time adjustments, base revenues were forecast to grow 4.3% in FY 2014 and 5.3% in FY 2015. After adjusting for previously enacted tax law changes, additional Urban Revenue Sharing distributions, and other factors, total General Fund revenues were anticipated to be \$9.36 billion in FY 2015.

The Legislature adopted those January revenue growth rates as part of the final budget. In addition, the budget assumed \$54 million in a fund transfer from the Health Insurance Trust Fund, a \$35 million in an ongoing shift of Long Term Care System Fund (LTCSF) and \$20 million in newly enacted revenues changes. After further adjusting the estimates for a lower FY 2014 carry-forward balance, total General Fund revenues are now anticipated to be \$9.40 billion in FY 2015.

The Legislature also made subsequent revisions to the Baseline spending level of \$9.04 billion, which resulted in a final FY 2015 budget of \$9.27 billion. These changes to the Baseline included the following:

- \$112 million for the Department of Child Safety (DCS), including \$31 million appropriated to DCS in the FY 2015 General Appropriation Act (Chapter 18), \$55 million appropriated to DCS in Laws 2014, 2nd Special Session, Chapter 2, \$30 million appropriated to the Arizona Department of Administration (ADOA) for one-time transition costs of establishing DCS and upgrading the Department of Economic Security (DES) data center, and \$1 million for DCS attorneys appropriated to the Attorney General.
- \$21 million for K-12 education, including \$20 million for Student Success Funding and \$8 million for increased testing costs, partially offset by \$(9) million in savings from "rolling back" the number of eligible charter schools to those established in FY 2013.
- \$20 million for Universities, including \$12 million in additional parity funding to ASU and NAU, \$4.5 million in additional operating monies, and \$3.5 million for UA cooperative extension.
- \$30 million in the Department of Public Safety (DPS) to free up Highway User Revenue Fund (HURF) revenues for distribution to local governments.
- \$8 million for retirement formula increases in the Department of Corrections and DPS.
- \$6 million for STEM formula funding in the Community Colleges.
- \$15 million for building renewal in the ADOA, University, and Department of Corrections building systems.
- \$9 million for a new veterans' home in Yuma.
- \$28 million for non-child welfare items in DES, primarily \$23 million for a technical shift reflecting the use of LTCSF monies as General Fund revenue instead of using monies to offset DES/DCS costs.

Under the JLBC Baseline, the FY 2015 budget was projected to have a \$327 million ending balance. The revenue changes and additional spending reduced the projected ending balance to \$130 million.

(See FY 2015 State General Fund Budget - A Narrative Summary and the General Provisions section for further details on FY 2015 changes.)

Comparison to the FY 2015 Budget – General Fund revenues, including one-time monies, are projected to decrease from \$9.46 billion in FY 2014 to \$9.40 billion in FY 2015. Base ongoing revenues are projected to increase by \$477 million, from \$8.99 billion in FY 2014 to \$9.47 billion in FY 2015. After technical adjustments, the projected base growth is 5.3%, which will be further modified by the following revenue changes (*see the General Fund Revenue section*):

- \$(127) million net loss from previously-enacted budget legislation.
- \$19 million net gain from budget legislation enacted in the 2014 Legislative Session, including a \$35 million shift of LTCSF revenues to the General Fund partially offset by \$(16) million in other tax law changes, primarily \$(15) million from exempting electricity and natural gas purchased by manufacturing and smelting operations from sales tax.
- \$(48) million loss due to increased contributions to Urban Revenue Sharing based on state income tax collections from 2 years prior.

The FY 2015 budget also has a net \$648 million in one-time revenues (in comparison, FY 2014 one-time revenues were \$1.02 billion due to a \$895 million beginning balance). The \$648 million amount reflects \$54 million in a fund transfer from the state's Health Insurance Trust Fund. The net one-time revenues also include a \$596 million projected carry-forward balance from FY 2014.

General Fund spending is projected to increase from \$8.86 billion in FY 2014 to \$9.27 billion in FY 2015, which is an increase of \$410 million, or 4.6%.

The FY 2015 budget has the following adjustments:

- \$141 million for K-12 education, including \$111 million in formula changes (which includes statutorily-mandated inflation increase of 1.4%), \$20 million for Student Success Funding, and \$8 million for increase testing costs.
- \$120 million for the Department of Child Safety (DCS), including \$16 million for new caseworkers, \$7 million for Office of Child Welfare Investigations, \$23 million in non-permanent costs to eliminate a backlog of inactive cases, and \$21 million for additional services. (The \$120 million increase differs from the \$112 million referenced on page BH-2 for technical reasons.)

- \$19 million for non-child welfare items in DES, including \$29 million to backfill one-time funds, \$7 million for Developmental Disabilities formula changes, and \$3 million for additional Adult Protective Services staff. This amount also includes the transfer of \$(22) million to DCS for non-Division of Child Safety and Family Services expenses.
- \$13 million in increased AHCCCS spending, including \$14 million in formula spending, \$3 million for higher skilled nursing facility rates, and \$3 million for critical access hospitals, partially offset by \$(3) million in administrative match rate cost shifts.
- \$45 million in increased DHS spending, primarily associated with Medicaid behavioral health adjustments.
- \$33 million in increased University funding, including \$28 million for parity funding, \$4.5 million in additional operating monies, and \$3.5 million for UA cooperative extension.
- \$30 million in the Department of Public Safety (DPS) to free up Highway User Revenue Fund (HURF) revenues for distribution to local governments.
- \$8 million for retirement formula increases in the Department of Corrections and DPS.
- \$6 million for STEM formula funding in the Community Colleges.
- \$15 million for building renewal in the ADOA, University, and Department of Corrections building systems.
- \$9 million for a new veterans' home in Yuma.
- \$(57) million in technical estimates of net administrative adjustment spending and revertsments.

(See FY 2015 State General Fund Budget - A Narrative Summary for a more detailed list of changes.)

General Fund Balance – The FY 2015 General Fund cash balance is projected to be \$130 million. Beyond its cash balance, a budget is also evaluated by the difference between ongoing revenues and expenditures. The state can have a cash balance but a shortfall in ongoing funds through the use of one-time revenue and/or expenditure savings. Ongoing spending is projected to exceed ongoing revenues by \$494 million in FY 2015.

Long-Term Projections – A.R.S. § 35-125 requires that the General Appropriation Act delineate the revenue and expenditure estimates for the following 3 years. The expenditure estimates are to be based on existing statutory funding requirements.

Discussions on the FY 2015 budget included analyzing the impact of budget decisions on estimated FY 2016 and FY 2017 spending. The *Statement of General Fund Revenues and Expenditures* on page BH-5 incorporates the FY 2016 and FY 2017 estimates, which are based upon Baseline revenue projections and existing statutory funding requirements. Based on legislative guidance, the FY 2016

and FY 2017 estimates also include the continuation of FY 2015 initiatives which were considered to be ongoing.

The figures reflected in the 4-Year Analysis on page BH-7 differ from the figures listed in the FY 2015 General Appropriation Act due to technical reasons such as the incorporation of bills with a fiscal impact signed into law after the passage of budget bills, as well as the impact of Laws 2014, 2nd Special Session, Chapter 2. The General Appropriation Act gives JLBC Staff the authority to make such technical adjustments.

The General Appropriation Act forecasted FY 2016 revenues to be \$9.20 billion and expenditures to be \$9.42 billion, with a \$(221) million shortfall. After accounting for legislation enacted separately from the budget and technical adjustments, the FY 2016 shortfall is estimated to be \$(237) million. The spending includes statutory formula caseload growth. FY 2015 ongoing revenues are primarily based on a 4-sector consensus growth rate of 5.2%, but also incorporate separately enacted tax law changes.

The General Appropriation Act forecasted FY 2017 revenues to be \$9.24 billion and expenditures to be \$9.72 billion, with a \$(477) million shortfall. After accounting for legislation enacted separately from the budget and technical adjustments, the FY 2016 budget is estimated to have a \$(489) million shortfall, including the FY 2016 estimated \$(237) million shortfall. The ongoing spending includes caseload growth. The revenues reflect base growth of 5.6%. Those revenues also incorporate separately enacted tax law changes.

The Budget Stabilization Fund is expected to have a balance of \$459 million at the end of FY 2015 which could be used to offset any FY 2016 shortfall.

Given the multiple years involved in these calculations, long-run estimates are especially sensitive to small percent changes in revenue and spending growth. For example, a 1% change in the growth rate of either revenue or spending in FY 2015 through FY 2017 would change the ending balance calculations by nearly \$600 million in the third year. As a result, these projections are subject to considerable change.

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

	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Estimate	FY 2017 Estimate
REVENUES				
Ongoing Revenues	\$8,993,809,900	\$9,470,966,700	\$9,842,375,900	\$10,257,757,800
Previously Enacted Changes		(127,300,000)	(115,600,000)	(108,700,000)
Newly Enacted Changes		18,638,000	(12,652,900)	(508,100)
Urban Revenue Sharing	(561,001,200)	(608,935,700)	(620,454,200)	(651,407,600)
Net On-going Revenues	<u>\$8,432,808,700</u>	<u>\$8,753,369,000</u>	<u>\$9,093,668,800</u>	<u>\$9,497,142,100</u>
One-time Financing Sources				
Balance Forward	895,475,000	595,520,600	129,528,400	(236,754,900)
Previously Enacted Changes	(24,800,000)	(1,800,000)		
Newly Enacted Changes			(6,100,000)	
Fund Transfers	153,591,600	53,900,000		
Subtotal One-time Revenues	<u>\$1,024,266,600</u>	<u>\$647,620,600</u>	<u>\$123,428,400</u>	<u>(\$236,754,900)</u>
Total Revenues	\$9,457,075,300	\$9,400,989,600	\$9,217,097,200	\$9,260,387,200
EXPENDITURES				
Operating Budget Appropriations	\$8,816,495,400	\$9,311,780,500	\$9,493,852,100	\$9,789,667,500
FY 2014 Supplementals	2,736,300			
Administrative Adjustments	62,980,200	51,480,700	60,000,000	60,000,000
Reversions	(70,600,000)	(116,000,000)	(100,000,000)	(100,000,000)
Subtotal Ongoing Expenditures	<u>\$8,811,611,900</u>	<u>\$9,247,261,200</u>	<u>\$9,453,852,100</u>	<u>\$9,749,667,500</u>
One-time Expenditures				
Capital Outlay	\$49,942,800	\$24,200,000		
Subtotal One-time Expenditures	<u>\$49,942,800</u>	<u>\$24,200,000</u>	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$8,861,554,700	\$9,271,461,200	\$9,453,852,100	\$9,749,667,500
Ending Balance <u>2/</u>	<u>\$595,520,600</u>	<u>\$129,528,400</u>	<u>(\$236,754,900)</u>	<u>(\$489,280,300)</u>
<i>Structural Balance <u>3/</u></i>	<i>(\$378,803,200)</i>	<i>(\$493,892,200)</i>	<i>(\$360,183,300)</i>	<i>(\$252,525,400)</i>

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

2/ This calculation reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization Fund balance.

3/ This calculation reflects the difference between ongoing revenues and expenditures and excludes one-time adjustments. Excludes any Budget Stabilization Fund

ENACTED GENERAL FUND SPENDING BY MAJOR BUDGET UNITS

	<u>FY 2014 Enacted</u>	<u>FY 2015 Enacted</u>	<u>FY 2016 Estimate</u>	<u>FY 2017 Estimate</u>
EXPENDITURES				
Operating Budget				
-- Department of Administration	\$11,694,300	\$11,193,000	\$11,193,000	\$11,193,000
-- ADOA - Automation Projects Fund	18,400,000	35,500,000	19,602,000	10,400,000
-- ADOA - Dept. of Child Safety		25,000,000		
-- AHCCCS	1,334,933,400	1,274,403,200	1,323,555,000	1,374,570,300
-- Attorney General	22,464,600	23,465,100	23,465,100	23,465,100
-- Department of Child Safety	240,838,400	361,005,400	350,130,600	341,724,400
-- Commerce Authority	31,500,000	31,800,000	31,500,000	31,500,000
-- Community Colleges	69,508,700	71,906,400	73,332,800	74,858,800
-- Department of Corrections	971,743,900	996,845,600	1,007,598,600	1,010,281,700
-- County Funding	7,150,500	7,650,500	7,150,500	7,150,500
-- Department of Economic Security	449,274,500	479,290,300	505,396,000	534,872,700
-- Department of Education	3,620,831,200	3,808,392,700	3,952,789,100	4,133,831,900
-- Department of Environmental Quality	7,000,000	7,000,000	7,000,000	7,000,000
-- Department of Health Services	550,646,400	613,362,100	625,636,500	639,684,200
-- Judiciary	109,841,000	110,495,600	109,995,600	109,995,600
-- Department of Juvenile Corrections	43,822,700	44,165,900	44,165,900	44,165,900
-- State Land Department	12,345,400	12,509,800	12,509,800	12,509,800
-- Department of Public Safety	51,560,800	89,324,900	88,574,900	118,574,900
-- Public Safety Personnel Retirement System	5,000,000	6,000,000	6,000,000	6,000,000
-- Department of Revenue	47,025,300	48,139,400	48,139,400	48,139,400
-- School Facilities Board	193,181,400	189,358,400	192,079,900	191,854,600
-- Office of Tourism	7,102,600	9,103,700	7,103,700	7,103,700
-- Universities	735,517,300	768,421,900	765,900,700	769,755,200
-- Department of Water Resources	12,326,400	13,330,300	13,330,300	13,330,300
-- All Other Budgets	158,164,500	169,543,600	163,139,100	163,139,100
-- Civic Center Payment	20,449,000	20,449,000	20,449,000	20,449,000
-- Asset Sale/Lease-Back Debt Service	84,119,800	84,123,700	84,114,600	84,117,400
-- Unallocated Adjustments	53,300			
Total - Operating Budget	<u>\$8,816,495,400</u>	<u>\$9,311,780,500</u>	<u>\$9,493,852,100</u>	<u>\$9,789,667,500</u>
-- FY 2014 Supplementals	2,736,300			
-- Capital Outlay	49,942,800	24,200,000		
-- Administrative Adjustments	62,980,200	51,480,700	60,000,000	60,000,000
-- Revertments	(70,600,000)	(116,000,000)	(100,000,000)	(100,000,000)
Total Spending	<u>8,861,554,700</u>	<u>\$9,271,461,200</u>	<u>\$9,453,852,100</u>	<u>\$9,749,667,500</u>

ENACTED GENERAL FUND BUDGET *

\$ in Millions

	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Estimate	FY 2017 Estimate	Notes
1	\$ 895.5	\$ 595.6	\$ 129.0	\$ (237.5)	
2	\$ 8,561.6	\$ 8,732.9	\$ 9,087.7	\$ 9,491.7	
3		(14.6)	(18.2)	(18.2)	
4			(10.0)	(10.0)	
5			1.5	1.5	
6		(0.5)	(0.5)	(0.5)	
7		(0.9)	(1.3)	(1.7)	
8		(0.2)	(0.1)	(0.2)	
9			(6.1)		
10		(0.2)	(0.5)	(0.5)	
11		35.0	35.0	35.0	
12		53.9			
13 Total Revenues	\$ 9,457.1	\$ 9,401.0	\$ 9,216.5	\$ 9,259.6	
14	\$ 8,801.9	\$ 8,801.9	\$ 8,801.9	\$ 8,801.9	
15		353.3	723.2	1,256.1	
16 Total JLBC Baseline with HURF	\$ 8,801.9	\$ 9,155.2	\$ 9,525.1	\$ 10,058.0	
Changes to JLBC Baseline					
17		(0.5)	(0.5)	(0.5)	
18		\$25k	\$25k	\$25k	
19		0.1	0.1	0.1	3 FTEs and \$125k
20		(12.9)	(29.0)	(50.2)	
21		(0.4)	(0.4)	(0.4)	5 FTEs
22		(3.2)	(3.2)	(3.2)	
23		2.8	2.8	2.8	
24		3.0	3.0	3.0	2% Provider Rate Increase
25		Absorb	Absorb	Absorb	\$180k
26		0.2	0.2	0.2	
27		25.0			Intent Language Footnote
28		5.0	5.0	5.0	
29		0.2			
30		4.2			
31		6.8	4.5		
32		7.6	5.1		
33		4.2	2.8		
34	5.7	21.5	20.3	20.3	332 FTEs
35		1.7	1.7	1.7	
36	5.1				
37		6.5	6.5	6.5	
38		0.2	0.2	0.2	
39		0.4	0.4	0.4	
40			4.0	8.0	
41		7.1	7.4	7.4	93 FTEs
42		2.2	1.9	1.9	
43		0.2	0.2	0.2	
44		3.0			
45		1.0	1.0	1.0	Attorney General SLI. 12 FTEs
46		0.5	0.5	0.5	5 FTEs
47		5.6	5.6	5.6	Separate Line Item for In Home vs. Out of Home
48		6.0	6.0	6.0	
49		(1.5)	(1.5)	(1.5)	

ENACTED GENERAL FUND BUDGET *

\$ in Millions

	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Estimate	FY 2017 Estimate	Notes
50	DCS - Intensive Family Services	3.5	3.5	3.5	
51	ACA - Mexico City Office	0.3			
52	CCO - STEM Formula Funding	6.2	6.2	6.2	Executive Proposal + \$2 M Maricopa/Pima
53	CCO - Apache/Greenlee Out of County Payments	0.4			\$425k
54	DOC - 500 Maximum Security Beds	(0.2)	(0.2)	(0.2)	
55	DOC - Population Growth/Other	(3.0)	(3.0)	(3.0)	
56	DOC - Employer Retirement	3.5	3.5	3.5	
57	ASDB - Replacement of Network Core Infrastructure	0.7			
58	DES - DD Formula Changes	(3.0)	(3.0)	(3.0)	2% Provider Rate Increase
59	DES - Long Term Care System Fund Backfill	23.2	23.2	23.2	
60	DES - AZ Early Intervention Prog Caseload Growth	1.0	1.0	1.0	
61	DES - Adult Protective Svcs Growth	3.0	3.0	3.0	37 FTEs
62	DES - Data Center (ADOA)				See DES/DCS - Startup
63	DES - Rural Autism/Parenting Skills	0.3	0.3	0.3	
64	DES - Long-Term Care/Assisted Living	0.3	0.3	0.3	
65	DES - Homeless Capital Grant Program	0.5			
66	ADE - Formula Changes	47.0			\$47 M FY 14 Supplemental
67	ADE - Charter Conversion Rollback	(8.8)	(94.1)	(215.7)	Fund 14 Conversions at \$24.5 M
68	ADE - Student Success Funding	20.0	20.0	20.0	Incentive Payments
69	ADE - Testing Cost	8.0	8.0	8.0	
70	ADE - K-12 Broadband	Report			
71	ADE - IT Certifications	1.0	1.0	1.0	
72	ADE - AZELLA Administration	2.5	2.5	2.5	
73	ADE - Structured English Immersion Fund Adjust.	(3.8)	(3.8)	(3.8)	
74	ADE - Data System (ADOA)	5.0			
75	ADE - JTED Performance Funding	0.5			
76	ADE - Fund JTED @ 95.5%	1.5	1.5	1.5	
77	EMA - Mental Health Therapists	0.1	0.1	0.1	2 FTEs
78	EMA - Military Installation Fund	2.5			
79	EXE - Executive Director & Support Staff	0.1	0.1	0.1	
80	FBLS - Mesa Fire School	0.2	0.2	0.2	\$175k
81	FOR - Wildland Firefighting Training (1 FTE)	0.1	0.1	0.1	\$147k
82	FOR - Removing Hazardous Vegetation	1.4	1.4	1.4	
83	FOR - Dispatch Center Dispatchers (2 FTEs)	0.1	0.1	0.1	\$136k
84	FOR - Tucson District Fire Engine	0.1			\$57k
85	FOR - Operating Expenses for Satellite Offices	0.1	0.1	0.1	\$74k
86	FOR - Environmental County Grants	0.1			
87	DHS - Formula Changes	(3.3)	(8.0)	(14.8)	\$17.6 M FY 14 Supplemental Plus \$13 M AXS Transfer
88	DHS - Alzheimer's Research	1.3			
89	DHS - TGen Funding	3.0	3.0	3.0	\$3 M for 5 yrs. Allocate to NAU
90	DHS - LaPaz Shift to Critical Access Hospital	(0.3)	(0.3)	(0.3)	
91	DHS - Multidisciplinary Mental Health Grants	0.3	0.3	0.3	50% Urban / 50% Rural
92	IRC - Funding	1.5	1.1		
93	JUD - Foster Care Review Board (3 FTE)	Yes	Yes	Yes	Absorbed in Judiciary (\$175k cost). 3 FTE footnote
94	JUD - Drug Treatment Alternative to Prison	0.3			\$250k
95	JUD - Court Ordered Counseling	0.3			\$250k
96	JUD - Court of Appeals	0.2	0.2	0.2	\$229.6k
97	LEG - Auditor General DCS Audit	0.3			
98	LEG - Ombudsman CPS	0.2	0.2	0.2	
99	NUR - Nursing Assistant Program	0.2			
100	Parks - Yarnell Hill Memorial	0.5			
101	DPS - Reduce HURF Shift	(89.2)	(89.2)	60.0	Increase Local HURF Funding \$30 M/\$30 M/\$ 60 M
102	DPS - Continue ACTIC Funding	0.8			Plus \$700k Non-GF Funds
103	DPS - Employer Retirement	4.5	4.5	4.5	Funds HURF adjustment from GF

ENACTED GENERAL FUND BUDGET *

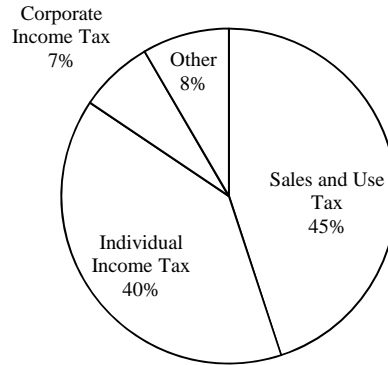
\$ in Millions

	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Estimate	FY 2017 Estimate	Notes
104 DPS - Salary Increase		3.3	3.3	3.3	DPS Operating Budget
105 PSPRS - Prescott PSPRS Liabilities		1.0	1.0	1.0	\$1.0 M Annually for 5 Yrs (FY 15 - 19)
106 DOR - Tobacco Tax/MSA/Audit (8 FTEs)		AXS Funds	AXS Funds	AXS Funds	
107 DOR - TPT Implementation HB 2111		1.0	1.0	1.0	19 FTEs
108 DOR - Capital Gains Staff		0.1	0.1	0.1	
109 DOR - Capital Gains Programming (ADOA)		In Baseline			
110 DOR - Tobacco Tax System (ADOA)		AXS Funds			
111 DOR - New IT Projects (ADOA)			(1.7)	(1.7)	
112 SFB - New School Construction				(7.0)	
113 SOS - Election Year Funding		(0.5)	(0.5)	(0.5)	
114 TOU - Arizona Promotion		2.0			
115 UNI - \$27M Parity		12.2	(3.0)	(18.3)	27.5/27.5/27.5 vs Baseline 15.3/30.5/45.8
116 UNI - Research Infrastructure Pymt Adjustment		(5.6)	(8.1)	(4.3)	
117 UNI - Additional Funding (UofA)		2.0	2.0	2.0	
118 UNI - Additional Funding (ASU)		2.0	2.0	2.0	
119 UNI - Additional Funding (NAU)		0.5	0.5	0.5	
120 UNI - Cooperative Extension (UofA)		3.5	3.5	3.5	28 FTEs
121 USL - Eliminate Funding		(0.1)	(0.1)	(0.1)	
122 VSC - Veterans' Home Construction		9.2			
123 WIFA - Water Supply Funding		1.0			
124 WAT - DWR Staff		1.0	1.0	1.0	6 FTEs
125 WEI - Forklift for Metrology Department		\$36k			
126 WEI - Vehicle for Hire Program Expansion		0.2	0.2	0.2	2 FTEs
127 Capital - Building Renewal		15.0			ADOA - \$9 M / DOC - \$3 M / ABOR - \$3 M
128 Other - No Debt Buyback				(210.0)	
129 Other - Rainy Day Fund Transfer to Arts		Rainy Day Fund			\$1.0 M
130 Other - Graham County Assistance		0.5			
131 Other - Revertments		(16.0)			
132 Other - Retirement Adjustment		0.4	0.4	0.4	
133 Net Spending Issues Above JLBC	\$ 59.6	\$ 116.8	\$ (71.1)	\$ (308.4)	
134 Total Spending Change Above '14	\$ 59.6	\$ 470.1	\$ 652.1	\$ 947.7	
135 Total Spending	\$ 8,861.50	\$ 9,272.0	\$ 9,454.0	\$ 9,749.6	
136 Ending Cash Balance	\$ 595.6	\$ 129.0	\$ (237.5)	\$ (490.0)	
137 Structural Balance	\$ (378.8)	\$ (494.5)	\$ (360.4)	\$ (252.5)	

* While the chart includes new resources for the Department of Child Safety, it does not display the shift of existing resources from the Department of Economic Security to the newly created Department of Child Safety.

FY 2015 General Fund Revenue - Where it Comes From

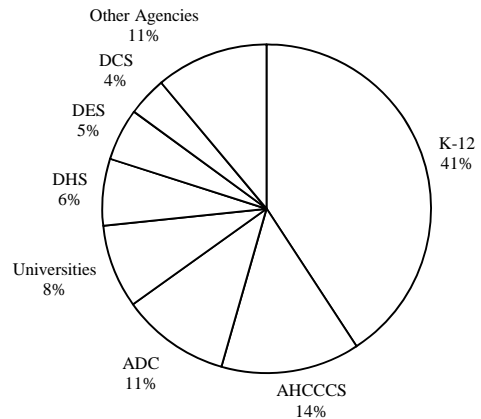
Source	Revenue (Millions)
Sales and Use Tax	\$ 4,207.6
Individual Income Tax	3,696.7
Corporate Income Tax	670.8
Other	787.2
TOTAL REVENUE	\$ 9,362.3 ^{1/}



^{1/} Includes all legislative revenue changes, but does not include beginning balance of \$596 million, urban revenue sharing, or other one-time revenue adjustments.

FY 2015 General Fund Appropriations - Where it Goes

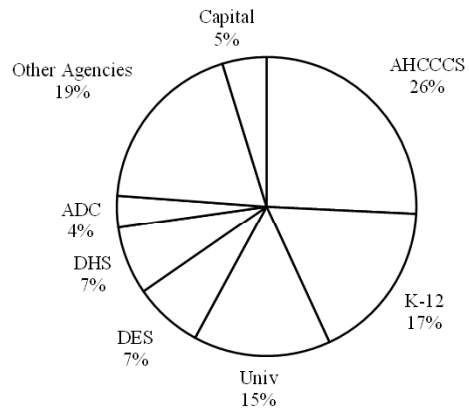
Budget Unit	Appropriation (Millions)
Education (K-12)	\$ 3,808.4
AHCCCS	1,274.4
Corrections	996.8
Universities	768.4
Health Services	613.4
Economic Security	479.3
Child Safety	361.0
Other Agencies	1,034.3
TOTAL BUDGET	\$ 9,336.0 ^{1/}



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

FY 2015 Total Spending - All Sources 1/

<u>Budget Unit</u>	<u>Spending (Millions)</u>
AHCCCS	\$ 8,188.9
Education (K-12)	5,516.8
Universities	4,708.6
Economic Security	2,365.9
Health Services	2,343.5
Corrections	1,095.4
Other Agencies	6,056.7
Capital	1,515.7
TOTAL	<u>\$ 31,791.4</u> 2/

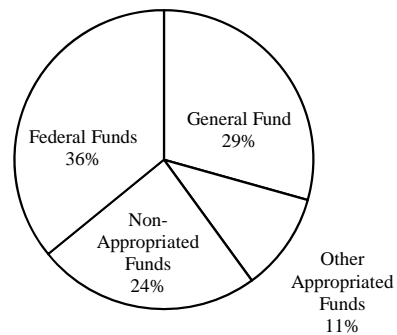


1/ Does not include administrative adjustments and revertsments.

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

FY 2015 Total Spending by Fund Source 1/

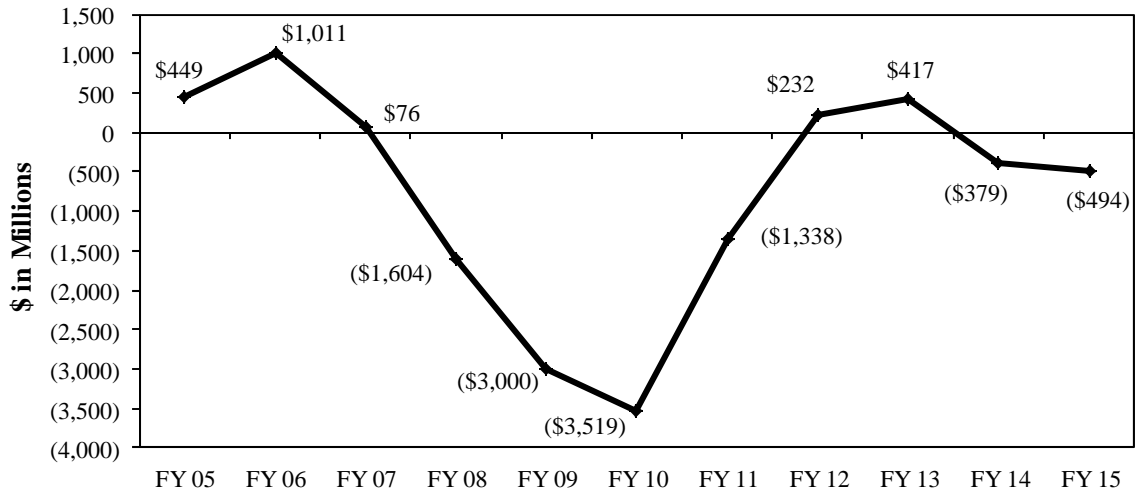
<u>Fund Source</u>	<u>Spending (Millions)</u>
General Fund	\$ 9,336.0
Other Appropriated Funds	3,377.1
Non-Appropriated Funds	7,671.8
Federal Funds	11,406.5
TOTAL	<u>\$ 31,791.4</u> 2/



1/ Does not include administrative adjustments and revertsments.

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

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



Ongoing Fund Surplus (+) / Shortfall (-)

Counts 1 ¢ Sales Tax as Ongoing in FY '11 - FY '13

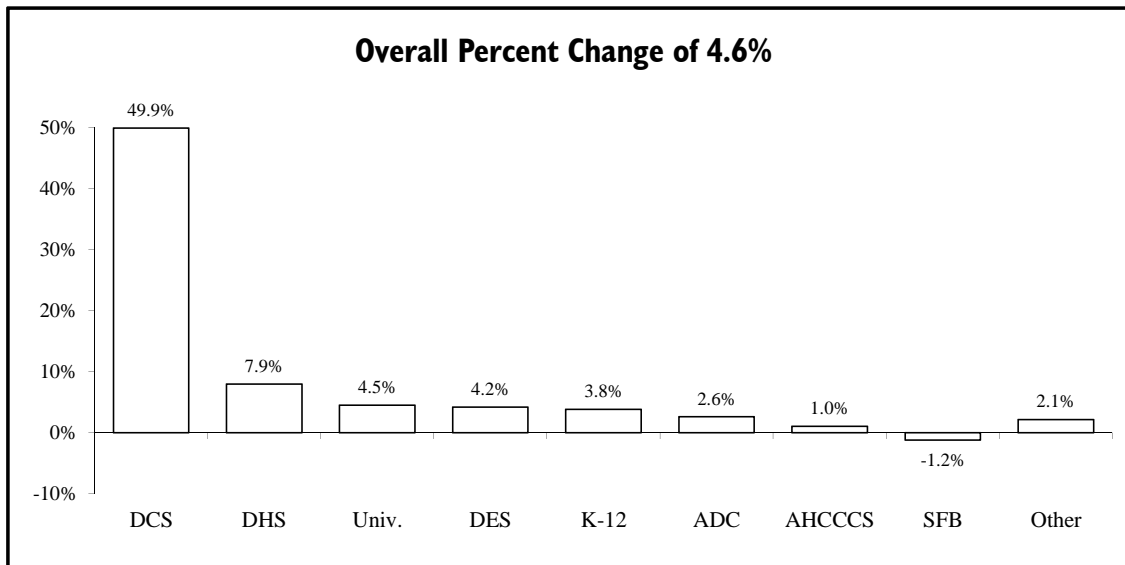
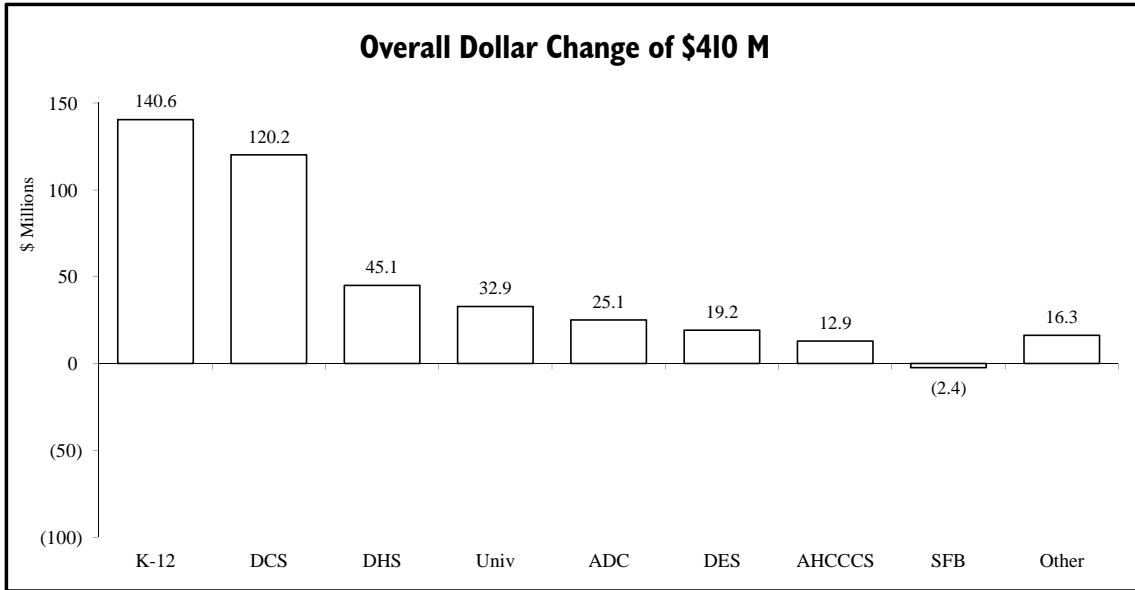
**Recent History of Appropriated Ongoing
General Fund Balance 1/
(\$ in Millions)**

Fiscal Year	Ongoing Revenues	Ongoing Expenditures	Surplus/ (Shortfall)
2005	7,719	7,270	449
2006	9,266	8,255	1,011
2007	9,624	9,548	76
2008	8,765	10,369	(1,604)
2009	6,967	9,967	(3,000)
2010	6,295	9,814	(3,519)
2011	8,056 ^{2/}	9,394	(1,338)
2012	8,535 ^{2/}	8,303	232
2013	8,923 ^{2/}	8,506	417
2014	8,433	8,812	(379)
2015	8,753	9,247	(494)

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

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

**Changes to Major Agencies' General Fund Budget ^{1/}
FY 2014 to FY 2015**



^{1/} Represents change in total General Fund spending from FY 2014 (including supplementals and ex-appropriations) to FY 2015. See page BD-6.

FY 2015 STATE GENERAL FUND BUDGET – A NARRATIVE SUMMARY

General Fund Balances

- Given forecasted FY 2015 General Fund revenues of \$9.40 billion and spending of \$9.27 billion, the budget has a projected FY 2015 balance of \$130 million.
- Under the 3-year budget projections, there would be an ending shortfall of \$(237) million in FY 2016 and \$(489) million in FY 2017.
- The ending balance projections exclude the state's Budget Stabilization Fund reserve of \$459 million.

General Fund Revenues

- Projected FY 2015 revenues are \$9.40 billion. While base revenues are forecast to grow in FY 2015, overall net revenues would decline by \$(56) million compared to FY 2014.
 - ⇒ Based on JLBC's 4-sector consensus, base revenues are projected to grow by \$477 million, or 5.3%.
 - ⇒ A \$(300) million decrease in the beginning balance, from \$895 million at the beginning of FY 2014 to \$596 million at the start of FY 2015.
 - ⇒ The state set-aside for urban revenue sharing formula distributions would grow from \$561 million to \$609 million, thereby reducing state revenue by \$(48) million.
 - ⇒ Previously enacted tax and revenue legislative changes would reduce state revenue by \$(127) million, primarily from reductions in corporate income taxes.
 - ⇒ Newly enacted changes would increase State Revenue by a net \$19 million – among other changes, a gain of \$35 million from the deposit of certain Long Term Care System Fund monies would be offset by a \$(15) million reduction associated with a manufacturer's sales tax exemption for electricity/natural gas sales.
 - ⇒ A \$(100) million reduction in fund transfers. The remaining \$54 million transfer is from the State Employee Health Insurance Fund.

General Fund Spending

- FY 2015 General Fund spending is projected to be \$9.27 billion, an increase of \$410 million, or 4.6% above FY 2014.
- The entire FY 2015 state budget, including both appropriated and non-appropriated funds, is projected to be approximately \$31.7 billion.

Education

Department of Education

- ADE General Fund spending increases by \$140.6 million, or 3.8%, including:
 - ⇒ \$62.5 million for 1.1% student growth.
 - ⇒ \$21.8 million for higher average cost per pupil due to special education and charter growth.
 - ⇒ \$24.5 million for charter school conversions.
 - ⇒ \$74.6 million for a 1.4% inflation adjustment of per pupil base level, transportation and charter additional assistance.
 - ⇒ \$(47.0) million for a one-time FY 2014 supplemental.
 - ⇒ \$(42.3) million for property tax and Homeowner's Rebate changes.
 - ⇒ \$22.3 million for higher Basic State Aid and Homeowner's Rebate costs due to recent statutory changes.
 - ⇒ \$(5.2) million for the 4th year of the 5-year Career Ladder phase out.
 - ⇒ \$20.0 million for Student Success Funding.
 - ⇒ \$8.0 million for Achievement Testing.
 - ⇒ \$(3.8) million for the Structured English Immersion Fund to reflect current expenditure levels.
 - ⇒ \$2.5 million for English Learner testing.
 - ⇒ \$1.5 million to fund large Joint Technical Education Districts (JTEDs) at 94.5%.
 - ⇒ \$1.0 million for Information Technology Certifications.
 - ⇒ \$500,000 for JTED Performance Pay.
 - ⇒ \$(207,900) for other base adjustments and standard changes.

School Facilities Board

- SFB's General Fund spending decreases by \$(2.4) million, or (1.2)%, including:
 - ⇒ \$(2.6) million for decreased debt service associated with past lease-purchase agreements.
 - ⇒ \$186,200 for new construction funding for the second year of a project in the Thatcher district.

Universities

- The Universities' General Fund spending increases by \$32.9 million, or 4.5%, including:
 - ⇒ \$27.5 million to complete the "parity" initiative to raise Arizona State University (ASU) and Northern Arizona University (NAU) per student funding to the University of Arizona (UA) level.
 - ⇒ \$4.5 million for additional operating funding – \$2.0 million to ASU and UA and \$500,000 to NAU.
 - ⇒ \$3.5 million for the University of Arizona Cooperative Extension.
 - ⇒ \$3.0 million for a biotechnology research partnership between NAU and a nonprofit medical research entity.
 - ⇒ \$(5.6) million for savings from the refinancing of 2003 Certificates of Participation for research infrastructure.
- Total university enrollment was 140,000 full-time equivalent students in the past year.

Community Colleges

- Community College General Fund spending increases by \$2.4 million, or 3.4%, due to increases for STEM and Workforce Development funding and Rural County Reimbursement subsidies.
- Enrollment decreased by (7,557) full-time equivalent students, or (5.3)%, for a total enrollment of 133,917 in FY 2013.

Health and Welfare

Medicaid Agencies

- All 3 Medicaid agencies are adjusted for the following funding formula factors: enrollment changes, an increase in the regular federal match rate from 66.84% to 68.15%, and a 2% - 3% capitation rate increase.

AHCCCS

- AHCCCS' General Fund spending increases by \$12.9 million, or 1.0%, including:
 - ⇒ \$(142.0) million to annualize hospital assessment savings.
 - ⇒ \$98.9 million to annualize the mandatory costs associated with the federal Affordable Care Act, primarily from an increase in the currently eligible but not enrolled "traditional" population.
 - ⇒ \$80.0 million to restore the childless adult population.
 - ⇒ \$(23.6) million for formula adjustments. An increase in the federal matching rate will decrease state costs.
 - ⇒ \$(0.8) million for various other adjustments.
- AHCCCS enrollment is projected to grow to 1.61 million by June 2015. This level represents a caseload increase of 219,000, or 15.7%, above June 2014. The higher caseload includes the following 228,000 new recipients related to federal health care changes:
 - ⇒ An additional 79,000 enrollees due to mandatory coverage provisions. This population consists of currently eligible, but not enrolled individuals and children in families with income from 100-133% of the federal poverty level (FPL).
 - ⇒ An additional 149,000 enrollees due to optional expansion of adult eligibility. Of this population, 114,000 of these individuals are childless adults from 0-100% FPL and 35,000 are adults from 100-133% FPL.

Department of Health Services

- DHS General Fund spending increases by \$45.1 million, or 7.9%, including:
 - ⇒ \$36.8 million to annualize the costs associated with mandatory federal health care legislation.
 - ⇒ \$15.5 million to annualize the costs associated with Medicaid expansion and the Childless Adult restoration.
 - ⇒ \$(5.7) million for formula adjustments, due primarily to a higher federal match rate.
 - ⇒ \$(2.8) million for shifting services of most enrollees in the Children's Rehabilitative Services program to AHCCCS.
 - ⇒ \$1.3 million for Alzheimer's research.
 - ⇒ \$300,000 for Multidisciplinary Mental Health Grants.
 - ⇒ \$(0.3) million to shift funding for La Paz Regional Hospital to the Critical Access Hospital program in the AHCCCS budget.

Department of Economic Security

- DES General Fund spending increases by \$19.2 million, or 4.2%, including:
 - ⇒ \$13.4 million for new FY 2015 Developmentally Disabled (DD) Medicaid caseload growth.
 - ⇒ \$(13.8) million for savings associated with a higher federal Medicaid match rate.
 - ⇒ \$7.1 million for a 2% DD capitation rate increase in FY 2015.
 - ⇒ \$1.0 million for Arizona Early Intervention program caseload growth.
 - ⇒ \$29.2 million to backfill one-time Long Term Care System Fund and federal Temporary Assistance for Needy Families Block Grant monies.
 - ⇒ \$(21.8) million transfer out to the Department of Child Safety for non-Division of Child Safety and Family Service expenses. The FY 2014 Base has already been adjusted to reflect direct DCSFS costs for comparability.
 - ⇒ \$300,000 for a new autism parenting skills program in rural areas.

- ⇒ \$300,000 for a new Long Term Care Assisted Living program in counties other than Maricopa and Pima.
- ⇒ \$3.0 million for 37 Adult Protective Services staff.
- ⇒ \$500,000 for a new Homeless Capital Grant program.

Department of Child Safety

- DCS General Fund spending increases by \$120.2 million, or 49.9%, including:
 - ⇒ \$15.8 million to add 332 Child Safety caseworkers and related staff.
 - ⇒ \$1.7 million for Child Safety retention pay.
 - ⇒ \$7.1 million for 93 Office of Child Welfare Investigations staff.
 - ⇒ \$3.4 million for legal, records and inspection bureau staff.
 - ⇒ \$0.5 million for training resources and internet crimes against children investigations.
 - ⇒ \$23.1 million for overtime and services to eliminate the backlog of cases with no action in 60 days.
 - ⇒ \$6.0 million for Adoption Services caseload growth.
 - ⇒ \$5.6 million for in-home and out-of-home support services.
 - ⇒ \$3.5 million for intensive family services growth.
 - ⇒ \$1.4 million for emergency and residential placements to backfill the loss of one time funds.
 - ⇒ \$3.0 million to reduce the rollover of payments into the following fiscal year.
 - ⇒ \$21.2 million transfer in from DES for non-Division of Child Safety and Family Services expenses.
 - ⇒ \$29.5 million to backfill one-time Long Term Care System Fund and federal Temporary Assistance for Needy Families Block Grant monies.
 - ⇒ \$(1.5) million to eliminate one-time contingency monies.

Department of Child Safety/Department of Administration

- The Department of Administration is appropriated \$25 million for one-time transition costs associated with establishing the new Department of Child Safety and the cost of replacing the DES Data Center facility.

Criminal Justice/Public Safety

Department of Corrections

- Arizona Department of Correction's (ADC) General Fund spending increases by \$25.1 million, or 2.6%, including:
 - ⇒ \$11.9 million for opening 500 private medium security beds in January 2015, and annualizing the costs of operating and monitoring the 500 beds that open in January 2014.
 - ⇒ \$9.7 million for staffing 500 maximum security prison beds set to open December 1, 2014.
 - ⇒ \$3.5 million for an employer retirement rate increase.
- The total public and private population is projected to be 42,286. In terms of male beds, ADC would have a rated bed shortfall of (4,471) in June 2015. This shortfall would be offset with the availability of 5,301 temporary beds.

Judiciary

- Judiciary's General Fund spending increases by \$654,600, or 0.6%, including:
 - ⇒ \$229,600 for health and dental insurance in the Court of Appeals (COA).
 - ⇒ \$250,000 for a one-time appropriation for court-ordered counseling services.
 - ⇒ \$250,000 for a one-time appropriation to the Drug Treatment Alternative to Prison program.
 - ⇒ \$126,000 to fund an operating shortfall for the Gila River Water Master.
 - ⇒ \$(90,000) to eliminate one-time funding.
 - ⇒ \$(111,000) for statewide adjustments.

Department of Public Safety

- Department of Public Safety's (DPS) General Fund spending increases by \$37.8 million, or 73.2%, including:
 - ⇒ \$30.0 million to shift operating expenses from the Highway User Revenue Fund (HURF) to the General Fund.
 - ⇒ \$3.3 million for a 2% salary increase.
 - ⇒ \$4.5 million for an employer retirement rate increase.

Local Issues

- The budget increases the local HURF allocation by \$30 million (by shifting DPS expenses to the General Fund).
- The budget includes \$500,000 for additional assistance to Graham County.
- The budget also continues a \$7.2 million cash payment from the General Fund for county governments, in which each county except Maricopa and Pima receives \$550,000.

- The budget includes an increase of \$47.9 million, or 8.5%, for higher urban revenue sharing payments to city governments. Total funding would be \$608.9 million.

General Government

Automation

- The budget includes \$70.0 million for large-scale automation projects financed through the Automation Projects Fund. Of this amount, \$35.5 million is financed from the General Fund and \$34.5 million is financed from Other Funds. In comparison, the FY 2014 General Fund spending was \$25.5 million. The \$70.0 million FY 2015 amount includes the following:
 - ⇒ \$26.5 million for the third year of a 4-year project to replace the state's financial and accounting system.
 - ⇒ \$9.0 million for technology projects at ADOA, including:
 - \$3.1 million for enhancing statewide data security.
 - \$2.9 million to improve the state's data center.
 - \$2.2 million for project management and oversight.
 - \$500,000 for enhancing enterprise architecture.
 - \$325,000 for projects related to E-government.
 - ⇒ \$12.0 million for ADE's IT project, the Education Learning and Accountability System (ELAS).
 - ⇒ \$8.0 million for the second year of a 3-year project to replace ADC's Adult Inmate Management System (AIMS).
 - ⇒ \$6.8 million for the Department of Environmental Quality's E-Licensing Project.
 - ⇒ \$5.0 million to replace the Children's Information Library and Data Source (CHILDS) at DES.
 - ⇒ \$2.7 million for projects to enhance tax analysis at the Department of Revenue, including \$1.0 million to process tobacco tax collections.

Payment Deferral

- The budget continues to defer \$1.2 billion in General Fund spending from FY 2015 to FY 2016, including:
 - ⇒ \$930.7 million of school district payments.
 - ⇒ \$200.0 million of payments to the University system.
 - ⇒ \$21.0 million of DES payments.
 - ⇒ \$11.0 million of DCS payments, a decrease of \$(3) million from the previous \$14 million amount for the child welfare portion of DES.

Reversions

- The budget continues projected Reversions at \$(116) million, compared to \$(71) million in FY 2014. Reversions are unspent appropriations offset by any administrative adjustments.
- FY 2015 Administrative Adjustments are forecasted to be \$51 million, compared to \$63 million in the FY 2014 budget.

State Employee Issues

FTE Positions

- The budget increases the Full-Time Equivalent (FTE) ceiling by 613.7 Positions in FY 2015, primarily due to opening a new ADC prison facility as well as increased DCS staffing.
- These adjustments would bring the total appropriated FTE Position ceiling to 50,480.7.

Employee Pay and Salary Issues

- Employer and employee retirement rates will increase in FY 2015 in all retirement systems, except the Elected Officials Retirement Plan. In the Arizona State Retirement System (ASRS), both employer and employee rates will increase from 11.54% to 11.60%. In the Public Safety Personnel Retirement System (PSPRS), aggregate employer rates will increase by up to 2.1% and aggregate employee rates will increase by up to 0.7%.
- The FY 2015 budget includes \$409,100 from the General Fund and \$716,200 from Other Funds to fund the increased ASRS employer contribution rate. Increases for employer contributions for PSPRS and CORP are detailed in their respective agencies above.

Capital

- The budget includes a \$15.0 million increase for building renewal projects, consisting of \$9.0 million in ADOA, \$3.0 million in ABOR, and \$3.0 million for ADC.
- The budget includes \$9.2 million to fund the 35% state share of constructing a new veterans' home in Yuma. The federal government will fund the remaining costs of the project.

- The budget removes funding that was used to complete 500 maximum-security prison beds operated by the Department of Corrections. The Department of Corrections currently expects construction to be completed in time to accept prisoners by early December 2014.
- The budget includes no adjustment in state rental rates. The FY 2015 budget does include \$(192,500) of General Fund savings for lease-purchase and privatized lease-to-own payments changes, which are related to the refinancing of several lease-purchase agreements in February 2013.
- The budget includes a decrease of \$(9.4) million from the General Fund for debt and lease-purchase payments in FY 2015, due to the refinancing of outstanding SFB lease-purchase agreements.

FY 2015 FUNDING FORMULA SUSPENSIONS ^{1/}

	FY 2015 Formula Requirement
<u>Statutory</u>	
Community Colleges - STEM and Workforce Programs State Aid Suspension	\$ 13,774,400 ^{2/}
Department of Education - District Additional Assistance	238,985,500 ^{3/}
Department of Education - Charter School Additional Assistance	15,656,000
Department of Education - Large JTEDs at 95.5%	1,747,400 ^{4/}
Department of Environmental Quality - WQARF	8,000,000
Department of Health Services - Restoration to Competency (RTC)	900,000 ^{5/}
Department of Health Services - Sexually Violent Persons (SVP)	3,021,400 ^{6/}
Universities - Financial Aid Trust	12,645,800
Department of Public Safety - Highway User Revenue Fund (HURF)	<u>79,255,000</u> ^{7/}
 Total - FY 2015 Statutory Funding Formula Suspensions	 \$ 373,985,500
 <u>Non-Statutory</u>	
Department of Administration - Building Renewal	\$ 15,962,300
Department of Corrections - Building Renewal	7,945,000
Universities - Building Renewal	<u>104,480,500</u>
 Total - FY 2015 Non-Statutory Funding Formula Suspensions	 \$ 128,387,800

^{1/} Represents the cost of funding formulas that are currently suspended on an annual basis.

^{2/} Represents partial suspension of Maricopa and Pima formula; rural district formula funding is not suspended.

^{3/} Excludes approximately \$20,000,000 suspended in non-state aid districts, which are not funded through the state budget.

^{4/} Estimate based on FY 2014 data. Affects only Maricopa and Pima County JTEDs.

^{5/} Excludes costs that counties incur to treat RTC patients in alternative facilities.

^{6/} Reflects estimate of remaining costs to counties for SVP care.

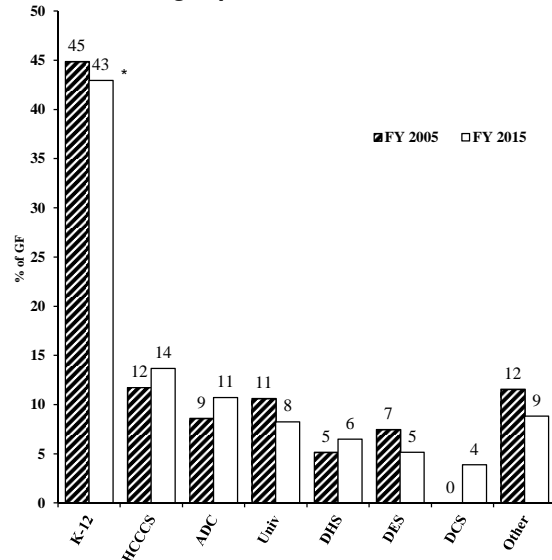
^{7/} This amount is in addition to the \$10 million allocated to DPS from the HURF pursuant to A.R.S. § 28-6993.

"THEN AND NOW" - FY 2005 vs. FY 2015 General Fund Spending

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

	FY 05 Actuals	FY 15 Approp.	\$ Change FY 05-15	% Change FY 05-15
Education (K-12)	\$ 3,130.2	\$ 3,808.4	\$ 678.2	21.7
AHCCCS	876.8	1,274.4	397.6	45.3
Corrections	641.7	996.8	355.1	55.3
Universities	792.1	768.4	(23.7)	(3.0)
Health Services	384.3	613.4	229.1	59.6
Economic Security	557.7	479.3	(78.4) ^{2/}	(14.1)
Child Safety	-	361.0	361.0 ^{2/}	NA
School Facilities Board	218.6	189.4	(29.3)	(13.4)
Judiciary	113.8	110.5	(3.3)	(2.9)
Public Safety	27.4	89.3	62.0	226.5
Other	723.3	620.9	(102.4)	(14.2)
TOTAL	\$ 7,465.8	\$ 9,311.8	\$ 1,846.0	24.7%

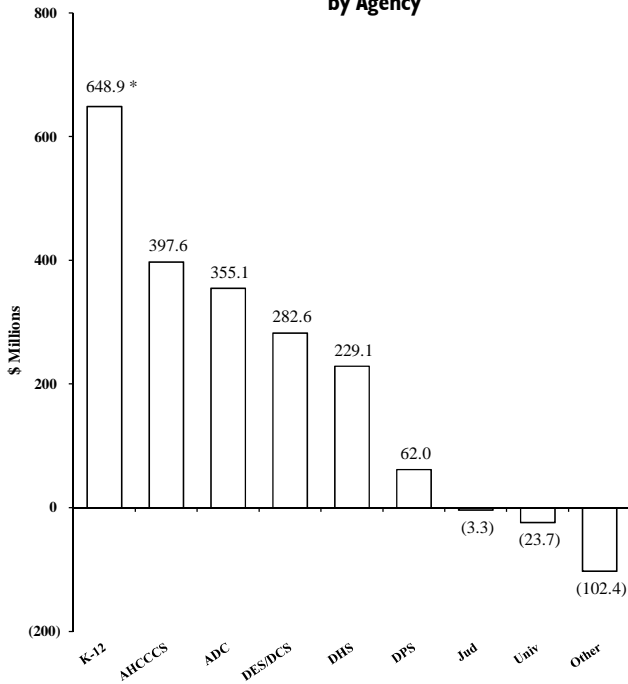
Agency Share of General Fund



* K-12 includes School Facilities Board spending.

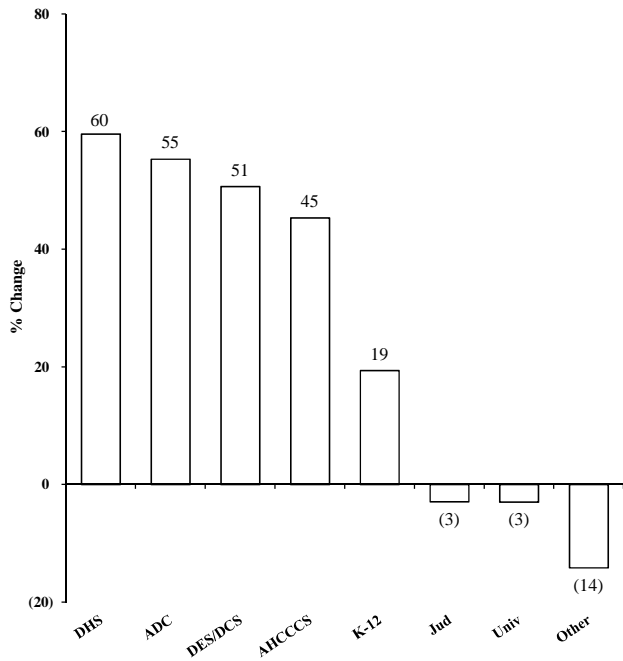
- 1/ Represents individual agency General Fund spending only. Excludes administrative adjustments, revertsments, and capital outlay.
- 2/ Decline in the Department of Economic Security represents shift in resources to the new Department of Child Safety.

**Dollar Change from FY 2005 to FY 2015
by Agency**



* K-12 includes School Facilities Board spending.

**Percent Change from FY 2005
to FY 2015 by Agency**



* K-12 includes School Facilities Board spending.

"THEN AND NOW" - FY 2005 vs. FY 2015 General Fund Revenue and Ending Balances

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

Fiscal Year	Revenue	Expenditures	Ending Balance	Ending Balance as a % of Revenue
2005	8,184.1	7,545.1	639.0	7.8%
2006	9,814.9	8,768.4	1,046.5	10.7%
2007	10,672.2	10,200.5	471.7	4.4%
2008	10,038.2	10,037.2	1.0	0.0%
2009	8,273.7	8,754.4	(480.7)	-5.8%
2010	7,845.8	7,851.5	(5.7)	-0.1%
2011	8,374.8	8,371.6	3.2	0.0%
2012	8,647.3	8,524.9	122.4	1.4%
2013	9,374.9	8,681.1	693.7	7.4%
2014	9,457.1	8,861.6	595.5	6.3%
2015	9,401.0	9,271.5	129.5	1.4%

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

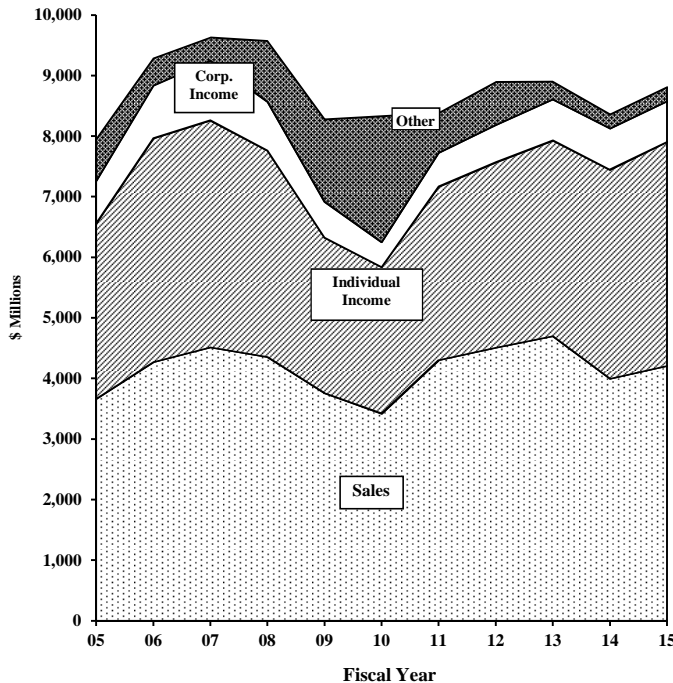
Fiscal Year	Sales	Individual Income	Corporate Income	Other
2005	46.1%	36.4%	8.8%	8.7%
2006	46.0%	39.7%	9.4%	4.8%
2007	46.9%	38.9%	10.2%	3.9%
2008	45.5%	35.6%	8.5%	10.4%
2009	45.4%	31.0%	7.2%	16.4%
2010	41.1%	29.0%	5.0%	24.9%
2011	51.3%	34.2%	6.7%	7.8%
2012 ^{2/}	50.7%	34.4%	6.9%	8.0%
2013 ^{2/}	52.8%	36.3%	7.6%	3.3%
2014	47.8%	41.2%	8.2%	2.8%
2015	47.8%	42.0%	7.6%	2.6% ^{3/}

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

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

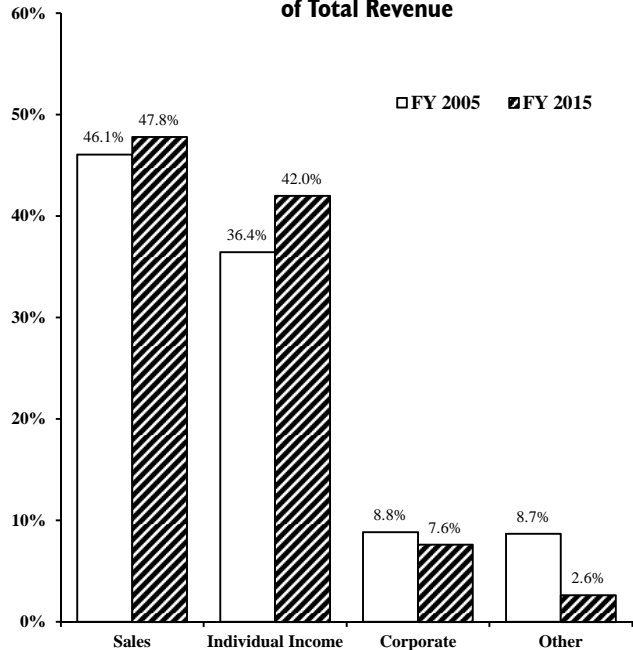
^{3/} Includes \$52.1 million in FY 2015 one-time revenue adjustments (excluding FY 2014 carry-forward balance). See prior Appropriations Reports for earlier years.

General Fund Major Tax Sources as a Share of Total Revenue



FY 2005 vs. FY 2015

Major Tax Sources as a Percent of Total Revenue



BUDGET DETAIL

SUMMARY OF GENERAL FUND APPROPRIATIONS
By Individual Chapter
For Fiscal Years 2014 - 2016 ^{1/2/3/}

Chap. Bill No. Number	Reference Title	FY 2014 General Fund	FY 2015 General Fund	FY 2016 General Fund
Fifty-first Legislature - Second Regular Session (2014)				
1 SB 1159	Supplemental Appropriation; Legislators; Subpoenas; Representation	100,000		
2 SB 1219	Supplemental Appropriation; Navigable Stream Commission	150,000		
3 SB 1220	Independent Redistricting Commission; Supplemental Appropriation	1,462,700		
4 SB 1224	Supplemental Appropriations; Child Safety Positions	5,748,000		
13 HB 2707	Environment; Budget Reconciliation; 2014-2015		(7,500,000)	
15 HB 2709	Capital Outlay; 2014-2015		24,200,000	C
18 HB 2703	2014-2015; General Appropriations* ^{4/}	(9,968,000)	7,202,801,100	1,122,615,600
39 HB 2620	Appropriations; Named Claimants	193,600	600	
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION		(2,313,700)	7,219,501,700	1,122,615,600
Fifty-first Legislature - Second Special Session (2014)				
2 SB 1002	Appropriations; Department of Child Safety	5,050,000	810,512,500	32,000,000 ^{5/}
SUBTOTAL APPROPRIATIONS - 2nd SPECIAL SESSION		5,050,000	810,512,500	32,000,000
Fifty-first Legislature - First Regular Session (2013)				
13 HB 2034	Nuclear Emergency Appropriation and Assessment	2,153,500	2,269,100	
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION		2,153,500	2,269,100	0
Fifty-first Legislature - First Special Session (2013)				
1 HB 2001	2013-2014; General Appropriations	7,495,071,800	1,164,127,700 ^{6/}	(13,798,000) ^{7/}
4 HB 2004	2013-2014; Environment; Budget Reconciliation	(8,000,000)		
8 HB 2008	2013-2014; Capital Outlay	1,000,000	C	
SUBTOTAL APPROPRIATIONS - 1st SPECIAL SESSION		7,488,071,800	1,164,127,700	(13,798,000)
Fiftieth Legislature - Second Regular Session (2012)				
294 SB 1524	General Appropriations; 2012-2013	\$ 1,207,627,700 ^{8/}	20,000,000	23,000,000
295 SB 1525	Capital Outlay; 2012-2013	30,000,000	C	
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION		1,237,627,700	20,000,000	23,000,000
Fiftieth Legislature - First Regular Session (2011)				
35 SB 1623	Budget Reconciliation; Regulation; 2011-2012	(9,864,200) ^{9/}		
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION		(9,864,200)	0	0
Forty-Ninth Legislature - First Regular Session (2009)				
1 HB 2051	2008-2009; Appropriations; Budget Revisions	9,864,200 ^{9/}		
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION		9,864,200	0	0
Permanent General Fund Appropriations and Allocations. ^{10/} *				
9-602	Phoenix Convention Center Financing	20,449,000	20,449,000	20,449,000
15-1469.01	Community College Rural County Allocation	3,268,400	3,195,500	3,195,500
15-1670	University Research Infrastructure Financing ^{11/}	34,625,000	34,625,000	34,625,000
35-192	General Emergency Authority ^{12/}	4,000,000	4,000,000	4,000,000
37-623	Wild Land Fire Emergency ^{12/}	3,000,000	3,000,000	3,000,000
38-810	Elected Officials' Retirement Plan Closure ^{13/}	5,000,000	5,000,000	5,000,000
42-5031.01	Indian Tribal Postsecondary Educational Institutions	2,625,000	2,625,000	2,625,000
43-409	Arizona Commerce Authority/Income Tax Withholding	31,500,000	31,500,000	31,500,000
49-282	WQARF Priority Site Remediation ^{14/}	15,000,000	15,000,000	15,000,000
L '04, Ch. 235	Military Airport Planning; Appropriation ^{15/}	175,000	175,000	175,000
SUBTOTAL APPROPRIATIONS - PERMANENT		119,642,400	119,569,500	119,569,500
TOTAL APPROPRIATIONS		\$ 8,850,231,700	\$ 9,335,980,500	\$ 1,283,387,100

* Appropriation beyond FY 2016.

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

^{1/} For FY 2014 - FY 2016, this table summarizes all General Fund appropriations enacted in any session. Equals total spending less administrative adjustments and revertsments.

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

^{3/} Excludes administrative adjustments, revertsments, and statutory revertsments.

^{4/} FY 2015 amount reflects subsequent amendment by Laws 2014, 2nd Special Session, Chapter 2 to revise the Department of Economic Security appropriation for the creation of the new Department of Child Safety. Laws 2014, Chapter 18 appropriates \$1,130,727,700 in FY 2016 for the payment of FY 2015 payment deferrals into FY 2016 as follows: Arizona Department of Education (ADE) - \$930,727,700; Universities - \$200,000,000. FY 2016 amount also includes the \$(8,112,100) reduction made to the University Research Infrastructure Financing allocation made by Section 134.

^{5/} Laws 2014, 2nd Special Session, Chapter 2 appropriates \$32,000,000 in FY 2016 for the payment of FY 2015 payment deferrals into FY 2016 as follows: Department of Child Safety - \$11,000,000; Department of Economic Security - \$21,000,000.

^{6/} Laws 2013, 1st Special Session, Chapter 1 appropriates \$1,165,727,700 in FY 2015 for the payment of FY 2014 payment deferrals into FY 2015 as follows: Department of Economic Security (DES) - \$35,000,000; Arizona Department of Education (ADE) - \$930,727,700; Universities - \$200,000,000. The legislation also includes a reduction of \$(1,600,000) made to a prior appropriation to ADOA for automation projects.

^{7/} Laws 2013, 1st Special Session, Chapter 1, Section 1 includes a reduction of \$(13,798,000) made to a prior appropriation to ADOA for automation projects.

^{8/} Laws 2012, Chapter 294 appropriates \$1,187,627,700 in FY 2014 for the payment of FY 2013 payment deferrals into FY 2014 as follows: Department of Economic Security (DES) - \$35,000,000; Arizona Department of Education (ADE) - \$952,627,700; Universities - \$200,000,000. The legislation also includes \$16,800,000 appropriation to ADOA for automation projects in FY 2013, \$20,000,000 in FY 2014 and FY 2015, along with \$23,000,000 in FY 2016. Laws 2013, 1st Special Session, Chapter 1 revised these amounts to: FY 2014 - \$18,400,000; FY 2015 - \$18,400,000; FY 2016 - \$9,202,000.

- 9/ Laws 2009, 1st Regular Session, Chapter 1 appropriates \$4,659,700 and \$5,204,500 from the General Fund to the Arizona Property and Casualty Insurance Guaranty Fund and the Life and Disability Insurance Guaranty Fund, respectively, in FY 2012 - FY 2014 as reimbursement for prior transfers from these funds. However, because litigation has been filed to stop the original transfers, Laws 2011, Chapter 35, Section 6 requires repayment only if the actual transfers are made. The FY 2012 - FY 2014 repayments are shown as offsetting amounts because as of this writing, the actual transfers have not occurred.
- 10/ Permanent law authorizes these appropriations and allocations.
- 11/ Starting in FY 2008 and continuing through FY 2031, A.R.S. § 15-1670 annually appropriates the collective total of \$34,625,000 to Arizona State University, Northern Arizona University, and the University of Arizona for debt service on research infrastructure projects. Laws 2015, Chapter 18 reduces the FY 2015 appropriation by \$(5,590,900) and the FY 2016 appropriation by \$(8,112,100).
- 12/ In an emergency, the Governor can order the withdrawal of these monies from the General Fund without specific appropriation authority.
- 13/ Laws 2013, Chapter 217 appropriates \$5,000,000 annually from the General Fund to the EORP Fund from FY 2014 through FY 2043 to supplement the normal cost plus an amount to amortize the unfunded accrued liability of the Elected Officials Retirement Plan.
- 14/ A.R.S. § 49-282 directs \$18,000,000 annually to the Water Quality Assurance Revolving Fund (WQARF). The statute instructs the State Treasurer to transfer \$15,000,000 from corporate income tax receipts into WQARF at the start of each fiscal year. The statute also instructs the State Treasurer to adjust the corporate income tax deposit at the end of each fiscal year to supplement other deposits, so that WQARF receives \$18,000,000 total from all sources. Laws 2012, Chapter 303 and Laws 2013, 1st Special Session, Chapter 4 reduce the appropriations by \$8,000,000 for FY 2013 and FY 2014, respectively.
- 15/ \$90,000 to DEMA and \$85,000 to the Attorney General.

SUMMARY OF OTHER FUND APPROPRIATIONS By Individual Chapter For Fiscal Years 2014 and 2015 ^{1/2/3/}

Chap. Bill No. Number Reference Title	FY 2014 Other Fund	FY 2015 Other Fund
<u>Fifty-first Legislature - Second Regular Session (2014)</u>		
9 SB 1487 Revenue; Budget Reconciliation; 2014-2015		1,000,000
15 HB 2709 Capital Outlay; 2014-2015		256,649,800 C
17 SB 1488 K-12 Education; Budget Reconciliation; 2014-2015		300,000
18 HB 2703 2014-2015; General Appropriations	14,077,600	2,629,119,700
251 SB 1381 Arizona Medical Board; Supplemental Appropriation	855,000	
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION	14,932,600	2,887,069,500
<u>Fifty-first Legislature - Second Special Session (2014)</u>		
2 SB 1002 Appropriations; Department of Child Safety	0	463,539,400
SUBTOTAL APPROPRIATIONS - 2nd SPECIAL SESSION	0	463,539,400
<u>Fifty-first Legislature - First Regular Session (2013)</u>		
110 SB 1170 ASRS; Amendments	\$ 200,000	
184 SB 1316 State Board of Appraisal	42,900	
216 HB 2562 Public Retirement Systems; Ineligible Employees	502,400	
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION	745,300	0
<u>Fifty-first Legislature - First Special Session (2013)</u>		
1 HB 2001 2013-2014; General Appropriations	3,236,295,800 ^{4/}	26,533,000
8 HB 2008 2013-2014; Capital Outlay	274,850,000 C	
9 HB 2009 2013-2014; Revenue; Budget Reconciliation	2,000,000 C, ^{5/}	
SUBTOTAL APPROPRIATIONS - 1st SPECIAL SESSION	3,513,145,800	26,533,000
TOTAL APPROPRIATIONS	\$ 3,528,823,700	\$ 3,377,141,900

- C Designates a capital appropriation. All other appropriations are operating appropriations.
- 1/ For FY 2014 and FY 2015, this table summarizes all Other Fund appropriations enacted in any session.
- 2/ All appropriations have been rounded to the nearest \$100.
- 3/ Excludes administrative adjustments, revertsments, and statutory revertsments.
- 4/ Includes an increase of \$26,047,900 for FY 2014 adjustments.
- 5/ Of the \$2,000,000, \$1,000,000 is a capital appropriation to State Parks Board.

SUMMARY OF FISCAL-RELATED VETOES

Fifty-First Legislature - Second Regular Session

Chapter/ Bill No.	Reference Title	Description of Vetoed Bill
Ch. 17/ SB 1488	K-12 education; budget reconciliation; 2014-2015	The Governor line-item vetoed the transfer of \$53,200 from the Accountability and Achievement Testing program to the Technology-Based Language Development and Literacy Intervention Fund.
Ch. 18/ HB 2703	2014-2015; general appropriations	The Governor line-item vetoed the following provisions in Chapter 18: <ul style="list-style-type: none"> - \$500,000 from Other Funds to ADOA for an audit of small-scale computing systems - \$1,300,000 GF to ADOA for distribution to Counties for revenue losses associated with Transaction Privilege Tax (TPT) electricity exemptions - \$500,000 GF to the Attorney General for the Northern Arizona Joint Law Enforcement Post - \$500,000 GF to the Department of Education (ADE) for Teach for America - \$1,000,000 GF to ADE for rural Joint Technical Education Districts (JTEDs) soft capital - \$10,000 GF to the State Land Department for a Northern Arizona Landing Strip - \$828,500 GF to Legislative Council to eliminate an increase to the Ombudsman's Office of \$200,000 intended to fund caseload growth for the new Department of Child Safety (DCS) agency. Laws 2014, 2nd Special Session, Chapter 2 restored this funding.
Ch. 277/ SB 1282	racing omnibus	The Governor line-item vetoed the annual distribution of \$1.2 million to each of the Arizona Breeders' Award Fund and to the County Fair Racing Fund from a portion of unclaimed property monies that would otherwise be deposited into the General Fund. The total impact would have been a General Fund revenue loss of \$(2.4) million annually.
SB 1386	supplemental appropriation; external CPS review	Would have appropriated \$250,000 to the Arizona Department of Administration (ADOA) from the General Fund in FY 2014 for an external review by an independent consultant to examine the current Child Protective Services (CPS) system. Laws 2014, 2nd Special Session, Chapter 2 appropriates \$250,000 to the Auditor General from the General Fund in FY 2015 to hire an independent consultant to examine and provide recommendations on improving CPS services, and establishing DCS.
HB 2281	leased religious property; class nine	Would have exempted from taxation the real property, buildings, and fixtures leased to a non-profit religious assembly or institution and primarily used for religious worship, and reclassified such property as class 9. Would have resulted in a General Fund revenue loss of up to \$(2.1) million beginning in FY 2016. The revenue loss may have been mitigated as a result of automatic tax rate adjustments allowed under the Truth-In-Taxation (TNT) provisions for equalization assistance to schools, resulting in a net General Fund loss of only \$(300,000), beginning in FY 2016.

HB 2367	AHCCCS; annual waiver submittals	Would have required AHCCCS to apply annually to the Centers for Medicare and Medicaid Services (CMS) for permission to make Medicaid benefits contingent on several requirements. The bill's 5-year lifetime enrollment limit would become effective prospectively, reducing annual General Fund spending on adult caseloads by \$(148) million 5 years after CMS approval.
HB 2385	cost accounting; study committee	Would have established the State Agency Cost Accounting Legislative Study Committee, and required them to report before July 1, 2015 on mechanisms for collecting information on all monies that pass through each budget unit, in an effort to develop cost accounting methodologies.
HB 2664	income tax revisions	Would have made permanent a \$500,000 allowance for business expensing. As a result of the veto, the business expensing cap is reduced to \$25,000 for Tax Year 2014, increasing FY 2015 General Fund revenues by \$24.8 million. The enacted budget revenue level assumed that Congress would extend its \$500,000 business expensing provision at the federal level, and that the state would continue to conform with the provision.

SUMMARY OF APPROPRIATED FUNDS
By Agency For Fiscal Years 2014 and 2015 I/

	Fiscal Year 2014			Fiscal Year 2015		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
BUDGET UNITS						
Accountancy, State Board of	\$0	\$1,933,700	\$1,933,700	\$0	\$1,936,800	\$1,936,800
Acupuncture Examiners, Board of	0	150,200	150,200	0	154,700	154,700
Administration, Arizona Department of	11,887,900	183,006,200	194,894,100	11,193,000	171,242,200	182,435,200
- Automation Projects Fund	18,400,000	66,738,000	85,138,000	35,500,000	70,034,700	105,534,700
- Department of Child Safety	0	0	0	25,000,000	0	25,000,000
Administrative Hearings, Office of	862,200	12,300	874,500	862,500	12,300	874,800
African-American Affairs, Arizona Commission of	0	0	0	125,000	0	125,000
Agriculture, AZ Department of	8,320,200	0	8,320,200	8,323,000	0	8,323,000
AHCCCS	1,261,493,800	204,108,500	1,465,602,300	1,274,403,200	141,450,400	1,415,853,600
Appraisal, State Board of	0	851,600	851,600	0	861,800	861,800
Arts, Arizona Commission on the	0	1,000,000	1,000,000	0	1,000,000	1,000,000
Athletic Training, Board of	0	118,200	118,200	0	118,200	118,200
Attorney General - Department of Law	22,464,600	39,288,400	61,753,000	23,465,100	43,358,900	66,824,000
Automobile Theft Authority	0	5,297,600	5,297,600	0	5,297,800	5,297,800
Barbers, Board of	0	333,800	333,800	0	333,900	333,900
Behavioral Health Examiners, Board of	0	1,758,100	1,758,100	0	1,758,600	1,758,600
Charter Schools, State Board for	822,400	0	822,400	994,700	0	994,700
Child Safety, Department of 2/	240,838,400	159,646,100	400,484,500	361,005,400	160,667,200	521,672,600
Chiropractic Examiners, State Board of	0	469,400	469,400	0	450,600	450,600
Commerce Authority, Arizona	31,500,000	0	31,500,000	31,800,000	0	31,800,000
Community Colleges, Arizona	69,508,700	0	69,508,700	71,906,400	0	71,906,400
Contractors, Registrar of	0	14,893,300	14,893,300	0	12,196,700	12,196,700
Corporation Commission	609,700	26,282,500	26,892,200	610,500	27,179,000	27,789,500
Corrections, State Department of	971,743,900	44,911,800	1,016,655,700	996,845,600	44,911,900	1,041,757,500
Cosmetology, Board of	0	1,784,500	1,784,500	0	1,785,000	1,785,000
County Funding	7,150,500	0	7,150,500	7,650,500	0	7,650,500
Criminal Justice Commission, Arizona	0	5,954,200	5,954,200	0	5,955,100	5,955,100
Deaf and the Blind, Schools for the	21,795,300	13,585,500	35,380,800	22,497,900	12,590,200	35,088,100
Deaf and the Hard of Hearing, Comm. for the	0	3,776,400	3,776,400	0	4,021,200	4,021,200
Dental Examiners, State Board of	0	1,214,800	1,214,800	0	1,215,100	1,215,100
Economic Security, Department of 2/	460,072,500	361,909,100	821,981,600	479,290,300	302,942,400	782,232,700
Education, Department of	3,667,831,200	56,035,200	3,723,866,400	3,808,392,700	77,836,100	3,886,228,800
Emergency and Military Affairs, Dept of	10,312,400	132,700	10,445,100	13,044,400	132,700	13,177,100
Environmental Quality, Department of	7,000,000	67,334,000	74,334,000	7,000,000	69,241,800	76,241,800
Equal Opportunity, Governor's Office of	188,500	0	188,500	188,600	0	188,600
Equalization, State Board of	639,500	0	639,500	641,800	0	641,800
Executive Clemency, Board of	838,400	0	838,400	958,600	0	958,600
Exposition and State Fair Board, Arizona	0	11,693,500	11,693,500	0	11,620,800	11,620,800
Financial Institutions, Department of	3,019,100	936,700	3,955,800	3,020,200	1,247,400	4,267,600
Fire, Building and Life Safety, Department of	2,026,000	0	2,026,000	2,205,300	0	2,205,300
Forester, State	7,336,400	0	7,336,400	9,103,800	0	9,103,800
Funeral Directors and Embalmers, Board of	0	353,600	353,600	0	353,700	353,700
Game and Fish Department, Arizona	0	39,681,900	39,681,900	0	40,474,200	40,474,200
Gaming, Department of	0	13,497,000	13,497,000	0	13,516,200	13,516,200

	Fiscal Year 2014			Fiscal Year 2015		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Geological Survey, Arizona	941,400	0	941,400	941,700	0	941,700
Governor, Office of the	6,926,000	0	6,926,000	6,920,100	0	6,920,100
Gov's Ofc of Strategic Planning & Budgeting	1,993,200	0	1,993,200	1,994,000	0	1,994,000
Health Services, Department of	568,284,900	92,553,400	660,838,300	613,362,100	87,851,000	701,213,100
Historical Society, Arizona	3,155,000	0	3,155,000	3,156,000	0	3,156,000
Historical Society, Prescott	826,000	0	826,000	826,300	0	826,300
Homeopathic & Integrated Medicine Examiners, Board of	0	102,100	102,100	0	102,100	102,100
Housing, Arizona Department of	0	313,800	313,800	0	314,600	314,600
Independent Redistricting Commission	2,577,800	0	2,577,800	1,115,300	0	1,115,300
Indian Affairs, Arizona Commission of	56,900	0	56,900	56,900	0	56,900
Industrial Commission of Arizona	0	19,989,500	19,989,500	0	19,994,800	19,994,800
Insurance, Department of	5,364,900	0	5,364,900	5,366,700	0	5,366,700
Judiciary						
Supreme Court	16,020,000	27,574,400	43,594,400	16,012,900	27,575,800	43,588,700
Court of Appeals	14,186,700	0	14,186,700	14,380,200	0	14,380,200
Superior Court	79,634,300	13,531,400	93,165,700	80,102,500	13,531,600	93,634,100
SUBTOTAL - Judiciary	109,841,000	41,105,800	150,946,800	110,495,600	41,107,400	151,603,000
Juvenile Corrections, Department of	43,822,700	3,925,400	47,748,100	44,165,900	3,942,900	48,108,800
Land Department, State	12,473,700	3,934,500	16,408,200	12,509,800	5,622,500	18,132,300
Legislature						
Auditor General	17,989,700	0	17,989,700	18,246,400	0	18,246,400
House of Representatives	13,422,200	0	13,422,200	13,372,200	0	13,372,200
Joint Legislative Budget Committee	2,492,000	0	2,492,000	2,493,000	0	2,493,000
Legislative Council	8,046,500	0	8,046,500	8,248,900	0	8,248,900
Senate	8,333,800	0	8,333,800	8,283,800	0	8,283,800
SUBTOTAL - Legislature	50,284,200	0	50,284,200	50,644,300	0	50,644,300
Liquor Licenses and Control, Department of	0	2,932,300	2,932,300	0	3,589,200	3,589,200
Lottery Commission, Arizona State	0	99,427,100	99,427,100	0	104,042,800	104,042,800
Massage Therapy, Board of	0	457,200	457,200	0	438,700	438,700
Medical Board, Arizona	0	6,593,700	6,593,700	0	5,740,300	5,740,300
Mine Inspector, State	1,223,300	112,500	1,335,800	1,215,600	112,500	1,328,100
Naturopathic Physicians Medical Board	0	174,700	174,700	0	177,600	177,600
Navigable Stream Adjudication Commission	279,200	0	279,200	129,200	0	129,200
Nursing, State Board of	150,000	4,275,600	4,425,600	150,000	4,272,100	4,422,100
Nursing Care Institution Administrators Board <u>3/</u>	0	420,200	420,200	0	420,300	420,300
Occupational Safety and Health Review Board	0	0	0	0	0	0
Occupational Therapy Examiners, Board of	0	172,500	172,500	0	184,200	184,200
Opticians, State Board of Dispensing	0	135,800	135,800	0	135,800	135,800
Optometry, State Board of	0	206,000	206,000	0	206,100	206,100
Osteopathic Examiners, Arizona Board of	0	775,500	775,500	0	801,700	801,700
Parks Board, Arizona State	0	12,821,100	12,821,100	500,000	12,842,100	13,342,100
Personnel Board, State	0	374,900	374,900	0	375,000	375,000
Pest Management, Office of	0	2,039,000	2,039,000	0	1,700,500	1,700,500
Pharmacy, Arizona State Board of	0	2,103,700	2,103,700	0	2,053,900	2,053,900
Physical Therapy, Board of	0	432,600	432,600	0	408,000	408,000
Pioneers' Home, Arizona	1,602,800	4,656,600	6,259,400	1,603,400	4,658,100	6,261,500
Podiatry Examiners, State Board of	0	147,300	147,300	0	147,300	147,300
Postsecondary Education, Commission for	1,396,800	1,535,300	2,932,100	1,396,800	1,535,400	2,932,200
Private Postsecondary Education, Board for	0	641,200	641,200	0	395,700	395,700
Psychologist Examiners, State Board of	0	375,500	375,500	0	413,600	413,600
Public Safety, Department of	51,560,800	183,375,000	234,935,800	89,324,900	155,232,300	244,557,200

	Fiscal Year 2014			Fiscal Year 2015		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Public Safety Personnel Retirement System	5,000,000	0	5,000,000	6,000,000	0	6,000,000
Racing, Arizona Department of	2,029,500	2,895,900	4,925,400	2,029,500	2,900,700	4,930,200
Radiation Regulatory Agency	1,468,600	852,900	2,321,500	1,468,900	853,200	2,322,100
Real Estate Department, State	2,988,700	0	2,988,700	2,989,700	0	2,989,700
Residential Utility Consumer Office	0	1,334,400	1,334,400	0	1,337,800	1,337,800
Respiratory Care Examiners, Board of	0	297,100	297,100	0	297,200	297,200
Retirement System, Arizona State	0	26,973,500	26,973,500	0	29,294,700	29,294,700
Revenue, Department of	47,025,300	26,746,700	73,772,000	48,139,400	25,513,600	73,653,000
School Facilities Board	191,736,200	0	191,736,200	189,358,400	0	189,358,400
Secretary of State	11,635,500	3,682,000	15,317,500	15,027,800	3,682,400	18,710,200
State Boards' Office	0	231,000	231,000	0	231,100	231,100
Tax Appeals, State Board of	264,700	0	264,700	265,600	0	265,600
Technical Registration, State Board of	0	2,119,500	2,119,500	0	2,124,600	2,124,600
Tourism, Office of	7,102,600	0	7,102,600	9,103,700	0	9,103,700
Transportation, Department of	50,400	371,260,200	371,310,600	50,400	366,314,700	366,365,100
Treasurer, State	1,205,100	5,004,700	6,209,800	1,205,100	5,005,700	6,210,800
Uniform State Laws, Commission on	75,000	0	75,000	0	0	0
Universities						
Arizona State University - Tempe/DPC	270,228,200	453,068,700	723,296,900	290,104,300	453,068,700	743,173,000
Arizona State University - East Campus	22,704,200	35,691,700	58,395,900	25,853,400	35,691,700	61,545,100
Arizona State University - West Campus	33,328,100	40,980,300	74,308,400	33,328,100	40,980,300	74,308,400
Northern Arizona University	109,245,000	120,281,100	229,526,100	118,281,200	120,281,100	238,562,300
Board of Regents	21,925,500	0	21,925,500	21,928,400	0	21,928,400
University of Arizona - Main Campus	208,501,000	271,507,700	480,008,700	209,341,200	271,507,700	480,848,900
University of Arizona - Health Sciences Center	69,585,300	41,117,000	110,702,300	69,585,300	41,117,000	110,702,300
SUBTOTAL - Universities	735,517,300	962,646,500	1,698,163,800	768,421,900	962,646,500	1,731,068,400
Veterans' Services, Department of	5,436,300	31,211,300	36,647,600	5,438,300	32,001,600	37,439,900
Veterinary Medical Examining Board	0	483,400	483,400	0	577,300	577,300
Water Infrastructure Finance Authority	0	0	0	1,000,000	0	1,000,000
Water Resources, Department of	12,326,400	906,800	13,233,200	13,330,300	906,900	14,237,200
Weights and Measures, Department of	1,325,800	1,793,800	3,119,600	1,475,700	1,773,300	3,249,000
OPERATING BUDGET SUBTOTAL	\$8,714,609,600	\$3,253,238,300	\$11,967,847,900	\$9,207,207,800	\$3,120,177,400	\$12,327,385,200
Unallocated Adjustments	53,300	(264,600)	(211,300)	0	314,700	314,700
Capital Outlay Projects	49,942,800	275,850,000	325,792,800	24,200,000	256,649,800	280,849,800
Capital Outlay - Debt Service	104,568,800	0	104,568,800	104,572,700	0	104,572,700
Administrative Adjustments	62,980,200	0	62,980,200	51,480,700	0	51,480,700
Reversions	(70,600,000)	0	(70,600,000)	(116,000,000)	0	(116,000,000)
GRAND TOTAL	\$8,861,554,700	\$3,528,823,700	\$12,390,378,400	\$9,271,461,200	\$3,377,141,900	\$12,648,603,100

1/ This table summarizes FY 2014 and FY 2015 appropriations from the 2nd Regular Session and 2nd Special Session of the 51st Legislature and all prior sessions.

2/ The new Department of Child Safety (DCS) is created on July 1, 2014. The FY 2014 funding of the Division of Child Safety and Family Services in the Department of Economic Security is displayed in the FY 2014 DCS column for comparability.

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

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

	FY 2014		FY 2015	
	General Fund	Other Funds	General Fund	Other Funds
<u>ARIZONA DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM</u>				
Administration, Arizona Department of				
Building Renewal for ADOA System (excluding Corrections) 4/5/6/		9,000,000	9,000,000	9,000,000
Capitol Mall Security System Replacement/Upgrade		2,000,000		
Subtotal - State Department of Corrections	\$0	\$11,000,000	\$9,000,000	\$9,000,000
Corrections, State Department of				
Building Renewal for Corrections Facilities 7/8/		5,000,000	3,000,000	5,464,300
500 Maximum Security Beds	48,942,800 9/			
Yuma Prison Complex - Cheyenne Unit Repairs		8,000,000		
Subtotal - State Department of Corrections	\$48,942,800	\$13,000,000	\$3,000,000	\$5,464,300
Deaf and the Blind, Arizona State Schools for the				
Tucson Campus Residential Facilities Repairs	\$1,000,000			
Exposition and State Fair Board, AZ				
Capital Improvement Projects 10/				\$1,000,000
Game and Fish Department, Arizona				
Building Renewal 11/		547,600		
Black Canyon Dam Repairs		327,200		
Subtotal - Arizona Game and Fish Department	\$0	\$874,800	\$0	\$0
Lottery Commission, Arizona State				
Building Renewal 12/		90,300		97,400
Subtotal - Arizona State Lottery Commission	\$0	\$90,300	\$0	\$97,400
Parks Board, Arizona State				
Capital Improvement Projects 13/		\$1,000,000		\$1,500,000
Public Safety, Department of				
Microwave Communications Systems Upgrade 14/				\$2,000,000
Veterans' Services, Department of				
Yuma Veterans' Home Construction 15/			\$9,200,000	
SUBTOTAL - ADOA BUILDING SYSTEM	\$49,942,800	\$25,965,100	\$21,200,000	\$19,061,700
<u>ARIZONA BOARD OF REGENTS</u>				
Building Renewal 16/			\$3,000,000	
<u>ARIZONA DEPARTMENT OF TRANSPORTATION BUILDING SYSTEM</u>				
Arizona Department of Transportation				
Building Renewal 17/		3,188,200		3,396,800
Airport Planning and Development 18/		21,123,700		20,012,300
Highway Construction 19/20/		220,293,000		208,899,000
De-Icer Storage		2,280,000		2,280,000
Vehicle Wash Systems		3,000,000		3,000,000
SUBTOTAL - ADOT BUILDING SYSTEM 21/22/	\$0	\$249,884,900	\$0	\$237,588,100
GRAND TOTAL - ALL APPROPRIATIONS	<u>\$49,942,800</u>	<u>\$275,850,000</u>	<u>\$24,200,000</u>	<u>\$256,649,800</u>
SUMMARY OF CAPITAL APPROPRIATIONS BY SESSION				
Laws 2014, 2nd Regular Session			\$24,200,000	\$256,649,800
Laws 2013, 1st Special Session	\$49,942,800	\$275,850,000		

1/ This table summarizes all capital appropriations for FY 2014 and FY 2015 from the 1st Special Session of the 51st Legislature and the 2nd Regular Session of the 51st Legislature. Appropriations are listed by the state's "building systems." Capital Outlays are budgeted on an annual basis except under special circumstances.

2/ FY 2014 amounts represent appropriations from the FY 2014 Capital Outlay Bill (Laws 2013, 1st Special Session, Chapter 8), except for the \$1,000,000 appropriation to the State Parks Board for capital improvement projects, which is from the FY 2014 Revenue Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 9). FY 2015 amounts represent appropriations from the FY 2015 Capital Outlay Bill (Laws 2014, 2nd Regular Session, Chapter 15).

- 3/ A.R.S. § 41-1252 requires review of any capital projects over \$250,000 by the Joint Committee on Capital Review (JCCR).
- 4/ Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2015 to be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with Title 41, Chapter 4, Article 7, Arizona Revised Statutes. Of the amounts appropriated to the Arizona Department of Administration (ADOA), up to \$275,000 in Personal Services and Employee Related Expenditures (ERE) for up to 5 FTE Positions may be allocated each fiscal year until the building renewal projects are completed. All other monies appropriated in this section shall not be spent for Personal Services or ERE or for maintenance contracts on building components and equipment without review by the JCCR. Any monies appropriated for building renewal in FY 2015 that are unexpended or unencumbered on June 30, 2016 revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- 5/ ADOA shall allocate the monies to state agencies for necessary building renewal. If monies in the Capital Outlay Stabilization Fund (COSF) established in A.R.S. § 41-792.01 are insufficient to fund the appropriation to the ADOA for building renewal, the appropriation to the ADOA is reduced by the difference between the amount appropriated to the ADOA from COSF and the balance in COSF. (Capital Outlay Appropriation Act footnote)
- 6/ The FY 2014 appropriation represents 32% of the non-Department of Corrections (ADC) building renewal formula, while the FY 2015 appropriation represents 53%.
- 7/ ADC shall report monthly to the Joint Legislative Budget Committee Staff on the status of the projects funded under this section. The department may not spend any of this appropriation on Personal Services or overhead expenses related to the management of the funded projects. (Capital Outlay Appropriation Act footnote)
- 8/ The FY 2014 appropriations represent 33.3% of the Department of Corrections (ADC) building renewal formula, while the FY 2015 appropriation represents 51.6%.
- 9/ Includes \$18,942,800 in FY 2014 for the Arizona Department of Administration for 500 maximum security Department of Corrections beds. This amount is from the \$20,000,000 originally appropriated to the Department of Corrections in FY 2013, as Laws 2012, Chapter 295 made the amount available until completion of the project.
- 10/ The sum of \$1,000,000 is appropriated from the Arizona Exposition and State Fair Fund established by A.R.S. § 3-1005, in FY 2015 to the Arizona Exposition and State Fair Board for capital improvements. (Capital Outlay Appropriation Act footnote)
- 11/ The FY 2014 appropriations represent 100% funding of the building renewal formula.
- 12/ Both the FY 2014 and FY 2015 appropriations represent 100% funding of the building renewal formula.
- 13/ The sum of \$1,500,000 is appropriated from the State Parks Revenue Fund established by A.R.S. § 41-511.21, in FY 2015 to the Arizona State Parks Board for capital improvements. The Arizona State Parks Board shall submit the scope, purpose and estimated cost of the capital improvements to the JCCR for its review pursuant to A.R.S. § 41-1252. (Capital Outlay Appropriation Act footnote)
- 14/ The sum of \$2,000,000 is appropriated from the Arizona Highway Patrol Fund established by A.R.S. § 41-1752, in FY 2015 to the Department of Public Safety (DPS) for the design, construction and implementation of a microwave communications system upgrade. The DPS shall submit an expenditure plan and project timeline to the JCCR for its review before expending any monies appropriated for the microwave communications system upgrade. (Capital Outlay Appropriation Act footnote)
- 15/ The sum of \$9,200,000 is appropriated from the state General Fund in FY 2015 to the Department of Veterans' Services for construction and establishment of a veterans' home facility in Yuma. The amount appropriated in subsection A of this section is intended to be this state's share of the costs, and is not subject to expenditure for any purpose unless the Department of Veterans' Services has irrevocable commitments from the United States government for funding at least 65% of the total costs. The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. The Department of Veterans' Services shall submit the scope, purpose and estimated cost of the veterans' home facility in Yuma to the JCCR for its review pursuant to A.R.S. § 41-1252. (Capital Outlay Appropriation Act footnote)
- 16/ The Arizona Board of Regents (ABOR) shall require each university to establish a major maintenance and repair account for deposit of amounts allocated by the board to the university from the appropriation made in this subsection. Amounts deposited in this account may be used only for the purposes provided in subsection A of this section. (Capital Outlay Appropriation Act footnote)
- 17/ Includes \$3,000,000 and \$3,191,900 from the State Highway Fund (SHF) to fund 28.5% of the revised highways building renewal formula in FY 2014 and FY 2015. Also includes \$188,200 and \$204,900 from the State Aviation Fund to fund 100% of the aviation building renewal formula in FY 2014 and FY 2015.
- 18/ The amount is appropriated from the State Aviation Fund established in A.R.S. § 28-8202 for the planning, construction, development, and improvement of state, county, city, or town airports as determined by the State Transportation Board. Any balances and collections in the State Aviation Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the Department of Transportation for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
- 19/ The amount appropriated for highway construction is from the State Highway Fund (SHF) established by A.R.S. § 28-6991, for the planning and construction of state highways, including the national system of interstate highways within this state, the state primary or secondary system, the county primary or secondary system and urban rural routes, the acquisition of rights-of-way, the cost of contracted field administration and field engineering on construction projects and debt service payments on bonds issued for highway construction. Any balances and collections in the SHF in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the department for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
- 20/ The Department of Transportation shall report on or before November 1, 2014 to JCCR on its actual prior year, estimated current year and upcoming budget year highway construction expenses from all fund sources, including appropriated monies, federal monies, local agency monies, state highway monies, bond proceeds and regional area road monies. The report must be in the same format as in the prior year unless modifications have been approved by the Directors of JLBC and OSPB. (Capital Outlay Appropriation Act footnote)
- 21/ On or before November 1, 2014, the Department of Transportation shall report capital outlay information for FY 2014, FY 2015, and FY 2016 to the Directors of JLBC and OSPB. This information must appear in the same format as tables 2, 3 and 6, as found in the *FY 2014 Appropriations Report*. (Capital Outlay Appropriation Act footnote)
- 22/ On or before November 1, 2014, the Department of Transportation shall report the Department's estimated outstanding debt principal balance at the end of FY 2016 and the estimated debt service payment amount for FY 2016 to the Directors of JLBC and OSPB. This report must include State Highway Fund statewide construction bonds, Arizona Highway User Revenue Fund, Maricopa Association of Governments and Pima Association of Governments controlled access bonds, Maricopa Regional Area Road Fund bonds and grant anticipation notes and is intended to be comparable to the information in the *FY 2015 Appropriations Report*. (Capital Outlay Appropriation Act footnote)

SUMMARY OF ADDITIONAL OPERATING AND STATUTORY APPROPRIATIONS 1/ 2/

GENERAL FUND

	<u>FY 2014</u>	<u>FY 2015</u>
Administration, Arizona Department of		
Laws 2014, Ch. 39 (HB 2620) Appropriations; Named Claimants	193,600	
Agriculture, Department of		
Laws 2013, Ch. 13 (HB 2034) Nuclear Emergency Appropriation and Assessment	198,400	198,400
Attorney General - Department of Law		
23-263 - Military Airport Planning; Appropriation	85,000	85,000
Commerce Authority, Arizona		
43-409 - Arizona Commerce Authority Income Tax Withholding	31,500,000	31,500,000
Community Colleges		
42-5031.01 - Indian Tribal Postsecondary Educational Institutions	2,625,000	2,625,000
15-1469.01 - Rural County Allocation	3,273,100	3,195,500
Subtotal - Community Colleges	<u>5,898,100</u>	<u>5,820,500</u>
Corporation Commission		
Laws 2014, Ch. 39 (HB 2620) Appropriations; Named Claimants		600
Economic Security, Department of		
Laws 2014, 2nd Special Session, Ch. 2 (SB 1002) Appropriations; Department of Child Safety	5,050,000	
Laws 2014, Ch. 4 (SB 1224) Supplemental Appropriations; Child Safety Positions	5,748,000	
Subtotal - Department of Economic Security	<u>10,798,000</u>	<u>0</u>
Emergency and Military Affairs, Department of		
26-263 - Military Airport Planning; Appropriation	90,000	90,000
Laws 2013, Ch. 13 (HB 2034) Nuclear Emergency Appropriation and Assessment	1,259,800	1,375,400
35-192 - Governor's Emergency Authority	4,000,000	4,000,000
Subtotal - Department of Emergency and Military Affairs	<u>5,349,800</u>	<u>5,465,400</u>
Environmental Quality, Department of		
49-282 - WQARF Priority Site Remediation	15,000,000	15,000,000
Laws 2014, Ch. 13 (HB 2707) Environment BRB		(8,000,000)
Laws 2013, 1st Special Session, Ch. 4 (HB 2004) Environment BRB	(8,000,000)	
Subtotal - Department of Environmental Quality	<u>7,000,000</u>	<u>7,000,000</u>
Forester, State		
37-623 - Wild Land Fire Emergency	3,000,000	3,000,000
Independent Redistricting Commission		
Laws 2014, Ch. 3 (SB 1220) Independent Redistricting Commission; Supplemental Appropriation	1,462,700	
Legislature - House of Representatives		
Laws 2014, Ch. 1 (SB 1159) Supplemental Appropriation; Legislators; Subpoenas; Representation	50,000	
Legislature - Senate		
Laws 2014, Ch. 1 (SB 1159) Supplemental Appropriation; Legislators; Subpoenas; Representation	50,000	
Navigable Stream Adjudication Commission, Arizona		
Laws 2014, Ch. 2 (SB 1219) Supplemental Appropriation; Navigable Stream Commission	150,000	
Parks Board, Arizona State		
Laws 2014, Ch. 13 (HB 2707) Environment BRB		500,000
Public Safety Personnel Retirement System		
Laws 2013, Ch. 217 (HB 2608) EORP; Closure; Defined Contribution	5,000,000	5,000,000
Radiation Regulatory Agency		
Laws 2013, Ch. 13 (HB 2034) Nuclear Emergency Appropriation and Assessment	695,300	695,300
Arizona State University - Tempe/DPC		
15-1670 - University Research Infrastructure Financing	13,555,000	13,555,000
Laws 2014, Ch 18 (HB 2703) General Appropriations		(522,600)

Subtotal - Arizona State University - Tempe/DPC	<u>13,555,000</u>	<u>13,032,400</u>
Arizona State University - West Campus		
15-1670 - University Research Infrastructure Financing	917,000	917,000
Northern Arizona University		
15-1670 - University Research Infrastructure Financing	5,900,000	5,900,000
Laws 2014, Ch 18 (HB 2703) General Appropriations		(408,500)
Subtotal - Northern Arizona University	<u>5,900,000</u>	<u>5,491,500</u>
University of Arizona - Main Campus		
15-1670 - University Research Infrastructure Financing	14,253,000	14,253,000
Laws 2014, Ch 18 (HB 2703) General Appropriations		(4,659,800)
Subtotal - University of Arizona - Main Campus	<u>14,253,000</u>	<u>9,593,200</u>
Other		
9-602 - Phoenix Convention Center Financing	20,449,000	20,449,000
GENERAL FUND TOTAL	<u><u>\$ 126,504,900</u></u>	<u><u>108,748,300</u></u>

OTHER FUNDS

	<u>FY 2014</u>	<u>FY 2015</u>
Arts, Arizona Commission on the		
Laws 2013, Ch. 9 (SB 1487) Revenue BRB		1,000,000
Laws 2013, 1st Special Session, Ch. 9 (HB 2009) Revenue BRB	1,000,000	
Education, Department of		
Laws 2014, Ch. 17 (SB 1488) K-12 Education BRB		300,000
Medical Board, Arizona		
Laws 2014, Ch. 251 (SB 1381) Arizona Medical Board; Supplemental Appropriation	855,000	
Retirement System, Arizona State		
Laws 2013, Ch. 110 (SB 1170) ASRS; Amendments	200,000	
Laws 2013, Ch. 216 (HB 2562) Public Retirement Systems; Ineligible Employees	<u>502,400</u>	
Subtotal - Arizona State Retirement System	<u>702,400</u>	<u>0</u>
OTHER FUNDS TOTAL	<u><u>\$ 2,557,400</u></u>	<u><u>1,300,000</u></u>

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

2/ Excludes all General Appropriation Act and all Capital Outlay Appropriations bills, except University Infrastructure adjustments.

**SUMMARY OF TOTAL SPENDING AUTHORITY
(APPROPRIATED AND NON-APPROPRIATED FUNDS)
For Fiscal Years 2014 and 2015 ^{1/}**

	Fiscal Year 2014			Fiscal Year 2015		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds ^{2/}		General and Other Funds	Federal and Other Funds ^{2/}	
BUDGET UNITS						
Accountancy, State Board of	\$1,933,700	\$0	\$1,933,700	\$1,936,800	\$0	\$1,936,800
Acupuncture Examiners, Board of	150,200	0	150,200	154,700	0	154,700
Administration, Arizona Department of	194,894,100	\$737,154,800	932,048,900	182,435,200	\$904,767,700	1,087,202,900
- Automation Projects Fund	85,138,000	0	85,138,000	105,534,700	0	105,534,700
- Department of Child Safety	0	0	0	25,000,000	0	25,000,000
Administrative Hearings, Office of	874,500	1,103,600	1,978,100	874,800	1,103,600	1,978,400
African-American Affairs, Arizona Commission of	0	0	0	125,000	0	125,000
Agriculture, Arizona Department of	8,320,200	17,208,800	25,529,000	8,323,000	15,999,400	24,322,400
AHCCCS	1,465,602,300	5,821,148,200	7,286,750,500	1,415,853,600	6,773,092,700	8,188,946,300
Appraisal, State Board of	851,600	0	851,600	861,800	0	861,800
Arts, Arizona Commission on the	1,000,000	2,154,800	3,154,800	1,000,000	2,154,800	3,154,800
Athletic Training, Board of	118,200	0	118,200	118,200	0	118,200
Attorney General - Department of Law	61,753,000	45,568,700	107,321,700	66,824,000	44,517,300	111,341,300
Automobile Theft Authority	5,297,600	0	5,297,600	5,297,800	0	5,297,800
Barbers, Board of	333,800	0	333,800	333,900	0	333,900
Behavioral Health Examiners, Board of	1,758,100	0	1,758,100	1,758,600	0	1,758,600
Charter Schools, State Board for	822,400	140,000	962,400	994,700	102,700	1,097,400
Child Safety, Department of ^{3/}	400,484,500	322,680,100	723,164,600	521,672,600	327,191,700	848,864,300
Chiropractic Examiners, State Board of	469,400	0	469,400	450,600	0	450,600
Citizens Clean Elections Commission	0	12,305,400	12,305,400	0	9,383,000	9,383,000
Commerce Authority, Arizona	31,500,000	15,960,100	47,460,100	31,800,000	13,715,000	45,515,000
Community Colleges, Arizona	69,508,700	16,470,400	85,979,100	71,906,400	16,470,400	88,376,800
Constable Ethics Standards and Training Board	0	324,500	324,500	0	324,500	324,500
Contractors, Registrar of	14,893,300	5,628,500	20,521,800	12,196,700	5,628,500	17,825,200
Corporation Commission	26,892,200	737,200	27,629,400	27,789,500	695,000	28,484,500
Corrections, State Department of	1,016,655,700	53,991,400	1,070,647,100	1,041,757,500	53,629,600	1,095,387,100
Cosmetology, Board of	1,784,500	0	1,784,500	1,785,000	0	1,785,000
County Funding	7,150,500	0	7,150,500	7,650,500	0	7,650,500
Criminal Justice Commission, Arizona	5,954,200	18,093,300	24,047,500	5,955,100	12,795,300	18,750,400
Deaf and the Blind, Schools for the	35,380,800	21,727,900	57,108,700	35,088,100	21,727,900	56,816,000
Deaf and the Hard of Hearing, Comm. for the	3,776,400	3,500	3,779,900	4,021,200	0	4,021,200
Dental Examiners, State Board of	1,214,800	0	1,214,800	1,215,100	0	1,215,100
Early Childhood Development & Health Board, AZ	0	185,427,400	185,427,400	0	180,974,500	180,974,500
Economic Security, Department of ^{3/}	821,981,600	1,869,143,300	2,691,124,900	782,232,700	1,583,639,300	2,365,872,000
Education, Department of	3,723,866,400	1,645,460,300	5,369,326,700	3,886,228,800	1,630,527,900	5,516,756,700
Emergency and Military Affairs, Dept of	10,445,100	77,211,600	87,656,700	13,177,100	52,406,400	65,583,500
Environmental Quality, Department of	74,334,000	58,690,600	133,024,600	76,241,800	58,690,600	134,932,400
Equal Opportunity, Governor's Office of	188,500	0	188,500	188,600	0	188,600
Equalization, State Board of	639,500	0	639,500	641,800	0	641,800
Executive Clemency, Board of	838,400	0	838,400	958,600	0	958,600

	Fiscal Year 2014			Fiscal Year 2015		
	Non-		Total	Non-		Total
	Appropriated General and Other Funds	Appropriated Federal and Other Funds <u>2/</u>		Appropriated General and Other Funds	Appropriated Federal and Other Funds <u>2/</u>	
Exposition and State Fair Board, Arizona	11,693,500	0	11,693,500	11,620,800	0	11,620,800
Financial Institutions, Department of	3,955,800	2,254,700	6,210,500	4,267,600	958,700	5,226,300
Fire, Building and Life Safety, Department of	2,026,000	707,000	2,733,000	2,205,300	707,000	2,912,300
Forester, State	7,336,400	20,030,400	27,366,800	9,103,800	20,030,400	29,134,200
Funeral Directors and Embalmers, Board of	353,600	0	353,600	353,700	0	353,700
Game and Fish Department, Arizona	39,681,900	69,077,800	108,759,700	40,474,200	69,077,800	109,552,000
Gaming, Department of	13,497,000	0	13,497,000	13,516,200	0	13,516,200
Geological Survey, Arizona	941,400	9,878,000	10,819,400	941,700	1,992,100	2,933,800
Governor, Office of the	6,926,000	31,052,900	37,978,900	6,920,100	19,499,800	26,419,900
Gov's Ofc of Strategic Planning and Budgeting	1,993,200	0	1,993,200	1,994,000	0	1,994,000
Health Services, Department of	660,838,300	1,421,305,000	2,082,143,300	701,213,100	1,642,274,300	2,343,487,400
Historical Society, Arizona	3,155,000	1,094,700	4,249,700	3,156,000	941,900	4,097,900
Historical Society, Prescott	826,000	182,400	1,008,400	826,300	182,400	1,008,700
Homeland Security, Arizona Department of	0	37,189,000	37,189,000	0	10,599,600	10,599,600
Homeopathic & Integrated Medicine Examiners, Board of	102,100	0	102,100	102,100	0	102,100
Housing, Arizona Department of	313,800	94,587,700	94,901,500	314,600	88,762,700	89,077,300
Independent Redistricting Commission	2,577,800	0	2,577,800	1,115,300	0	1,115,300
Indian Affairs, Arizona Commission of	56,900	14,500	71,400	56,900	14,500	71,400
Industrial Commission of Arizona	19,989,500	35,596,100	55,585,600	19,994,800	35,652,400	55,647,200
Insurance, Department of	5,364,900	9,217,500	14,582,400	5,366,700	7,716,700	13,083,400
Judiciary						
Supreme Court	43,594,400	25,647,000	69,241,400	43,588,700	25,241,900	68,830,600
Court of Appeals	14,186,700	0	14,186,700	14,380,200	0	14,380,200
Superior Court	93,165,700	6,695,600	99,861,300	93,634,100	6,695,600	100,329,700
SUBTOTAL - Judiciary	150,946,800	32,342,600	183,289,400	151,603,000	31,937,500	183,540,500
Juvenile Corrections, Department of	47,748,100	1,952,300	49,700,400	48,108,800	1,952,300	50,061,100
Land Department, State	16,408,200	1,059,100	17,467,300	18,132,300	1,059,100	19,191,400
Legislature						
Auditor General	17,989,700	1,997,800	19,987,500	18,246,400	1,997,800	20,244,200
House of Representatives	13,422,200	0	13,422,200	13,372,200	0	13,372,200
Joint Legislative Budget Committee	2,492,000	0	2,492,000	2,493,000	0	2,493,000
Legislative Council	8,046,500	0	8,046,500	8,248,900	0	8,248,900
Senate	8,333,800	0	8,333,800	8,283,800	0	8,283,800
SUBTOTAL - Legislature	50,284,200	1,997,800	52,282,000	50,644,300	1,997,800	52,642,100
Liquor Licenses and Control, Department of	2,932,300	975,200	3,907,500	3,589,200	975,200	4,564,400
Lottery Commission, Arizona State	99,427,100	512,817,700	612,244,800	104,042,800	542,316,100	646,358,900
Massage Therapy, Board of	457,200	0	457,200	438,700	0	438,700
Medical Board, Arizona	6,593,700	0	6,593,700	5,740,300	0	5,740,300
Mine Inspector, State	1,335,800	360,000	1,695,800	1,328,100	360,000	1,688,100
Naturopathic Physicians Medical Board	174,700	0	174,700	177,600	0	177,600
Navigable Stream Adjudication Commission	279,200	0	279,200	129,200	0	129,200
Nursing, State Board of	4,425,600	414,700	4,840,300	4,422,100	414,700	4,836,800
Nursing Care Institution Administrators Board <u>4/</u>	420,200	0	420,200	420,300	0	420,300
Occupational Safety and Health Review Board	0	0	0	0	0	0
Occupational Therapy Examiners, Board of	172,500	0	172,500	184,200	0	184,200
Opticians, State Board of Dispensing	135,800	0	135,800	135,800	0	135,800

	Fiscal Year 2014			Fiscal Year 2015		
	Non-		Total	Non-		Total
	Appropriated General and Other Funds	Appropriated Federal and Other Funds <u>2/</u>		Appropriated General and Other Funds	Appropriated Federal and Other Funds <u>2/</u>	
Optometry, State Board of	206,000	0	206,000	206,100	0	206,100
Osteopathic Examiners, Arizona Board of	775,500	0	775,500	801,700	0	801,700
Parents Commission on Drug Educ. & Prev., Arizona	0	4,747,300	4,747,300	0	4,747,300	4,747,300
Parks Board, Arizona State	12,821,100	33,537,200	46,358,300	13,342,100	33,537,200	46,879,300
Personnel Board, State	374,900	0	374,900	375,000	0	375,000
Pest Management, Office of	2,039,000	113,500	2,152,500	1,700,500	113,500	1,814,000
Pharmacy, Arizona State Board of	2,103,700	482,300	2,586,000	2,053,900	482,300	2,536,200
Physical Therapy, Board of	432,600	0	432,600	408,000	0	408,000
Pioneers' Home, Arizona	6,259,400	17,700	6,277,100	6,261,500	17,700	6,279,200
Podiatry Examiners, State Board of	147,300	0	147,300	147,300	0	147,300
Postsecondary Education, Commission for	2,932,100	2,372,000	5,304,100	2,932,200	1,725,200	4,657,400
Power Authority, Arizona	0	36,499,100	36,499,100	0	36,499,100	36,499,100
Private Postsecondary Education, Board for	641,200	103,100	744,300	395,700	103,100	498,800
Psychologist Examiners, State Board of	375,500	0	375,500	413,600	0	413,600
Public Safety, Department of	234,935,800	83,916,800	318,852,600	244,557,200	72,933,200	317,490,400
Public Safety Personnel Retirement System	5,000,000	39,820,300	44,820,300	6,000,000	40,398,900	46,398,900
Racing, Arizona Department of	4,925,400	89,600	5,015,000	4,930,200	89,600	5,019,800
Radiation Regulatory Agency	2,321,500	272,300	2,593,800	2,322,100	272,300	2,594,400
Real Estate Department, State	2,988,700	234,000	3,222,700	2,989,700	234,000	3,223,700
Residential Utility Consumer Office	1,334,400	0	1,334,400	1,337,800	0	1,337,800
Respiratory Care Examiners, Board of	297,100	0	297,100	297,200	0	297,200
Retirement System, Arizona State	26,973,500	82,757,000	109,730,500	29,294,700	87,044,000	116,338,700
Revenue, Department of	73,772,000	42,150,000	115,922,000	73,653,000	43,150,000	116,803,000
School Facilities Board	191,736,200	87,461,900	279,198,100	189,358,400	88,206,000	277,564,400
Secretary of State	15,317,500	4,478,600	19,796,100	18,710,200	4,303,600	23,013,800
State Boards' Office	231,000	0	231,000	231,100	0	231,100
Tax Appeals, State Board of	264,700	0	264,700	265,600	0	265,600
Technical Registration, State Board of	2,119,500	0	2,119,500	2,124,600	0	2,124,600
Tourism, Office of	7,102,600	13,904,900	21,007,500	9,103,700	13,904,900	23,008,600
Transportation, Department of	371,310,600	20,357,600	391,668,200	366,365,100	20,357,600	386,722,700
Treasurer, State	6,209,800	4,798,200	11,008,000	6,210,800	4,798,200	11,009,000
Uniform State Laws, Commission on	75,000	0	75,000	0	0	0
Universities						
Arizona State University - Tempe/DPC	723,296,900	1,050,232,100	1,773,529,000	743,173,000	1,126,410,800	1,869,583,800
Arizona State University - East Campus	58,395,900	23,941,500	82,337,400	61,545,100	24,484,300	86,029,400
Arizona State University - West Campus	74,308,400	33,756,400	108,064,800	74,308,400	34,687,700	108,996,100
Northern Arizona University	229,526,100	262,509,200	492,035,300	238,562,300	265,647,400	504,209,700
Board of Regents	21,925,500	15,119,100	37,044,600	21,928,400	12,612,500	34,540,900
University of Arizona - Main Campus	480,008,700	1,170,157,000	1,650,165,700	480,848,900	1,174,505,400	1,655,354,300
University of Arizona - Health Sciences Center	110,702,300	318,760,800	429,463,100	110,702,300	339,173,400	449,875,700
SUBTOTAL - Universities	1,698,163,800	2,874,476,100	4,572,639,900	1,731,068,400	2,977,521,500	4,708,589,900
Veterans' Services, Department of	36,647,600	3,907,300	40,554,900	37,439,900	9,167,700	46,607,600
Veterinary Medical Examining Board	483,400	0	483,400	577,300	0	577,300
Water Infrastructure Finance Authority	0	225,055,200	225,055,200	1,000,000	204,403,200	205,403,200
Water Resources, Department of	13,233,200	10,493,100	23,726,300	14,237,200	10,493,100	24,730,300
Weights and Measures, Department of	3,119,600	0	3,119,600	3,249,000	0	3,249,000

	Fiscal Year 2014			Fiscal Year 2015		
	Non-		Total	Non-		Total
	Appropriated General and Other Funds	Appropriated Federal and Other Funds <u>2/</u>		Appropriated General and Other Funds	Appropriated Federal and Other Funds <u>2/</u>	
OPERATING BUDGET SUBTOTAL	\$11,967,847,900	\$16,784,486,600	\$28,752,334,500	\$12,327,385,200	\$17,843,464,000	\$30,170,849,200
Unallocated Adjustments	(211,300)	0	(211,300)	314,700	0	314,700
Capital Outlay Projects	325,792,800	1,319,541,000	1,645,333,800	280,849,800	1,234,806,000	1,515,655,800
Capital Outlay - Debt Service	104,568,800	0	104,568,800	104,572,700	0	104,572,700
Administrative Adjustments	62,980,200	0	62,980,200	51,480,700	0	51,480,700
Reversions	(70,600,000)	0	(70,600,000)	(116,000,000)	0	(116,000,000)
GRAND TOTAL	\$12,390,378,400	\$18,104,027,600	\$30,494,406,000	\$12,648,603,100	\$19,078,270,000	\$31,726,873,100

1/ This table summarizes FY 2014 and FY 2015 appropriations from the 2nd Regular Session and 2nd Special Session of the 51st Legislature and all prior sessions.

2/ The amounts shown are generally based on estimates published in the JLBC Staff's Baseline Book (January 2014), but may have been updated for later information.

3/ The new Department of Child Safety (DCS) is created on July 1, 2014. The FY 2014 funding of the Division of Child Safety and Family Services in the Department of Economic Security is displayed in the FY 2014 DCS column for comparability.

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

STATE PERSONNEL SUMMARY

Full-Time Equivalent Positions by Agency for Fiscal Years 2014 and 2015 1/

	Fiscal Year 2014			Fiscal Year 2015		
	General	Other	Total	General	Other	Total
	Fund	Fund		Fund	Fund	
BUDGET UNITS						
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	90.2	417.9	508.1	86.2	417.9	504.1
Automation Projects Fund	0.0	20.0	20.0	0.0	75.0	75.0
Capital Outlay	0.0	5.0	5.0	0.0	5.0	5.0
SUBTOTAL - Administration, Arizona Department of	90.2	442.9	533.1	86.2	497.9	584.1
Administrative Hearings, Office of	12.0	0.0	12.0	12.0	0.0	12.0
African-American Affairs, Arizona Commission of	0.0	0.0	0.0	3.0	0.0	3.0
Agriculture, Arizona Department of 2/	161.0	1.9	162.9	161.0	1.9	162.9
AHCCCS	424.2	608.0	1,032.2	426.2	597.0	1,023.2
AHCCCS - DES Eligibility	564.2	620.9	1,185.1	564.2	620.9	1,185.1
SUBTOTAL - AHCCCS 3/	988.4	1,228.9	2,217.3	990.4	1,217.9	2,208.3
Appraisal, State Board of	0.0	9.0	9.0	0.0	9.0	9.0
Athletic Training, Board of	0.0	1.5	1.5	0.0	1.5	1.5
Attorney General - Department of Law	222.2	325.7	547.9	234.2	336.7	570.9
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
Charter Schools, State Board for	9.0	0.0	9.0	11.0	0.0	11.0
Child Safety, Department of 4/ 5/	1,349.8	1,336.1	2,685.9	1,633.2	1,411.9	3,045.1
Chiropractic Examiners, State Board of	0.0	5.0	5.0	0.0	5.0	5.0
Contractors, Registrar of	0.0	105.6	105.6	0.0	105.6	105.6
Corporation Commission	6.0	294.9	300.9	6.0	294.9	300.9
Corrections, State Department of	9,378.0	6.0	9,384.0	9,528.0	6.0	9,534.0
Cosmetology, Board of	0.0	24.5	24.5	0.0	24.5	24.5
Criminal Justice Commission, Arizona	0.0	9.0	9.0	0.0	9.0	9.0
Deaf & the Blind, Arizona State Schools for the	263.8	277.4	541.2	263.8	277.4	541.2
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/ 6/	1,222.6	2,702.0	3,924.6	1,244.4	2,638.2	3,882.6
Education, Department of	143.2	32.7	175.9	143.2	32.7	175.9
Emergency and Military Affairs, Department of 2/ 7/	66.6	0.0	66.6	68.6	0.0	68.6
Environmental Quality, Department of	0.0	322.0	322.0	0.0	322.0	322.0
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, Arizona	0.0	184.0	184.0	0.0	184.0	184.0
Financial Institutions, State Department of	46.1	12.0	58.1	46.1	14.0	60.1
Fire, Building and Life Safety, Department of	47.0	0.0	47.0	48.0	0.0	48.0
Forester, State	52.0	0.0	52.0	55.0	0.0	55.0
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	115.3	115.3	0.0	115.3	115.3
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	904.3	272.4	1,176.7	904.3	272.4	1,176.7
Historical Society, Arizona	51.9	0.0	51.9	51.9	0.0	51.9
Historical Society of Arizona, Prescott	13.0	0.0	13.0	13.0	0.0	13.0
Homeopathic & Integrated Medicine Examrs., Bd. of	0.0	1.0	1.0	0.0	1.0	1.0
Housing, Department of	0.0	3.0	3.0	0.0	3.0	3.0
Indian Affairs, Arizona Commission of	3.0	0.0	3.0	3.0	0.0	3.0
Industrial Commission of Arizona	0.0	235.6	235.6	0.0	235.6	235.6
Insurance, Department of	90.5	0.0	90.5	90.5	0.0	90.5
Judiciary						
Supreme Court	133.6	38.4	172.0	136.6	38.4	175.0
Court of Appeals	136.8	0.0	136.8	136.8	0.0	136.8
Superior Court	128.8	8.7	137.5	128.8	8.7	137.5
SUBTOTAL - Judiciary	399.2	47.1	446.3	402.2	47.1	449.3
Juvenile Corrections, Department of	692.5	46.0	738.5	692.5	46.0	738.5
Land Department, State	4.0	121.7	125.7	125.7	5.0	130.7
Legislature						
Auditor General	184.8	0.0	184.8	184.8	0.0	184.8
Joint Legislative Budget Committee	29.0	0.0	29.0	29.0	0.0	29.0
Legislative Council	47.0	0.0	47.0	49.0	0.0	49.0
SUBTOTAL - Legislature	260.8	0.0	260.8	262.8	0.0	262.8
Liquor Licenses & Control, Department of	0.0	45.2	45.2	0.0	45.2	45.2
Lottery Commission, Arizona State	0.0	98.8	98.8	0.0	98.8	98.8
Massage Therapy, Board of	0.0	5.0	5.0	0.0	5.0	5.0

BUDGET UNITS	Fiscal Year 2014			Fiscal Year 2015		
	General Fund	Other Fund	Total	General Fund	Other Fund	Total
Medical Board, Arizona	0.0	58.5	58.5	0.0	58.5	58.5
Mine Inspector, State	14.0	0.0	14.0	14.0	0.0	14.0
Naturopathic Physicians Medical Board	0.0	2.0	2.0	0.0	2.0	2.0
Navigable Stream Adjudication Commission, Arizona	2.0	0.0	2.0	2.0	0.0	2.0
Nursing, State Board of	0.0	42.2	42.2	0.0	42.2	42.2
Nursing Care Institution of Administrators, Bd	0.0	6.0	6.0	0.0	6.0	6.0
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, Arizona Board of	0.0	6.7	6.7	0.0	6.7	6.7
Parks Board, Arizona State	0.0	163.0	163.0	0.0	163.0	163.0
Personnel Board, State	0.0	3.0	3.0	0.0	3.0	3.0
Pest Management, Office of	0.0	30.0	30.0	0.0	30.0	30.0
Pharmacy, Arizona State Board of	0.0	18.0	18.0	0.0	18.0	18.0
Physical Therapy, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Pioneers' Home, Arizona	17.0	89.3	106.3	17.0	89.3	106.3
Podiatry Examiners, State Board of	0.0	1.0	1.0	0.0	1.0	1.0
Postsecondary Education, Commission of	0.0	5.0	5.0	0.0	5.0	5.0
Private Postsecondary Education, Board for	0.0	4.0	4.0	0.0	4.0	4.0
Psychologist Examiners, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Public Safety, Department of	357.9	1,546.8	1,904.7	357.9	1,549.8	1,907.7
Racing, Arizona Department of	0.0	40.5	40.5	0.0	40.5	40.5
Radiation Regulatory Agency 2/	20.0	13.5	33.5	20.0	13.5	33.5
Real Estate Department, State	37.0	0.0	37.0	37.0	0.0	37.0
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	246.9	246.9	0.0	246.9	246.9
Revenue, Department of	816.8	45.0	861.8	835.8	45.0	880.8
School Facilities Board	17.0	0.0	17.0	17.0	0.0	17.0
Secretary of State, Department of State	130.9	10.2	141.1	130.9	10.2	141.1
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	25.0	25.0	0.0	25.0	25.0
Tourism, Office of	28.0	0.0	28.0	28.0	0.0	28.0
Transportation, Department of	2.0	4,546.0	4,548.0	2.0	4,546.0	4,548.0
Treasurer, State	0.0	30.4	30.4	0.0	30.4	30.4
Universities 8/						
Regents, Arizona Board of	25.9	0.0	25.9	25.9	0.0	25.9
Arizona State University - Tempe/DPC Campus	6,142.9	0.0	6,142.9	6,142.9	0.0	6,142.9
Arizona State University - East Campus	425.6	0.0	425.6	425.6	0.0	425.6
Arizona State University - West Campus	562.9	0.0	562.9	562.9	0.0	562.9
Northern Arizona University	2,057.2	0.0	2,057.2	2,057.2	0.0	2,057.2
University of Arizona - Main Campus	5,365.0	0.0	5,365.0	5,393.0	0.0	5,393.0
University of Arizona - Health Sciences Center	1,054.1	0.0	1,054.1	1,054.1	0.0	1,054.1
SUBTOTAL - Universities	15,633.6	0.0	15,633.6	15,661.6	0.0	15,661.6
Veterans' Services, Department of	104.3	396.0	500.3	104.3	396.0	500.3
Veterinary Medical Examining Board, Arizona, State	0.0	5.5	5.5	0.0	6.0	6.0
Water Resources, Department of	88.5	1.5	90.0	94.5	1.5	96.0
Weights and Measures, Department of	18.9	17.5	36.4	20.9	17.5	38.4
TOTAL APPROPRIATED FUNDS	33,826.3	16,040.7	49,867.0	34,484.2	15,996.5	50,480.7

- 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 2014 and FY 2015 can be found in the individual agency pages.
- 2/ Includes 4.5 General Fund FTE Positions in the Department of Emergency and Military Affairs, 4.5 General Fund FTE Positions in the Radiation Regulatory Agency, and 1.88 General Fund FTE Positions in the Department of Agriculture for FY 2014 and FY 2015 as appropriated by Laws 2013, Chapter 12.
- 3/ Includes 1,174.7 FTE Positions in FY 2014 and 1,177.7 FTE Positions in FY 2015 in the Other Fund FTE Positions columns funded from the Federal Medicaid Expenditure Authority.
- 4/ In FY 2015, the amount in the Other Fund FTE Positions column also includes 851.4 FTE Positions that are funded with non-appropriated funds. The FY 2014 Other Fund FTE Positions figure includes 795.4 FTE Positions from non-appropriated funds.
- 5/ The new Department of Child Safety (DCS) is created on July 1, 2014. The FTE positions of the Division of Child Safety and Family Services in the Department of Economic Security are displayed in the FY 2014 DCS column for comparability.
- 6/ Includes 1,689.9 FTE Positions in FY 2014 and 1,689.9 FTE Positions in FY 2015 in the Other Fund FTE Positions columns funded by the Long Term Care System Fund and Federal Funds for Child Support Enforcement.
- 7/ Includes 1 General Fund FTE Position in the Department of Emergency and Military Affairs for the administration of the Military Installation Fund per A.R.S. § 26-263.
- 8/ All University FTE Positions are attributed to the General Fund, although the Universities fund these positions from Other Appropriated Funds as well.

BUDGET UNITS

Arizona State Board of Accountancy

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	655,500	710,100	710,100
Employee Related Expenditures	290,800	321,200	321,600
Professional and Outside Services	385,800	577,900	577,900
Travel - In State	4,300	4,900	4,900
Travel - Out of State	4,200	10,600	10,600
Other Operating Expenditures	207,500	287,400	290,100
Equipment	15,000	21,600	21,600
AGENCY TOTAL	1,563,100	1,933,700	1,936,800^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board of Accountancy Fund	1,563,100	1,933,700	1,936,800
SUBTOTAL - Other Appropriated Funds	1,563,100	1,933,700	1,936,800
SUBTOTAL - Appropriated Funds	1,563,100	1,933,700	1,936,800
TOTAL - ALL SOURCES	1,563,100	1,933,700	1,936,800

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 budget includes \$1,936,800 and 13 FTE Positions from the Board of Accountancy Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$3,100 from the Board of Accountancy Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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

Acupuncture Board of Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	85,400	92,400	96,800
Employee Related Expenditures	17,600	18,000	18,100
Professional and Outside Services	0	11,600	11,600
Travel - In State	900	1,500	1,500
Travel - Out of State	900	1,000	1,000
Other Operating Expenditures	23,500	25,700	25,700
Equipment	500	0	0
AGENCY TOTAL	128,800	150,200	154,700^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Acupuncture Board of Examiners Fund	128,800	150,200	154,700
SUBTOTAL - Other Appropriated Funds	128,800	150,200	154,700
SUBTOTAL - Appropriated Funds	128,800	150,200	154,700
TOTAL - ALL SOURCES	128,800	150,200	154,700

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

Operating Budget

The budget includes \$154,700 and 1 FTE Position from the Acupuncture Board of Examiners Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Board Member Compensation

The budget includes an increase of \$4,400 from the Acupuncture Board of Examiners Fund in FY 2015 to provide 6 professional board members with per diem compensation for each board meeting.

Statewide Adjustments

The budget includes an increase of \$100 from the Acupuncture Board of Examiners Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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

Arizona Department of Administration

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	528.1	508.1	504.1 ^{1/}
Personal Services	26,336,600	30,046,100	30,046,100
Employee Related Expenditures	9,874,700	11,771,700	11,790,000
Professional and Outside Services	4,938,700	11,759,400	11,759,400
Travel - In State	215,900	316,600	316,600
Travel - Out of State	20,000	41,800	41,800
Other Operating Expenditures	36,299,300	27,956,900	28,027,100
Equipment	3,090,700	4,538,300	4,538,300
OPERATING SUBTOTAL	80,775,900	86,430,800	86,519,300 ^{2/}
SPECIAL LINE ITEMS			
Facilities Management			
Utilities	7,892,500	8,275,600	8,275,600
Financial Services			
County Attorney Immigration Enforcement	1,152,200	1,213,200	1,213,200 ^{3/}
Named Claimants	283,700	193,600	0
White Mountain Apache Water Rights Settlement	2,000,000	0	0
Human Resources			
Human Resources Information Solution COP	3,319,600	0	0
Information Technology Services			
Public Safety Communications	456,000	549,700	0 ^{4/}
Small-Scale Computing Systems Audit	0	0	0 ^{5/6/}
Statewide Information Security and Privacy Office	690,600	871,700	873,500
Risk Management			
Federal Transfer Payment	3,727,200	10,742,000 ^{7/8/}	0
Risk Management Administrative Expenses	5,769,000	8,746,100	8,747,200
Risk Management Losses and Premiums	26,956,900	45,656,200	44,362,200
Workers' Compensation Losses and Premiums	25,802,200	30,955,200	31,159,200
Support Services			
State Surplus Property Sales Proceeds	1,444,900	1,260,000	1,260,000 ^{9/}
Other			
County TPT Electricity Exemption Backfill	0	0	0 ^{10/11/}
Southwest Defense Contracts	0	0	25,000 ^{12/}
AGENCY TOTAL	160,270,700	194,894,100	182,435,200 ^{13/}
FUND SOURCES			
General Fund	13,662,700	11,887,900	11,193,000
Other Appropriated Funds			
Air Quality Fund	641,400	927,100	927,100 ^{14/}
Automation Operations Fund	17,167,100	19,108,000	19,120,700 ^{15/}
Capital Outlay Stabilization Fund	16,859,500	18,070,700	18,080,400
Corrections Fund	449,800	572,900	574,100
Federal Surplus Materials Revolving Fund	86,500	464,100	464,100
Information Technology Fund	2,643,100	3,232,300	3,238,100
Motor Vehicle Pool Revolving Fund	8,878,700	10,155,800	10,156,100 ^{16/}
Personnel Division Fund	14,304,700	12,898,700	12,914,000
Risk Management Revolving Fund	72,229,200	103,814,200	91,995,400
Special Employee Health Insurance Trust Fund	9,056,600	5,259,200	5,267,400
State Surplus Materials Revolving Fund	2,462,600	2,399,600	2,399,800 ^{9/}
State Web Portal Fund	220,100	4,250,000	4,250,000
Telecommunications Fund	1,608,700	1,853,600	1,855,000
SUBTOTAL - Other Appropriated Funds	146,608,000	183,006,200	171,242,200
SUBTOTAL - Appropriated Funds	160,270,700	194,894,100	182,435,200

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
Other Non-Appropriated Funds	792,378,200	732,989,900	902,514,700
Federal Funds	6,112,400	4,164,900	2,253,000
TOTAL - ALL SOURCES	958,761,300^{17/}	932,048,900	1,087,202,900

AGENCY DESCRIPTION — The Arizona Department of Administration (ADOA) 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.

- 1/ Includes 3 OF FTE Positions funded from Special Line Items in FY 2015.
- 2/ The department may collect an amount not to exceed \$1,762,600 from other funding sources, excluding Federal Funds, to recover pro rata costs of operating AFIS II. (General Appropriation Act footnote)
- 3/ Of the \$1,213,200 appropriated to the County Attorney Immigration Enforcement line item, \$200,000 must 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 must 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. Each county shall submit an annual report to the Department of Administration on or before October 1, 2014 on the actual use of the monies in the previous fiscal year and the projected use of the monies in the current fiscal year. The Department of Administration shall report to the Directors of the Governor's Office of Strategic Planning and Budgeting and the Joint Legislative Budget Committee on or before November 1, 2014 on the use of these monies. (General Appropriation Act footnote)
- 4/ On or before October 1, 2014, the department shall submit a report for review by the Joint Legislative Budget Committee of the expenditures to date and progress of implementation for any monies received from the State and Local Implementation Grant Program associated with the National Public Safety Broadband Network Initiative. The Joint Legislative Budget Committee may require the department to submit more frequent reports as necessary for further review. (General Appropriation Act footnote)
- 5/ The General Appropriation Act, as originally passed, included \$500,000 from the Automation Operations Fund in FY 2015 for the Small-Scale Computing Systems Audit Special Line Item. This amount was line-item vetoed by the Governor thus reducing the total appropriation by a corresponding amount.
- 6/ ~~On or before October 1, 2016, the Department of Administration shall report its findings, recommendations and priorities to the Governor, the President of the Senate, the Speaker of the House of Representatives and the Senate and House of Representatives Appropriations Committees. The department shall provide a copy of the report to the Secretary of State.~~ (General Appropriation Act footnote) The stricken language reflects language vetoed by the Governor.
- 7/ On or before November 1, 2014, the Department of Administration shall submit a plan to reduce the level of federal reimbursement regarding excess balances from funds other than the Special Employee Health Insurance Trust Fund established by A.R.S. § 38-654 for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 8/ It is the intent of the Legislature that the Department of Administration not enter into any agreements to pay for any federal reimbursements related to excess balances in the Special Employee Health Insurance Trust Fund established by A.R.S. § 38-654, or interest payments made for the Human Resource Information Solution Certificate of Participation, unless the proposed agreements are reviewed by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 9/ All State Surplus Materials Revolving Fund revenues received by the Department of Administration in excess of the \$2,399,800 in FY 2015 are appropriated to the department. Before the expenditure of State Surplus Materials Revolving Fund receipts in excess of \$2,399,800 in FY 2015, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 10/ The General Appropriation Act, as originally passed, included \$1,300,000 from the General Fund in FY 2015 for the County TPT Electricity Exemption Backfill Special Line Item. This amount was line-item vetoed by the Governor thus reducing the total appropriation by a corresponding amount.
- 11/ ~~The sum of \$1,300,000 is appropriated from the State General Fund in FY 2015 to the Department of Administration for distribution to counties to backfill revenue loss resulting from tax exemptions and exclusions enacted in the 51st Legislature, 2nd Regular Session, relating to electricity used in manufacturing or smelting operations. Before any distribution of this amount, the Department of Administration shall submit an expenditure plan for review by the Joint Legislative Budget Committee.~~ (General Appropriation Act footnote) The stricken language reflects language vetoed by the Governor.
- 12/ The sum of \$25,000 is appropriated in FY 2015 from the State General Fund to the Department of Administration for distribution to a nonprofit organization that advocates for the preservation and enhancement of critical defense missions and assets in the southwest United States. (General Appropriation Act footnote)
- 13/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 14/ The amounts appropriated for the State Employee Transportation Service Subsidy must be used for up to a 50% subsidy of charges payable for transportation service expenses as provided in A.R.S. § 41-710.01, of nonuniversity state employees in a vehicle emissions control area as defined in A.R.S. § 49-541, of a county with a population of more than 400,000 persons. (General Appropriation Act footnote)
- 15/ The appropriation for the Automation Operations Fund established by A.R.S. § 41-711 is an estimate representing all monies, including balance forward, revenue and transfers during FY 2015. These monies are appropriated to the Department of Administration for the purposes established in A.R.S. § 41-711. The appropriation is 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 \$19,120,700 in FY 2015, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 16/ It is the intent of the Legislature that the department not replace vehicles until an average of 120,000 miles or more. (General Appropriation Act footnote)
- 17/ Excludes \$16,800,000 from the General Fund and \$11,300,000 from Other Funds in FY 2013 for automation projects originally included in the *FY 2013 Appropriations Report*. The Other Funds amount consists of \$4,200,000 from the Automation Operations Fund, \$5,600,000 from the State Web Portal Fund, and \$1,500,000 from the Information Technology Fund. These amounts are now displayed as part of the ADOA - Automation Projects Fund program.

Operating Budget

The budget includes \$86,519,300 and 501.1 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$9,329,100
Air Quality Fund	927,100
Automation Operations Fund	19,120,700
Capital Outlay Stabilization Fund (COSF)	10,430,500
Corrections Fund	574,100
Federal Surplus Materials Revolving Fund	464,100
Information Technology Fund	2,364,600
Motor Vehicle Pool Revolving Fund	10,156,100
Personnel Division Fund	12,914,000
Risk Management Revolving Fund	7,726,800
Special Employee Health Insurance Trust Fund	5,267,400
State Surplus Materials Revolving Fund	1,139,800
State Web Portal Fund	4,250,000
Telecommunications Fund	1,855,000

These amounts fund the following adjustments:

AFIS FTE Realignment

The budget includes a decrease of (20) FTE Positions from ADOA's operating budget in FY 2014 and FY 2015. These FTE Positions are funded from the Automation Projects Fund for the replacement of the state's financial and accounting system, the Arizona Financial Information System (AFIS). As a result, these FTE Positions are displayed in the Arizona Department of Administration - Automation Projects Fund section. *(Please see the Department of Administration - Automation Projects Fund section for more details.)*

Statewide Adjustments

The budget includes an increase of \$88,500 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	\$23,400
Automation Operations Fund	12,700
Capital Outlay Stabilization Fund (COSF)	9,700
Corrections Fund	1,200
Information Technology Fund	4,000
Motor Vehicle Pool Revolving Fund	300
Personnel Division Fund	15,300
Risk Management Revolving Fund	12,100
Special Employee Health Insurance Trust Fund	8,200
State Surplus Materials Revolving Fund	200
Telecommunications Fund	1,400

(Please see the Agency Detail and Allocations section.)

Facilities Management

Utilities

The budget includes \$8,275,600 in FY 2015 for Utilities. This amount consists of:

General Fund	625,700
COSF	7,649,900

These amounts are unchanged from FY 2014.

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

Financial Services

County Attorney Immigration Enforcement

The budget includes \$1,213,200 from the General Fund in FY 2015 for County Attorney Immigration Enforcement. This amount is unchanged from FY 2014.

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.

A General Appropriation Act footnote specifies that, of the \$1,213,200 appropriated to this line item:

- \$200,000 shall be distributed to the county attorney of a county with a population of 2,000,000 or more persons.
- \$500,000 shall be distributed to the county sheriff of a county with a population of 2,000,000 or more persons.
- Subject to prior approval by the Joint Legislative Budget Committee (JLBC), the remaining monies may be distributed to county attorneys and county sheriffs of counties with populations of less than 2,000,000 persons.
- In addition, the footnote requires that each county shall submit an annual report to ADOA by October 1, 2014 on the actual use of the monies in the previous year and the projected use of the monies in the current year. ADOA is required to report to JLBC and OSPB on the use of these monies by November 1, 2014.

At its April 2014 meeting, the JLBC approved a proposal by ADOA to distribute FY 2014 funds to non-Maricopa counties proportionally based on population. ADOA additionally proposed that, if a county officer had previously returned their FY 2013 funding, had reported

no use for their FY 2014 funding, or had failed to report any intended use of their FY 2014 funding, ADOA would not distribute their proportionate share of funds. The Committee approved ADOA's proposal, resulting in a distribution of \$300,500 of the \$513,200 designated for all non-Maricopa counties. The JLBC additionally stipulated that, if a county officer not scheduled to receive funds under ADOA's proposal subsequently requests FY 2014 funding, ADOA may provide their proportionate share at that time, and that any unused funds at the end of the fiscal year shall revert to the General Fund.

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

Named Claimants

The budget includes no funding from the General Fund in FY 2015 for Named Claimants. This amount funds the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(193,600) from the General Fund in FY 2015 for the elimination of one-time funding of prior year unpaid claims.

The state must annually settle legitimate unpaid claims against received goods and services, as submitted by the various state agencies. Monies in this line item are not included in the General Appropriation Act. A separate legislative act usually makes this appropriation. Laws 2014, Chapter 39 appropriates \$193,632.27 from the General Fund in FY 2014 for prior year unpaid claims.

The General Fund is used to pay the Named Claimants bills, but is reimbursed if the claim would have otherwise been paid by another fund source. Of the \$193,632.27, the General Fund will receive \$1,430.00 from the Capital Outlay Stabilization Fund, and \$42,848.72 from the Risk Management Revolving Fund. The total of \$44,278.72 will be deposited in the General Fund as revenue.

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

Information Technology Services

Public Safety Communications

The budget includes no funding from the General Fund in FY 2015 for Public Safety Communications. This amount funds the following adjustments:

Elimination of Commission

The budget includes a decrease of \$(549,700) and (4) FTE Positions from the General Fund in FY 2015 to eliminate the Public Safety Communication Advisory Commission.

The Public Safety Communications Program designs and implements a standard-based system that provides interoperable communications between statewide public safety agencies, and is administered by the Public Safety Communication Advisory Commission (PSCC). PSCC was established in 2004, with a sunset date of July 2014.

Following meetings with the Senate Public Safety and House Public Safety, Military and Regulatory Affairs Committees of Reference, ADOA determined they would not seek an extension of the commission beyond the July 2014 sunset date, with all operations to cease by December 1, 2014 at the latest. In addition to ongoing savings of \$(549,700) from the elimination of the commission, ADOA estimates that approximately \$200,000 will revert to the General Fund in FY 2014 from the commission's FY 2014 budget.

In August 2013, ADOA received a \$3,000,000 federal grant which was to be administered by PSCC. The State and Local Implementation Grant Program (SLIGP) was distributed as part of the National Public Safety Broadband Network (NPSBN) initiative, a national effort to construct a nationwide, standards-based, high-speed data network by reserving a part of the electromagnetic spectrum for public safety. ADOA will continue to administer SLIGP funds through other programs.

With the elimination of the Commission, the FY 2015 General Appropriation Act includes a new footnote requiring ADOA to submit a report by October 1, 2014 to JLBC for review of the expenditures to date and progress of implementation for any SLIGP funds. Additionally, the footnote allows JLBC to require ADOA to submit more frequent reports as necessary for further review.

Small-Scale Computing Systems Audit

The General Appropriation Act, as originally passed, included \$500,000 from the Automation Operations Fund in FY 2015 for a statewide audit of small-scale computing systems. This amount was line-item vetoed by the Governor.

The new line-item would have provided funding to allow the Arizona Strategic Enterprise Technology (ASET) Office within ADOA to conduct a statewide audit of small-scale computing systems, including desktops, laptops, and other systems that support fewer than 10,000,000 transactions per hour, or stores less than 100 billion bytes of data. *(Please see footnotes 5 and 6 for more information.)*

Laws 2012, Chapter 161 required ASET to provide an assessment and report on the state's large-scale computing systems, including mainframes and servers, no later than October 1, 2014. This assessment is funded through the Automation Projects Fund in FY 2014, at an estimated cost of \$400,000.

Statewide Information Security and Privacy Office

The budget includes \$873,500 and 3 FTE Positions from the Information Technology Fund in FY 2015 for the Statewide Information Security and Privacy Office. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,800 from the Information Technology Fund in FY 2015 for statewide adjustments.

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

Risk Management

Federal Transfer Payment

The budget includes no funding in FY 2015 to eliminate one-time payments to the federal government. This amount funds the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(10,742,000) from the Risk Management Revolving Fund in FY 2015 to eliminate one-time payments to the federal government.

In order to receive Federal Funds, the state enters into a contractual obligation with the federal government which restricts the use of these Federal Funds. If the state then uses these funds in restricted ways, the federal government requires that the state pay back a proportional share of these funds.

The FY 2015 General Appropriation Act (Laws 2014, Chapter 18) included an FY 2014 supplemental appropriation of \$10,742,000 from the Risk Management Revolving Fund to repay the federal government for restricted uses. This amount consists of:

- \$6,387,000 for FY 2013 fund transfers from 3 separate funds.
- \$3,923,000 for FY 2013 excess retained earnings in 5 different funds.
- \$285,000 for FY 2013 disallowed costs relating to the Government Information Technology Agency (GITA).
- \$50,000 for FY 2013 disallowed costs relating to Attorney General legal services.
- \$97,000 for interest on FY 2013 fund transfers.

In addition, Chapter 18 specifies that it is the intent of the Legislature that ADOA shall not enter into any agreements to pay for any federal reimbursements related to excess retained earnings in the Special Employee Health Insurance Trust Fund (HITF), or interest payments made for the Human Resource Information Solution (HRIS) Certificate of Participation (COP), unless the proposed agreements are reviewed by the JLBC. *(Please see footnote 8 for more information.)*

Chapter 18 also requires ADOA to submit a plan to reduce the level of federal reimbursement regarding excess retained earnings from funds other than the Special Employee Health Insurance Trust Fund for review by the JLBC. *(Please see footnote 7 and the Federal Financial Participation section in Other Issues for more information.)*

Risk Management Administrative Expenses

The budget includes \$8,747,200 from the Risk Management Revolving Fund in FY 2015 for Risk Management Administrative Expenses. This amount funds the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,100 from the Risk Management Revolving Fund in FY 2015 for statewide adjustments.

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

Risk Management Losses and Premiums

The budget includes \$44,362,200 from the Risk Management Revolving Fund in FY 2015 for Risk Management Losses and Premiums. This amount funds the following adjustments:

Risk Management Losses

The budget includes a decrease of \$(1,294,000) from the Risk Management Revolving Fund in FY 2015 for an estimated decrease in Risk Management Losses and Premiums. This decrease is a result of an independent

actuarial review of the department's claims history and exposure.

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

Workers' Compensation Losses and Premiums

The budget includes \$31,159,200 from the Risk Management Revolving Fund in FY 2015 for Workers' Compensation Losses and Premiums. This amount funds the following adjustments:

Workers' Compensation Losses

The budget includes an increase of \$204,000 from the Risk Management Revolving Fund in FY 2015 for an estimated increase in Workers' Compensation Losses and Premiums. This increase is a result of an independent actuarial review of the state's claims history and exposure.

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

Support Services

State Surplus Property Sales Proceeds

The budget includes \$1,260,000 from the State Surplus Materials Revolving Fund in FY 2015 for State Surplus Property Sales Proceeds. This amount is unchanged from FY 2014.

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

County TPT Electricity Exemption Backfill

The General Appropriation Act, as originally passed, included \$1,300,000 from the General Fund in FY 2015 for distribution to counties. This amount was line-item vetoed by the Governor.

The new line-item would have provided funding to backfill counties' revenue loss resulting from tax exemptions and

exclusions enacted in the 51st Legislature, Second Regular Session, relating to electricity used in manufacturing or smelting operations. (Please see footnote 11 for more information.)

Southwest Defense Contracts

The budget includes \$25,000 from the General Fund in FY 2015 for Southwest Defense Contracts. This amount funds the following adjustments:

Southwest Defense Contracts

The budget includes an increase of \$25,000 from the General Fund in FY 2015 for southwest defense contracts.

This line item is for distribution to a nonprofit organization that advocates for the preservation and enhancement of critical defense missions and assets in the southwestern United States. (Please see footnote 12 for more information.)

Other Issues

FY 1999 Reversion

Laws 1997, Chapter 288 appropriated a non-lapsing amount of \$450,000 from the Personnel Division Fund in FY 1999. To date \$273,000 remains unspent. The FY 2015 General Appropriation Act (Laws 2014, Chapter 18, Section 104) specifies that, of the \$450,000 appropriation, \$273,000 shall revert to the General Fund on the general effective date of the act.

Automation Projects

The budget includes \$35,533,000 transferred from the General Fund and department funds to the Automation Projects Fund in FY 2015 for automation and information technology projects at ADOA. This amount consists of:

AFIS Replacement

The budget includes \$26,533,000 from the Automation Projects Fund in FY 2015 for the third year of a 4-year project to replace the state's financial and accounting system.

ASET Initiatives

The budget includes \$9,000,000 from the Automation Projects Fund in FY 2015 to fund personnel and information technology projects continued from FY 2014 at the Arizona Strategic Enterprise Technology (ASET) office in ADOA.

(Please see the Department of Administration - Automation Projects Fund section for details regarding these information technology projects.)

Health Insurance Trust Fund

The Health Insurance Trust Fund (HITF) is used to administer state employee health insurance benefit plans.

Funding consists of employer and employee medical and dental insurance contributions. At the end of FY 2013, HITF had a balance of \$324,600,000. Recent budgets have included a number of measures to reduce the HITF balance.

The FY 2014 General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) required a \$68,000,000 transfer from the HITF balance to the General Fund. In addition to the \$68,000,000 transfer to the General Fund, Chapter 1 required a \$5,496,000 transfer to the Automation Projects Fund to replace the state's financial and accounting system.

The FY 2015 General Appropriation Act (Laws 2014, Chapter 18, Section 139) required a \$53,900,000 transfer from the HITF balance to the General Fund.

	<u>Estimated FY 2014</u>	<u>Estimated FY 2015</u>
Beginning Balance	\$324.6	\$310.7
Receipts	\$817.5	\$824.5
Expenses	\$757.9	\$827.5
FFP Repayment ^{1/}	0.0	9.1
Transfer	<u>73.5</u>	<u>53.9</u>
Net Expenses	\$831.4	\$890.5
HITF Ending Balance	\$310.7	\$244.7

^{1/} Represents an estimated payment not yet authorized by the Legislature for the transfer of monies made in FY 2014.

Some of the HITF revenues are generated from Federal Funds. As a result, when HITF monies are transferred to the General Fund, the federal government requires that they receive a refund as well, known as a federal financial participation (FFP) repayment. Chapter 18 appropriated \$10,742,000 from the Risk Management Revolving Fund in FY 2014 for an FFP repayment, which included \$3,443,000 for FY 2013 transfers from HITF. While not yet authorized by the Legislature, the FY 2015 FFP repayment for FY 2014 HITF transfers is estimated to be \$9,134,000. This repayment may alternatively be financed from the Risk Management Revolving Fund.

In FY 2015, ADOA projects medical expenditures will increase by 9.7%, raising overall expenses to \$827,500,000. Included in this amount are 2 taxes from the Federal Affordable Care Act. The Patient-Centered Outcomes Research Trust Fee is a \$2 per member fee which will fund comparative effectiveness research at the Patient-Centered Outcomes Research Institute. This fee is estimated to cost \$223,200 in FY 2015. The second fee is a \$63 per member reinsurance fee, and is a transitional fee

to stabilize the individual market when high cost claimants are able to purchase insurance without being charged a higher rate due to pre-existing conditions. The Federal Government released new rules in March 2014 regarding the delayed implementation of the Affordable Care Act. Part of these revised rules delays a portion of the cost associated with the \$63 per member fee. ADOA now estimates this fee to cost \$5.4 million in FY 2015, and \$1.1 million in FY 2016.

Despite the FY 2014 and previous balance reduction measures, HITF is expected to have a fund balance of \$244,700,000 at the end of FY 2015. Information on HITF receipts, expenses and fund balances are displayed in *Table 1*.

Risk Management Revolving Fund

ADOA's Risk Management Division annually levies a charge on all state agencies to provide funding to pay the state's property and liability losses and workers' compensation losses, and to purchase insurance coverage for losses not covered under our self-insured limits. The revenue generated from the charges to agencies is deposited in the Risk Management Revolving Fund. Property and liability losses, along with workers' compensation losses, comprise the majority of Risk Management Revolving Fund expenditures.

	<u>Actual FY 2013</u>	<u>Estimated FY 2014</u>	<u>Estimated FY 2015</u>
Beginning Balance	51,739.0	61,651.3	34,117.7
Revenues	<u>106,982.0</u>	<u>103,706.2</u>	<u>103,706.2</u>
<i>Total Funds Available</i>	158,721.0	165,357.5	137,823.9
Expenditures			
ADOA	68,502.0	93,072.2	91,995.4
Other Agencies	20,895.2	25,657.4 ^{1/}	10,639.4
Legislative Transfers	-	736.2	-
Federal Repayment	3,727.2	10,742.0	-
Admin Adjustment	<u>3,945.3</u>	<u>1,032.0</u>	-
<i>Total Expenditures</i>	97,069.7	131,239.8	102,634.8
Ending Balance	61,651.3	34,117.7	35,189.1
Spending Adjustment ^{2/}	-	15,000.0	30,000.0
Revised Balance	61,651.3	49,117.7	65,189.1

^{1/} Incorporates shifting \$15,018,000 of State Land Department funding from the Risk Management Revolving Fund to the General Fund in FY 2014.

^{2/} Would reduce projected expenditures closer to historical spending levels which would increase the revised ending balance. FY 2015 represents \$15 million from a greater beginning balance and \$15 million from reduced spending in FY 2015.

In recent years, Risk Management expenditures have been significantly lower than fund revenue. Even with transfers of Risk Management monies to other agencies and transfers to the General Fund to help balance the budget, the fund has consistently had an ending balance of approximately \$50,000,000.

Table 2 depicts actual balance, revenue, and expenditure information for FY 2013 as well as the estimated amounts for FY 2014 and FY 2015. ADOA estimates that the ADOA-related expenditures (claims and administrative costs) would be considerably more than what was spent in FY 2013, resulting in significant decreases to the balance in FY 2014 and FY 2015. Due to the unpredictable nature of the Risk Management program, ADOA tends to estimate future expenditures above historical spending levels. Table 2 also includes adjusted expenditure estimates for FY 2014 and FY 2015, which are closer to historical spending levels. Under these adjusted estimates, the balance would be \$49.1 million in FY 2014 and \$65.2 million in FY 2015.

As a result of the large balance in the Risk Management Revolving Fund, monies from the fund have been used to support other agencies in recent years. The use of the funding has typically been in circumstances where the lack of funding would result in potential liability to the state. Risk Management funds have been used to pay for State Land Department operations, Department of Public Safety (DPS) disaster recovery planning, DPS-Capitol Police salaries, and Arizona Navigable Streams Adjudication Commission litigation costs.

In addition to funding other agencies, the balance was used to refund a portion of certain fund balances to the federal government in FY 2014. (Please see the *Federal Transfer Payment Section above*, and the *Federal Financial Participation Repayment Section below* for more information.)

Federal Financial Participation Repayment

In order to receive Federal Funds, the state enters into a contractual obligation with the federal government which restricts some uses of these Federal Funds. If the state then uses these funds in restricted ways, the federal government requires that the state pay back a proportional share of these funds.

Fund Transfers

As part of its budget balancing, the state transferred monies from several ADOA funds to the General Fund in FY 2009 through FY 2012. The federal government contributed to several of those funds. For example, the state's Risk Management Revolving Fund is funded from charges to state agencies. These agencies may use Federal Funds to pay their charge. If part of the fund balance is transferred to the General Fund, the federal government bills the state to have a proportionate share of the transfer paid back to the federal government.

Disallowed Costs

The federal government does not allow the use of Federal Funds to pay state agency charges in certain circumstances. For example, the state's oversight of Information Technology (IT) projects is funded by an assessment charged to each agency as a percentage of payroll expenses. The federal government disallows the use of Federal Funds to be spent on this type of oversight, because the costs to administer the program are charged proportionately to all agencies, and are not based on a fee-for-service model. As a result, the federal government bills the state a proportionate share if state agencies use Federal Funds to pay for these disallowed costs.

Excess Retained Earnings

Certain enterprise funds carry a balance beyond the annual needs of the fund in order to provide some stability of cash flow. The federal government, however, charges the state for their proportionate share of excess fund balances above any amount that would fund more than 1/6th of the fiscal year's expenditures, or 60 days of working capital. In the past, the state has successfully negotiated not to be charged for excess fund balances in the Special Employee Health Insurance Trust Fund (HITF).

FY 2013

In FY 2013, the federal government charged the state \$8,831,300 for fund transfers and disallowed spending of federal monies in FY 2012. This amount consists of:

- \$5,104,100 from the Special Employee Health Insurance Trust Fund (HITF) for FY 2012 transfers to the General Fund.
- \$3,727,200 for disallowed costs relating to Attorney General legal services, statewide IT charges, and fund transfers prior to FY 2013.

The FY 2013 General Appropriation Act appropriated funding from HITF in FY 2013 to settle with the federal government any debts incurred due to HITF transfers to the General Fund in FY 2012. As a result, ADOA negotiated with the U.S. Department of Health and Human Services (HHS) and agreed to repay \$5,104,100 from HITF to settle these debts.

The FY 2014 General Appropriation Act included an FY 2013 supplemental appropriation of \$3,727,300 from the Risk Management Revolving Fund to refund a portion of certain disallowed costs and fund transfers to the federal government. This amount consists of:

- \$618,400 for disallowed costs relating to Attorney General legal services.
- \$341,400 for disallowed costs relating to the statewide IT charges.
- \$2,767,500 for fund transfers prior to FY 2013.

FY 2014

The FY 2015 General Appropriation Act (Laws 2014, Chapter 18) included an FY 2014 supplemental appropriation of \$10,742,000 from the Risk Management Revolving Fund to repay the federal government for certain restricted uses.

This amount includes payments for FY 2013 fund transfers from the Special Employee Health Insurance Trust Fund (HITF). FY 2014 fund transfers from HITF are estimated to result in the federal government billing the state for an additional \$9,134,000 in FY 2015 for their proportionate share.

The FY 2014 \$10,742,000 supplemental consists of the following:

- \$6,387,000 for FY 2013 fund transfers from 3 separate funds, as follows:
 - Automation Operations Fund (\$1,481,000)
 - Risk Management Revolving Fund (\$1,464,000)
 - Special Employee Health Insurance Trust Fund (\$3,442,000)
- \$3,923,000 for FY 2013 excess retained earnings in 5 different funds, as follows:
 - Automation Operations Fund (\$2,794,000)
 - Telecommunications Fund (\$158,000)
 - Personnel Division Fund (\$779,000)
 - Special Services Revolving Fund (\$4,000)
 - Information Technology Fund (\$188,000)
- \$285,000 for FY 2013 disallowed costs relating to the Government Information Technology Agency (GITA).
- \$50,000 for FY 2013 disallowed costs relating to Attorney General legal services.
- \$97,000 for interest on FY 2013 fund transfers.

(Please see the Federal Transfer Payment line item above for more information.)

Arizona Department of Administration - Automation Projects Fund

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
INDIVIDUAL PROJECTS			
Department of Administration			
<i>Full Time Equivalent Positions</i>	0.0	20.0	75.0
AFIS Replacement	8,474,100	28,638,000	26,533,000 ^{1/}
ASET Initiatives			
State Data Center	3,219,400	2,675,000	2,900,000
Security, Privacy, and Risk	407,200	3,075,000	3,125,000
Enterprise Architecture	320,300	1,000,000	500,000
Project Management	0	2,450,000	2,151,700
E-Government	940,600	325,000	325,000
Web Portal Transition Costs	0	1,975,000	0
ASET Initiatives Subtotal	4,887,500	11,500,000	9,001,700
Department of Administration Subtotal	13,361,600	40,138,000	35,534,700
AHCCCS			
Data Security	775,600	0	0
Department of Corrections			
AIMS Replacement	0	8,000,000	8,000,000 ^{2/}
Department of Environmental Quality			
E-Licensing	0	5,000,000	6,800,000 ^{3/}
Department of Education			
Education Learning and Accountability System	0	7,000,000	12,000,000 ^{4/5/6/}
Department of Child Safety			
CHILDS Replacement	0	0	5,000,000 ^{7/}
Department of Revenue			
DOR Automation Projects	2,837,500	6,600,000	0
Tax Analysis Improvements	0	0	1,700,000
Tobacco Tax System	0	0	1,000,000 ^{8/}
Department of Revenue Subtotal	2,837,500	6,600,000	2,700,000
TOTAL - ALL PROJECTS ^{9/10/11/}	16,974,700	66,738,000	70,034,700
FUND SOURCES			
General Fund	16,800,000	18,400,000 ^{12/}	35,500,000 ^{13/}
Other Appropriated Funds			
Automation Operations Fund	4,200,000	0	0
State Web Portal Fund	5,600,000	0	0
Information Technology Fund	1,500,000	0	0
Automation Projects Fund	0	66,738,000	70,034,700 ^{14/}
SUBTOTAL - Other Appropriated Funds	11,300,000	66,738,000	70,034,700
SUBTOTAL - Appropriated Funds	28,100,000	85,138,000	105,534,700
Other Non-Appropriated Funds	16,974,700	0	0
TOTAL - ALL SOURCES ^{9/}	45,074,700	85,138,000	105,534,700

AGENCY DESCRIPTION — Laws 2012, Chapter 298 established the Automation Projects Fund (APF), administered by the Arizona Department of Administration (ADOA). Monies in this appropriated fund are designated to implement, upgrade, or maintain automation and information technology projects for any state agency. Pursuant to A.R.S. § 41-714, before monies are expended from the fund, ADOA must submit an expenditure plan to JLBC for review.

Background

The FY 2013 Government Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 298) established the APF, administered by ADOA and consisting of monies appropriated by the Legislature. The FY 2014 Budget

Procedures BRB (Laws 2013, 1st Special Session, Chapter 6) subjected the APF to legislative appropriation, retroactive to June 30, 2013. The fund is exempt from lapsing. Monies in the fund are to be used to implement, upgrade or maintain automation and information technology projects for any state agency.

- 1/ Includes \$26,533,000 appropriated by Laws 2013, 1st Special Session, Chapter 1, Section 115 for the replacement of the state's financial and accounting system.
- 2/ The funding for the State Department of Corrections automation project is contingent on the use of a contracted independent third-party consultant to evaluate and assess the project's feasibility, estimated expenditures, technology approach and scope throughout the life of the project. The Department of Administration and the State Department of Corrections shall provide a recent report by the third-party consultant to the Information Technology Authorization Committee and the Joint Legislative Budget Committee before seeking review of the \$8,000,000 FY 2015 expenditure from the Automation Projects Fund, as required by A.R.S. § 41-714. Following the initial review of FY 2015 expenditures, the State Department of Corrections shall provide ongoing reports from the third-party consultant to the Joint Legislative Budget Committee on the progress of the project, as determined by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 3/ The funding for the Department of Environmental Quality automation project is contingent on the use of a contracted third-party consultant to evaluate and assess the project's feasibility, estimated expenditures, technology approach and scope throughout the life of the project. The Department of Administration and the Department of Environmental Quality shall provide a recent report by the third-party consultant to the Information Technology Authorization Committee and the Joint Legislative Budget Committee before seeking review of the \$6,800,000 FY 2015 expenditure from the Automation Projects Fund, as required by A.R.S. § 41-714. Following the initial review of FY 2015 expenditures, the Department of Environmental Quality shall provide ongoing reports from the third-party consultant to the Joint Legislative Budget Committee on the progress of the project, as determined by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 4/ In addition to the \$12,000,000, any remaining balances as of June 30, 2014 from fees collected from universities and community college districts in the Education Learning and Accountability Fund established by A.R.S. § 15-249.02, are appropriated for implementing, upgrading and maintaining the Student Longitudinal Data System and the Education Learning and Accountability System established pursuant A.R.S. § 15-249. (General Appropriation Act footnote)
- 5/ It is the intent of the Legislature that the appropriations made by this subsection be used to complete a significant portion of the replacement of the Student Accountability Information System established by A.R.S. § 15-1041, provide a majority of school districts and charter schools with dashboards and other technology tools to measure student achievement and continue to stabilize and align the Department of Education's internal technology systems with the Education Learning and Accountability System established pursuant to A.R.S. § 15-249. The Department of Education shall provide quantifiable deliverables of the Legislature's intended progress to the Information Technology Authorization Committee established by A.R.S. § 41-3521, and to the Joint Legislative Budget Committee before seeking review of the \$12,000,000 FY 2015 expenditure from the Automation Projects Fund, as required by A.R.S. § 41-714. (General Appropriation Act footnote)
- 6/ The funding for the Department of Education's automation project is contingent on the use of a contracted independent third-party consultant to evaluate and assess the project's feasibility, estimated expenditures, technology approach and scope throughout the life of the project. The Department of Administration and the Department of Education shall provide a recent report by the third-party consultant to the Information Technology Authorization Committee and the Joint Legislative Budget Committee before seeking review of the \$12,000,000 FY 2015 expenditure from the Automation Projects Fund, as required by A.R.S. § 41-714. Following the initial review of FY 2015 expenditures, the Department of Education shall provide ongoing reports from the third-party consultant to the Joint Legislative Budget Committee on the progress of the project, as determined by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 7/ The funding for the Department of Economic Security's automation project is contingent on the use of a contracted independent third-party consultant to evaluate and assess the project's feasibility, estimated expenditures, technology approach and scope throughout the life of the project. The Department of Administration and the Department of Economic Security shall provide a recent report by the third-party consultant to the Information Technology Authorization Committee and the Joint Legislative Budget Committee before seeking review of the \$5,000,000 FY 2015 expenditure from the Automation Projects Fund, as required by A.R.S. § 41-714. The Department of Administration and the Department of Economic Security shall provide a list of specific performance measures to be tracked by the new automation system when seeking review of the \$5,000,000 FY 2015 expenditure from the Automation Projects Fund, as required by A.R.S. § 41-714. Following the initial review of FY 2015 expenditures, the Department of Economic Security shall provide ongoing reports from the third-party consultant to the Joint Legislative Budget Committee on the progress of the project, as determined by the Joint Legislative Budget Committee. (General Appropriation Act footnote) The DES reporting requirement is presumed to become the responsibility of the Department of Child Safety (DCS) with the creation of this new department, as enacted during the 51st Legislature, 2nd Special Session.
- 8/ This amount is financed from a transfer from the Traditional Medicaid Services line item in AHCCCS to the Automation Projects Fund in FY 2015.
- 9/ Starting in FY 2014, the Automation Projects Fund is appropriated. The General Fund dollar amount is appropriated for AFIS replacement and deposited into the Automation Projects Fund, and then further appropriated from the APF. As a result of this "double" appropriation, the "Total - All Projects" does not equal the "Total - All Sources."
- 10/ In addition to the initial review of expenditures from the Automation Projects Fund by the Joint Legislative Budget Committee, pursuant to A.R.S. § 41-714, monies appropriated for projects at each state agency from the Automation Projects Fund established by A.R.S. § 41-714, may not be used for projects at any other state agency without prior review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 11/ The Department of Administration shall submit to the Joint Legislative Budget Committee, within 30 days of the last day of each calendar quarter, a quarterly report on the implementation of projects described in this section, including the projects' expenditures to date, deliverables, timeline for completion and current status. (General Appropriation Act footnote)
- 12/ In addition to the \$18,400,000 direct General Fund appropriation for AFIS replacement, the FY 2014 budget transferred \$7,100,000 from the General Fund into the Automation Projects Fund to pay for the cost of projects at ADE and DOR.
- 13/ Of this amount, \$18,400,000 was appropriated by Laws 2012, Chapter 294, Section 124, as amended by Laws 2013, 1st Special Session, Chapter 1, Section 1. The additional \$17,100,000 is appropriated from the General Fund in FY 2015 into the Automation Projects Fund to pay for the cost of projects at ADE, DES, and DOR.
- 14/ Any remaining balances on June 30, 2014 in the Automation Projects Fund established by A.R.S. § 41-714, from monies appropriated in FY 2014 are appropriated to the Department of Administration in FY 2015 for the same purposes specified in FY 2014. The Department of Administration shall report any FY 2015 expenditure of remaining balances from FY 2014 in the Automation Projects Fund in the department's quarterly report to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

Pursuant to A.R.S. § 41-714, before monies are expended from the fund, ADOA must submit an expenditure plan to the JLBC for review.

A General Appropriation Act footnote requires ADOA to submit quarterly reports, within 30 days of the end of the calendar quarter, to the JLBC on the progress of all automation projects funded through the APF, including the projects' expenditures to date, deliverables, timeline for completion, and current status. A separate General Appropriation Act footnote specifies that funds for agency projects financed through the APF may not be used for any other agency without prior review by the JLBC.

Department of Administration

AFIS Replacement

The budget includes \$26,533,000 and 60 FTE Positions from the APF in FY 2015 for the third year of a 4-year project to replace the state's financial and accounting system, the Arizona Financial Information System (AFIS). The project name is Business Re-Engineering Arizona (BREAZ). These amounts fund the following adjustments:

Expenditure Alignment

The budget includes a decrease of \$(2,105,000) and an increase of 40 FTE Positions from the APF in FY 2015 to align expenditures with the third year of a 4-year project to replace AFIS, the state's financial and accounting system. Of the 60 FTE Positions allocated to this project, 20 have been shifted from ADOA's operating budget to the APF in FY 2014 and FY 2015 for FTE Positions who were already employed at ADOA. The budget includes 40 additional FTE Positions for the replacement of AFIS in FY 2015 and FY 2016. Funding for these positions has already been approved. *(Please see the Arizona Department of Administration page for more details.)*

The FY 2015 \$26,533,000 appropriation will be financed from a transfer from the following 3 sources to the APF:

- \$18,400,000 previously appropriated from the General Fund for AFIS replacement.
- \$8,075,700 previously transferred from individual agency Automation Charge Transfers from Laws 2013, 1st Special Session, Chapter 1, Section 127 for AFIS replacement *(see below)*.
- \$57,300 transferred from the Automation Operations Fund.

AFIS was last upgraded in 1992 and is increasingly problematic due to its incompatibility with newer systems and capacity limitations. Laws 2012, Chapter 294 appropriated a total of \$79,800,000 from the General Fund over 4 years for deposit into the APF, primarily for the replacement of AFIS.

In the 2013 Legislative Session, the Legislature enacted a plan to allocate a portion of AFIS replacement costs to non-General Fund sources. As a result, the FY 2014 General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) reduced the Chapter 294 General Fund appropriation by \$16,998,000 over 4 years and replaced it with a one-time transfer totaling \$17,013,600 charged to other appropriated and non-appropriated funds for the replacement of AFIS. This charge represents a proportional contribution from the General Fund and all other funds, at an estimated 0.72% of FY 2014 expenditures.

Table 1 delineates the change in the Chapter 294 General Fund appropriation.

	<u>Chapter 294</u>	<u>Chapter 1</u>	<u>Difference</u>
FY 2013	16,800	16,800	0
FY 2014	20,000	18,400	(1,600)
FY 2015	20,000	18,400	(1,600)
FY 2016	<u>23,000</u>	<u>9,202</u>	<u>(13,798)</u>
Total	79,800	62,802	(16,998)

Laws 2013, 1st Special Session, Chapter 1 appropriated \$18,400,000 and \$9,202,000 from the General Fund to the APF in FY 2015 and FY 2016, respectively. In addition, Chapter 1 additionally appropriated \$26,533,000 and \$9,202,000 from the APF to ADOA for AFIS replacement in FY 2015 and FY 2016, respectively. As a result, these monies will not appear in the FY 2015 or FY 2016 General Appropriation Acts.

Laws 2013, 1st Special Session, Chapter 1, Section 127 transfers a total of \$17,013,600 to the APF. This amount was charged to other appropriated and non-appropriated funds as a one-time charge in FY 2014; however, the funds will be spent over 2 years of the 4-year project, as follows:

- \$8,937,900 in FY 2014.
- \$8,075,700 in FY 2015.

The 4-year project is estimated to cost \$73,000,000. The main project components are:

Vendor Contract	\$47,700,000
ADOA and Other Staffing	16,000,000
Third Party Oversight	5,200,000
Contingency Costs	<u>4,100,000</u>
Total	\$73,000,000

ADOA has awarded a \$47,700,000 contract to Consulting for Government and Industry (CGI) to construct the new AFIS system over 4 years. This amount includes

\$32,700,000 for the vendor, \$12,600,000 for software licensing and maintenance, \$1,300,000 for hardware, and \$1,100,000 for other costs, including disaster recovery hosting. The vendor is devoting as many as 81 FTE Positions to this project, with some located on-site.

Project costs for the state are estimated to total \$16,000,000 through FY 2016. The most significant portion of state staffing costs will be \$11,700,000 allocated to hiring 40-43 FTE Positions during the design, build, and test phases of the project. Included in this total will be FTE Positions devoted to developing financial reports for the various AFIS functions and business modules, in addition to technical developers and analysts who will focus on programming and data security.

Given the complexity of large-scale IT projects, ADOA has contracted with a third-party consultant, STA, to assist in the oversight of the replacement of AFIS, including providing estimates for remaining expenditures, and guidance on the scope of the new system. Initially \$3,000,000 was allocated to the consultant for the planning stages of the project. An additional \$2,200,000 was allocated to fund the consultant through FY 2016, for a total cost of \$5,200,000 for project oversight.

Due to possible unforeseen costs, the expenditure plan sets aside \$4,100,000 for contingency purposes. This amount was included in the Chapter 1 \$28,638,000 appropriation from the APF in FY 2014. ADOA now reports that this amount is unlikely to be needed in FY 2014. As a result, the FY 2015 Budget Procedures BRB (Laws 2014, Chapter 14), as session law, makes \$4,100,000 of the \$28,638,000 FY 2014 appropriation available for use by ADOA through FY 2016, to account for any unforeseen costs throughout the remainder of the project. *(Please see Other Issues for more information.)*

The new AFIS system is scheduled to go live on July 1, 2015, based on the following timeline:

- April 2013 - August 2013: Business Process Reengineering (BPR).
- September 2013 - June 2015: Plan, design, build, test, train and implement.
- July 1, 2015: Deploy the system to all state agencies.
- July 2015 - September 2016: The vendor provides post-implementation support through the first fiscal year-end process.

ASET Initiatives

The budget includes \$9,001,700 and 15 FTE Positions from the APF in FY 2015 for ongoing IT projects by the Arizona Strategic Enterprise Technology (ASET) Office in ADOA, as well as FTE Positions who assist in managing all projects funded from the APF. These amounts fund the following adjustments:

ASET Initiatives

The budget includes a decrease of \$(2,500,000) and an increase of 15 FTE Positions from the APF in FY 2015 to align expenditures with ongoing IT projects by the ASET Office in ADOA.

Statewide Adjustments

The budget includes an increase of \$1,700 from the APF in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

The FY 2015 \$9,000,000 appropriation will be financed by a transfer from the Automation Operations Fund to the APF. The \$1,700 for statewide adjustments will be financed from prior year projects that did not spend their total appropriation.

The \$9,001,700 APF appropriation will fund projects continuing from FY 2014, pay for Personal Services and Employee Related Expenditures to manage and oversee IT projects statewide, as well as fund new projects for FY 2015. This \$9,001,700 consists of the following:

- \$2,900,000 to improve the state Data Center, including upgrading aging infrastructure, and implementing back-up power supply systems and disaster recovery solutions. This amount would fund the following 2 projects:
 - State Data Center Facilities Enhancement, \$400,000
 - Critical Infrastructure and Service Migration, \$2,500,000
- \$3,125,000 to improve the security, privacy and risk of the state's IT systems, including implementing firewalls and encrypting private and sensitive information. This amount would fund the following 8 projects:
 - Secure Data Center Facility, \$520,000
 - Secure Data Protections Pilots, \$300,000
 - Data Center Network Managing/Monitoring, \$300,000
 - Security Assessment, \$450,000
 - Central Security Management, \$600,000
 - Incident Response, \$180,000
 - Security Awareness, \$250,000
 - Data Center Security Management, \$525,000
- \$500,000 to improve enterprise architecture, including implementing tools to facilitate IT planning and data collection across all state agencies, as well as implement financial reporting dashboards for IT projects at numerous state agencies. This amount would fund the following 2 projects:
 - Strategic Technology Assessment, \$400,000
 - Business and Technical Enterprise Architecture Training, \$100,000
- \$2,151,700 for project management in the ASET office in ADOA. This includes Personal Services and Employee Related Expenditures to manage all projects funded through the APF, and to provide assistance to

other state agencies for their IT projects. This amount would fund the following 2 projects:

- ASET Initiative Project Managers, \$450,300
- APF Strategic Execution Team, \$1,701,400
- \$325,000 to enhance E-government, by training state agencies to utilize the new state web portal, which was developed in FY 2014. This amount would fund the following project:
 - Agency Website Transformation & Content Management Solution Implementation, \$325,000

Department of Corrections

AIMS Replacement

The budget includes \$8,000,000 from the APF in FY 2015 for the second year of a 3-year project to replace the Adult Inmate Management System (AIMS) at the Department of Corrections (ADC). This amount is unchanged from FY 2014.

The FY 2015 \$8,000,000 appropriation will be financed by a transfer from the following ADC funds to APF:

- \$5,500,000 from the Prison Construction and Operations Fund
- \$2,500,000 from the Corrections Fund

The FY 2015 fund sources have been revised from the FY 2014 sources based on estimates of available fund balances.

FY 2015 is the second year of a 3-year \$24,000,000 project to replace this IT system, which assists in tracking identification, population management, sentencing calculations, and the appeals and grievance processes for inmates in the correctional system.

ADC is estimated to spend \$8,000,000 annually; however, when the contract is awarded, expenditure estimates may be refined. These amounts would primarily be used for Professional and Outside Services to purchase the modified Commercial Off The Shelf (COTS) system. As of May 2014, following a 6-month process evaluating bids, a contract has yet to be awarded. Given the complexity of large-scale IT projects, ADC has, however, contracted with a third-party vendor to assist in developing the request for proposals (RFP).

Consistent with ADC's approach, a General Appropriation Act footnote specifies that FY 2015 funding is contingent upon the department contracting with a third-party consultant to evaluate and assess the project's feasibility, estimated expenditures, technology approach and scope throughout the life of the project. ADOA and ADC shall provide ITAC and JLBC with a recent report from this contracted third-party when seeking review of FY 2015

funding, as required by A.R.S. § 41-714. ADC is required to provide further ongoing reports to JLBC, at a time frame determined by the JLBC.

Department of Environmental Quality

E-Licensing

The budget includes \$6,800,000 from the APF in FY 2015 to continue to develop an e-licensing web portal at the Department of Environmental Quality (DEQ). This amount funds the following adjustments:

Expenditure Alignment

The budget includes an increase of \$1,800,000 from the APF in FY 2015 to align expenditures with the second year of a project to provide e-licensing functionality on DEQ's web portal.

The FY 2015 \$6,800,000 appropriation will be financed by a transfer from the Vehicle Emissions Inspection Fund to the APF.

The e-licensing system will allow customers to conduct permitting, billing, payment, and review data submissions online for many of the permitting and compliances processes.

In FY 2014, \$5,000,000 was appropriated for this project to automate business processes within DEQ. As of May 2014, the project had expended \$3,493,922.

At its October 2013 meeting, the JLBC favorably reviewed the initial \$5,000,000 FY 2014 expenditure plan, with provisions that FY 2015 funding was contingent upon contracting with an independent third party to provide oversight of the project. DEQ has contracted with a third-party vendor. In the initial report, the vendor concurred with DEQ's approach and "can certainly see a credible path to success." The vendor provided recommendations for process improvements and suggestions for increasing user engagement with the new software. The vendor has been retained for continued oversight. At the same time as the third-party review, DEQ adjusted the scope of the project to address external feedback for more functionality. Instead of developing fillable forms for 80 business processes, the portal will provide deeper functionality and assistance to users for 22 business processes in Phase 2.

Consistent with DEQ's approach, a General Appropriation Act footnote specifies that FY 2015 funding is contingent upon the department contracting with a third-party consultant to evaluate and assess the project's feasibility, estimated expenditures, technology approach and scope throughout the life of the project. ADOA and DEQ shall provide ITAC and JLBC with a recent report from this contracted third-party when seeking review of FY 2015

funding, as required by A.R.S. § 41-714. DEQ is required to provide further ongoing reports to JLBC, at a time frame determined by the JLBC.

Department of Education

Education Learning and Accountability System

The budget includes \$12,000,000 from the APF in FY 2015 for further revisions to the Education Learning and Accountability System (ELAS) at the Department of Education (ADE). This amount funds the following adjustments:

Increased Funding

The budget includes an increase of \$5,000,000 from the General Fund for FY 2015 to replace a majority of the Student Accountability Information System (SAIS) and roll out data dashboards to additional public schools.

The FY 2015 \$12,000,000 appropriation will be financed from the following fund sources:

- \$10,400,000 appropriation from the General Fund.
- \$1,600,000 transfer from the ELAS Fund.
- In addition, the budget (Laws 2014, Chapter 18, Section 138) continues to appropriate any remaining FY 2014 ELAS Fund balances for use in FY 2015.

ELAS will allow ADE to collect, compile, maintain and report student level data for students enrolled in public schools. *(Please see the Department of Education, Education Learning and Accountability System section for more information.)*

Prior to FY 2014, ADE used its own funds to administer the project, which included a combination of state General Fund monies (\$5 million per year in FY 2012 and FY 2013), mandatory fees of \$6 per Full-Time Student Equivalent (FTSE) from Arizona universities and community colleges (approximately \$1.5 million per year in FY 2012 and FY 2013), and federal monies (approximately \$10 million in FY 2012 and FY 2013 combined).

In FY 2014, \$7,000,000 was appropriated to implement a portion of the total project. This amount funded development and expansion of a longitudinal data system, implementation of data visualization dashboards that display student achievement data, reduced redundancies for districts' reporting requirements, and implemented various security and technical measures.

In FY 2015, ADE plans to use the \$12,000,000 ELAS appropriation primarily to replace a majority of the Student Accountability Information System (SAIS), further develop more streamlined data reporting, storage, and

transfer systems, and roll out data dashboards to additional public schools.

A General Appropriation Act footnote specifies that it is the Legislature's intent that FY 2015 funding be used to complete a significant portion of SAIS replacement, provide a majority of public schools with dashboards and other technology tools to measure student achievement, and to stabilize ADE's internal technology systems. The footnote further requires ADE to provide quantifiable deliverables of the Legislature's intent to ITAC and the JLBC when seeking review of their FY 2015 expenditures, as required by A.R.S. § 41-714.

A separate General Appropriation Act Footnote requires ADE to report ELAS progress on a quarterly basis, in consultation with ADOA. *(Please see the Department of Education footnotes section for more information.)*

In FY 2014, ADE contracted with a third-party vendor to provide additional oversight for the project, in accordance with a General Appropriation Act footnote in effect for FY 2014. The vendor concluded that the current scope and approach of the project represents best practices, but that additional efforts should be made to include a larger and more diverse set of education stakeholders to encourage participation once the project is complete. The vendor has not been retained.

A General Appropriation Act footnote specifies that FY 2015 funding is contingent upon the department contracting with a third-party consultant to evaluate and assess the project's feasibility, estimated expenditures, technology approach and scope throughout the life of the project. ADOA and ADE are to provide ITAC and JLBC with a recent report from this contracted third-party when seeking review of FY 2015 funding, as required by A.R.S. § 41-714. ADE is required to provide further ongoing reports to JLBC, at a time frame determined by the JLBC.

Department of Child Safety

CHILDS Replacement

The budget includes \$5,000,000 from the APF in FY 2015 to replace the Children's Information Library and Data Source (CHILDS) operated by the Department of Child Safety (DCS). This amount funds the following adjustments:

CHILDS Replacement

The budget includes an increase of \$5,000,000 from the General Fund in FY 2015 to replace the CHILDS system at DCS.

The FY 2015 \$5,000,000 APF appropriation will be financed with an appropriation from the General Fund.

CHILDS is the management information system used to document the status, demographics, location and outcomes for every child in the care of DCS. The system assists with various business processes including hotline intake, initial assessments and investigations, case management, adoptions, eligibility determinations, staff management, provider management and payment processing.

The total cost for the project is estimated to be between \$40 and \$80 million, depending on the technology approach used during replacement. Based on feedback from independent IT consultants and comparisons with other states, the replacement of CHILDS could be done using a variety of methods. DCS could use an incremental approach, with a multitude of vendors working on different aspects of the system while being coordinated by a single vendor acting as the system integrator. Alternatively, DCS could purchase a COTS solution. The former approach may be less expensive initially, but may require higher maintenance costs due to the overall complexity of the completed system. The latter may be more expensive initially, but would likely be less expensive in subsequent years due to reduced maintenance costs. DCS has reported that they will consider both approaches as they develop the Request for Proposal (RFP) and continue the planning phases of the project.

As the project moves forward, other areas of concern include the utilization of a cloud-based approach, the level of Federal Financial Participation (FFP) through matching funds, and the amount of investment required in subsequent years. Although \$5,000,000 has been appropriated in FY 2015, the level of additional investment is currently unknown, until a specific approach has been chosen and a vendor has been selected.

A General Appropriation Act footnote specifies that FY 2015 funding is contingent upon the department contracting with a third-party consultant to evaluate and assess the project's feasibility, estimated expenditures, technology approach and scope throughout the life of the project. ADOA and DCS shall provide ITAC and JLBC with a recent report from this contracted third-party when seeking review of FY 2015 funding, as required by A.R.S. § 41-714. ADE is required to provide further ongoing reports to JLBC, at a time frame determined by the JLBC.

Department of Revenue

DOR Automation Projects

The budget includes \$2,700,000 from the APF in FY 2015 for tax analysis IT projects at the Department of Revenue. This amount funds the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(6,600,000) from the APF in FY 2015 to eliminate one-time funding. In FY 2014, DOR encrypted personally identifiable information, in addition to completing the second year of the 2-year Business Reengineering and Integrated Tax System (BRITS) project.

Tax Analysis Improvements

The budget includes an increase of \$1,700,000 from the APF in FY 2015 for 2 separate projects to provide programming support, software, and imaging services that would allow DOR to record information from portions of electronic tax returns that are not currently captured, and from tax returns that are not filed electronically.

The FY 2015 \$1,700,000 appropriation will be financed with an appropriation from the General Fund to the APF.

The first project is estimated to cost \$641,000 and will allow for the tracking and storage of data from the second page of the individual income tax return form, in part to determine the impact of the recent reduction of long-term capital gains subject to individual income tax, which was enacted by Laws 2012, Chapter 343.

The second project is estimated to cost \$1,059,000, and will provide ongoing support to DOR to increase the accuracy and timeliness of reporting income tax credits, such as those for private School Tuition Organizations (STOs) as well as public school extracurricular activity. Currently, there is a significant delay in reporting tax credit information due to a lack of programming to readily extract this information from the Taxpayer Accounting System.

Tobacco Tax Processing

The budget includes an increase of \$1,000,000 from the APF in FY 2015 for the development of a luxury tax processing and revenue accounting system within DOR.

The FY 2015 \$1,000,000 appropriation will be financed from a transfer from the Traditional Medicaid Services SLI in AHCCCS to the APF.

The automated Tobacco Tax System will enhance enforcement by automating the current manual data entry process, allowing delinquent returns and account information to be tracked, and logging data that DOR does not currently track for non-participating manufacturers, cigarette stamp inventory, and other tobacco sales data. The system is being built to reach compliance with the terms of the Master Settlement Agreement. *(Please see the Tobacco Tax/Master Settlement Agreement in DOR for more information.)*

Other Issues

Automation Project Oversight

In addition to JLBC review of APF expenditures, all IT projects over \$25,000 are additionally reviewed by ASET through the PIJ process. If an IT project exceeds \$1,000,000, statute requires additional approval by ITAC. ITAC consists of members from both the public and private sectors and is staffed by ADOA.

Due to the complexity of IT projects, the Legislature has occasionally required many large-scale IT projects to procure an independent third-party vendor to provide relevant analysis and ensure adequate oversight before and during implementation. Examples include ADOA contracting with STA to oversee AFIS Replacement, ADE contracting with WestEd to provide analysis of AELAS, and ADC contracting with PCG to evaluate AIMS replacement.

The FY 2015 Budget Procedures BRB (Laws 2014, Chapter 14, Section 2) modifies permanent law to require large-scale IT projects with a total cost greater than \$5 million to receive relevant third-party analysis from an independent contracted vendor before receiving approval from ITAC. The third-party consultant is required to review and provide guidance on the technology approach, scope, estimated cost, timeline for completion and overall feasibility of the project.

AFIS Contingency Costs

The AFIS replacement project is estimated to cost a total of \$73 million. Of this amount, \$4,100,000 was allocated specifically for contingency purposes in the event of unforeseen costs over the project's 4-year timeframe. In FY 2014, the Legislature appropriated \$28,638,000 to ADOA for AFIS replacement, which included the \$4,100,000 for contingency purposes.

ADOA has reported that the \$4,100,000 contingency amount is unlikely to be needed during FY 2014. The FY 2015 Budget Procedures BRB (Laws 2014, Chapter 14, Section 9), as session law, makes \$4,100,000 of the \$28,638,000 FY 2014 appropriation available for use by ADOA through FY 2016 to account for any unforeseen costs throughout the 4-year timeframe of the project. *(Please see the AFIS Replacement section above for more information.)*

Remaining Balances

Some agencies did not expend the full FY 2013 appropriation within that fiscal year. As a result, FY 2013 remaining balances in the APF were \$11.1 million. Of this amount, \$5.2 million financed 2 FY 2014 projects, as follows:

ADOA - ASET Initiatives	\$325,100
DOR - Encryption	4,900,000
Total	\$5,225,100

The FY 2014 Budget Procedures BRB (Laws 2013, 1st Special Session, Chapter 6) subjected the APF to legislative appropriation, retroactive to June 30, 2013. As a result, the FY 2014 Budget Procedures BRB additionally gave ADOA the FY 2014 appropriation authority to spend remaining balances above \$5.3 million to complete unfinished FY 2013 projects in FY 2014. Of the \$11.1 million remaining FY 2013 balances, \$5.9 million is expected to be spent in FY 2014 to complete unfinished FY 2013 projects.

A new General Appropriation Act footnote in FY 2015 continues this practice by providing 2-year appropriation authority for all FY 2015 IT projects financed through the APF.

APF Revenues

The FY 2013 General Appropriation Act (Laws 2012, Chapter 294, Section 124) appropriated a total of \$91.1 million over 4 years for deposit into the APF.

The FY 2014 General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) reduced the Chapter 294 General Fund appropriation by \$(17.0) million over 4 years and replaced it with a one-time transfer totaling \$17.0 million charged to other appropriated and non-appropriated funds primarily for the replacement of AFIS. *(Please see the AFIS Replacement section for more information.)*

Chapter 1 made additional transfers into the APF in FY 2014 for various IT projects in ADOA, ADC, DEQ, ADE, and DOR. These transfers totaled \$34,175,000, which included a \$7,100,000 transfer from the General Fund.

The FY 2015 General Appropriation Act (Laws 2014, Chapter 18) transferred a total of \$26,457,300 into the APF in FY 2015 for various projects in ADOA, ADC, DEQ, and DOR, as delineated in *Table 2*. This amount does not include a \$17,100,000 appropriation from the General Fund into APF for projects at ADE, DOR, and DCS.

Table 2

Automation Projects Fund
(\$ in thousands)

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u> ^{1/}
Beginning Balance		11,125.3	8,075.7	(1.7)
Revenues				
General Fund – ADOA	16,800.0	18,400.0	18,400.0	9,202.0
General Fund – ADE		5,400.0	10,400.0	
General Fund – DOR		1,700.0	1,700.0	
General Fund – DCS			5,000.0	
Automation Charges		17,013.6		
ADOA Automation Operations Fund	4,200.0	8,130.0	9,057.3	
ADOA State Web Portal Fund	5,600.0	4,000.0		
ADOA Information Technology Fund	1,500.0	345.0		
ADC Inmate Store Proceeds Fund		5,500.0		
ADC State DOC Revolving Fund		2,500.0		
ADC Prison Construction and Operation Fund			5,500.0	
ADC Corrections Fund			2,500.0	
AHCCCS Traditional Medicaid Services			1,000.0	
DEQ Emissions Inspection Fund		5,000.0	5,000.0	
ADE Education Learning and Accountability Fund		1,600.0	1,600.0	
Total Funds Available	28,100.0	80,713.9	70,033.0	9,200.3
Total Expenditures (Current FY Appropriation)	16,974.7	66,738.0 ^{2/}	70,034.7	9,202.0
Total Expenditures (Previous FY Appropriation) ^{3/}		5,900.2		
Total Expenditures	16,974.7	72,638.2	70,034.7	9,202.0
Ending Balance	11,125.3	8,075.7	(1.7)	(1.7)

^{1/} FY 2016 only displays funding which has already been authorized by the Legislature.

^{2/} Of this amount, \$5,225,100 was funded from the beginning balance.

^{3/} Being used to complete FY 2013 projects.

Arizona Department of Administration - Department of Child Safety

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Lump Sum Appropriation	0	0	25,000,000
AGENCY TOTAL	0	0	25,000,000^{1/}
FUND SOURCES			
General Fund	0	0	25,000,000
SUBTOTAL - Appropriated Funds	0	0	25,000,000
TOTAL - ALL SOURCES	0	0	25,000,000

AGENCY DESCRIPTION — The Arizona Department of Administration was appropriated one-time funding to facilitate the creation of the new Department of Child Safety.

Operating Budget

The budget includes \$25,000,000 from the General Fund in FY 2015 for the operating budget. This amount funds the following adjustments:

Fund Start-up Costs

The budget includes an increase of \$25,000,000 from the General Fund in FY 2015 to the Arizona Department of Administration (ADOA) for one-time costs associated with the establishment of the Department of Child Safety (DCS) as well as the relocation of the data center operated by the Department of Economic Security (DES).

Before any funds are expended, DCS must submit an expenditure plan to the Joint Legislative Budget Committee for review.

(Please see the Department of Child Safety for more information.)

Other Issues

Data Center Relocation

The \$25,000,000 FY 2015 appropriation includes funding to relocate the data center operated by DES. The DES data center is aging and is increasingly problematic due to various structural and electrical risks. The raised floor used as part of the cooling system is shifting, contains asbestos, and often floods in areas with exposed electrical wiring. In addition, fire suppression systems have been disabled and the roof leakage causes ongoing damage to the computing equipment and servers.

^{1/} The sum of \$25,000,000 is appropriated in FY 2015 from the State General Fund to the Department of Administration for costs associated with the establishment of the Department of Child Safety and the relocation of the data center operated by the Department of Economic Security. Before any expenditure of this amount, the Department of Child Safety shall submit an expenditure plan for review by the Joint Legislative Budget Committee (JLBC). (General Appropriation Act footnote; Laws 2014, Chapter 18 as modified by Laws 2014, 2nd Special Session, Chapter 2) Chapter 2 requires JLBC review of the proposed expenditure plan, whereas Chapter 18 previously required JLBC approval.

Office of Administrative Hearings

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.0	12.0	12.0
Personal Services	547,300	563,000	563,000
Employee Related Expenditures	208,400	217,200	217,500
Other Operating Expenditures	85,400	94,300	94,300
AGENCY TOTAL	841,100	874,500	874,800^{1/}
FUND SOURCES			
General Fund	827,800	862,200	862,500
<u>Other Appropriated Funds</u>			
Healthcare Group Fund	13,300	12,300	12,300
SUBTOTAL - Other Appropriated Funds	13,300	12,300	12,300
SUBTOTAL - Appropriated Funds	841,100	874,500	874,800
Other Non-Appropriated Funds	1,052,700	1,103,600	1,103,600
TOTAL - ALL SOURCES	1,893,800	1,978,100	1,978,400

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

Operating Budget

The budget includes \$874,800 and 12 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$862,500
Healthcare Group Fund	12,300

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$300 from the General Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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

Arizona Commission of African-American Affairs

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	0.0	0.0	3.0
Lump Sum Appropriation	0	0	125,000
AGENCY TOTAL	0	0	125,000^{1/}
FUND SOURCES			
General Fund	0	0	125,000
SUBTOTAL - Appropriated Funds	0	0	125,000
TOTAL - ALL SOURCES	0	0	125,000

AGENCY DESCRIPTION — The Arizona Commission of African-American Affairs advises state and federal agencies on policies, legislation and rules that affect the African-American community, and enables the state to be responsive to the needs of the African-American community.

Operating Budget

The budget includes \$125,000 and 3 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Lump Sum Appropriation

The budget includes an increase of \$125,000 and 3 FTE Positions from the General Fund in FY 2015 to provide funding for the agency.

Background

Executive Order 2007-19 established the Arizona Commission of African-American Affairs, with the purpose of addressing challenges facing the African-American community, specifically the disproportionate dropout rate, teen incarceration rate and health disparities.

The Arizona Department of Administration (ADOA) used \$125,000 of its FY 2008 budget to administer the commission. To meet its mid-year FY 2009 lump sum budget reduction, ADOA eliminated its support for the commission and it ceased operations in February 2009.

Laws 2010, Chapter 271 statutorily established the Arizona Commission of African-American Affairs under A.R.S. § 41-531. The commission is composed of 9 public members and 8 ex-officio members.

Chapter 271 additionally established the non-appropriated Arizona Commission of African-American Affairs Fund, with monies in the fund being invested and managed by the State Treasurer. The fund was authorized to receive

gifts, grants, and donations from any public or private source. In FY 2013, the fund had a \$0 fund balance, received no new revenues and had \$0 expenditures.

The FY 2015 budget appropriated \$125,000 directly to the commission as a newly-created budget unit. These funds will be used for start-up costs, and to provide the commission with ongoing staffing resources.

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

Arizona Department of Agriculture

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	161.0	162.9	162.9 ^{1/}
Personal Services	4,249,100	4,529,300	4,529,300
Employee Related Expenditures	1,838,400	1,927,500	1,930,300
Professional and Outside Services	55,400	53,500	53,500
Travel - In State	412,700	437,500	437,500
Travel - Out of State	13,300	15,000	15,000
Other Operating Expenditures	926,700	909,200	909,200
Equipment	175,100	9,800	9,800
OPERATING SUBTOTAL	7,670,700	7,881,800	7,884,600
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	79,200	198,400	198,400 ^{2/3/}
Red Imported Fire Ant	23,200	23,200	23,200
AGENCY TOTAL	7,989,900	8,320,200	8,323,000^{4/}
FUND SOURCES			
General Fund	7,989,900	8,320,200	8,323,000
SUBTOTAL - Appropriated Funds	7,989,900	8,320,200	8,323,000
Other Non-Appropriated Funds	10,139,400	11,954,500	10,745,100
Federal Funds	5,843,700	5,254,300	5,254,300
TOTAL - ALL SOURCES	23,973,000	25,529,000	24,322,400

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

Operating Budget

The budget includes \$7,884,400 and 161 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$2,800 from the General Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocation section.)

Agricultural Consulting and Training Pari-Mutuel

The budget includes \$128,500 from the General Fund in FY 2015 for the Agricultural Consulting and Training Pari-Mutuel line item. This amount is unchanged from FY 2014.

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

^{1/} Includes 1.88 FTE Positions appropriated by Laws 2013, Chapter 13.

^{2/} Includes \$198,434 and 1.88 FTE Positions in both FY 2014 and FY 2015 appropriated by Laws 2013, Chapter 13 for the Nuclear Emergency Management Fund.

^{3/} Pursuant to A.R.S. § 26-306.02, this appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations; however any unexpended monies shall be used to reduce the assessment and appropriation in future years.

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

Agricultural Employment Relations Board

The budget includes \$23,300 from the General Fund in FY 2015 for the Agricultural Employment Relations Board line item. This amount is unchanged from FY 2014.

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

Animal Damage Control

The budget includes \$65,000 from the General Fund in FY 2015 for the Animal Damage Control line item. This amount is unchanged from FY 2014.

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

Nuclear Emergency Management Fund

The budget includes \$198,434 and 1.88 FTE Positions from the General Fund in FY 2015 for the Nuclear Emergency Management Fund (NEMF). These amounts are unchanged from FY 2014.

Laws 2013, Chapter 13 appropriated \$198,434 and 1.88 FTE Positions from the General Fund in FY 2014 and FY 2015. As a result, these monies do not appear in the General Appropriation Act. The Radiation Regulatory Agency, Department of Emergency and Military Affairs, and Department of Agriculture receive monies from this bill. *(Please see the Radiation Regulatory Agency and the Department of Emergency and Military Affairs narratives 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. Department representatives assist in the planning for off-site responses to an emergency at the Palo Verde Nuclear Generating Station and participate in the annual response exercises, mainly the Ingestion Pathway Zone exercises. They are responsible for controlling embargoes

of food, water, and milk in the event that there is an emergency that would contaminate those items produced in the areas around the plant.

Monies appropriated to the NEMF are exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations, except that monies left unexpended or unencumbered at the end of the fiscal year shall be used to offset the next year's assessment and appropriation.

Red Imported Fire Ant

The budget includes \$23,200 from the General Fund in FY 2015 for the Red Imported Fire Ant line item. This amount is unchanged from FY 2014.

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.

Additional Legislation

Fee Use Authority

The FY 2015 Revenue Budget Reconciliation Bill (Laws 2014, Chapter 9) permits the Director, upon recommendation from the Agricultural Advisory Council, to continue to allow special fee authority in FY 2015. Chapter 9 also includes legislative intent that the fees 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.

Arizona Health Care Cost Containment System

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,217.3	2,217.3	2,208.3 ^{1/}
Personal Services	35,431,600	38,964,400	38,484,200
Employee Related Expenditures	14,731,000	17,350,700	17,158,100
Professional and Outside Services	4,222,800	5,657,100	5,667,600
Travel - In State	57,000	63,900	63,700
Travel - Out of State	30,700	36,100	35,700
Other Operating Expenditures	24,498,100	14,427,600	14,667,900
Equipment	1,533,400	1,901,700	1,716,300
OPERATING SUBTOTAL	80,504,600	78,401,500	77,793,500
SPECIAL LINE ITEMS			
Administration			
DES Eligibility	60,941,200	54,867,700	54,874,500 ^{2/}
Proposition 204 - AHCCCS Administration	9,201,000	6,863,100	6,863,900 ^{3/}
Proposition 204 - DES Eligibility	17,854,500	38,354,100	38,358,700 ^{3/}
Medical Services			
Traditional Medicaid Services	3,223,412,300	3,607,182,200	3,896,186,400 ^{4/5/6/}
Proposition 204 Services	1,113,353,400	1,256,591,000	1,948,717,900 ^{3/}
Adult Expansion	0	65,931,900	227,369,700
Children's Rehabilitative Services	114,789,800	129,810,900	197,070,000
KidsCare Services	18,577,600	12,321,500	6,223,000
KidsCare II	47,737,600	48,222,700	0
ALTCS Services	1,136,911,400	1,270,289,700	1,344,569,500 ^{7/8/9/10/}
Payments to Hospitals			
Disproportionate Share Payments	10,300,600	13,487,100	13,487,100 ^{11/}
DSH Payments - Voluntary Match	49,268,900	43,318,000 ^{12/}	19,373,400 ^{12/}
Rural Hospitals	13,008,100	13,858,100	22,650,000
Graduate Medical Education	167,561,500	186,490,100	165,918,500 ^{13/}
Safety Net Care Pool	361,954,900	479,690,900	68,500,000 ^{14/}
AGENCY TOTAL	6,425,377,400	7,305,680,500 ^{15/}	8,087,956,100 ^{16/-23/}
FUND SOURCES			
General Fund	1,267,202,100	1,261,493,800	1,274,403,200
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	3,221,100	3,303,900	3,384,400
Children's Health Insurance Program Fund	53,782,300	48,987,100	6,649,800
Healthcare Group Fund	1,133,500	1,097,200	0
Prescription Drug Rebate Fund - State	53,989,300	95,010,900	79,035,000
TPTF Emergency Health Services Account	18,964,600	18,320,100	18,202,400
TTHCF Medically Needy Account	38,295,800	37,389,300	34,178,800
SUBTOTAL - Other Appropriated Funds	169,386,600	204,108,500	141,450,400
SUBTOTAL - Appropriated Funds	1,436,588,700	1,465,602,300	1,415,853,600
<u>Expenditure Authority Funds</u>			
County Funds	292,035,200	295,193,300	295,518,400
Federal Medicaid Authority	4,172,226,700	4,753,556,000	5,723,788,500
Hospital Assessment Fund	0	0	204,597,700
Nursing Facility Provider Assessment Fund	0	17,698,000	17,171,800
Political Subdivision Funds	202,153,200	243,662,500	80,147,100
Prescription Drug Rebate Fund - Federal	133,422,400	178,543,000	212,459,300
Third Party Liability and Recovery Fund	0	194,700	194,700
Tobacco Litigation Settlement Fund	149,125,400	100,000,000	100,000,000
TPTF Proposition 204 Protection Account	39,825,800	38,472,300	38,225,000
SUBTOTAL - Expenditure Authority Funds	4,988,788,700	5,627,319,800	6,672,102,500
SUBTOTAL - Appropriated/Expenditure Authority Funds	6,425,377,400	7,305,680,500	8,087,956,100

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
Other Non-Appropriated Funds	59,520,100	118,697,800	33,694,900
Federal Funds	89,956,600	75,130,600	67,295,300
TOTAL - ALL SOURCES	6,574,854,100	7,499,508,900	8,188,946,300

AGENCY DESCRIPTION — The Arizona Health Care Cost Containment System (AHCCCS) operates on a health maintenance organization model in which contracted providers receive a predetermined monthly capitation payment for the medical services cost of enrolled members. AHCCCS is the state's federally matched Medicaid program and provides acute and long-term care services.

- 1/ Includes 618.9 GF and 694.2 EA FTE Positions funded from Special Line Items in FY 2015.
- 2/ The amounts appropriated for the Department of Economic Security Eligibility line item must be used for intergovernmental agreements with the Department of Economic Security for the purpose of eligibility determination and other functions. The General Fund share may be used for eligibility determination for other programs administered by the Division of Benefits and Medical Eligibility based on the results of the Arizona Random Moment Sampling Survey. (General Appropriation Act footnote)
- 3/ The amounts included in the Proposition 204 - AHCCCS Administration, Proposition 204 - DES Eligibility, and Proposition 204 Services line items include all available sources of funding consistent with A.R.S. § 36-2901.01B. (General Appropriation Act footnote)
- 4/ The AHCCCS Administration shall transfer up to \$1,200,000 from the Traditional Medicaid Services line item for FY 2015 to the Attorney General for costs associated with tobacco settlement litigation. (General Appropriation Act footnote)
- 5/ The AHCCCS Administration shall transfer \$436,000 from the Traditional Medicaid Services line item for FY 2015 to the Department of Revenue for enforcement costs associated with the March 13, 2013 master settlement agreement with tobacco companies. (General Appropriation Act footnote)
- 6/ The AHCCCS Administration shall transfer \$1,000,000 from the Traditional Medicaid Services line item for FY 2015 to the Automation Projects Fund established by A.R.S. § 41-714 to implement a tobacco tax processing and revenue accounting system at the Department of Revenue. (General Appropriation Act footnote)
- 7/ Any Federal Funds that the AHCCCS Administration passes through to the Department of Economic Security for use in long-term administration care for the developmentally disabled do not count against the long-term care expenditure authority above. (General Appropriation Act footnote)
- 8/ Pursuant to A.R.S. § 11-292B the county portion of the FY 2015 nonfederal portion of the costs of providing long-term care services is \$245,196,200. This amount is included in the Expenditure Authority fund source. (General Appropriation Act footnote)
- 9/ Any supplemental payments received in excess of \$53,918,700 for nursing facilities that serve Medicaid patients in FY 2015, including any federal matching monies, by the AHCCCS Administration are appropriated to the Administration in FY 2015. Before the expenditure of these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be expended under this provision. These payments are included in the Expenditure Authority fund source. (General Appropriation Act footnote)
- 10/ It is the intent of the Legislature that the AHCCCS Administration increase skilled nursing facility provider rates by 2% in FY 2015, in addition to rate adjustments that would otherwise be actuarially determined for FY 2015. (General Appropriation Act footnote)
- 11/ The \$13,487,100 appropriation for Disproportionate Share Payments for FY 2015 made pursuant to A.R.S. § 36-2903.01O includes \$4,202,300 for the Maricopa County Health Care District and \$9,284,800 for private qualifying disproportionate share hospitals. (General Appropriation Act footnote)
- 12/ Any monies received for Disproportionate Share Payments (DSH) from political subdivisions of this state, tribal governments and any university under the jurisdiction of the Arizona Board of Regents, and any federal monies used to match those payments, that are received in FY 2015 by the AHCCCS Administration in excess of \$19,373,400 are appropriated to the Administration in FY 2015. Before the expenditure of these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be expended under this provision. (General Appropriation Act footnote)
- 13/ Any monies for Graduate Medical Education received in FY 2015, including any federal matching monies, by the AHCCCS Administration in excess of \$165,918,500 are appropriated to the Administration in FY 2015. Before the expenditure of these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be expended under this provision. (General Appropriation Act footnote)
- 14/ Any monies received in excess of \$68,500,000 for the Safety Net Care Pool by the AHCCCS Administration in FY 2015, including any federal matching monies, are appropriated to the Administration in FY 2015. Before the expenditure of these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be expended under this provision. (General Appropriation Act footnote)
- 15/ A. The AHCCCS Administration may transfer up to \$12,984,900 from state General Fund appropriations received in FY 2014 to the Department of Health Services for expenditures associated with Title XIX Behavioral Health Services.
B. Before making any transfer pursuant to subsection A of this section, the AHCCCS Administration shall submit the proposed transfer for review by the Joint Legislative Budget Committee.
C. On or before November 1, 2014, the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting shall jointly submit a report to the Governor and the Joint Legislative Budget Committee regarding the feasibility of adopting a common reporting format for the current financial status of the AHCCCS and the Department of Health Services. (General Appropriation Act footnote)
- 16/ The non-appropriated portion of the Prescription Drug Rebate Fund is included in the federal portion of the Expenditure Authority fund source. (General Appropriation Act footnote)
- 17/ Before making fee-for-service program or rate changes that pertain to fee-for-service rate categories, the AHCCCS Administration shall report its expenditure plan for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

AHCCCS' FY 2015 General Fund spending would increase by \$12,909,400 or 1.0%. The \$12,909,400 includes:

- \$(23,608,800) for formula adjustments.
- \$98,866,900 for the annualization of costs associated with mandatory federal health care legislation.
- \$80,487,200 for the annualization of costs associated with Medicaid expansion and the childless adult restoration.
- \$(142,084,000) for hospital assessment savings.
- \$(751,900) for other adjustments.

The budget also includes a \$(73,439,600) decrease from the General Fund in FY 2014 in order to shift the cost of Proposition 204 Services to the Hospital Assessment Fund and for reduced formula adjustments. These savings are continued into FY 2015. (Please see Other Issues section for more information.)

Below is an overview of FY 2015 formula adjustments, mandatory changes from federal health care legislation, and the childless adult restoration, adult expansion, the hospital assessment, and other funding changes.

Formula Adjustments

Formula adjustments are comprised of FY 2014 and FY 2015 changes to caseloads, FY 2015 changes in capitation rates, FY 2015 changes to the federal match rate, the annualization of shifting some behavioral health services for children in the Children's Rehabilitative Services (CRS) program from the Department of Health Services (DHS) to AHCCCS, an ambulance rate increase, a skilled nursing facility provider rate increase, and adjustments which result in an adjustment to the General Fund. Table 1 summarizes the formula adjustments.

Table 1

AHCCCS General Fund Budget Spending Changes (\$ in millions)

Formula Adjustments

FY 2014 Balance and FY 2015 Caseload Growth	\$ (31)
FY 2015 3% Capitation Rate Increase	27
FY 2015 Federal Match Rate Increase	(48)
CRS Integration	3
Ambulance Rate Increase	2
Nursing Facility Rate Increase	3
Prescription Drug Rebate Fund Decrease	16
Tobacco Tax Decline	4
<i>Subtotal</i>	\$ (24)

Mandatory Federal Health Care Changes

Child Expansion	\$ 14
Currently Eligible But Not Enrolled	77
Provider Rate Increase	(2)
Health Insurer Fee	10
<i>Subtotal</i>	\$ 99

Optional Medicaid Expansion

Childless Adult Restoration, 0-100% FPL	\$ 80
Adult Expansion, 100-133% FPL	0
<i>Subtotal</i>	\$ 80

Hospital Assessment Savings

\$(142)

Other Adjustments

Office of Inspector General (5 FTE Positions)	\$ (0)
Critical Access Hospital Increase	3
Higher Federal Administrative Match	(3)
<i>Subtotal</i> ^{1/}	\$ (1)

Total Spending Change

\$ 13

^{1/} Numbers do not add due to rounding.

FY 2014 Balance and FY 2015 Caseload Growth

Formula adjustments include flat caseload growth for Traditional acute care and Proposition 204 populations, 2.5% caseload growth for the Arizona Long Term Care System (ALTCS) population, and a (20)% decline in the KidsCare population in FY 2015. Formula adjustments do

- ^{18/} The AHCCCS Administration shall report to the Joint Legislative Budget Committee on or before March 1 of each year on the preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum may not be more than 2%. Before implementation of any changes in capitation rates, the AHCCCS 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 more for a given fiscal year, the Administration shall submit the policy changes for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- ^{19/} The Expenditure Authority fund source includes voluntary payments made from political subdivisions for Medicaid coverage of certain children and for payments to hospitals that operate a graduate medical education program or treat low-income patients. The political subdivision portions of the FY 2015 costs of Graduate Medical Education, Disproportionate Share Payments - Voluntary March and Safety Net Care Pool line items are included in the Expenditure Authority fund source. (General Appropriation Act footnote)
- ^{20/} On or before January 6, 2015, the AHCCCS Administration shall report to the Director of the Joint Legislative Budget Committee the total amount of Medicaid reconciliation payments and penalties received on or before that date since July 1, 2014. On June 30, 2015, the Administration shall report the same information for all of FY 2015. (General Appropriation Act footnote)
- ^{21/} The AHCCCS Administration shall report 30 days after the end of each calendar quarter to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on the implementation of its required automation interaction with the health insurance exchange and eligibility modifications. (General Appropriation Act footnote)
- ^{22/} On or before August 1, 2014, the AHCCCS Administration shall provide to the Joint Legislative Budget Committee for review a report on the interagency agreement with the Department of Health Services for providing acute care services for persons enrolled in the Maricopa Integrated Regional Behavioral Health Authority unless the Administration already provided the report in FY 2014. (General Appropriation Act footnote)
- ^{23/} General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.

not include caseload growth due to federal health care legislation (see *Mandatory Changes Resulting from Federal Health Care Legislation*), Medicaid expansion, and the childless adult restoration (see *Childless Adult Restoration, Adult Expansion, and the Hospital Assessment*).

The FY 2014 balance and FY 2015 caseload changes are expected to result in General Fund savings of \$(30,892,800) in FY 2015. Caseloads, including expansions and the childless adult restoration, are shown in Table 2.

Table 2
JLBC Forecasted Member Months ^{1/}

Population ^{2/}	June 2013	June 2014 ^{3/}	June 2015	'14-'15% Change
Traditional Acute Care ^{4/}	886,795	961,987	1,024,906	6.5%
Prop 204 Childless Adults ^{5/}	75,650	138,942	240,645	73.2
Other Proposition 204	147,885	166,006	182,062	9.7
Adult Expansion ^{6/}	0	24,121	58,894	144.2
KidsCare ^{7/}	7,185	3,060	2,448	(20.0)
KidsCare II ^{8/}	36,026	0	0	--
ALTCS - Elderly & Physically Disabled ^{9/}	28,020	28,631	29,346	2.5
Emergency Services	67,563	68,968	72,417	5.0
Total Member Months ^{9/10/}	1,249,124	1,391,715	1,610,718	15.7%

^{1/} The figures represent June 1 estimates.
^{2/} Children in the Children's Rehabilitative Services program are included in the Traditional Acute Care, Other Proposition 204, KidsCare, and ALTCS populations.
^{3/} Represents revised forecast.
^{4/} Children on KidsCare and KidsCare II with incomes up to 133% of the Federal Poverty Level (FPL) were transferred to the Traditional program on January 1, 2014.
^{5/} Program permitted new participants again on January 1, 2014.
^{6/} Parents and Childless Adults 100%-133% FPL.
^{7/} Program ended on January 31, 2014.
^{8/} The Arizona Long Term Care System (ALTCS) program funded in AHCCCS.
^{9/} In addition, approximately 27,000 people will receive Medicaid services through the Department of Economic Security's Developmental Disabilities program.
^{10/} June 2014 amounts include 90,690 added as a result of mandatory federal health care legislation and 102,661 as a result of Medicaid expansion and childless adult restoration. By June 2015, these amounts are estimated to grow to 169,665 and 252,140, respectively.

FY 2015 3% Capitation Rate Increase

In comparison to caseload growth rates which vary significantly by population, capitation rate adjustments are assumed to be 3% above FY 2014 across most programs. The 3% capitation increase is budgeted to cost an additional \$26,972,000 from the General Fund in FY 2015.

FY 2015 Federal Match Rate Increase

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. During FY 2015, the FMAP for Traditional Medicaid will increase to 68.15% (1.31% increase), the Proposition 204 Childless Adult rate will increase to 85.48% (1.86%

increase), the KidsCare rate will increase to 77.71% (0.91% increase), and the Adult Expansion rate will remain at 100%. The formula adjustments include a decrease of \$(47,388,800) in General Fund spending to reflect savings from the federal rate increase.

Children's Rehabilitative Services (CRS) Integration

On October 1, 2013, AHCCCS integrated care for most children in the CRS program. For children in the acute care programs, acute care and behavioral health services for children with CRS conditions are now provided through 1 CRS contractor. CRS children in the ALTCS Elderly and Physically Disabled (EPD) program now receive all of their CRS-related services through the ALTCS EPD program. While the integration is expected to be budget neutral, costs will be shifted between line items in the AHCCCS budget, and some behavioral health costs which were previously paid for in DHS will be shifted to AHCCCS. This cost shift is being addressed in FY 2014 through a partial year appropriation. In FY 2015, the budget continues to shift these costs between line items and includes an annualization increase of \$2,749,400 from the General Fund in FY 2015 in AHCCCS and a corresponding decrease in DHS.

Ambulance Rate Increase

The FY 2014 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 10) increases ambulance reimbursement rates from 68.59% to 74.74% of the DHS-set rate as of October 1, 2014. The budget includes an increase of \$2,400,000 from the General Fund in FY 2015 to account for this increased rate. On October 1, 2015, the rates will increase to 80% of the DHS-set rates.

Nursing Facility Rate Increase

Nursing facilities provide services to institutionalized AHCCCS members enrolled in the Arizona Long Term Care System. The budget includes an increase of \$3,000,000 from the General Fund in FY 2015 for a 2% rate increase for nursing facilities. This rate increase represents a partial restoration of a 5% rate reduction to nursing facilities, and most other providers, implemented on October 1, 2011. In subsequent years, funding for the 2% rate increase is expected to be split between the General Fund and county contributions, according to funding formulas in statute.

Prescription Drug Rebate Fund Decrease

The budget includes a decrease of \$(15,975,900) from the state portion of the Prescription Drug Rebate Fund and a corresponding increase from the General Fund in FY 2015 based on AHCCCS estimates. Federal health care legislation requires drug manufacturers to provide rebates for drugs sold to Medicaid managed care plans. AHCCCS has been collecting these rebates since spring 2011.

Tobacco Tax Decline

The budget includes a decrease of \$(3,575,500) from tobacco tax revenues and a corresponding increase from the General Fund in FY 2015 as a result of declining tobacco tax revenues.

Mandatory Changes Resulting from Federal Health Care Legislation

Federal health care legislation passed in 2010, known as the Affordable Care Act (ACA), has a number of impacts on the AHCCCS and DHS Medicaid budgets that began on January 1, 2014. Mandatory changes resulting from federal health care legislation are described below. A summary of the AHCCCS portion of the mandatory costs appears in *Table 1* and the combined AHCCCS and DHS cost appears in *Table 3*.

Child Expansion

Federal health care legislation required the expansion for children under age 19 to 133% of the Federal Poverty Level (FPL) (\$31,700 for a family of 4) on and after January 1, 2014. AHCCCS previously provided coverage for children under age 1 up to 140% FPL, children from 1-5 up to 133% FPL, and children from 6-18 up to 100% FPL at an approximate 2:1 match rate.

The budget assumed that on January 1, 2014, 2,700 children on KidsCare and 16,700 children on KidsCare II were transferred from their respective programs to the Traditional program, and these children will continue to receive an approximate 3:1 federal match rate. The budget includes the annualization of these costs for FY 2015.

In addition to the transfer of children, the budget assumes that the newly eligible children will enroll over a 12-month period; by June 2014, an additional 7,600 children will be added to the program. This number will grow to a total of 18,600 by June 2015.

In total, the budget includes an additional \$14,127,300 from the General Fund for the annualization of these costs in FY 2015.

Currently Eligible But Not Enrolled

After January 1, 2014, individuals are required to have health insurance or pay a fine unless they meet certain criteria. Uninsured individuals also have access to health insurance through newly created health insurance exchanges, and individuals under 400% FPL are eligible for premium subsidies.

Most individuals eligible for Medicaid but not enrolled are not subject to the ACA fine. Nonetheless, publicity surrounding the individual mandate and additional availability of health insurance may induce some who are currently eligible but not enrolled to sign up. The budget assumes that 50% of the eligible non-participants will

ultimately enroll, and it assumes these individuals enroll over a 15-month period; by June 2014, an estimated 66,000 currently eligible individuals will be added to the program, with a total of 133,500 by June 2015. The budget includes an additional \$76,677,700 for the phased in enrollment and annualization of these costs in FY 2015. The federal government provides the regular 2:1 match rate for these new enrollees.

Provider Rate Increase

Federal health care legislation requires that Medicaid reimburse primary care providers (PCPs) 100% of the Medicare rates in 2013 and 2014. The federal government pays 100% of the cost above what they reimbursed PCPs on July 1, 2009. Since AHCCCS has lowered reimbursement rates for PCPs since then, the state receives the regular 2:1 match rate for the difference between the rate in effect on December 31, 2014 and the July 1, 2009 rate.

The budget includes a decrease of \$(2,142,600) from the General Fund in FY 2015 for the PCP rate increase to account for the difference in FY 2014 and FY 2015 payments.

Health Insurer Fee

The original federal health care legislation placed an \$8 billion annual fee on the health insurance industry nationwide in 2014. The fee grows to \$14.3 billion in 2018 and is indexed to inflation thereafter. The fee is allocated to qualifying health insurers based on their respective market share of premium revenue in the previous year. AHCCCS estimates the fee will increase the cost of Medicaid managed care plans by 1.24% in 2015. The budget includes an increase of \$10,204,500 from the General Fund for the annualization of these costs in FY 2015.

Young Adults Formerly in the Foster Care System

Federal health care legislation requires states to provide Medicaid coverage for children who were in foster care and who qualified for Medicaid as of their eighteenth birthday until age 26. The cost associated with this change is incorporated into the overall budget.

Modified Adjusted Gross Income and Income Disregards

Prior to 2014, the rules for counting eligibility for Medicaid varied from state to state and also can differ based on the eligibility category. In 2014, the ACA began requiring states to calculate income for most eligibility categories based on modified adjusted gross income (MAGI) and standardizes income disregards. Income disregards refer to what is included in calculating one's income. These changes will ultimately have some impact on who qualifies for AHCCCS, but it is not yet clear how these changes will impact the cost of the AHCCCS program and is not incorporated into the budget.

Table 3

General Fund and Federal Funds Medicaid Expansion and Childless Adult Cost Estimates Above FY 2013^{1/}
(\$ in millions)

		FY 2014 ^{2/}		FY 2015		FY 2016	
		GF	FF ^{3/}	GF	FF	GF	FF
Mandatory Expansion – 133% FPL	AHCCCS	\$ 59	\$ 245	\$ 158	\$ 526	\$ 163	\$ 410
Children, and increase from eligible but not enrolled ^{4/}	DHS	<u>16</u>	<u>37</u>	<u>53</u>	<u>121</u>	<u>59</u>	<u>143</u>
	Total	\$ 75	\$ 282	\$ 211	\$ 647	\$ 222	\$ 553
Full Expansion to 133% FPL and Childless Adult Restoration ^{5/6/}	AHCCCS	\$ (3)	\$ 342	\$ 77	\$1,091	\$ 63	\$1,400
	DHS	<u>(1)</u>	<u>149</u>	<u>16</u>	<u>271</u>	<u>12</u>	<u>348</u>
	Total	\$ (4)	\$ 491	\$ 93	\$1,362	\$ 75	\$1,748
Estimated Assessment ^{6/7/}	Total	63	-	205	-	187	-
GF Savings With Assessment ^{8/}	Total	(67)	-	(112)	-	(112)	-
Mandatory and Full Expansion, net of Assessment Savings	Total	8	-	99	-	110	-

1/ Estimates include the following assumptions: 1) 50% of those who are eligible but not enrolled will enroll and 2) the enrollment phase-in is completed in FY 2015.

2/ The expansion and restoration began on January 1, 2014.

3/ Includes Federal Medicaid Authority and the federal match for KidsCare.

4/ Includes the mandatory costs that result from federal health care legislation. Mandatory expansion costs were projected to receive a 68.15% match in FY 2015 and FY 2016.

5/ Costs are in addition to the mandatory costs. The federal government pays 100% of the cost of the adult expansion from 2014 to 2016 and 85.48% of the childless adults up to 100% FPL in 2015. These percentages converge to 90% by 2020.

6/ Represents appropriated amounts in FY 2014 and FY 2015 and JLBC Staff estimates in FY 2016.

7/ A hospital assessment covers the cost of the full expansion plus offset the current AHCCCS Proposition 204 General Fund cost, beginning January 1, 2014.

8/ Excludes the mandatory cost of federal health care legislation.

Disproportionate Share Hospital Payments

The original Federal health care legislation reduced Medicaid Disproportionate Share Hospital (DSH) payments nationwide by \$500 million in 2014 and \$600 million in 2015, or about 5% of overall payments. The reductions increase to \$5.6 billion by 2019, which is about 50% of the current nationwide funding level. The maximum amount of voluntary payments that can be provided to hospitals in FY 2015 was lowered for these reductions. As part of nationwide reductions, DSH payments to AHCCCS were anticipated to decrease by \$(23,944,600) in FY 2015. The December 2013 federal budget agreement, however, delayed the reductions until October 2015. The FY 2015 budget was not adjusted for this delay and decreases the appropriation for voluntary payments by \$(23,944,600) to \$19,373,400. A footnote appropriates any additional payments in excess of that amount to the agency with JLBC review. (Please see *DSH Payments - Voluntary Match SLI for additional information*).

Childless Adult Restoration, Adult Expansion, and the Hospital Assessment

The FY 2014 Health and Welfare BRB made a number of changes to Medicaid coverage, including the restoration of coverage for the childless adult population, the expansion of Medicaid coverage for adults to 133% FPL, and the implementation of a hospital assessment. These items are described in more detail below.

Childless Adult Restoration, 0-100% FPL

The childless adult population has had an enrollment freeze since July 2011. As a condition of expanding Medicaid, coverage for the childless adult population was restored. While the childless adult population from 0-100% FPL is not receiving the 100% match rate, it receives a higher match rate than the standard 2:1 match. The increased match starts at 83.62% in 2014 and increases to 85.48% in FY 2015.

The budget assumes that childless adults who were not previously eligible due to the freeze will enroll in the program over a 12-month period; by June 2014, an additional 79,000 adults were projected to be added to the program. The budgeted number is projected to grow to a total of 193,000 by June 2015. By June 2014, the actual childless adult restoration was 147,972 individuals. The budget includes an increase of \$80,487,200 in state match monies for the annualization of these costs in FY 2015. The state portion of the cost will be paid for by the hospital assessment, which is described below.

Adult Expansion, 100%-133% FPL

Federal health care legislation allowed states to expand Medicaid coverage for adults up to 133% FPL on and after January 1, 2014 and receive a higher match rate. The federal government will pay 100% of the cost of the Adult Expansion (parents and childless adults whose incomes are from 100% to 133% FPL) in 2014 to 2016. The federal share will gradually decline to 90% by 2020.

While the FY 2014 Health and Welfare BRB expands eligibility for this population, the expansion is discontinued if any of the following occur: 1) the federal matching rate for adults from 100%-133% FPL or childless adults falls below 80%; 2) the maximum amount that can be generated from the hospital assessment is insufficient to pay for the newly eligible populations (see *Hospital Assessment section*), or 3) the Federal ACA is repealed.

The budget assumes that the newly eligible adults will enroll over a 12-month period; by June 2014, an additional 24,000 adults were projected to be added to the program. By June 2014, the actual Adult Expansion was 19,789 individuals. The budgeted number is projected to grow to a total of 59,000 by June 2015 as displayed in *Table 4*. Since this is fully funded by the federal government in FY 2015, this will not increase General Fund costs.

	June 2014	June 2015	June 2016
Mandatory Expansion	91,000	170,000	175,000
Childless Adult	79,000	193,000	199,000
Restoration			
Adult Expansion 100%- 133% FPL	<u>24,000</u>	<u>59,000</u>	<u>61,000</u>
Total	193,000	422,000	434,000

^{1/} Population changes which would have occurred absent federal legislation are not included.
^{2/} Numbers do not add due to rounding.

Hospital Assessment

The FY 2014 Health and Welfare BRB required AHCCCS to establish an assessment on hospital revenue, discharges, or bed days for the purpose of funding the state match portion of the Medicaid expansion and the entire Proposition 204 population on and after January 1, 2014. For FY 2014, the assessment will be based on hospital discharges as reported on each hospital's 2011 Medicare Cost Report. The amounts differ based on types of providers.

In FY 2014, AHCCCS is expected to collect \$75,445,200 from the assessment. Since these monies can only be expended on the Proposition 204 population in 2014, AHCCCS is limited in its expenditure to expenses which would have previously been paid for from the General Fund. The JLBC Staff estimates these expenses will be \$62,513,700 in FY 2014 and the \$12,931,500 balance will remain in the fund to offset future Proposition 204 expenditures.

The budget assumes the assessment will grow to \$204,597,700 in FY 2015 and will cover the cost of all Proposition 204 services in FY 2015, thereby reducing General Fund costs by a corresponding amount. While the

FY 2014 budget displayed the Hospital Assessment Fund as a non-appropriated fund, the FY 2015 budget converts this to the regular budget structure as expenditure authority. The General Fund savings related to the hospital assessment is expected to increase by \$(142,084,000) in FY 2015.

Other Adjustments

The budget includes a net savings of \$(751,900) in General Fund appropriations in FY 2015 from 3 adjustments. These 3 adjustments include: AHCCCS Office of Inspector General staffing, a Critical Access Hospital (CAH) payments increase, and higher Federal administrative match. (Please see the *Operating Budget, Traditional Medicaid Services and Rural Hospitals sections for more information.*)

Operating Budget

The budget includes \$77,793,500 and 895.2 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$25,779,100
Children's Health Insurance Program (CHIP) Fund	1,684,000
Prescription Drug Rebate Fund (PDRF) - State	116,100
Federal Medicaid Authority (FMA)	50,214,300

These amounts fund the following adjustments:

Discontinue Healthcare Group

The budget includes a decrease of \$(1,097,200) and (14) FTE Positions from the Healthcare Group Fund in FY 2015 to discontinue Healthcare Group.

The FY 2014 Health and Welfare BRB repealed Healthcare Group on January 1, 2014, and the FY 2014 budget included funding for half of the year. This decrease would fully eliminate funding for Healthcare Group in FY 2015.

Healthcare Group was designed to provide access to community-rated healthcare insurance for the small business community. Federal health care legislation created health care exchanges that provide health insurance beginning in 2014. The exchanges provide a marketplace for uninsured individuals to obtain health insurance as well as provide community-rated health insurance for small business owners. AHCCCS assumed that on and after January 1, 2014 the currently enrolled members in Healthcare Group will shift into health insurance offered in the healthcare exchange, making Healthcare Group no longer necessary.

Higher Federal Administrative Match

The budget includes a decrease of \$(3,200,000) from the General Fund and a corresponding \$3,200,000 increase of Federal Medicaid Authority to reflect savings from a federal rate increase that covers AHCCCS administrative costs under the ACA.

Under Medicaid Management Information Systems (MMIS) rules and with the implementation of the ACA, states are eligible for an enhanced 75% Federal Financial Participation (FFP) rate if the position(s) comply and meet certain maintenance, operation, and Medicaid eligibility determination criteria and standards. The federal government agreed to increase their Federal Fund match rate from 50% to 75% for AHCCCS administrative costs. These savings reduce the General Fund by \$(3,200,000) and increase the FMA amount by \$3,200,000 in FY 2015. AHCCCS expects the federally enhanced rate to be available indefinitely. The savings will be returned to the General Fund.

Office of Inspector General Staffing

The budget includes an increase of \$481,000 and 5 FTEs in FY 2015 for AHCCCS Office of Inspector General (OIG) staffing. These amounts consist of:

General Fund	240,500
Federal Medicaid Authority	240,500

The AHCCCS OIG is responsible for conducting criminal investigations and investigative audits for all AHCCCS programs involving state and/or federal tax dollars. OIG is a designated criminal justice agency and works closely with federal, state and local law enforcement on cases in which providers, subcontractors, members and employees may be involved in fraudulent activity. Included in the \$481,000 appropriation is a \$120,000 contract extension for computer data mining capabilities used to discover fraudulent activity. Based on historical data, the budget includes a cost recovery savings of \$(592,400) that results in a net savings of (\$351,900) to the General Fund and \$(1,493,900) in Federal Funds. *(Please see Traditional Services section for the allocated savings.)*

Statewide Adjustments

The budget includes an increase of \$8,200 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	3,600
CHIP Fund	500
Federal Medicaid Authority	4,100

(Please see the Agency Detail and Allocations section.)

Administration

DES Eligibility

The budget includes \$54,874,500 and 885 FTE Positions in FY 2015 for Department of Economic Security (DES) Eligibility services. These amounts consist of:

General Fund	25,491,200
Federal Medicaid Authority	29,383,300

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$6,800 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	3,400
Federal Medicaid Authority	3,400

Through an Intergovernmental Agreement, DES performs eligibility determination for AHCCCS programs.

Proposition 204 - AHCCCS Administration

The budget includes \$6,863,900 and 128 FTE Positions in FY 2015 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	2,320,900
Federal Medicaid Authority	4,543,000

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$800 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	400
Federal Medicaid Authority	400

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

Proposition 204 - DES Eligibility

The budget includes \$38,358,700 and 300.1 FTE Positions in FY 2015 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	17,337,800
Budget Neutrality Compliance Fund	3,384,400
Federal Medicaid Authority	17,636,500

These amounts fund the following adjustments:

Statutory Adjustment

The budget includes a decrease of \$(80,500) from the General Fund and a corresponding \$80,500 increase from the Budget Neutrality Compliance Fund (BNCF) in FY 2015 to reflect a statutorily-required increase of county contributions in FY 2015 (A.R.S. § 11-292O). *(Please see Table 6 for contributions by county.)*

Statewide Adjustments

The budget includes an increase of \$4,600 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	2,300
Federal Medicaid Authority	2,300

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

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

Medical Services

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

Traditional Medicaid Services

The budget includes \$3,896,186,400 in FY 2015 for Traditional Medicaid Services. This amount consists of:

General Fund	961,573,500
County Funds	50,307,100
PDRF - State	73,756,400
TTHCF Medically Needy Account	34,178,800
Third Party Liability and Recovery Fund	194,700
Federal Medicaid Authority	2,577,614,700
PDRF - Federal	198,561,200

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$291,090,500 in FY 2015 for formula adjustments. This amount consists of:

General Fund	72,580,100
County Funds	(190,100)
PDRF - State	(14,641,100)
TTHCF Medically Needy Account	(3,210,500)
Federal Medicaid Authority	204,309,400
PDRF - Federal	32,242,700

The formula adjustments include:

- 0% enrollment growth (aside from any changes associated with federal health care legislation).
- The annualization of costs associated with this legislation.
- A change in the federal match rate from 66.84% to 68.15%.
- 3% capitation rate increase.
- The annualization of shifting acute care services for children with CRS conditions to the CRS line item.
- \$(190,100) decrease in Maricopa County Acute Care contribution under A.R.S. § 11-292 with a corresponding General Fund increase.
- \$(14,641,100) decrease to the state portion of the PDRF and a corresponding General Fund increase.
- \$32,242,700 increase to the federal portion of the PDRF and a corresponding Federal Medicaid Authority decrease.
- \$(3,210,500) decrease from the TTHCF Medically Needy Account due to declining tobacco tax revenues and a corresponding General Fund increase.

Increased Cost Recoveries

Based on historical experience, the budget includes a decrease of \$(2,086,300) for cost recoveries identified by AHCCCS OIG staff in FY 2015. This amount consists of:

General Fund	(592,400)
Federal Medicaid Authority	(1,493,900)

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

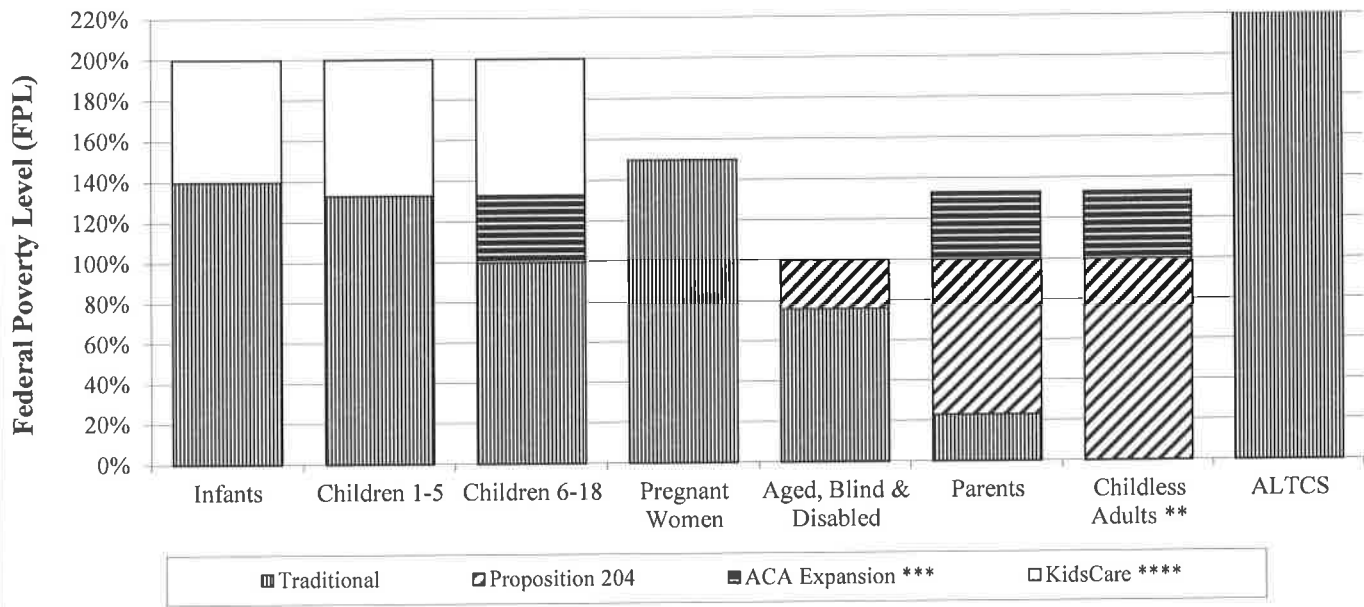
- Children less than 1, up to 140% FPL.
- Children aged 1-5, up to 133% FPL.
- Children aged 6-18, up to 100% FPL through December 31, 2013 and up to 133% FPL thereafter.
- Pregnant women, up to 150% FPL.
- Aged, blind, and disabled adults, up to 75% FPL.
- Parents, up to 22% FPL.
- Women diagnosed with breast or cervical cancer by a provider recognized by DHS’ Well Women Healthcheck program up to 250% FPL.
- Individuals aged 16-64 receiving Supplemental Security Income, up to 250% FPL (“Ticket to Work”).

Section 14 of the FY 2015 Health and Welfare BRB (Laws 2014, Chapter 11) sets the County Acute Care contribution at \$47,553,700 in FY 2015. This amount includes an inflation indexing of the Maricopa County contributions as required by Laws 2005, Chapter 328.

Section 15 of the FY 2015 Health and Welfare BRB continues to require the collection of \$2,646,200 in the Disproportionate Uncompensated Care pool contributions from counties other than Maricopa County. The

Chart 1

AHCCCS Eligibility*



* Women diagnosed with breast or cervical cancer by a provider recognized by the Well Women Healthcheck program and those in the "Ticket to Work" program receive coverage to 250% FPL.
 ** The Childless Adult Program had an enrollment freeze from July 8, 2011 to December 31, 2013. The freeze was lifted on January 1, 2014.
 *** Beginning January 1, 2014.
 **** The KidsCare program has had an enrollment freeze since January 1, 2010.

contributions are excluded from county expenditure limitations.

The FY 2015 General Appropriation Act (Laws 2014, Chapter 18) set county contributions for Traditional Medicaid Services at \$50,307,100 in FY 2015. Section 14 of the FY 2015 Health and Welfare BRB set county contributions for the Traditional line item at a lower amount of \$50,199,900 in FY 2015. This report uses the \$50,307,100 county contribution amount included in the FY 2015 General Appropriation Act.

Proposition 204 Services

The budget includes \$1,948,717,900 in FY 2015 for Proposition 204 Services. This amount consists of:

Hospital Assessment Fund	204,597,700
Tobacco Litigation Settlement Fund	100,000,000
TPTF Proposition 204 Protection Account	38,225,000
TPTF Emergency Health Services Account	18,202,400
Federal Medicaid Authority	1,587,692,800

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$692,126,900 in FY 2015 for formula adjustments. This amount consists of:

General Fund	(71,509,700)
Hospital Assessment Fund	204,597,700

TPTF Proposition 204 Protection Account	(247,300)
TPTF Emergency Health Services Account	(117,700)
Federal Medicaid Authority	559,403,900

The formula adjustments include:

- 0% enrollment growth (aside from any changes associated with federal health care legislation).
- The annualization of costs associated with this legislation.
- A change in the federal match rate for the non-childless adult population from 66.84% to 68.15%. A change in the federal match rate for childless adults from 83.62% to 85.48%.
- 3% capitation rate increase.
- The continued shift of expenditures from the General Fund to the Hospital Assessment Fund. Beginning on January 1, 2014, Proposition 204 service expenditures paid from the General Fund have been shifted to the Hospital Assessment Fund.
- The conversion of the Hospital Assessment Fund to expenditure authority under the regular budget structure. In FY 2014, the Hospital Assessment Fund was listed as non-appropriated.
- \$(247,300) decrease from the TPTF Proposition 204 Protection Account due to declining tobacco tax revenues and a corresponding General Fund increase.
- \$(117,700) decrease from the Emergency Health Services Account due to declining tobacco tax revenues and a corresponding General Fund increase.

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*). The Childless Adult program had an enrollment freeze from July 8, 2011 through January 1, 2014.

Adult Expansion

The budget includes \$227,369,700 from Federal Medicaid Authority in FY 2015 for the Adult Expansion. This amount funds the following adjustments:

Formula Adjustments

The budget includes an increase of \$161,437,800 of Federal Medicaid Authority in FY 2015 for the annualization and phase-in of this population.

Background – Beginning on January 1, 2014, the Adult Expansion provided Medicaid services for adults from 100%-133% FPL who are not eligible for another Medicaid program. The federal government will pay 100% of the cost of this population in 2014 to 2016. The federal share will gradually decline to 90% by 2020.

Coverage of this population is discontinued if any of the following occur: 1) the federal matching rate for adults in this category or childless adults falls below 80%; 2) the maximum amount that can be generated from the hospital assessment is insufficient to pay for the newly eligible populations; or 3) the Federal ACA is repealed.

Children’s Rehabilitative Services

The budget includes \$197,070,000 in FY 2015 for Children’s Rehabilitative Services (CRS). This amount consists of:

General Fund	62,761,900
Federal Medicaid Authority	134,308,100

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$2,432,400 in FY 2015 for formula adjustments. This amount consists of:

General Fund	(1,395,700)
Federal Medicaid Authority	3,828,100

The formula adjustments include 4.5% enrollment growth, an increase to the federal match rate, and a 3% capitation rate increase. This would result in approximately 25,600 members per month being served in June 2015.

Annualization of CRS Integration

The budget includes an increase of \$64,826,700 in FY 2015 for annualization of shifting acute care and behavioral health services to the CRS line item. Included in this amount is a \$8,401,400 total fund increase, which

represents a shift from DHS. A corresponding decrease of \$(8,401,400) can be found in DHS. The remaining increase for this policy is the result of annualizing an FY 2014 shift of acute care costs for members of this population that previously received acute care services under the Traditional and Proposition 204 Medicaid Service line items. The total annualization amount consists of:

General Fund	9,034,100
Federal Medicaid Authority	55,792,600

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

KidsCare Services

The budget includes \$6,223,000 in FY 2015 for KidsCare Services. This amount consists of:

General Fund	1,257,200
CHIP Fund	4,965,800

These amounts fund the following adjustment:

Formula Adjustments

The budget includes a decrease of \$(6,098,500) in FY 2015 for formula adjustments. This amount consists of:

General Fund	(1,532,700)
CHIP Fund	(4,565,800)

The formula adjustments include a (20)% enrollment decline, an increase to the federal match rate, a 3% capitation rate increase, and the annualization of costs associated with federal health care legislation.

Background – The KidsCare program, also referred to as the Children’s Health Insurance Program (CHIP), provides health coverage to children in families with incomes between 133% and 200% FPL, but above the levels required for the regular AHCCCS program. The KidsCare program receives an approximate 3:1 match rate. 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. The KidsCare program has had an enrollment freeze since January 1, 2010.

KidsCare II

The budget includes no funding for KidsCare II in FY 2015. This amount funds the following adjustments:

Expiration of Program

The budget includes a decrease of \$(48,222,700) in FY 2015 for the KidsCare II program. This amount consists of:

Political Subdivision Funds (10,450,700)
 CHIP Fund (37,772,000)

The program was initially scheduled to end on December 31, 2013, but the program was extended for 1 month in order to provide additional time to transition to the federal health care exchange.

Although the *FY 2014 Appropriations Report* displays a \$26,825,700 appropriation for FY 2014, a footnote appropriates any expenses in excess of that amount. AHCCCS has informed JLBC that they expect to expend \$48,222,700 for KidsCare II in FY 2014.

The KidsCare II program expanded access to KidsCare from May 1, 2012 to January 31, 2014. KidsCare II was funded by voluntary payments made by political subdivisions and city hospital assessments which were then matched by federal monies. The majority of the payments collected from these measures were used for the Safety Net Care Pool (see *Safety Net Care Pool* section). On January 1, 2014 children with incomes up to 133% FPL were shifted to the Traditional program, and those with incomes from 133%-200% became eligible for a subsidy to purchase health insurance through the new federal health insurance exchange.

ALTCS Services

The budget includes \$1,344,569,500 in FY 2015 for Arizona Long Term Care System (ALTCS) expenditures. This amount consists of:

General Fund	167,782,300
County Contributions	245,211,300
PDRF - State	5,162,500
Federal Medicaid Authority	895,343,500
PDRF - Federal	13,898,100
Nursing Facility Provider Assessment Fund	17,171,800

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$64,859,900 in FY 2015 for formula adjustments. This amount consists of:

General Fund	3,840,600
County Contributions	515,200
PDRF - State	(1,334,800)
Federal Medicaid Authority	60,691,500
PDRF - Federal	1,673,600
Nursing Facility Provider Assessment Fund	(526,200)

The formula adjustments include:

- 2.5% enrollment growth.
- A change in the federal match rate from 66.84% to 68.15%.

- 3% capitation rate increase.
- The annualization of costs associated with federal health care legislation.
- Annualization of the shift of CRS-related services for children in the ALTCS program to this line item.
- \$(1,334,800) decrease to the state portion of the PDRF and corresponding increases of \$601,600 in County Contributions and \$733,200 from the General Fund.
- \$1,673,600 increase to the federal portion of the PDRF and a corresponding Federal Medicaid Authority decrease.
- \$(526,200) decrease from the Nursing Facility Provider Assessment Fund and an increase of \$2,877,400 in Federal Medicaid Authority for supplemental payments to nursing facilities.

These adjustments would result in approximately 29,300 members per month being served in June 2015. (See *Table 1.*)

Nursing Facility Rate Increase

The budget includes an increase of \$9,419,900 in FY 2015 for a 2% provider rate increase for nursing facilities. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	6,419,900

Nursing facilities provide services to institutionalized AHCCCS members enrolled in the Arizona Long Term Care System. On October 1, 2011, a 5% rate reduction on nursing facilities was implemented in efforts to generate state budgetary savings. This budget includes a 2% rate increase for nursing facilities as a partial restoration of the initial reduction. In subsequent years, funding for the 2% rate increase is expected to be split between the General Fund and county contributions, according to funding formulas in statute.

The FY 2015 General Appropriation Act set county contributions for ALTCS at \$245,211,300 in FY 2015. Section 9 of the FY 2015 Health and Welfare BRB set county ALTCS contributions at a lower amount of \$245,196,200 in FY 2015. This report uses the \$245,211,300 county contribution amount included in the FY 2015 General Appropriation Act.

Background – ALTCS provides coverage for individuals up to 222% of the FPL, or \$25,900 per person. The federal government requires coverage of individuals up to 100% of the Supplemental Security Income limit (SSI), which is equivalent to approximately 75% of FPL, or \$8,752 per person. In addition to state funding, AHCCCS charges assessments on nursing facilities to receive matching Federal Funds that are used to make supplemental payments to facilities for covered expenditures.

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 2013, AHCCCS estimates that client contributions paid for 6.8% of care.

Payments to Hospitals

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

Disproportionate Share Payments

The budget includes \$13,487,100 in FY 2015 for Disproportionate Share Hospital (DSH) Payments. This amount consists of:

General Fund	2,928,400
Federal Medicaid Authority	10,558,700

These amounts fund the following adjustments:

Formula Adjustments

The budget includes a decrease of \$(114,200) from the General Fund and a corresponding increase of \$114,200 from Federal Medicaid Authority in FY 2015 due to a change in the federal match rate.

Background – This line item represents supplementary payments to hospitals that serve a large, or disproportionate, number of low-income patients. The allocations of Disproportionate Share Funding displayed in *Table 5* were established in sections 7, 12 and 30 of the FY 2015 Health and Welfare BRB.

<u>Eligible Funding</u>	<u>FY 2014</u>	<u>FY 2015</u>
Public 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
<u>Distribution of Funding</u>		
Federal DSH to GF (Maricopa)	\$ 56,222,500	\$ 57,328,000
Federal DSH to GF (ASH)	<u>19,798,200</u>	<u>19,493,900</u>
Subtotal	\$ 76,020,700	\$ 76,821,900
County-Operated Hospitals	4,202,300	4,202,300
Private Hospitals	<u>9,284,800</u>	<u>9,284,800</u>
Total	\$ 89,507,800	\$ 90,309,000

The state only appropriates General Fund dollars for DSH payments to private hospitals (\$9,284,800 in total funds in FY 2015). 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. Typically, 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 budget includes \$19,373,400 in FY 2015 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds (PSF)	5,280,100
Federal Medicaid Authority	14,093,300

These amounts fund the following adjustments:

Reduced Funding

The budget includes a decrease of \$(23,944,600) in FY 2015 for a reduction in DSH payments imposed by federal health care legislation (*see Mandatory Changes Resulting from Federal Health Care Legislation for additional information*). This amount consists of:

Political Subdivision Funds (PSF)	(8,915,200)
Federal Medicaid Authority	(15,029,400)

A federal budget agreement has delayed the planned DSH payment reductions until October 2015. Although the *FY 2015 Appropriations Report* displays the reduced appropriation of \$19,373,400 for FY 2015, a footnote appropriates any additional payments in excess of that amount. Similarly, although the *FY 2014 Appropriations Report* displays a \$28,457,100 appropriation for FY 2014, a footnote appropriates any additional payments in excess of that amount. AHCCCS has informed JLBC that they expect to expend \$43,318,000 in total voluntary DSH payments in FY 2014.

Background – Beginning in FY 2010, the Health and Welfare BRB has allowed local governments, tribal governments and universities to provide voluntary DSH payments in order to receive a federal match. Section 2 in the FY 2015 Health and Welfare BRB made this permission permanent. In FY 2013, 11 hospitals contributed the state match for \$49,268,900 in total DSH payments.

Rural Hospitals

The budget includes \$22,650,000 in FY 2015 for Rural Hospitals. This amount consists of:

General Fund	7,170,900
Federal Medicaid Authority	15,479,100

These amounts fund the following adjustments:

Formula Adjustment

The budget includes a decrease of \$(170,400) from the General Fund and a corresponding increase of \$170,400 from Federal Medicaid Authority in FY 2015 due to a change in the federal match rate.

Critical Access Hospital Payment Increase

The budget includes an increase of \$8,791,900 in FY 2015 for payments to Critical Access Hospitals (CAH). This amount consists of:

General Fund	2,800,000
Federal Medicaid Authority	5,991,900

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. Funding is distributed according to a hospital's share of the cost in serving Medicaid enrollees during the prior year. In FY 2014, 21 hospitals qualified for funding from Rural Hospital Reimbursement and 11 from Critical Access Hospitals. In August 2013, La Paz Regional Hospital qualified for CAH payments. As a result, La Paz Regional Hospital will no longer receive \$300,000 in 100% State funding from DHS for its emergency and trauma services. (Please see *Emergency and Trauma Services in the DHS section of this report for more information.*)

Graduate Medical Education

The budget includes \$165,918,500 in FY 2015 for Graduate Medical Education (GME) expenditures. This amount consists of:

Political Subdivision Funds	52,840,900
Federal Medicaid Authority	113,077,600

These amounts fund the following adjustments:

Decreased Funding

The budget includes a decrease of \$(20,571,600) in FY 2015 for a reduction in GME payments. This amount consists of:

Political Subdivision Funds	(8,271,900)
Federal Medicaid Authority	(12,299,700)

Although the *FY 2014 Appropriations Report* displays a \$160,184,900 appropriation for FY 2014, a footnote appropriates any additional payments in excess of that amount. AHCCCS has informed JLBC that they expect to expend \$186,490,100 in total GME payments in FY 2014.

Background – The GME program reimburses hospitals with graduate medical education programs for the additional costs of treating AHCCCS members with graduate medical students. While AHCCCS no longer provides any General Fund monies to this program, A.R.S. § 36-2903.01 allows local, county, and tribal governments, along with public universities to provide state match for GME, and entities may designate the recipients of such

funds. In FY 2013, 10 hospitals received a total of \$167,561,500 for Graduate Medical Education.

Safety Net Care Pool

The budget includes \$68,500,000 in FY 2015 for the Safety Net Care Pool (SNCP) program. This amount consists of:

Political Subdivision Funds	22,026,100
Federal Medicaid Authority	46,473,900

These amounts fund the following adjustments:

Reducing Program Participation

The budget includes a decrease of \$(411,190,900) in FY 2015 for ending participation in the SNCP program for all but the Phoenix Children's Hospital after December 31, 2013. This amount consists of:

Political Subdivision Funds	(135,877,600)
Federal Medicaid Authority	(275,313,300)

Although the *FY 2014 Appropriations Report* displays a \$166,000,000 appropriation for FY 2014, a footnote appropriates any additional payments in excess of that amount. AHCCCS has informed JLBC that they expect to expend \$479,690,900 in total SNCP payments in FY 2014.

Background – The SNCP program funds unreimbursed costs incurred by hospitals in caring for uninsured and AHCCCS recipients. Local governments or public universities provide the state match, and the voluntary contributions receive an approximate 2:1 match from the federal government. As a federal condition of participating in the program, some of the monies must be used for coverage expansion of the KidsCare and the childless adult population.

In April 2012, AHCCCS received federal approval to establish the SNCP program. The program was expanded a year later using monies collected from a City of Phoenix hospital assessment. In June 2013, this resulted in an additional 36,026 children covered through KidsCare II program and 1,588 additional persons covered through the childless adult program.

While this program was originally expected to end on December 31, 2013, the FY 2014 Health and Welfare BRB allowed the Phoenix Children's Hospital to continue to participate in the SNCP program through December 31, 2017 if approved by the federal government. In December 2013, the federal government approved Phoenix Children's Hospital's continued participation in the program through December 31, 2014.

Table 6

County Contributions

County	FY 2014				FY 2015			
	BNCF	Acute	DUC	ALTCS	BNCF	Acute	DUC	ALTCS
Apache	\$ 108,900	\$ 268,800	\$ 87,300	\$ 613,500	\$ 111,500	\$ 268,800	\$ 87,300	\$ 618,300
Cochise	203,100	2,214,800	162,700	5,179,900	208,100	2,214,800	162,700	5,138,500
Coconino	200,400	742,900	160,500	1,841,200	205,300	742,900	160,500	1,855,700
Gila	82,300	1,413,200	65,900	2,126,000	84,300	1,413,200	65,900	2,107,500
Graham	58,500	536,200	46,800	1,427,300	59,900	536,200	46,800	1,442,600
Greenlee	15,000	190,700	12,000	128,800	15,400	190,700	12,000	76,200
La Paz	31,200	212,100	24,900	691,300	31,900	212,100	24,900	712,200
Maricopa	0	19,820,700	0	149,698,100	0	19,630,600	0	150,220,100
Mohave	233,900	1,237,700	187,400	7,952,700	239,600	1,237,700	187,400	7,972,700
Navajo	153,300	310,800	122,800	2,538,600	157,000	310,800	122,800	2,558,300
Pima	1,393,200	14,951,800	1,115,900	39,129,200	1,427,200	14,951,800	1,115,900	38,921,100
Pinal	272,600	2,715,600	218,300	15,246,800	279,200	2,715,600	218,300	15,295,000
Santa Cruz	64,400	482,800	51,600	1,908,200	66,000	482,800	51,600	1,914,900
Yavapai	257,500	1,427,800	206,200	8,382,500	263,800	1,427,800	206,200	8,315,100
Yuma	229,600	1,325,100	183,900	7,832,000	235,200	1,325,100	183,900	8,063,100
Subtotal	\$3,303,900	\$47,851,000	\$2,646,200	\$244,696,100	\$3,384,400	\$47,660,900	\$2,646,200	\$245,211,300
Total				\$298,497,200				\$298,902,800

Other Issues

FY 2014 Ex-Appropriation

The budget includes a decrease of \$(73,439,600) from the General Fund in FY 2014, which is primarily the result of shifting the cost of Proposition 204 Services to the Hospital Assessment Fund. While the FY 2014 budget included the establishment of a hospital assessment to fund Proposition 204 services, when it was added, a corresponding General Fund amount was not reduced from the budget. The General Fund cost reduction of the agency's FY 2014 ex-appropriation was partially offset by a \$17,638,500 General Fund supplemental for DHS in FY 2014.

The budget permits AHCCCS to transfer up to \$12,984,900 of FY 2014 General Fund appropriation to the Department of Health Services (DHS) if AHCCCS has sufficient available funding and DHS experiences a commensurate shortfall in FY 2014. Prior to implementation, AHCCCS shall submit the proposed transfer for review by the Joint Legislative Budget Committee.

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 2013 ALTCS utilization.
3. Each county's contribution is then limited to 90¢ per \$100 of net assessed property value. In FY 2015, this provision provides 3 counties with a total of \$5,941,500 in relief.
4. In counties with an "on-reservation" population of at least 20%, the contribution is limited by an alternative formula specified in statute. In FY 2015, this provision provides 3 counties with a total of \$15,754,200 in relief.
5. If any county could 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 2015 no counties qualify for this relief.
6. The state pays for county costs above the average statewide per capita (\$39.30 in FY 2015). In FY 2015 this provision provides 7 counties with a total of \$10,177,000 in relief.

In FY 2015, provisions 3 through 6 of the ALTCS formula result in the state providing a total of \$31,872,700 in relief to 10 counties.

The FY 2015 Health and Welfare BRB requires AHCCCS to transfer any excess monies back to the counties on December 31, 2015 if the counties' portion of the state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.

FY 2015 Health and Welfare BRB

In addition to the previously mentioned items, the FY 2015 Health and Welfare BRB includes the following provisions:

Changes to Rates and Services

Administrative Costs

Section 17 continues to reduce the risk contingency rate setting for all managed care organizations by 50% and impose a 5.88% reduction on funding for all managed care organizations administrative funding levels.

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

Capitation Rates

Section 28 states that it is the intent of the Legislature that AHCCCS not increase capitation rates more than 3% in FY 2015, FY 2016 and FY 2017.

Insulin Pumps

Section 4 restores insulin pump therapy as a covered service for adult AHCCCS members. Laws 2010, 7th Special Session, Chapter 10 previously eliminated coverage of this service for adults.

Counties

Section 16 continues to exclude Proposition 204 administration costs from county expenditure limitations.

Erroneous Payments

Section 18 continues to permit AHCCCS to recover erroneous Medicare payments the state has made due to errors on behalf of the federal government. Subject to legislative appropriation, credits may be used to pay for the AHCCCS program in the year they are received.

Additionally, Section 27 continues to state that it is the intent of the Legislature that AHCCCS comply with the Federal False Claims Act, achieve the maximum savings as possible under the federal act, and to consider best available technologies to reduce fraud.

Available Funding

Section 26 continues to state that it is the intent of the Legislature that AHCCCS implement a program within its available appropriation.

Reports

Section 21 continues to require AHCCCS to submit a report by December 1, 2014 on the use of emergency departments for non-emergency use by AHCCCS enrollees.

Section 22 continues to require AHCCCS and DHS to submit a joint report by January 1, 2015 on hospital costs and charges.

Sections 3 and 8 continue to require AHCCCS to annually report on the change in uncompensated hospital costs and hospital profitability.

Program Components

Traditional Medicaid, Proposition 204, Adult Expansion, KidsCare, CRS, 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 2015, the average capitation rate is expected to be approximately \$324 per member per month (or \$3,888 annually). Of that amount, \$92 is from state match and \$232 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 (75.0% in 2015) of the estimated drug costs.

Tobacco Master Settlement Agreement

The budget requires AHCCCS to transfer up to \$2,636,500 from the Traditional Medicaid Services line item in FY 2015 to assist in the enforcement of a multi-year settlement reached between tobacco companies and the state over the Master Settlement Agreement (MSA). This transfer amount consists of:

- Up to \$1,200,000 to the Attorney General (AG) for costs associated with tobacco settlement litigation.
- \$436,500 to the Department of Revenue (DOR) to fund 6 positions that will perform luxury tax enforcement and audit duties.
- \$1,000,000 to the Automation Project Fund for the development of a luxury tax processing and revenue accounting system within DOR.

This adjustment does not include the \$600,000 appropriation from the Consumer Protection-Consumer Fraud Revolving Fund to the Attorney General for costs associated with tobacco settlement litigation. *(Please see the Attorney General - Department of Law section in this report for more information.)*

Background – In 1998, the major tobacco companies and 46 states reached a settlement in which the signatory tobacco companies would make an annual payment to compensate the states for Medicaid costs associated with tobacco use. Currently, Arizona receives an annual payment of states promised to diligently enforce the provisions and collection of tobacco tax laws within their respective states. In CY 2013, an arbitration panel approved an amended settlement between participating manufacturers and 19 states, including Arizona, to resolve issues relating to the tobacco tax enforcement.

CY 2015 is the first year tobacco tax collections will come under diligent enforcement scrutiny under the provisions of the amended settlement. The monies provided in the budget will allow DOR to comply with the terms of the amended agreement through enhanced auditing capabilities and an automated accounting system. The latter will enhance enforcement by automating the current manual data entry process, allowing delinquent returns and account information to be tracked, and logging data that DOR does not currently track for non-participating manufacturers, cigarette stamp inventory, and other tobacco sales data. *(Please see the Department of Revenue section in this report for more information.)*

Tobacco Tax Allocation

Table 7 is a summary of the tobacco tax allocations.

Table 7

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

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Medically Needy Account			
<u>Funds Available</u>			
Balance Forward	\$ 4,120,900	\$ 387,000	\$ 0
Transfer In - Tobacco Tax and Health Care Fund	46,966,400	42,747,000	45,072,600
Transfer In - Tobacco Products Tax Fund	25,607,000	24,732,200	24,573,200
Interest & Refunds	2,100	0	0
Total Funds Available	\$ 76,696,400	\$ 67,866,200	\$ 69,645,800
<u>Allocations</u>			
<i>AHCCCS</i>			
AHCCCS State Match Appropriation	\$ 38,295,800	\$ 37,389,300	\$ 34,178,800
Administrative Adjustments	2,930,600	0	0
Total AHCCCS Allocations	\$ 41,226,400	\$ 37,389,300	\$ 34,178,800
<i>DHS</i>			
Behavioral Health GF Offset	\$ 34,767,000	\$ 34,767,000	\$ 34,767,000
Folic Acid	316,000	400,000	400,000
Renal, Dental Care, and Nutrition Supplements	0	300,000	300,000
Total DHS Allocations	35,083,000	35,467,000	35,467,000
Balance Forward	\$ 387,000	\$ (4,990,100) ^{1/}	\$ 0
AHCCCS Proposition 204 Protection Account			
<u>Funds Available</u>			
Balance Forward	\$ 0	\$ 0	\$ 0
Transfer In - Tobacco Products Tax Fund	39,831,900	38,472,300	38,225,000
Total Funds Available	\$ 39,831,900	\$ 38,472,300	\$ 38,225,000
<u>Allocations</u>			
AHCCCS State Match Appropriation	\$ 39,825,800	38,472,300	38,225,000
Administrative Adjustments	6,100	0	0
Balance Forward	\$ 0	\$ 0	\$ 0
AHCCCS Emergency Health Services Account			
<u>Funds Available</u>			
Balance Forward	\$ 0	\$ 0	\$ 0 ^{2/}
Transfer In - Tobacco Products Tax Fund	18,967,600	18,320,100	18,202,400
Total Funds Available	\$ 18,967,600	\$ 18,320,100	\$ 18,202,400
<u>Allocations</u>			
AHCCCS State Match Appropriation	\$ 18,964,600	\$ 18,320,100	\$ 18,202,400
Administrative Adjustments	3,000	0	0
Balance Forward ^{2/}	\$ 0	\$ 0	\$ 0
DHS Health Education Account			
<u>Funds Available</u>			
Balance Forward	\$ 7,741,000	\$ 7,731,700	\$ 5,009,100
Transfer In - Tobacco Tax and Health Care Fund	15,575,300	14,045,400	14,809,600
Transfer In - Tobacco Products Tax Fund	1,896,800	1,832,000	1,820,200
Total Funds Available	\$ 25,213,100	\$ 23,609,100	\$ 21,638,900
<u>Allocations</u>			
Tobacco Education and Prevention Program	\$ 14,141,100	\$ 16,200,000	\$ 16,200,000
Leading Causes of Death - Prevention and Detection	3,340,300	2,400,000	2,400,000
Balance Forward	\$ 7,731,700	\$ 5,009,100	\$ 3,038,900
Health Research Account			
<u>Funds Available</u>			
Balance Forward	\$ 3,395,100	\$ 1,573,500	\$ 296,500
Transfer In - Tobacco Tax and Health Care Fund	3,249,500	3,053,400	3,219,400
Transfer In - Tobacco Products Tax Fund	4,874,300	4,580,000	4,550,600
Total Funds Available	\$ 11,518,900	\$ 9,206,900	\$ 8,066,500
<u>Allocations</u>			
Biomedical Research	\$ 8,945,400	\$ 7,910,400	\$ 7,910,400 ^{3/}
Alzheimer's Disease Research	1,000,000	1,000,000	1,000,000
Balance Forward	\$ 1,573,500	\$ 296,500	\$ (843,900) ^{1/}

^{1/} Actual balances will not be negative.

^{2/} Any unencumbered funds in the Emergency Health Services Account are transferred to the Proposition 204 Protection Account at the end of each year.

^{3/} Prior to the FY 2015 budget, the Biomedical Research allocation only included non-appropriated funding. The FY 2015 budget increases the appropriated funding for Biomedical Research by \$2,000,000 and decreases non-appropriated funding by \$(2,000,000).

State Board of Appraisal

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.5	9.0	9.0
Personal Services	308,600	401,800	401,800
Employee Related Expenditures	111,200	186,700	186,900
Professional and Outside Services	210,100	120,700	120,700
Travel - In State	8,500	8,900	8,900
Travel - Out of State	3,900	12,700	12,700
Other Operating Expenditures	75,100	76,800	86,800
Equipment	7,800	44,000	44,000
AGENCY TOTAL	725,200	851,600	861,800^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board of Appraisal Fund	725,200	851,600	861,800
SUBTOTAL - Other Appropriated Funds	725,200	851,600	861,800
SUBTOTAL - Appropriated Funds	725,200	851,600	861,800
TOTAL - ALL SOURCES	725,200	851,600	861,800

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

Operating Budget

The budget includes \$861,800 and 9 FTE Positions from the Board of Appraisal Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(30,000) from the Board of Appraisal Fund in FY 2015 to eliminate one-time funding for a database upgrade.

One-Time Completion of Software Upgrade

The budget includes a one-time increase of \$40,000 from the Board of Appraisal Fund in FY 2015 to finish a software upgrade for the board's online support, email support, and security systems.

Statewide Adjustments

The budget includes an increase of \$200 from the Board of Appraisal Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Additional Legislation

State Board of Appraisal

Laws 2014, Chapter 135 makes several changes affecting the State Board of Appraisal. The provisions that have a fiscal impact are the following:

- The board may impose a civil penalty of up to \$3,000 per complaint filed with the board. The monies shall be deposited in the General Fund.
- If a case proceeds to a formal hearing before either the board or the Office of Administrative Hearings, and the board prevails in the case, the board may collect costs and expenses associated with the formal hearing. The monies shall be deposited in the Board of Appraisal Fund and may be spent without legislative appropriation.

Other Issues

Regulation of Appraiser Training

Laws 2013, Chapter 184 appropriated \$42,880 and 1 FTE Position from the Board of Appraisal Fund in FY 2014 to implement the regulation of registered trainee appraisers and supervisory appraisers. These amounts are not shown in the FY 2014 Appropriations Report.

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

Arizona Commission on the Arts

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
SPECIAL LINE ITEMS			
Arts Trust Fund Deposit	0	1,000,000	1,000,000
AGENCY TOTAL	0	1,000,000	1,000,000
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Budget Stabilization Fund	0	1,000,000	1,000,000
SUBTOTAL - Other Appropriated Funds	0	1,000,000	1,000,000
SUBTOTAL - Appropriated Funds	0	1,000,000	1,000,000
<u>Other Non-Appropriated Funds</u>			
Other Non-Appropriated Funds	1,709,500	1,398,800	1,398,800 ^{1/}
Federal Funds	808,400	756,000	756,000
TOTAL - ALL SOURCES	2,517,900	3,154,800	3,154,800

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.

Arts Trust Fund Deposit

The budget includes \$1,000,000 from the Budget Stabilization Fund in FY 2015 for a one-time deposit into the non-appropriated Arts Trust Fund. The FY 2015 Revenue Budget Reconciliation Bill (Laws 2014, Chapter 9) appropriates this amount from interest income earned on the Budget Stabilization Fund.

Monies in the Arts Trust Fund are used to award grants to organizations with the purpose of advancing and fostering the arts in Arizona. A portion of the funds are statutorily used to provide grants to organizations representing handicapped persons or racial or ethnic minorities and organizations representing rural areas.

^{1/} Monies appropriated from the Budget Stabilization Fund for deposit into the Arts Trust Fund pursuant to Laws 2014, Chapter 9 are not displayed to avoid double counting of appropriations.

Board of Athletic Training

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	57,800	65,500	65,500
Employee Related Expenditures	25,300	30,600	30,600
Travel - In State	1,600	1,100	1,100
Other Operating Expenditures	15,900	21,000	21,000
AGENCY TOTAL	100,600	118,200	118,200^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Athletic Training Fund	100,600	118,200	118,200
SUBTOTAL - Other Appropriated Funds	100,600	118,200	118,200
SUBTOTAL - Appropriated Funds	100,600	118,200	118,200
TOTAL - ALL SOURCES	100,600	118,200	118,200

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

Operating Budget

The budget includes \$118,200 and 1.5 FTE Positions from the Athletic Training Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

ERE Adjustment

The budget includes an increase of \$13,000 from the Athletic Training Fund in FY 2015 to fund increased Employee Related Expenditures for a new employee. The budget also includes a FY 2014 supplemental increase of the same amount for the same purpose for no net change from FY 2014 to FY 2015.

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

Attorney General - Department of Law

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	547.9	547.9	570.9 ^{1/}
Personal Services	28,343,900	29,276,700	31,862,900
Employee Related Expenditures	10,020,500	11,225,200	12,272,000
Professional and Outside Services	563,500	603,500	851,500
Travel - In State	142,000	137,400	137,400
Travel - Out of State	115,900	209,200	241,600
Other Operating Expenditures	6,335,300	6,021,600	6,086,900
Equipment	1,125,900	71,000	98,900
OPERATING SUBTOTAL	46,647,000	47,544,600	51,551,200
SPECIAL LINE ITEMS			
Capital Postconviction Prosecution	0	500,000	800,100
Child Safety and Family Services	0	0	1,000,000
Military Airport Planning	84,700	90,000	90,000 ^{2/}
National Mortgage Settlement Distribution	612,500	0	0
Northern Arizona Law Enforcement	0	0	0 ^{3/}
Risk Management ISA	8,453,100	9,439,500	9,443,000
State Grand Jury	176,700	181,100	181,100
Victims' Rights	3,224,700	3,997,800	3,758,600
AGENCY TOTAL	59,198,700	61,753,000	66,824,000^{4/5/}
FUND SOURCES			
General Fund	23,366,000	22,464,600	23,465,100
Other Appropriated Funds			
Antitrust Enforcement Revolving Fund	143,700	244,200	244,300
Attorney General Legal Services Cost Allocation Fund	2,073,400	2,087,500	2,087,600
Collection Enforcement Revolving Fund	5,347,300	5,387,800	6,888,200
Consumer Protection - Consumer Fraud Revolving Fund	3,360,900	4,106,200	5,306,800
Court-Ordered Trust Fund	612,500	0	0
Interagency Service Agreements Fund	12,617,100	13,525,400	14,830,300 ^{6/}
Risk Management Revolving Fund	8,453,100	9,439,500	9,443,000
State Aid to Indigent Defense Fund	0	500,000	800,100
Victims' Rights Fund	3,224,700	3,997,800	3,758,600
SUBTOTAL - Other Appropriated Funds	35,832,700	39,288,400	43,358,900
SUBTOTAL - Appropriated Funds	59,198,700	61,753,000	66,824,000
Other Non-Appropriated Funds	32,180,800	39,546,000	39,200,700
Federal Funds	5,470,200	6,022,700	5,316,600
TOTAL - ALL SOURCES	96,849,700	107,321,700	111,341,300

^{1/} Includes 14.6 GF and 99 OF FTE Positions funded from Special Line Items in FY 2015.

^{2/} A.R.S. § 26-263 annually appropriates \$85,000 from the General Fund for Military Airport Planning. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act. A total of \$5,000 for statewide allocations in this line item is appropriated in the General Appropriation Act.

^{3/} The General Appropriation Act, as originally passed, included \$500,000 from the General Fund in FY 2015 for the Northern Arizona Law Enforcement Special Line Item. This amount was line-item vetoed by the Governor thus reducing the total appropriation by a corresponding amount.

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

^{5/} The Attorney General shall submit to the Joint Legislative Budget Committee for review the quarterly reports on legal settlements required by A.R.S. § 41-192, 44-1531.01 and 44-1531.02. (General Appropriation Act footnote)

^{6/} In addition to the \$14,830,300 appropriated from the Interagency Service Agreements Fund in FY 2015, an additional \$800,000 and 11 FTE Positions are appropriated from the Interagency Service Agreements Fund in FY 2015 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 must include the name of the agency or entity with which the agreement is made, the dollar amount of the contract by fiscal year and the number of associated FTE Positions. (General Appropriation Act footnote, as adjusted for statewide allocations)

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

Operating Budget

The budget includes \$51,551,200 and 457.3 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$22,194,000
Antitrust Enforcement Revolving Fund	244,300
Attorney General Legal	2,087,600
Services Cost Allocation Fund	
Collection Enforcement Revolving Fund (CERF)	6,888,200
Consumer Protection - Consumer Fraud (CPCF) Revolving Fund	5,306,800
Interagency Service Agreements (ISA) Fund	14,830,300

These amounts fund the following adjustments:

Debt Collection Expenses

The budget includes an increase of \$1,500,000 from CERF in FY 2015 for debt collection expenses. CERF receives 35% of the monies recovered by the Attorney General’s Office from debts owed to the state and is used for expenses related to debt collection owed to the state and general operating expenses. The increase will fund additional debt collection staff.

Expanded Interagency Service Agreement

The budget includes an increase of \$1,300,000 and 11 FTE Positions from the ISA Fund in FY 2015. Of the \$1,300,000, \$200,000 is for an expanded Interagency Service Agreement (ISA) with the Department of Revenue for tax compliance litigation support and \$700,000 is for Arizona Health Care Cost Containment System (AHCCCS) for increased defense and enforcement of the Master Settlement Agreement. The AHCCCS increase reflects the portion of a \$1,200,000 transfer of AHCCCS’ Traditional Medicaid Services line item monies to the Attorney General for legal services provided to AHCCCS. The ISA Fund was not adjusted previously to reflect this transfer (see *Tobacco Enforcement below for more details*). The remaining \$400,000 is for a restructured ISA contract with the Game and Fish Department, and does not provide net new resources.

Federal Grant Backfill

The budget includes an increase of \$600,000 from the CPCF Revolving Fund in FY 2015 to backfill funding from a federal grant that expired in FY 2013 to support the Criminal Division’s investigations and prosecutions of complex fraud, corruption, criminal enterprise, drug trafficking, and money laundering cases in Southern

Arizona. The General Appropriation Act also continues a FY 2014 supplemental CPCF Revolving Fund appropriation of \$600,000 for the same purpose. The new \$600,000 in FY 2015 is above the revised FY 2014 post-supplemental amount, making the increase since the original FY 2014 budget of \$1,200,000.

Tobacco Enforcement

The budget includes an increase of \$600,000 from the CPCF Revolving Fund in FY 2015 for costs associated with tobacco settlement litigation. This adjustment is in addition to the \$1,200,000 ISA transfer from AHCCCS. Of the ISA transfer amount, \$700,000 is transferred to the Attorney General’s Office for legal services. The remaining \$500,000 is passed through the Attorney General to outside counsel for litigation support. These monies will fund expenditures in connection with defending and implementing a multi-year settlement reached in December 2012 that resolved a dispute between tobacco companies and the state over enforcement of the Master Settlement Agreement.

(Please see Other Issues section in AHCCCS for more details.)

Statewide Adjustments

The budget includes an increase of \$6,600 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	500
Antitrust Enforcement Revolving Fund	100
Attorney General Legal	100
Services Cost Allocation Fund	
CERF	400
CPCF Revolving Fund	600
ISA Fund	4,900

(Please see the Agency Detail and Allocation section.)

Capital Postconviction Prosecution

The budget includes \$800,100 from the State Aid to Indigent Defense Fund in FY 2015 for Capital Postconviction Prosecution. These amounts fund the following adjustments:

Capital Postconviction Prosecution

The budget includes an increase of \$300,000 from the State Aid to Indigent Defense Fund in FY 2015 to fund capital postconviction prosecution.

Statewide Adjustments

The budget includes an increase of \$100 from the State Aid to Indigent Defense Fund in FY 2015 for statewide adjustments.

This line item funds costs associated with prosecuting capital cases after the initial conviction. The FY 2015 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 12) continues to permit the Attorney General to use State Aid to Indigent Defense Fund monies for this purpose.

The FY 2014 General Appropriation Act designated the FY 2014 funding as one-time pending further legislative review of the appropriate location for these duties. The act also required the Attorney General to submit a report to the Joint Legislative Budget Committee detailing its plan for transitioning Maricopa County capital postconviction prosecution responsibilities to the county over the next 4 years.

The Attorney General no longer plans to transition these responsibilities. In its report, the Attorney General stated that the appropriate location for capital postconviction proceedings is the Attorney General and not Maricopa County for 2 reasons:

1. The Attorney General is the only agency with expertise in federal law, which is litigated during capital postconviction proceedings; and
2. Keeping capital postconviction relief responsibilities with the Attorney General will prevent further delay and save the state additional costs associated with prolonged proceedings.

The Attorney General's Office presented its plan to the Joint Legislative Budget Committee at the Committee's December 17, 2013 meeting. The Committee gave neither a favorable nor an unfavorable review.

Child Safety and Family Services

The budget includes \$1,000,000 and 12 FTE Positions from the General Fund in FY 2015 for Child Safety and Family Services. These amounts fund the following adjustments:

Child Safety and Family Services Legal Services

The budget includes \$1,000,000 and 12 FTE Positions from the General Fund in FY 2015 to fund additional legal representation growth in Department of Child Safety cases (formerly Child Protective Services).

This line item funds the Attorney General's office to provide legal representation for the Division of Child Safety and Family Services (DCSFS), including client interviews, investigative and expert services, and preparation for pre-trial hearings and trials. The Department of Economic Security (DES) also includes

\$18,260,500 for these services, passed through to the Attorney General.

(Please see DCSFS Attorney General Legal Services in the DES section.)

Military Airport Planning

The budget includes \$90,000 and 1 FTE Position from the General Fund in FY 2015 for Military Airport Planning. These amounts are unchanged from FY 2014.

A.R.S. § 26-263 appropriated \$85,000 annually (prior to statewide adjustments) from the General Fund to the Attorney General's Office. Therefore, \$85,000 of 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.

Northern Arizona Law Enforcement

The General Appropriation Act, as originally passed, included \$500,000 from the General Fund in FY 2015 for Northern Arizona Law Enforcement. This amount was line-item vetoed by the Governor.

This new line item would have funded 4 Mohave County Sheriff's Office deputies to provide 24-hour patrols of the Arizona Strip.

Risk Management ISA

The budget includes \$9,443,000 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2015 for the Risk Management ISA. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$3,500 from the Risk Management Revolving Fund in FY 2015 for statewide adjustments.

This line item provides funding for the Attorney General's contract with the Risk Management Division of the Arizona Department of Administration. Attorneys from the Attorney General's Office defend the state in most risk management cases regarding agency liability.

State Grand Jury

The budget includes \$181,100 and 1.6 FTE Positions from the General Fund in FY 2015 for the State Grand Jury. These amounts are unchanged from FY 2014.

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

Victims' Rights

The budget includes \$3,758,600 and 6 FTE Positions from the Victims' Rights Fund in FY 2015 for Victims' Rights. These amounts fund the following adjustments:

Remove One-Time Funding

The budget includes a decrease of \$(239,400) from the Victims' Rights Fund in FY 2015 for the elimination of one-time funding. In FY 2014, the budget included a one-time increase of \$239,400 for grants management software.

Statewide Adjustments

The budget includes an increase of \$200 from the Victims' Rights Fund in FY 2015 for statewide adjustments.

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

Other Issues

Attorney General Legal Services Cost Allocation Fund

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

The FY 2013 Criminal Justice BRB eliminated the 0.675% pro rata Personal Services charge. An agency's General Fund appropriation and Federal Funds are no longer charged for Attorney General Services. The pro rata for all other monies has been converted into a flat dollar charge as annually specified by the General Appropriation Act.

The FY 2015 General Appropriation Act continues to set level of charges at \$1,809,500 and specifies the charge per agency as required by Laws 2012, Chapter 302. See *Table 1* for a list of agencies and their corresponding Attorney General Legal Services charge.

Consumer Restitution and Remediation Revolving Fund

In addition to the Consumer Restitution and Remediation Revolving Fund, the Attorney General also deposits money into the CCPF Revolving Fund. The CCPF Revolving Fund derives its revenue from any investigative

or court costs, attorney fees or civil penalties recovered by the Attorney General as a result of enforcement of either state or federal statutes pertaining to consumer fraud.

In 2013, the Legislature created a new Consumer Restitution and Remediation Revolving Fund (Laws 2013, Chapter 143) that the Attorney General would use for monies collected from lawsuits that are reserved for remediation or restitution. In addition, the statute directs any monies resulting from compromises or settlements by or against the state, excluding restitution, reimbursement, or CCPF monies, into the General Fund.

The Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving Fund is to be used for monies collected from lawsuits intended to compensate a specific, identifiable person, including the state, for economic loss resulting from violations of consumer protection laws. This subaccount is not subject to legislative appropriation.

The Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund consists of monies collected as a result of a settlement to rectify violations of consumer protection laws, other than monies collected for the benefit of specific, identifiable persons. Monies in this subaccount up to \$3,500,000 are continuously appropriated. Any amount of money collected over that amount is subject to legislative appropriation. The Attorney General must submit an expenditure plan to the Joint Legislative Budget Committee for review before expending any monies in this subaccount.

Chapter 143 and a General Appropriation Act footnote require the Attorney General to report quarterly to the Joint Legislative Budget Committee on the receipts and disbursements from the fund by subaccount (A.R.S. § 44-1531.02) and in the CCPF Revolving Fund (A.R.S. § 44-1531.01), as well as deposits made pursuant to other specified settlements (A.R.S. § 41-192).

National Mortgage Settlement Fund Distribution

In 2012, Arizona, along with 49 other states and attorneys general, reached a state-federal settlement with the nation's 5 largest residential mortgage loan servicers. The National Mortgage Settlement is a result of state and federal investigations that the 5 loan servicers did not act legally in signing foreclosure documents, thus acting fraudulently in servicing and foreclosure business practices. The total settlement was \$25 billion, of which Arizona's share was an estimated \$1.3 billion.

The settlement requires Arizona to use the funds received from the settlement "for purposes intended to avoid preventable foreclosures, to ameliorate the effects of the foreclosure crisis, to enhance law enforcement efforts to prevent and prosecute financial fraud or unfair or deceptive acts or practices, and to compensate the state for

costs resulting from the alleged unlawful conduct of the Defendants.”

Of the \$1.3 billion, the Attorney General received approximately \$97,000,000 in a direct payment from the National Mortgage Settlement. The FY 2013 General Appropriation Act required the Attorney General to direct \$50,000,000 of these monies to the General Fund. In May 2012, a lawsuit was filed arguing that the state could not transfer money from the settlement to the General Fund. In October 2012, a Superior Court judge ruled that the State Legislature can decide how to spend the funds from the settlement. In March 2013, the Court of Appeals upheld the Superior Court ruling but the Arizona Supreme Court subsequently directed the Attorney General to not transfer the \$50,000,000 to the General Fund pending final resolution of the case in the Supreme Court. In September 2013, the Supreme Court decided not to review the lower court’s ruling. Accordingly, the \$50,000,000 was transferred from the Attorney General to the General Fund in October 2013.

Laws 2013, Chapter 118 appropriates the remainder, approximately \$47,000,000, of the settlement to the Attorney General for distribution pursuant to applicable court orders. The Attorney General also has discretion to determine how to expend the remainder of the state’s allocation. In FY 2013, the Attorney General expended \$612,500 to provide assistance to homeowners affected by fraudulent mortgage servicing and foreclosure practices and for other purposes consistent with the settlement. In FY 2014, the Attorney General plans to expend \$15,522,400 of the non-lapsing appropriation for similar purposes. The FY 2014 estimate does not appear under the National Mortgage Settlement Fund Distribution Special Line Item because those are non-lapsing monies.

The Attorney General plans to use the approximate amount of the \$47,000,000, plus \$10,000,000 from a settlement with Bank of America not subject to this appropriation, as follows:

- \$20,000,000 for the Arizona Mortgage Relief Fund, a flexible mortgage loan program that is designed to provide loans to allow borrowers to remain in their homes;
- \$10,000,000 for consumer restitution for eligible consumers who previously filed complaints with the Attorney General’s Office against certain foreclosure rescue companies or against Bank of America in connection with their mortgage servicing practices;
- \$5,000,000 for enforcement and monitoring;
- \$5,000,000 for housing counseling;
- \$4,750,000 for adjustments in the housing market and enhancement of the most successful programs;
- \$4,000,000 for legal services;
- \$3,500,000 for Veterans’ housing opportunities;
- \$2,500,000 for relocation assistance;

- \$2,000,000 for outreach, marketing, and education; and
- \$250,000 for job training.

Arizona’s remaining share of the National Mortgage Settlement has been used to provide consumer relief to Arizona borrowers, including principal reduction, a refinancing program, and payments to foreclosed borrowers. The monitor of the National Mortgage Settlement verified in a March 2014 report that banks satisfied their consumer relief obligations under the settlement.

In August 2013, the Attorney General also announced that checks, totaling \$1,480 per loan foreclosed while being serviced by the 5 servicers between January 1, 2008 and December 31, 2011, had been mailed to those who lost their homes to foreclosure as a result of the servicers’ alleged misconduct. These foreclosed borrower payment amounts were funded directly by participating servicers and were administered nationally by a third party administrator. Approximately 65,000 Arizonans received payments totaling \$96.5 million.

Table 1

FY 2015 Attorney General Legal Services Charges

<u>Agency</u>	<u>Legal Services Charge</u>
Arizona Department of Administration	\$127,700
Office of Administrative Hearings	3,000
Commission on the Arts	3,100
Automobile Theft Authority	1,400
Citizens Clean Elections Commission	2,700
State Department of Corrections	2,000
Arizona Criminal Justice Commission	8,700
Arizona Schools for the Deaf and the Blind	100,200
Commission for the Deaf and the Hard of Hearing	4,100
Early Childhood Development and Health Board	47,100
Department of Education	132,000
Department of Emergency and Military Affairs	30,000
Department of Environmental Quality	135,600
Exposition and State Fair Board	20,900
Department of Financial Institutions	1,900
Department of Fire, Building, and Life Safety	2,500
State Forester	12,100
Department of Gaming	35,000
Arizona Geological Survey	6,800
Department of Health Services	170,000
Arizona Historical Society	700
Department of Housing	18,100
Department of Insurance	10,500
Department of Juvenile Corrections	9,400
State Land Department	2,100
Department of Liquor, Licenses & Control	11,400
Arizona State Lottery Commission	24,800
Arizona State Parks Board	45,800
State Personnel Board	600
Arizona Pioneers' Home	12,100
Commission on Postsecondary Education	1,800
Department of Public Safety	677,400
Arizona Department of Racing	2,300
Radiation Regulation Authority	3,800
Arizona State Retirement System	69,100
Department of Revenue	4,900
Secretary of State	1,800
State Treasurer	9,200
Department of Veterans' Services	52,700
Department of Weights and Measures	4,200
Total Legal Services Charges	\$1,809,500

Automobile Theft Authority

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	284,900	297,400	297,400
Employee Related Expenditures	108,900	120,800	121,000
Professional and Outside Services	14,500	11,800	11,800
Travel - In State	3,800	10,700	10,700
Travel - Out of State	6,900	10,700	10,700
Other Operating Expenditures	114,400	121,700	121,700
Equipment	77,000	66,800	66,800
OPERATING SUBTOTAL	610,400	639,900	640,100
SPECIAL LINE ITEMS			
Automobile Theft Authority Grants	3,606,400	4,607,700	4,607,700 ^{1/2/}
Reimbursable Programs	0	50,000	50,000 ^{3/}
AGENCY TOTAL	4,216,800	5,297,600	5,297,800^{4/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Automobile Theft Authority Fund	4,216,800	5,297,600	5,297,800
SUBTOTAL - Other Appropriated Funds	4,216,800	5,297,600	5,297,800
SUBTOTAL - Appropriated Funds	4,216,800	5,297,600	5,297,800
TOTAL - ALL SOURCES	4,216,800	5,297,600	5,297,800

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

Operating Budget

The budget includes \$640,100 and 6 FTE Positions from the ATA Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$200 from the General Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Automobile Theft Authority Grants

The budget includes \$4,607,700 from the ATA Fund in FY 2015 for ATA Grants. This amount is unchanged from FY 2014.

This line item funds grants awarded to law enforcement agencies for an auto theft task force, attorneys dedicated to auto theft prosecution, and other law enforcement activities that reduce auto theft. In FY 2014, ATA expects to award approximately \$3,813,000 to the Department of Public Safety for the Arizona Vehicle Theft Task Force, which helps to investigate and pursue automobile related crimes. An additional \$596,700 is expected to be awarded to county attorneys to prosecute automobile theft-related crimes. Remaining monies would be used for equipment and to provide training.

Reimbursable Programs

The budget includes \$50,000 from the ATA Fund in FY 2015 for Reimbursable Programs. This amount is unchanged from FY 2014.

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

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. Since the inception of this program, only \$10,000 for the reimbursement of salary and operational costs of the Arizona Vehicle Theft Task Force in FY 2014 has been expended from this special line item.

Board of Barbers

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	174,300	195,800	195,800
Employee Related Expenditures	68,100	68,500	68,600
Professional and Outside Services	100	5,100	5,100
Travel - In State	16,800	23,600	23,600
Travel - Out of State	3,700	4,000	4,000
Other Operating Expenditures	28,900	36,800	36,800
AGENCY TOTAL	291,900	333,800	333,900^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Barbers Fund	291,900	333,800	333,900
SUBTOTAL - Other Appropriated Funds	291,900	333,800	333,900
SUBTOTAL - Appropriated Funds	291,900	333,800	333,900
TOTAL - ALL SOURCES	291,900	333,800	333,900

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

Operating Budget

The budget includes \$333,900 and 4 FTE Positions from the Board of Barbers Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$100 from the Board of Barbers Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

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

Board of Behavioral Health Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	669,400	793,400	793,400
Employee Related Expenditures	295,200	368,400	368,900
Professional and Outside Services	269,700	380,600	380,600
Travel - In State	7,000	10,000	10,000
Travel - Out of State	100	8,300	8,300
Other Operating Expenditures	173,200	169,200	169,200
Equipment	72,700	28,200	28,200
AGENCY TOTAL	1,487,300	1,758,100	1,758,600^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board of Behavioral Health Examiners Fund	1,487,300	1,758,100	1,758,600
SUBTOTAL - Other Appropriated Funds	1,487,300	1,758,100	1,758,600
SUBTOTAL - Appropriated Funds	1,487,300	1,758,100	1,758,600
TOTAL - ALL SOURCES	1,487,300	1,758,100	1,758,600

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

Operating Budget

The budget includes \$1,758,600 and 17 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$500 from the Board of Behavioral Health Examiners Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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

State Board for Charter Schools

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9.0	9.0	11.0
Personal Services	450,900	455,600	549,000
Employee Related Expenditures	179,800	188,900	229,300
Professional and Outside Services	15,800	38,500	68,500
Travel - In State	3,200	3,100	7,100
Other Operating Expenditures	91,600	136,300	136,300
Equipment	17,500	0	4,500
AGENCY TOTAL	758,800	822,400	994,700^{1/}
FUND SOURCES			
General Fund	758,800	822,400	994,700
SUBTOTAL - Appropriated Funds	758,800	822,400	994,700
Other Non-Appropriated Funds	8,000	140,000	102,700
TOTAL - ALL SOURCES	766,800	962,400	1,097,400

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

Operating Budget

The budget includes \$994,700 and 11 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Charter Board Staff

The budget includes an increase of \$172,000 and 2 FTE Positions from the General Fund in FY 2015 to improve the board's capacity to handle increasing caseloads and to monitor and assess charter school performance.

Over the last 10 years, the number of charter contracts that the board oversees has increased by 40% and the number of students in charter schools has doubled to 145,000. Staff workloads have also increased as more charters have matured and require renewal review.

The new staff will also allow for more data collection and analysis to provide legal standing in revocation decisions. A portion of the funds will be used to support legal services, travel, and office equipment.

Statewide Adjustments

The budget includes an increase of \$300 from the General Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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

Department of Child Safety

	FY 2013 ^{1/} ACTUAL	FY 2014 ^{1/} ESTIMATE	FY 2015 ^{1/} APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,448.4	1,921.5	3,045.1 ^{2/}
Personal Services	60,613,100	96,162,500	105,076,300
Employee Related Expenditures	24,814,700	41,102,100	47,538,800
Professional and Outside Services	2,731,600	6,324,400	6,594,100
Travel - In State	1,783,200	2,712,600	3,145,700
Travel - Out of State	0	900	1,900
Other Operating Expenditures	13,680,100	45,372,900	46,908,900
Equipment	3,509,000	8,399,200	7,478,000
OPERATING SUBTOTAL	107,131,700	200,074,600	216,743,700 ^{3/-8/}
SPECIAL LINE ITEMS			
Additional Operating Resources			
Attorney General Legal Services	0	18,260,500	18,563,300
General Counsel	0	0	157,300
Inspections Bureau	0	0	2,748,400
Internet Crimes Against Children	0	0	350,000 ^{9/}
Office of Child Welfare Investigations	0	0	10,500,400 ^{10/}
Overtime	0	0	12,865,000 ^{11/-13/}
Records Retention Staff	0	0	597,400
Retention Pay	0	0	1,707,000 ^{14/}
Training Resources	0	0	5,150,000
Out-of-Home Placements			
Adoption Services	74,372,000	176,410,200	188,483,300
Emergency and Residential Placement	40,101,700	84,167,000 ^{15/}	86,166,300 ^{16/}
Foster Care Placement	24,712,600	48,228,400	57,832,000 ^{11/-13/16/}
Grandparent Stipends	0	1,000,000	1,000,000 ^{17/}
Independent Living Maintenance	1,669,300	3,469,300	3,469,300
Permanent Guardianship Subsidy	10,471,600	11,215,300	11,215,300
Support Services			
Children Support Services	92,182,000	147,940,900	0
DCS Child Care Subsidy	0	0	39,753,600
In-Home Preventive Support Services	0	0	32,605,200 ^{11/-13/18/}
Intensive Family Services	0	5,000,000	8,500,000 ^{19/}
Out-of-Home Support Services	0	0	149,566,800 ^{11/-13/16/} _{18/20/}
Agencywide			
Contingency Funding	0	0 ^{15/}	0
AGENCY TOTAL	350,640,900	695,766,200	847,974,300
FUND SOURCES			
General Fund	193,106,600	240,838,400	361,005,400
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	0	1,459,100	1,459,100
Children and Family Services Training Program Fund	68,300	207,700	207,700
Federal CCDF Block Grant	0	0	27,000,000
Federal TANF Block Grant	157,466,000	130,791,000	132,000,400
Long-Term Care System Fund (Non-Federal Matched)	0	27,188,300	0
SUBTOTAL - Other Appropriated Funds	157,534,300	159,646,100	160,667,200
SUBTOTAL - Appropriated Funds	350,640,900	400,484,500	521,672,600

	FY 2013 ^{1/} ACTUAL	FY 2014 ^{1/} ESTIMATE	FY 2015 ^{1/} APPROVED
Expenditure Authority Funds			
Child Safety Expenditure Authority	0	295,281,700	326,301,700
SUBTOTAL - Expenditure Authority Funds	0	295,281,700	326,301,700
SUBTOTAL - Appropriated/Expenditure Authority Funds	350,640,900	695,766,200	847,974,300
Other Non-Appropriated Funds			
Other Non-Appropriated Funds	246,200	890,000	890,000
Federal Funds	215,822,800	26,508,400	0
TOTAL - ALL SOURCES	566,709,900	723,164,600	848,864,300

AGENCY DESCRIPTION — The department investigates reports of child abuse and neglect, promotes the safety of a child in a stable family or other out-of-home placement in response to allegations of abuse or neglect, works with law enforcement regarding reports that include criminal conduct allegations, and coordinates services to achieve and maintain permanency on behalf of children in the child safety system.

- ^{1/} FY 2013 amounts only include expenditures from appropriated funds, while FY 2014 and FY 2015 show funding from appropriated funds and expenditure authority. FY 2013 and FY 2014 represent direct appropriations to the Division of Children, Youth and Families in DES. FY 2015 represents the direct appropriation to the Department of Child Safety.
- ^{2/} Includes 313 GF, 1.3 OF, and 72.9 EA FTE Positions funded from Special Line Items in FY 2015.
- ^{3/} The Department of Child Safety shall provide training to any new child safety FTE Positions before assigning to any of these employees any client caseload duties. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- ^{4/} It is the intent of the Legislature that the Department of Child Safety use its funding to achieve a 100% investigation rate. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- ^{5/} The Department of Child Safety shall submit a report to the Joint Legislative Budget Committee on its progress in improving child safety hotline wait times and decreasing the abandoned call rate. The report must include the mean abandoned call rate along with the mean and median call wait times. The report must be submitted on or before February 1, 2015 for the prior year. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- ^{6/} On or before August 1, 2014, the department shall issue a Request for Information to interested vendors on using private entities to address the backlog. The department shall report the results of its Request for Information to the Joint Legislative Budget Committee as part of the September 30, 2014 quarterly report required by this section. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- ^{7/} The Department of Child Safety shall forward a monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals 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 on or before the 30th of the following month. The report must include a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- ^{8/} Beginning on the 7th day of the month following the effective date of this act and on the 7th day of each month thereafter through June 30, 2015, the Department of Child Safety shall issue to the Governor, the Chairpersons of the House of Representatives Appropriations and Reform and Human Services Committees and the Senate Appropriations and Health and Human Services Committees and the Staff Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting a report on the department's total number of filled FTE Positions. The report must include the total number of Department of Child Safety FTE Positions funded and the total number of child safety FTE Positions filled on January 31, 2014 and on the last day of each month thereafter. The department shall delineate the increase in staff by caseworkers, hotline staff, staff in training and all other workers. The budgeted increase since January 2014 includes the 192 FTE Positions authorized by Laws 2014, Chapter 4, the 75 FTE Positions authorized by Laws 2014, Chapter 18 and incorporated into this act and the 185.2 new FTE Positions and the 99 transferred FTE Positions authorized by this act. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- ^{9/} On or before September 30, 2014, the department shall submit an expenditure plan for the Internet Crimes Against Children appropriation to the Joint Legislative Budget Committee. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- ^{10/} The appropriation for the Office of Child Welfare Investigations is solely for the costs of employees directly hired by the Office of Child Welfare Investigations. At least 30 days before any transfer into or out of the Office of Child Welfare Investigations line item, the department shall report the proposed transfer to the Director of the Joint Legislative Budget Committee. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- ^{11/} In this section, "backlog" or "backlog cases" means nonactive cases for which documentation has not been entered in the child welfare automated system for at least 60 days and for which services have not been authorized for at least 60 days. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- ^{12/} The FY 2015 amounts appropriated to the Department of Child Safety include increases of the following amounts in the following line items to address backlog cases:
- Overtime: \$4,465,000 from the state General Fund. The Executive estimates that there is no continuing need for this overtime in FY 2016.
 - In-home Preventive Support Services: \$4,173,100 from the state General Fund. The Executive estimates that these services will cost \$2,782,100 in FY 2016 and \$0 in FY 2017.
 - Out-of-Home Support Services: \$7,620,300 from the state General Fund and \$3,116,600 from Department of Child Safety Expenditure Authority. The Executive estimates that these services will cost \$5,082,200 in FY 2016 and \$0 in FY 2017.
 - Foster Care Placement: \$6,815,900 from the state General Fund and \$2,787,700 from Department of Child Safety Expenditure Authority. The Executive estimates that these services will cost \$4,543,900 in FY 2016 and \$0 in FY 2017. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- ^{13/} On or before June 16, 2014, the department shall submit a report for review by the Joint Legislative Budget Committee of proposed quarterly benchmarks in FY 2015 for assessing progress in increasing the department's number of filled FTE Positions, consistent with the FTE Positions authorized by this act, and in reducing the number of backlog cases. The report must include a quarterly expenditure plan for any FY 2015 monies appropriated for Personal Services and for reducing the backlog. (Footnote continued on page 60)

Summary

Executive Order 2014-01, signed by the Governor on January 13, 2014, abolished the Division of Children, Youth and Families within DES, and established the Division of Child Safety and Family Services (DCSFS) as an independent cabinet-level agency.

The Director of the Division reported directly to the Governor, and oversaw all administrative, programmatic, and management functions of the state child welfare program, including Child Protective Services (CPS), foster care, adoption, and the Comprehensive Medical and Dental Program.

After the 2nd Regular Session adjourned in April 2014, the Legislature met in special session in May 2014 to consider further changes to DCSFS. Laws 2014, 2nd Special Session, Chapter 1 formally removed DCSFS from the Department of Economic Security (DES) and created a new stand-alone child welfare agency, the Department of Child Safety (DCS). The bill also established the mission of DCS, the powers and duties of the director, agency

responsibilities, agency organization, hotline procedures, the investigative function, the service coordination function, the Inspections Bureau, the Community Advisory Committee, the procedures for the acquisitions of lands and buildings, child safety collections, and family assessment protocols. In addition, it transferred existing child welfare statutes to DCS.

Laws 2014, 2nd Special Session, Chapter 2 repealed the FY 2015 DES appropriation as approved in the 2nd Regular Session and replaced it with new appropriations to DCS and DES.

Funding

Starting in FY 2014, the Legislature appropriated child welfare resources on a Total Expenditure Authority basis. The Total Expenditure approach acknowledges all of the resources available for child welfare but does not appropriate any specific non-appropriated fund. *Table 4* in the *Other Issues* section shows the total funds spending since FY 2008 with the total funds appropriation for FY 2014 and FY 2015.

- ^{13/} (Footnote continued from prior page) On or before September 30, 2014, and on or before the last day of every calendar quarter through June 30, 2016, the department shall present a report for review by the Joint Legislative Budget Committee on the progress made in increasing the department's number of filled FTE Positions and in reducing the number of backlog cases, as outlined in the report submitted on or before June 16, 2014 and reviewed by the Joint Legislative Budget Committee as required by this act. The quarterly report must provide the same information on the total number of filled FTE Positions as is required by the monthly hiring report required by section 12 of this act. The quarterly report must also delineate the disposition of backlog cases as of the close of business on June 2, 2014. The report must provide the number of cases currently closed, the number of cases currently being investigated, the number of cases currently in an out-of-home placement and the number of cases currently receiving in-home preventive support services. The report must provide the total number of backlog cases, including any cases reaching backlog status from and after June 2, 2014. The quarterly report must also provide an update of the projected quarterly expenditure plan of the monies appropriated for Personal Services and for addressing the backlog, including a report of the actual expenditures. If the department is not able to report the actual expenditures for the backlog cases, the report must provide an estimate of the actual expenditures, including the methodology used to estimate the actual expenditures. If the department is not able to report the actual expenditures for the backlog cases, the quarterly report must include an update of the short-term methods to improve the cost accounting for individual child welfare cases prior to full implementation of upgrades to the Children's Information and Library and Data Source authorized by Laws 2014, Chapter 18, Section 123. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- ^{14/} The amount appropriated for Retention Pay is for one-time retention payments to caseworkers. As part of the June 7, 2015 hiring report required by section 12 of this act, the department shall submit a report on the department's caseworker staff retention rate in May 2015 as compared to May 2014. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- ^{15/} The Joint Legislative Budget Committee favorably reviewed the department's plan to use \$10,500,000 of Contingency Funding from the Long Term Care System Fund for Emergency and Residential Placement in FY 2014. In accordance with the expenditure plan, \$10,500,000 was shifted from the Contingency Funding Line Item to the Emergency and Residential Placement line item in FY 2014.
- ^{16/} Of the amounts appropriated for Out-of-Home Support Services, Emergency and Residential Placement and Foster Care Placement, the Department of Child Safety may transfer up to 10% of the total amount of Federal Temporary Assistance for Needy Families Block Grant monies appropriated to the Department of Economic Security and the Department of Child Safety to the Social Services Block Grant for use in the following line items in the Department of Child Safety: Out-of-Home Support Services, Emergency and Residential Placement and Foster Care Placement. Before transferring Federal Temporary Assistance for Needy Families Block Grant monies to the Social Services Block Grant, the Department of Child Safety shall report the proposed amount of the transfer to the Director of the Joint Legislative Budget Committee. This report may be in the form of an expenditure plan that is submitted at the beginning of the fiscal year and updated, if necessary, throughout the fiscal year. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- ^{17/} The amount appropriated for Grandparent Stipends must be used for a monthly stipend for a grandparent or any level of great-grandparent if a dependent child is placed in that person's care pursuant to department guidelines. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- ^{18/} It is the intent of the Legislature that the funding in the In-Home Preventive Support Services line item be used for families whose children are at risk of out-of-home placement due to abuse, neglect or dependency, while the funding in the Out-of-Home Support Services line item is for children in out-of-home placements. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- ^{19/} Before the expenditure of monies from the Intensive Family Services line item in FY 2015, the Department of Child Safety shall submit an expenditure plan for review by the Joint Legislative Budget Committee. The expenditure plan must include an estimate of any comparable funding in the In-Home Preventive Support Services line item. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- ^{20/} The Department of Child Safety shall report to the Joint Legislative Budget Committee on its progress in implementing the Auditor General's recommendations to improve performance-based contracting for foster home recruitment-related services on or before December 31, 2014. (Laws 2014, 2nd Special Session, Chapter 2 footnote)

The new DCS is funded at a total funds level of \$847,974,300 in FY 2015. This amount includes:

- \$725,588,400 directly transferred from the DCSFS appropriations in the FY 2015 General Appropriation Act.
- \$65,896,300 directly transferred from non-DCSFS funding in the DES budget (*see Other Issues for more information*) and
- \$56,489,600 in new 2nd Special Session funding that was not included in the General Appropriation Act.

After combining both the new General Fund appropriations in the General Appropriation Act and Chapter 2, DCS' FY 2015 General Fund spending increased by \$120,167,000, or 50% above the FY 2014 amount appropriated to DCSFS. These changes include:

LTCSF Backfill

- \$29,490,000 for the backfill of one-time Long Term Care System Fund (LTCSF) and federal Temporary Assistance for Needy Families (TANF) Block Grant monies that are no longer available.

Operating Resources

- \$15,754,900 for 140 new staff and the full-year cost of the 192 staff added in a FY 2014 supplemental. When combined with the \$5,748,000 of part-year funding for 192 staff that was continued in the FY 2015 budget, total FY 2015 funding for the 332 staff is \$21,502,900.
- \$7,082,500 for 93 Office of Child Welfare Investigations (OCWI) staff.
- \$2,193,800 for 21 Inspections Bureau staff.
- \$554,600 for 10 Inspections Bureau staff transferred from the Department of Economic Security (DES) to DCS.
- \$157,300 for 1 General Counsel Position.
- \$500,000 for 5 records retention staff.
- \$2,431,500 for 89 central administration and attorney general staff transferred from DES to DCS.
- \$350,000 for Internet Crimes Against Children.
- \$1,707,000 for Retention Pay.
- \$150,000 for Training Resources.

Backlog

- \$246,500 for action determination of the non-active cases.
- \$4,218,500 for investigation of non-active cases.

Out-of-Home Placements

- \$5,964,100 for Adoption Services caseload growth, an increase of 7% in funding.
- \$1,400,000 for the backfill of one-time monies in Emergency and Residential Placement. When combined with the \$5,050,000 added in a FY 2014 supplemental that was continued in the FY 2015 budget, total funding for emergency and residential placements grows by \$6,450,000.

Backlog

- \$6,815,900 to provide out-of-home care placements for non-active cases.

Support Services

- \$846,400 for In-Home Preventive Support Services caseload growth.
- \$4,710,600 for Out-of-Home Support Services caseload growth.
- \$3,500,000 for Intensive Family Services caseload growth.
- \$3,000,000 for deferral payoff in Out-of-Home Support Services.
- \$5,000,000 transferred from DES to DCS for child care.
- \$13,800,000 transferred from DES to DCS for developmentally disabled children in the DCS system.

Backlog

- \$7,620,300 to provide out-of-home care services to non-active cases.
- \$4,173,100 to provide in-home care services to non-active cases.

Other

- \$(1,500,000) for a Contingency Funding reduction.

Backlog

In May 2014, DCS reported a backlog of 14,777 non-active cases. As indicated in *footnote 11*, backlog means non-active cases for which documentation has not been entered in the child welfare automated system (CHILDS) for at least 60 days and for which services have not been authorized for at least 60 days. As delineated above, a total of \$23,074,300 was appropriated from the General Fund in FY 2015 for the backlog. The Executive estimates that the cost of the backlog population will decline to \$12,408,200 in FY 2016 and \$0 in FY 2017.

The 14,777 backlog cases consist of 1,481 cases where children are currently receiving services, 12,096 cases requiring investigation, and 1,200 "not investigated" cases. These 1,200 uninvestigated cases are part of the 6,596 reports of child maltreatment that DES disclosed in November 2013 it had not investigated. The 1,200 uninvestigated cases in the backlog are the remainder of the 6,596 cases that have not yet been resolved.

Based on the experience with the 6,596 uninvestigated cases, the Executive estimates about 9% of the backlog cases will require out-of-home placement, and another 9% will require in-home services. The \$23,074,300 will provide for an average of 9 months of costs in FY 2015. The Executive estimates this population will require an average of 6 months of service in FY 2016, after which the children will exit the system. There is no funding for the backlog in FY 2017.

Laws 2014, 2nd Special Session, Chapter 2 requires DCS to report to the Joint Legislative Budget Committee by June 16, 2014 on proposed quarterly benchmarks for assessing

DCS' progress in increasing filled FTE Positions and reducing the number of backlog cases (*footnote 13*). The report will include a quarterly expenditure plan for FY 2015 monies appropriated for Personal Services (salary and overtime) and for reducing the backlog.

Starting on September 30, 2014 DCS will report quarterly until June 30, 2016 to the Joint Legislative Budget Committee on its progress made in increasing the number of filled FTE Positions and in reducing the number of backlog cases. The quarterly report will use the same information on hiring required in *footnote 8*. The quarterly report will also include information about the disposition of backlog cases by case type as of the close of business on June 2, 2014.

Operating Budget

The budget includes \$216,743,700 and 2,657.9 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

General Fund	77,606,400
Children and Family Services Training Program Fund	207,700
Federal TANF Block Grant	56,337,200
Child Safety Expenditure Authority	82,592,400

These amounts fund the following adjustments:

Caseworkers and Other Staff

The budget includes an increase of \$11,380,100 and 50 FTE Positions in FY 2015 from Chapter 18 for 50 new staff and the full-year cost of the 192 staff added in a FY 2014 supplemental (Laws 2014, Chapter 4). The budget also includes an increase of \$7,420,400 and 90 FTE Positions in FY 2015 from Laws 2014, 2nd Special Session, Chapter 2. These amounts consist of:

General Fund	15,754,900
Child Safety Expenditure Authority	3,045,600

When combined with the \$6,859,300 of part-year funding for 192 staff that was continued in the FY 2015 budget from FY 2014, FY 2015 funding for the 332 staff is \$25,659,800 total funds. Of the \$25,659,800, \$1,229,500 from the General Fund and \$237,700 from Child Safety Expenditure Authority are one-time. (*Please see Table 3 in the Other Issues section for details on the classifications of the 332 staff.*)

As of April 30, 2014, DCS employed 1,243 direct line staff (1,003 case-carrying caseworkers, 75 hotline staff, and 165 caseworkers in training) and 1,105 non-direct line staff (34 assistant program managers, 180 unit supervisors, 224 case aides, and 667 other non-direct line staff).

With the 332 new staff, the Executive projects that DCS will achieve a 100% investigation rate for reports of child maltreatment and meet the Executive's revised caseworker

workload standard of 13 investigations per month, or working with 20 children in out-of-home care per month, or working with 33 in-home families in their own homes per month. For February 2014, caseworker workload was 22% above the revised workload standard.

OCWI Funding Shift

The budget includes a decrease of \$(2,267,400) and (34) FTE Positions from the General Fund in FY 2015 to shift funding for OCWI from the operating budget to the OCWI line item. (*Please see the OCWI line item for further details.*)

Overtime Funding Shift

The budget includes a decrease of \$(8,400,000) from the General Fund in FY 2015 to shift funding for overtime from the operating budget to the Overtime line item. (*Please see the Overtime line item for further details.*)

DES Funding Realignment

The budget includes an increase of \$11,485,300 and 86 FTE Positions in FY 2015 to transfer the DCS share of the DES central administrative budget to DCS. These amounts consist of:

General Fund	2,291,100
Federal TANF Block Grant	3,464,300
Child Safety Expenditure Authority	5,729,900

Eliminate One-Time Funding

The budget includes a decrease of \$(2,949,300) from the General Fund in FY 2015 for savings related to one-time equipment funding. The one-time funding was for equipment and vehicles added with 200 CPS staff during the 2013 Legislative Session.

Expenditure Authority FTE Positions

The budget includes an increase of 711.5 FTE Positions from Child Safety Expenditure Authority in FY 2015 to display the staff associated with expenditure authority funding added in the FY 2014 budget.

Additional Operating Resources

Attorney General Legal Services

The budget includes \$18,563,300 and 222.2 FTE Positions in FY 2015 for Attorney General Legal Services. These amounts consist of:

General Fund	12,798,500
Federal TANF Block Grant	99,400
Child Safety Expenditure Authority	5,665,400

These amounts fund the following adjustments:

DES Funding Realignment

The budget includes an increase of \$302,800 and 3.2 FTE Positions in FY 2015 to transfer the DCS share of the DES

central administrative budget to DCS. These amounts consist of:

General Fund	140,400
Federal TANF Block Grant	46,800
Child Safety Expenditure Authority	115,600

Expenditure Authority FTE Positions

The budget includes an increase of 52.9 FTE Positions from Child Safety Expenditure Authority in FY 2015 to display the staff associated with expenditure authority funding added in the FY 2014 budget.

Monies in this line item fund Attorney General Legal Services for DCS. These amounts exclude the \$1,000,000 and 12 General Fund FTE Positions that were appropriated to the Attorney General's Office in FY 2015 for Child Safety legal services in Chapter 18.

General Counsel

The budget includes \$157,300 and 1 FTE Position from the General Fund in FY 2015 for General Counsel. This amount funds the following adjustments:

General Counsel

The budget includes an increase of \$157,300 and 1 FTE Position from the General Fund in FY 2015 for General Counsel.

Monies in this line item fund DCS General Counsel. The DCS General Counsel will provide legal advice to the Director, and the Attorney General will continue to represent DCS in administrative or judicial proceedings.

Inspections Bureau

The budget includes \$2,748,400 and 31 FTE Positions from the General Fund in FY 2015 for the Inspections Bureau. These amounts fund the following adjustments:

Inspections Bureau

The budget includes an increase of \$2,193,800 and 21.2 FTE Positions from the General Fund in FY 2015 to establish the Inspections Bureau.

DES Funding Realignment

The budget includes an increase of \$554,600 and 9.8 FTE Positions from the General Fund in FY 2015 to shift funding for the Inspections Bureau from DES Central Administration.

These monies fund the Inspections Bureau, which monitors DCS policies and procedures to ensure they are being followed by all staff in accordance with federal and state law. The Inspections Bureau also reviews vendor invoices to ensure accuracy and compliance with DCS contracts.

Internet Crimes Against Children

The budget includes \$350,000 from the General Fund in FY 2015 for Internet Crimes Against Children. This amount funds the following adjustments:

Internet Crimes Against Children

The budget includes an increase of \$350,000 from the General Fund in FY 2015 for Internet Crimes Against Children.

Funding in this line item provides a grant to the Internet Crimes against Children Task Force (ICAC). ICAC is a joint federal/local law enforcement task force that investigates child pornography.

Office of Child Welfare Investigations

The budget includes \$10,500,400 and 127 FTE Positions in FY 2015 for OCWI. These amounts consist of:

General Fund	9,349,900
Child Safety Expenditure Authority	1,150,500

These amounts fund the following adjustments:

OCWI Funding Shift

The budget includes an increase of \$2,267,400 and 34 FTE Positions from the General Fund in FY 2015 to shift funding for OCWI from the operating budget to the OCWI line item.

OCWI Staff

The budget includes an increase of \$2,150,500 and 20 FTE Positions in FY 2015 for OCWI staff from Chapter 18. The budget also includes an increase of \$6,082,500 and 73 FTE Positions in FY 2015 for OCWI staff to achieve a 100% investigation rate, enacted in Laws 2014, 2nd Special Session, Chapter 2. These amounts consist of:

General Fund	7,082,500
Child Safety Expenditure Authority	1,150,500

Monies in this line item fund OCWI, which investigates criminal conduct allegations of child abuse in conjunction with local law enforcement.

Overtime

The budget includes \$12,865,000 from the General Fund in FY 2015 for Overtime. This amount funds the following adjustments:

Overtime Funding Shift

The budget includes an increase of \$8,400,000 from the General Fund in FY 2015 to shift funding for overtime from the operating budget to the Overtime line item.

Backlog - Action Determination

The budget includes an increase of \$246,500 from the General Fund in FY 2015 to provide one-time overtime for the action determination of non-active backlog cases. The Executive estimates the time to review each case at about 30 minutes.

Backlog - Investigation

The budget includes an increase of \$4,218,500 from the General Fund in FY 2015 to provide one-time overtime for the investigation of non-active backlog cases. (Please see the Backlog narrative in the Summary section for more information.)

Monies in this line item fund overtime for DCS.

Records Retention Staff

The budget includes \$597,400 and 5 FTE Positions in FY 2015 for records retention staff. These amounts consist of:

General Fund	500,000
Child Safety Expenditure Authority	97,400

These amounts fund the following adjustments:

Records Retentions Staff

The budget includes an increase of \$597,400 and 5 FTE Positions in FY 2015 for records retention staff. These amounts consist of:

General Fund	500,000
Child Safety Expenditure Authority	97,400

Monies in this line item fund staff who will work on requests for information about children in the state child welfare system.

Retention Pay

The budget includes \$1,707,000 from the General Fund in FY 2015 for Retention Pay. This amount funds the following adjustments:

One-Time Retention Pay

The budget includes an increase of \$1,707,000 from the General Fund in FY 2015 for Retention Pay.

This funding provides retention pay of \$1,000 for 18 months of employment and \$3,000 for 36 months of employment, effective July 1, 2014. Retention pay is a one-time lump sum payment upon meeting the longevity requirements.

Training Resources

The budget includes \$5,150,000 in FY 2015 for Training Resources. These amounts consist of:

General Fund	150,000
Child Safety Expenditure Authority	5,000,000

These amounts fund the following adjustments:

Training Resources Funding Realignment

The budget includes an increase of \$5,000,000 from Child Safety Expenditure Authority in FY 2015 to shift training resources from the Out-of-Home Support Services line item to the new Training Resources line item.

Streamlined Training

The budget includes an increase of \$150,000 from the General Fund in FY 2015 to streamline and shorten the classroom training of caseworkers, building more caseworker training into the curriculum at Arizona State University.

DCS has agreements with Arizona State University and Northern Arizona University to recruit and train qualified caseworkers. Students who participate in this program receive scholarships that cover their tuition, books, and university fees. Scholarship students are required to sign a student agreement committing them to work for DCS after graduation for 1 or 2 years. If the student does not fulfill this work commitment, then they are required to repay DCS the benefit received. DCS utilizes Title IV-E funding for the Training Resources program. Title IV-E funds allow for child welfare training for current and future child welfare staff and is enhanced by a federal match of 75% for training costs. The universities provide the state match required in order to leverage Title IV-E funds.

Out-of-Home Placements

Adoption Services

The budget includes \$188,483,300 in FY 2015 for Adoption Services. This amount consists of:

General Fund	62,965,800
Federal TANF Block Grant	20,645,700
Child Safety Expenditure Authority	104,871,800

These amounts fund the following adjustments:

Long Term Care System Fund Backfill

The budget includes an increase of \$4,730,400 from the General Fund and a corresponding decrease of \$(4,730,400) from the Long Term Care System Fund in FY 2015 for the backfill of one-time Long Term Care System Fund monies that are no longer available. (Please see Other Issues section in the DES narrative for a comprehensive discussion of the Long Term Care System Fund Backfill.)

Caseload Growth

The budget includes an increase of \$12,073,100 in FY 2015 for Adoption Services caseload growth, an increase

of 7% in funding. This funding adds approximately 1,400 placements for about 21,000 total placements. These amounts consist of:

General Fund	5,964,100
Child Safety Expenditure Authority	6,109,000

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 maintenance subsidies, special services subsidies, expenditures related to the legal process of adopting a child, and adoption home recruitment costs. In March 2014, 19,245 clients received adoption subsidies at an average monthly cost of \$739 per child.

Emergency and Residential Placement

The budget includes \$86,166,300 in FY 2015 for Emergency and Residential Placement. This amount consists of:

General Fund	38,128,000
Federal TANF Block Grant	16,423,000
Child Safety Expenditure Authority	31,615,300

These amounts fund the following adjustments:

Long Term Care System Fund Backfill

The budget includes an increase of \$10,500,000 from the General Fund and a corresponding decrease of \$(10,500,000) from the Long Term Care System Fund in FY 2015 for the backfill of one-time Long Term Care System Fund monies that are no longer available. *(Please see Other Issues section in DES for a comprehensive discussion of the Long Term Care System Fund Backfill.)*

Backfill

The budget includes an increase of \$1,400,000 from the General Fund in FY 2015 for the backfill of one-time DES funding in Emergency and Residential Placement. When combined with the \$5,050,000 added in a FY 2014 supplemental that was continued in the FY 2015 budget, total funding for emergency and residential placements grows by \$6,450,000.

Contingency Realignment

The budget includes an increase of \$1,449,300 from the General Fund in FY 2015 to shift funding from the Contingency Funding line item to where it will be used in the Emergency and Residential Placement line item.

Contingency Reallocation

The budget includes a decrease of \$(850,000) from the General Fund in FY 2015 to shift funding from the Emergency and Residential Placement line item to the In-

Home Preventive Support Services and Out-of-Home Support Services line items.

The 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.

Background – In March 2014, 318 children were reported in emergency placements at an average monthly cost of \$2,530 per child, while 1,830 children were reported in residential placements at an average monthly cost of \$3,390 per child.

The budget also includes \$1,800,000 in deferred FY 2014 General Fund payments appropriated in FY 2015 by Laws 2013, 1st Special Session, Chapter 1 and it defers the same amount for FY 2015 to FY 2016. As a result, the FY 2015 General Fund amount of \$38,128,000 would consist of \$1,800,000 from Chapter 1 and \$36,328,000 from Laws 2014, 2nd Special Session, Chapter 2.

Foster Care Placement

The budget includes \$57,832,000 in FY 2015 for Foster Care Placement. This amount consists of:

General Fund	27,759,500
Federal TANF Block Grant	6,973,100
Child Safety Expenditure Authority	23,099,400

These amounts fund the following adjustments:

Backlog - Foster Care Placements

The budget includes an increase of \$9,603,600 in FY 2015 to provide foster care placements for non-active backlog cases. These amounts consist of:

General Fund	6,815,900
Child Safety Expenditure Authority	2,787,700

Based upon a projected removal rate of 9%, the Executive estimates foster care placements for backlog cases will cost \$4,543,900 from the General Fund in FY 2016 and \$0 in FY 2017 because the children will have exited the system. The estimated monthly cost per placement is \$805. *(Please see the Backlog narrative in the Summary section for more information.)*

Background – The Foster Care Placement line provides funding for the placement of children in the child welfare system into foster homes. This line item only includes the cost of the maintenance payments, not additional support services. In March 2014, 12,679 children were reported in foster care. Of that number, 5,441 children were placed with relatives in unlicensed foster care and 805 were in non-relative foster care. The remaining 6,433 children were in licensed foster care at an average monthly cost of \$657 per child.

The budget also includes \$1,900,000 in deferred FY 2014 General Fund payments appropriated in FY 2015 by Laws 2013, 1st Special Session, Chapter 1 and it defers the same amount for FY 2015 to FY 2016. As a result, the FY 2015 General Fund amount of \$27,759,500 would consist of \$1,900,000 from Chapter 1 and \$25,859,500 from Laws 2014, 2nd Special Session, Chapter 2.

Grandparent Stipends

The budget includes \$1,000,000 from the General Fund in FY 2015 for Grandparent Stipends. This amount is unchanged from FY 2014.

In FY 2014, the Legislature restored funding for grandparent stipends. The program provides a monthly stipend per child to an unlicensed foster grandparent or great-grandparent who has an income that does not exceed 200% of the Federal Poverty Level, does not receive TANF Cash Benefits, and does not receive a permanent guardianship subsidy. The legislative intent was to provide a \$75 monthly stipend to 1,111 clients. Grandparents began receiving the \$75-a-month stipend in February.

Independent Living Maintenance

The budget includes \$3,469,300 in FY 2015 for Independent Living Maintenance. This amount consists of:

General Fund	2,719,300
Child Safety Expenditure Authority	750,000

These amounts are unchanged from FY 2014.

The Independent Living Maintenance program provided stipends to 381 former foster youth between the ages of 18 and 21 in March 2014. These youth are living on their own and are either enrolled in a postsecondary program or employed.

Permanent Guardianship Subsidy

The budget includes \$11,215,300 in FY 2015 for the Permanent Guardianship Subsidy. This amount consists of:

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

These amounts are unchanged from FY 2014.

The Guardianship Subsidy program supports permanent placements for children who cannot return home and for whom adoption is not an option. The guardianship subsidy is intended to be only a partial reimbursement for expenses involved in the care of the child. The funding only

provides for maintenance subsidies, which are provided to assist with the expenses involved in addressing the special needs of the child. In March 2014, 2,559 clients received permanent guardianship subsidies.

Support Services

Children Support Services

The budget includes no funding in FY 2015 for Children Support Services. This amount funds the following adjustments:

In-Home Preventive Support Services

The budget includes a transfer of \$(27,259,600) in FY 2015 from the Children Support Services line item to the new In-Home Preventive Support Services line item. This shift is designed to clarify funding available for in-home services. This amount consists of:

General Fund	(9,199,300)
Federal TANF Block Grant	(5,911,200)
Child Abuse Prevention Fund	(268,900)
Child Safety Expenditure Authority	(11,880,200)

Out-of-Home Support Services

The budget includes a transfer of \$(120,681,300) and (1) FTE Position in FY 2015 from the Children Support Services line item to the new Out-of-Home Support Services line item. This shift is designed to clarify funding available for out-of-home services. These amounts consist of:

General Fund	(40,726,600)
Federal TANF Block Grant	(26,169,500)
Child Abuse Prevention Fund	(1,190,200)
Child Safety Expenditure Authority	(52,595,000)

DCS Child Care Subsidy

The budget includes \$39,753,600 in FY 2015 for the DCS Child Care Subsidy. This amount consists of:

General Fund	5,000,000
Federal CCDF Block Grant	27,000,000
Child Safety Expenditure Authority	7,753,600

These amounts fund the following adjustments:

DES Funding Realignment

The budget includes an increase of \$39,753,600 in FY 2015 to transfer Child Safety child care from DES to DCS. These amounts consist of:

General Fund	5,000,000
Federal CCDF Block Grant	27,000,000
Child Safety Expenditure Authority	7,753,600

Monies in this line item fund child care for children in the DCS system. DES continues to administer the state's child care program, so this funding is passed through to DES. Children who qualify for the DCS child care subsidy are not subject to a time limit, copay, or waiting list. DCS estimates that this funding will provide for 7,400 child care placements in FY 2015. *(Please see the Child Care Subsidy line item in the DES narrative for more information.)*

In-Home Preventive Support Services

The budget includes \$32,605,200 in FY 2015 for In-Home Preventive Support Services. This amount consists of:

General Fund	14,375,200
Federal TANF Block Grant	5,911,200
Child Abuse Prevention Fund	268,900
Child Safety Expenditure Authority	12,049,900

These amounts fund the following adjustments:

In-Home Preventive Support Services

The budget includes a transfer of \$27,259,600 in FY 2015 from the Children Support Services line item to the new In-Home Preventive Support Services line item. This shift is designed to clarify funding available for in-home services. This amount consists of:

General Fund	9,199,300
Federal TANF Block Grant	5,911,200
Child Abuse Prevention Fund	268,900
Child Safety Expenditure Authority	11,880,200

Contingency Reallocation

The budget includes an increase of \$156,400 from the General Fund in FY 2015 to shift funding from the Emergency and Residential Placement line item to the In-Home Preventive Support Services line item.

Caseload Growth

The budget includes an increase of \$1,016,100 in FY 2015 for caseload growth. These amounts consist of:

General Fund	846,400
Child Safety Expenditure Authority	169,700

Backlog - In-Home Preventive Support Services

The budget includes an increase of \$4,173,100 from the General Fund in FY 2015 to provide one-time in-home preventive support services for the non-active backlog cases.

Based upon a projected 9% of the cases in the backlog requiring in-home services, the Executive believes the cost will be \$2,782,100 from the General Fund in FY 2016 and \$0 in FY 2017 because the children will have exited the system. The estimated total funds cost per case is \$4,600. *(Please see the Backlog narrative in the Summary section for more information.)*

Background – Monies in this line item fund support services for families whose children are at risk of out-of-home placement due to abuse, neglect, or dependency. These support services include parent aide, in-home services, counseling and psychology, lab services, substance abuse treatment, and other miscellaneous services. For March 2014, the department reported 5,782 in-home cases.

Intensive Family Services

The budget includes \$8,500,000 from the General Fund in FY 2015 for Intensive Family Services. This amount funds the following adjustments:

Caseload Growth

The budget includes an increase of \$3,500,000 from the General Fund in FY 2015 for Intensive Family Services.

In FY 2014, the Legislature restored funding for Intensive Family Services. The program provides contracted intensive, time-limited services to families whose children are at risk of out-of-home placement due to abuse, neglect, or dependency.

During the 2013 Legislative Session, some proponents of the new funding thought that DES would contract with a specific vendor who would coordinate a package of services to high risk families to keep the children in the home. To distinguish these funds from existing DES services, the monies were placed in a new budget line item. Other proponents may have viewed the funding as a supplement to existing funding. The Joint Legislative Budget Committee has asked that DCS provide the Committee with further guidance on whether the FY 2015 appropriation will be expended for a new innovative program or integrated into existing services in the In-Home Preventive Support Services line item by June 1, 2014. As of the *FY 2015 Appropriations Report's* publication, DCS had not responded to the Committee's request.

Out-of-Home Support Services

The budget includes \$149,566,800 and 1 FTE Position in FY 2015 for Out-of-Home Support Services. These amounts consist of:

General Fund	72,852,800
Federal TANF Block Grant	23,867,800
Child Abuse Prevention Fund	1,190,200
Child Safety Expenditure Authority	51,656,000

These amounts fund the following adjustments:

Out-of-Home Support Services

The budget includes a transfer of \$120,681,300 and 1 FTE Position in FY 2015 to transfer funding from the Children Support Services line item to the new Out-of-Home

Support Services line item. This shift is designed to clarify funding available for out-of-home services. These amounts consist of:

General Fund	40,726,600
Federal TANF Block Grant	26,169,500
Child Abuse Prevention Fund	1,190,200
Child Safety Expenditure Authority	52,595,000

Long Term Care System Fund Backfill

The budget includes an increase of \$11,957,900 from the General Fund and a corresponding decrease of \$(11,957,900) from the Long Term Care System Fund in FY 2015 for the backfill of one-time Long Term Care System Fund monies that are no longer available. (Please see Other Issues section of the DES narrative for a comprehensive discussion of the Long Term Care System Fund Backfill.)

TANF Block Grant Backfill

The budget includes an increase of \$2,301,700 from the General Fund and a corresponding decrease of \$(2,301,700) from the TANF Block Grant in FY 2015 for the backfill of one-time TANF Block Grant monies that are no longer available.

Caseload Growth

The budget includes an increase of \$5,655,000 in FY 2015 for caseload growth. These amounts consist of:

General Fund	4,710,600
Child Safety Expenditure Authority	944,400

Backlog - Out-of-Home Support Services

The budget includes an increase of \$10,736,900 in FY 2015 to provide out-of-home support services for non-active backlog cases. These amounts consist of:

General Fund	7,620,300
Child Safety Expenditure Authority	3,116,600

Based upon a projected 9% of the cases in the backlog requiring out-of-home support services, the Executive believes the cost will be \$5,082,200 from the General Fund in FY 2016 and \$0 in FY 2017 because the children will have exited the system. The estimated monthly cost is \$900. (Please see the Backlog narrative in the Summary section for more information.)

One-Time Deferral Payoff

The budget includes an increase of \$3,000,000 from the General Fund in FY 2015 to reduce the DCS deferral from \$14,000,000 to \$11,000,000.

Contingency Reallocation

The budget includes an increase of \$693,600 from the General Fund in FY 2015 to shift funding from the Emergency and Residential Placement line item to the Out-of-Home Support Services line item.

Training Resources Funding Realignment

The budget includes a decrease of \$(5,000,000) from Child Safety Expenditure Authority in FY 2015 to shift training resources from the Out-of-Home Support Services line item to the new Training Resources line item. (Please see the Training Resources line item for more information.)

DES Funding Realignment

The budget includes an increase of \$13,800,000 from the General Fund in FY 2015 to transfer resources from the DES Home and Community Based Services - State Only line item to the Out-of-Home Support Services line item. This funding is for the developmentally disabled children in the DCS system.

Background – The Out-of-Home Support Services line item provides support services for out-of-home clients. These support services include allowances, parent aide, transportation, in-home services, counseling and psychology, lab services, independent living, foster home recruitment, substance abuse treatment, and other miscellaneous services. This does not include the cost of residential placement. For March 2014, the department reported 15,751 out-of-home children.

This line item and the In-Home Preventive Support Services line item fund Arizona Families F.I.R.S.T. Individuals must meet 1 of the following 2 requirements to qualify for the program:

- Any parent, guardian or custodian of a child who is named in a child maltreatment report as a victim of abuse or neglect and whose substance abuse is a significant barrier to maintaining, preserving or reunifying the family.
- A person whose substance abuse is a significant barrier to obtaining or maintaining employment if the person is receiving TANF Cash Benefits.

The budget for Arizona Families F.I.R.S.T. is outlined in Table 1. In FY 2013, 6,475 child safety clients were referred to the Arizona Families F.I.R.S.T. program for substance abuse treatment services, and it is anticipated that 6,500 child safety clients will be referred to the program in FY 2014 and FY 2015.

	FY 2012 <u>Actual</u>	FY 2013 <u>Actual</u>	FY 2014 <u>Estimate</u>	FY 2015 <u>Estimate</u>
<i>Appropriated</i>				
General Fund	\$ 15,000	\$ 30,000	\$ 30,000	\$ 30,000
TANF	9,528,500	10,503,500	12,490,500	12,695,400
<i>Non-Appropriated</i>				
CPS Expedited	-	247,000	-	-
Substance Abuse Treatment Fund	-	-	610,800	-
Joint Substance Abuse Trtmt Fund	-	-	-	-
Total	\$9,543,500	\$10,780,500	\$13,131,300	\$12,725,400

The Out-of-Home Support Services line item also provides full coverage of the medical and dental expenses of foster children. The General Fund monies in this Comprehensive Medical and Dental program (CMDP) provide medical services to children who are not eligible for coverage through the Arizona Health Care Cost Containment System (AHCCCS). The Department of Health Services (DHS) provides behavioral health services for foster children.

The budget also includes \$10,300,000 in deferred FY 2014 General Fund payments appropriated in FY 2015 by Laws 2013, 1st Special Session, Chapter 1, and it defers \$7,300,000 for FY 2015 to FY 2016. As a result, the FY 2015 General Fund amount of \$67,852,800 would consist of \$10,300,000 from Chapter 1 and \$57,552,800 from Laws 2014, 2nd Special Session, Chapter 2.

Agencywide

Contingency Funding

The budget includes no funding in FY 2015 for Contingency Funding. This amount is unchanged from FY 2014.

The Joint Legislative Budget Committee favorably reviewed the department's plan to use \$10,500,000 of Contingency Funding from the Long Term Care System Fund for Emergency and Residential Placement in FY 2014. In accordance with the expenditure plan, \$10,500,000 was shifted from the Contingency Funding Line Item to the Emergency and Residential Placement line item in FY 2014.

Additional Legislation

FY 2014 Supplementals

Laws 2014, Chapter 4 appropriated \$5,748,000 from the General Fund and \$1,111,300 from Child Safety Expenditure Authority for 192 staff. Funding for this policy was continued in the FY 2015 budget. The bill also required a monthly report on DCS' progress in hiring staff until June 30, 2015. This report was amended by Laws 2014, 2nd Special Session, Chapter 2, Sections 1 and 12.

Laws 2014, 2nd Special Session, Chapter 2, Section 10 appropriated \$5,050,000 from the General Fund for Emergency and Residential Placement in FY 2014. Funding for this policy was also continued in the FY 2015 budget.

Establishment of DCS - Additional Provisions

Laws 2014, 2nd Special Session, Chapter 1 requires JLBC, OSPB, and DCS to make recommendations on DCS report consolidation by September 1, 2016.

Laws 2014, 2nd Special Session, Chapter 1 also requires, and Laws 2014, 2nd Special Session, Chapter 2 funds, an independent consultant with expertise in child welfare system planning and operations to examine the current child safety system and consider best practices to improve the delivery of services in Arizona and to provide consultation on the effective establishment of DCS with a focus on certain challenges. The consultant will report on July 1, 2015 to the Governor, the President of the Senate, the Speaker of the House, and the Co-Chairpersons of the Child Safety Oversight Committee.

The Auditor General was appropriated \$250,000 from the General Fund in FY 2015 to retain the qualified, independent consultant.

In addition, Laws 2014, 2nd Special Session, Chapter 2 appropriated \$25,000,000 from the General Fund in FY 2015 to the Arizona Department of Administration for costs associated with the establishment of the Department of Child Safety and the relocation of the data center operated by DES. *(Please see the Arizona Department of Administration - Department of Child Safety cost center for more information.)*

Other Issues

CHILDS Replacement

The budget includes FY 2015 transfers from the General Fund associated with establishing the CHILDS replacement project. *(Please see the Department of Administration - Automation projects Fund section for details regarding this information technology project.)*

Payment Deferral

The budget continues the deferral from FY 2015 to FY 2016, but it is reduced from \$14.0 million to \$11.0 million. DCS plans to defer a total of \$11.0 million in payments from the Special Line Items specified below:

Out-of-Home Support Services	7,300,000
Emergency and Residential Placement	1,800,000
Foster Care Placement	1,900,000

The \$14.0 million in FY 2015 to pay the amount deferred from FY 2014 to FY 2015 was appropriated in Laws 2013, 1st Special Session, Chapter 1, so this adjustment does not appear in Laws 2014, 2nd Special Session, Chapter 2; however, the amount is included in the General Fund amount for DCS in this section. As a result, the FY 2015 General Fund amount of \$361.0 million would consist of \$14.0 million from the deferral appropriation and \$347.0 million from Laws 2014, 2nd Special Session, Chapter 2.

Child Safety - Auditor General Recommendation

The FY 2014 and FY 2015 Health and Welfare BRBs instructed the Auditor General to evaluate and report on certain expenditures for Children Support Services,

including the types of funded services provided along with cost details for those services.

In FY 2013, DES paid \$14.6 million to vendors that provided transportation services to CPS clients, or 84% more than FY 2011. In comparison, children in out-of-home care increased by 32% from FY 2011 to FY 2013.

In order to evaluate transportation services and ensure that this system provides the necessary data to evaluate the appropriateness and cost-effectiveness of contracting for these services, the Auditor General recommends that DES develop and implement a performance measurement system. For example, DES' transportation contracts include performance expectations regarding the timeliness of pickups, acceptance of referrals, and driver no shows. DES, however, does not require providers to report whether these performance expectations have been met. DES has agreed to implement the Auditor General's recommendation to implement a performance measurement system for transportation services.

The Auditor General also recommends additional internal controls to ensure proper payments to transportation providers, such as written policies and procedures, prepayment review, and supervisory review. DES disagrees with the Auditor General's recommendation of implementing prepayment and supervisory reviews; instead, DES proposes to increase the number of post-payment reviews for transportation services.

The largest category of transportation expenditures was contracted taxis and shuttle services (\$13.5 million) followed by ambulances (\$774,000), bus passes (\$261,500), reimbursements to non-contracted providers and foster care parents (\$97,000), and car seats (\$3,900).

The Auditor General contacted the other CPS agencies in the western states and asked how they provided transportation services to CPS clients. Of the 5 states that responded, Nevada, New Mexico, Texas, and Utah indicated that they do not contract for transportation services for their CPS clients. The fifth state, Washington, stated that it contracts with individuals to supervise parent-child visitation, and these contracts include reimbursement for transporting clients to and from visits.

This is the second of 4 audits on CPS. The next report, due in October 2014, will focus on emergency and residential placement, while the final report, due in March 2015, will evaluate Arizona relative to national child welfare data.

Child Welfare - Auditor General

The FY 2015 Health and Welfare BRB requires, as session law, the Auditor General to evaluate Arizona relative to national child welfare data. The legislation also requires DCS to report with the Early Childhood Development and

Health Board on collaborative efforts on child welfare issues.

TANF Block Grant

The federal TANF Block Grant can be deposited into the federal Social Services Block Grant (SSBG); once deposited, the monies are spent on DCS programs. The federal government caps the amount of TANF Block Grant monies that can be transferred to the SSBG at 10%. A footnote in the General Appropriation Act allows DCS to make this transfer of TANF monies in the Out-of-Home Support Services, Emergency and Residential Placement, and Foster Care Placement line items to the SSBG. This amount is estimated at \$20,014,100 in FY 2015. The transfer to SSBG provides additional funding flexibility to DCS.

TANF is a major funding source for DCS. A comprehensive view of the federal TANF Block Grant is found in the narrative for DES in the *Other Issues* section.

DES Transfers

Laws 2014, 2nd Special Session, Chapter 2 transfers \$65,896,300 and 99 FTE Positions in FY 2015 from DES to DCS. These amounts consist of the following:

General Fund	21,786,100
Federal CCDF Block Grant	27,000,000
Federal TANF Block Grant	3,511,100
Child Safety Expenditure Authority	13,599,100

These amounts include the DCS share of DES costs for central administration, Attorney General Legal Services, the Inspector General, developmentally disabled foster children, and child care. *(Please see the DES Funding Realignment policy issues in the Operating Budget, Attorney General Legal Services, Inspections Bureau, DCS Child Care Subsidy, and Out-of-Home Support Services for more information.)*

Child Safety Funding

Table 2 shows the growth in state funding for child safety year-over-year since FY 2013. Table 3 indicates the specific job titles of the 718 new child safety FTE Positions added since FY 2013, while Table 4 displays total child safety expenditures since FY 2008.

Table 2

**Increase in State Child Safety Funding 1/
(\$ in Millions)**

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2015 SS</u>	<u>Total (FY 15 Above FY 12)</u>
Staffing					
Child Safety Staff (caseworkers & others)	\$ 4.8	\$ 12.9	2/ \$ 15.3	\$ 6.2	\$ 39.2
Child Safety Staff Pay Raise/Retention Stipend	1.0	-	-	1.7	2.7
OCWI Staff	2.3	-	1.8	5.3	9.4
Records Retention Staff	-	-	0.5	-	0.5
Child Safety Legal Staff	-	1.5	1.0	-	2.5
Internal Legal Counsel	-	-	-	0.2	0.2
Inspections Bureau	-	-	-	2.2	2.2
Residential Placements					
Congregate Care	-	13.0	-	-	13.0
Congregate Care Backfill	-	-	3/	6.5	6.5
Foster Care	-	4.8	-	-	4.8
Grandparent Stipends	-	1.0	-	-	1.0
Permanent Guardianship	2.4	-	-	-	2.4
Adoption	17.0	2.9	6.0	-	25.9
Services					
Intensive Family Services	-	5.0	3.5	-	8.5
Children Support Services	-	4.0	5.6	-	9.6
Child Safety Child Care	-	9.0	-	-	9.0
Backlog					
Backlog - Action Determination	-	-	-	0.2	0.2
Backlog - Investigation	-	-	-	4.2	4.2
Backlog - Out-of-Home Care Placement	-	-	-	6.8	6.8
Backlog - Out-of-Home Care Services	-	-	-	7.6	7.6
Backlog - In-Home Care Services	-	-	-	4.2	4.2
Other					
Training Resources	-	-	-	0.2	0.2
Internet Crimes Against Children	-	-	-	0.4	0.4
Partial Deferral Payoff	-	-	-	3.0	3.0
Federal Funds Backfill	18.5	-	-	-	18.5
Contingency	-	10.5	-	-	10.5
Other Agency Funding					
New Agency One-Time Funding (ADOA)	-	-	20.0	5.0	25.0
CHILDS Replacement (ADOA)	-	-	5.0	-	5.0
Auditor General	-	-	-	0.3	0.3
Total 4/	\$ 46.1	\$ 64.7	\$ 58.6	\$ 53.8	5/ \$ 223.2

1/ Each year shows the increase over the prior fiscal year. The FY 2015 amounts are General Fund, while the FY 2014 and FY 2013 amounts include General Fund and Long Term Care System Fund.

2/ The \$5.7 million supplemental (2nd Regular Session) is not shown so as not to double-count the funding.

3/ The \$5.1 million supplemental (2nd Special Session) is not shown so as not to double-count the funding.

4/ Numbers do not add due to rounding.

5/ Excludes \$0.8 million for the Ombudsman.

Table 3

**New Child Safety FTE Positions
(All Funds)**

	<u>FY 2013</u>	<u>Part 1</u>		<u>Part 2</u>		<u>FY 2015 SS</u> ^{3/}	<u>Total Change</u> ^{4/}
		<u>FY 2014</u> ^{1/}	<u>FY 2014</u> ^{2/}	<u>FY 2015</u>	<u>FY 2015 SS</u>		
Caseworkers/Hotline Staff	50	93	126	32	54		355
OCWI Staff	28 ^{5/}	-	-	20	73		121
Assistant Program Managers	4	2	4	-	2		12
Unit Supervisors	-	16	20	6	10		52
Case Aides	-	23	30	9	15		77
Records Retention Staff	-	-	-	5	-		5
AG Legal Staff via DCS	-	22	-	-	-		22
AG Legal Staff (Direct)	-	-	-	12	-		12
In-House Counsel	-	-	-	-	1		1
Inspections Bureau	-	-	-	-	21		21
Support Staff/Other	-	16	12	3	9		40
Subtotal - New	82	172	192	87	185		718
Transferred Staff	-	-	-	-	99 ^{6/}		99
Subtotal - New and Transferred	82	172	192	87	284		817
Total Child Safety Staff	N/A	N/A	N/A	N/A	N/A		3,057 ^{7/}

^{1/} Represents original FY 2014 budget.

^{2/} Represents FY 2014 supplemental in 2nd Regular Session.

^{3/} Reflects Executive Special Session Request.

^{4/} Total change in FTE Positions since FY 2012.

^{5/} The agency indicates that 34 OCWI staff were hired.

^{6/} Represents administrative staff transferred from DES, including 10 Inspections Bureau Staff.

^{7/} Comprised of 3,045.1 FTE Positions for the Department of Child Safety and 12 FTE Positions directly funded to the Attorney General's Office.

Table 4

**Child Safety Total Fund Expenditures
(\$ in Millions)**

<u>Year</u>	<u>Expenditures</u>	<u>Reports of Child Maltreatment</u>
FY 2008	\$509.9	34,989
FY 2009	\$487.6	33,186
FY 2010	\$448.9	33,839
FY 2011	\$478.8	34,904
FY 2012	\$561.2	40,517
FY 2013	\$625.8	44,119
FY 2014 Original	\$690.7	33,296 ^{1/}
FY 2014 2nd SS	\$695.8	-
FY 2015 Original ^{2/}	\$725.6	-
FY 2015 2nd SS ^{3/}	\$782.1	-
FY 2015 2nd SS as Adjusted ^{4/}	\$848.0	-

^{1/} Represents data through March 2014, which is 1.0% higher than at this same time last year.

^{2/} Represents original FY 2015 budget enacted in April 2014. Includes \$711.6 M in enacted FY 2015 General Appropriation Act plus \$14 M deferral payment but excludes \$26 M in child safety funding appropriated in other agencies: \$5 M for CHILDS replacement, \$20 M in start-up funding (ADOA), and \$1 M for child safety legal support (Attorney General).

^{3/} Represents Executive Request. Excludes \$32.1 M in funding appropriated to other agencies (see footnote 2 plus an additional \$5 M for ADOA, \$0.8 M for the Ombudsman, and \$0.3 M for the Auditor General proposed by the Executive). Includes \$48.6 M GF and \$7.9 M EA for the special session as well as \$14 M for the deferral payment and \$711.6 M in the original FY 2015 budget enacted in April 2014. Represents Executive Special Session proposal.

^{4/} Consists of the FY 2015 Special Session amount plus \$65.9 M transferred from DES base resources, as requested by Executive.

State Board of Chiropractic Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	237,300	258,700	258,700
Employee Related Expenditures	97,400	88,400	88,600
Professional and Outside Services	11,000	31,400	21,400
Travel - In State	300	5,000	2,000
Travel - Out of State	1,800	0	0
Other Operating Expenditures	95,000	82,900	78,900
Equipment	2,100	3,000	1,000
AGENCY TOTAL	444,900	469,400	450,600^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Chiropractic Examiners Fund	444,900	469,400	450,600
SUBTOTAL - Other Appropriated Funds	444,900	469,400	450,600
SUBTOTAL - Appropriated Funds	444,900	469,400	450,600
TOTAL - ALL SOURCES	444,900	469,400	450,600

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

Operating Budget

The budget includes \$450,600 and 5 FTE Positions from the Board of Chiropractic Examiners Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Revenue Realignment

The budget includes a decrease of \$(19,000) from the Board of Chiropractic Examiners Fund in FY 2015 to realign board revenue with expenditures. Actual revenue for the two most recent years is \$411,700 in FY 2012 and \$407,900 in FY 2013, or an average of \$409,800. Before the realignment, the board's FY 2015 appropriation would be \$469,600 with an estimated FY 2015 ending fund balance of \$95,600. After the realignment, their FY 2015 appropriation is \$450,600 with an estimated ending fund balance of \$114,600.

Statewide Adjustments

The budget includes an increase of \$200 from the Board of Chiropractic Examiners Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

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

Citizens Clean Elections Commission

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	7,225,200	12,305,400	9,383,000
TOTAL - ALL SOURCES	7,225,200	12,305,400	9,383,000

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

Additional Legislation

Clean Election Authority

In 2013, the CCEC took actions stating that they have the authority, granted by the Clean Elections Act, to investigate possible campaign contribution violations by all candidates whether or not that candidate is participating in the Clean Elections system. Laws 2014, Chapter 225 allows only the Secretary of State or Attorney General to investigate and take action on campaign contribution or expenditure requirement violations by non-participating candidates. The law also prohibits the CCEC from accepting, investigating, or acting on any complaint involving a non-participating candidate.

Other Issues

Clean Elections Tax Credit

Laws 2012, Chapter 257 eliminated the Clean Elections tax credits and voluntary contributions and the associated revenue for the commission. The 1998 ballot proposition, which created the commission, allowed taxpayers to designate a \$5 voluntary contribution to the Citizens Clean Elections Fund by marking an optional check-off box on a state income tax form. The taxpayer who checked the box would then also receive a \$5 reduction in the amount of tax they were required to pay. Additionally, the ballot proposition allowed taxpayers to make a voluntary donation by making a payment directly to the Clean Elections Fund for which the taxpayer would receive a dollar-for-dollar tax credit not to exceed 20% of the tax amount on the return or \$670 per taxpayer, whichever was higher.

	FY 2013 Actual	FY 2014 Estimate
Funds Available		
Balance Forward	\$19,118,600	\$21,424,200
Revenue:		
Fine Surcharge	\$8,774,800	\$8,500,000
Civil Penalties (election related)	58,100	15,000
Qualifying Contributions	97,000	200,000
\$5 Check Off Box	572,700	0
Donations/Tax Credits	0	0
Other	28,200	0
Total Revenue	\$9,530,800	\$8,715,000
Total Funds Available	\$28,649,400	\$30,139,200
Expenditures:		
Personal Services	\$478,600	\$478,900
Employee Related Expenditures	158,100	177,100
Professional & Outside Services	1,709,600	4,337,600
Travel - In State	2,100	2,400
Travel - Out of State	1,000	3,500
Candidate Funding	2,734,200	5,000,000
Other Operating Expenses	2,135,500	2,235,900
Capital Equipment	0	35,000
Non-Capital Equipment	6,100	35,000
Total Funds Expended	\$7,225,200	\$12,305,400
Transfer to General Fund	\$ 0*	\$ 0
Year-End Fund Balance	\$21,424,200	\$17,833,800

* The FY 2013 budget assumed a \$10,000,000 transfer to the General Fund. The 1998 ballot initiative establishes a formula for the reversion of unused Clean Election funds to the General Fund. The ballot language makes the commission solely responsible for calculating the reversion amount. The commission projected that the ballot formula did not require a reversion in FY 2013.

Arizona Commerce Authority

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET	10,000,000	10,000,000	10,000,000 ^{1/}
SPECIAL LINE ITEMS			
Arizona Competes Fund Deposit	21,500,000	21,500,000	21,500,000 ^{2/}
Mexico City Trade Office	0	0	300,000
AGENCY TOTAL	31,500,000	31,500,000	31,800,000
FUND SOURCES			
General Fund	31,500,000	31,500,000	31,800,000
SUBTOTAL - Appropriated Funds	31,500,000	31,500,000	31,800,000
Other Non-Appropriated Funds	10,303,000	12,574,600	10,329,500
Federal Funds	1,679,900	3,385,500	3,385,500
TOTAL - ALL SOURCES	43,482,900	47,460,100	45,515,000

AGENCY DESCRIPTION — The Arizona Commerce Authority (ACA) 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.

Operating Budget

The budget includes \$10,000,000 from the General Fund in FY 2015 for the operating budget. This amount is unchanged from FY 2014.

Of the \$10,000,000 FY 2013 operations allocation, ACA expended \$9,774,400 in FY 2013.

Arizona Competes Fund Deposit

The budget includes \$21,500,000 from the General Fund in FY 2015 for deposit into the Arizona Competes Fund. This amount is unchanged from FY 2014.

The Arizona Competes Fund receives an annual appropriation of \$21,500,000 in income tax withholding from the General Fund. Additionally, the fund also receives a non-appropriated deposit of \$3,500,000 in lottery revenues for a total annual deposit of \$25,000,000. Monies in the Arizona Competes Fund are utilized to issue grants to attract, retain, and support businesses in Arizona.

Of the \$75,000,000 deposited into the Arizona Competes Fund from FY 2012 through FY 2014, ACA has expended \$11,054,000 through March 31, 2014. (Please see *Other Issues* section for list of award recipients.)

Mexico City Trade Office

The budget includes \$300,000 from the General Fund in FY 2015 for the establishment of a trade office in Mexico City. This amount funds the following adjustments:

Trade Office Establishment

The budget includes an increase of \$300,000 from the General Fund in FY 2015 to establish a trade office in Mexico City.

ACA currently partners with the Greater Phoenix Economic Council and the Arizona-Mexico Commission to administer trade offices in China and Hermosillo, Mexico, respectively. ACA's share of this cost was \$45,000 in FY 2013. Monies for these trade offices are expended from the operating budget.

Other Issues

ACA Responsibilities

A.R.S. § 41-1502 established ACA in place of the Department of Commerce. ACA's main purpose is to attract and retain business in Arizona and is governed by a board of directors. In addition to attracting businesses, ACA is responsible for the following functions:

^{1/} In accordance with A.R.S. § 43-409, \$31,500,000 of state General Fund withholding tax revenue is allocated in FY 2015 to the Arizona Commerce Authority, of which \$10,000,000 is credited to the Arizona Commerce Authority Fund established by A.R.S. § 41-1506, and \$21,500,000 is credited to the Arizona Competes Fund established by A.R.S. § 41-1545.01. (General Appropriation Act footnote)

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

- Arizona 21st Century Fund Administration and Fund
- Arizona Fast Grant Program
- Arizona Innovation Accelerator Fund
- Arizona Step Grant Program
- Capital Investment Incentives (Angel Investment) Program
- Commercial Solar Energy Tax Credit Applications
- Computer Data Center Tax Exemptions
- Defense Contractor Restructuring Assistance Program
- Ecological Restoration Workforce Training Tax Credit
- Energy Reduction Grant
- Environmental Technology Assistance Program
- Governor's Council on Workforce Policy Member
- Healthy Forest Enterprise Incentives Program
- Job Training Program and Fund
- Military Reuse Zone Tax Credit
- Private Activity Bonds
- Qualified Energy Conservation Bonds
- Qualified Facility Tax Credit
- Quality Jobs Tax Credit
- Renewable Energy Tax Incentive Program Applications
- Research and Development Refundable Tax Credit
- Small Business Investment Tax Credit

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. Both funds are non-appropriated.

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.

Arizona Competes Fund Expenditures

A.R.S. § 41-1545.01 established the Arizona Competes Fund with an annual deposit of \$21,500,000 in income tax withholding monies from the General Fund and an additional appropriation of \$3,500,000 in lottery tax revenues. Since FY 2012, the Arizona Competes Fund has received \$75,000,000 in total revenues. *Table 1* displays the allocations of the \$11,053,960 in total expenditures from the fund through March 31, 2014. Currently, 3 types of grants are awarded from the fund: 1) Competes Fund grant awarded to businesses that are expanding in or relocating to Arizona; 2) Arizona Innovation Challenge grants for early-stage start-up companies; and 3) Rural Economic Development grants awarded to local governments to improve infrastructure and attract businesses.

Table 1

Arizona Competes Fund Expenditures

Recipients	Total
Competes Fund Grants	
Acceler8 Technologies Corporation	\$760,000
Clear Energy Systems, Inc.	1,000,000
GoDaddy, Inc.	500,000
Maverick Healthcare Services, Inc.	875,000
Silicon Valley Bank Financial Services	1,800,000
Ulthera, Inc.	322,600
United Healthcare Services, Inc.	2,000
Total Competes Fund Grants	\$5,259,600
Arizona Innovation Challenge Grants	
Agave Semiconductor LLC	\$250,000
appsFreedom, Inc.	175,000
Athena Wireless Communications, Inc.	250,000
Cancer Prevention Pharmaceuticals, Inc.	222,261
Deliver IT, Inc.	125,000
Gingerbread Shed Corporation	197,500
HJ3 Composite Technologies LLC	170,000
Instant Bioscan LLC	195,000
Kutta Radios, Inc.	249,500
MaxQ Technology LLC	250,000
Nasseo, Inc.	125,000
Post.Bid.Ship., Inc.	208,800
Recoleta Partners LLC	75,000
ReplyBuy, Inc.	175,000
Serious Integrated, Inc.	219,500
Stat Health Services, Inc.	225,000
Stimwave Technologies, Inc.	152,500
Strongwatch Corporation	225,000
Viomics, Inc.	175,000
Whole Sale Fund Corporation	250,000
Total Arizona Innovation Challenge Grants	\$3,915,061
Rural Economic Development Grants	
Casa Grande	\$150,000
Central Arizona Regional Economic Development Foundation	332,368
Flagstaff	132,057
Greater Yuma Economic Development Corp.	432,500
Northern Arizona Business and Technology Incubator	59,601
PineTop-Lakeside	185,000
Prescott	50,986
Verde Valley Wine Consortium, Inc.	240,524
Yuma	296,263
Total	\$1,879,299
Total Arizona Competes Fund Grants	\$11,053,960

Arizona Community Colleges

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
SPECIAL LINE ITEMS			
Operating State Aid			
Cochise	5,784,600	5,710,100	5,343,400
Coconino	1,847,900	1,840,400	1,775,800
Gila	410,000	370,700	346,300
Graham	2,373,200	2,345,700	2,261,300
Maricopa	8,315,700	7,913,300	7,409,500
Mohave	1,785,600	1,659,400	1,543,300
Navajo	1,689,700	1,646,600	1,618,200
Pima	7,353,500	7,136,600	6,493,500
Pinal	2,107,800	2,135,000	2,023,900
Santa Cruz	63,500	58,700	47,900
Yavapai	957,600	893,900	887,000
Yuma/La Paz	2,802,600	2,754,400	2,726,600
<i>Subtotal - Operating State Aid</i>	35,491,700	34,464,800	32,476,700
STEM and Workforce Programs State Aid			
Cochise	0	450,400	1,236,700
Coconino	0	147,500	426,900
Gila	0	50,000	142,800
Graham	0	218,100	640,500
Maricopa	0	0	1,400,000
Mohave	0	211,700	593,700
Navajo	0	122,600	375,400
Pima	0	0	600,000
Pinal	0	257,700	1,009,300
Santa Cruz	0	16,700	45,400
Yavapai	0	248,600	802,900
Yuma/La Paz	0	276,700	882,500
<i>Subtotal - STEM and Workforce Programs State Aid</i>	0	2,000,000	8,156,100
Equalization Aid			
Cochise	5,614,700	4,712,400	3,870,500
Graham	16,867,300	16,075,100	15,025,500
Navajo	5,370,100	5,514,200	5,283,300
<i>Subtotal - Equalization Aid</i>	27,852,100	26,301,700	24,179,300
Rural County Allocation	2,990,200	3,268,400 ^{1/}	3,195,500 ^{2/}
Rural County Reimbursement Subsidy	848,800	848,800	1,273,800 ^{3/}
Tribal Community Colleges	1,750,000	2,625,000 ^{4/}	2,625,000 ^{4/}
AGENCY TOTAL	68,932,800	69,508,700	71,906,400^{5/}
FUND SOURCES			
General Fund	68,932,800	69,508,700	71,906,400
SUBTOTAL - Appropriated Funds	68,932,800	69,508,700	71,906,400
Other Non-Appropriated Funds	15,592,900	16,470,400	16,470,400
TOTAL - ALL SOURCES	84,525,700	85,979,100	88,376,800

^{1/} Each year, the Rural County Allocation is determined by enrollment counts submitted to the JLBC Staff. The JLBC Staff is required to report the county withholdings to the Treasurer by May 15 for the upcoming fiscal year. In May 2013, the JLBC Staff reported the amount to be \$3,273,100. The amount was subsequently revised to \$3,268,400.

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

Operating State Aid

The budget includes \$32,476,700 from the General Fund in FY 2015 for Operating State Aid. This amount funds the following adjustments:

Formula Decreases

The budget includes a decrease of \$(1,988,100) from the General Fund in FY 2015 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a (7,557), or (5.3%), decrease in Full Time Student Equivalent (FTSE) students in community colleges statewide (see Table 1). The (7,557) net FTSE decrease consists of a (7,894) FTSE decrease in non-dual enrollment students and a 337 FTSE increase in 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.

District	FY 2012 FTSE	FY 2013 FTSE	Percentage Change
Cochise	9,210	7,766	(15.7)%
Coconino	2,355	2,099	(10.9)%
Gila	790	703	(11.0)%
Graham	3,433	3,107	(9.5)%
Maricopa	83,024	81,218	(2.2)%
Mohave	3,450	2,987	(13.4)%
Navajo	2,070	1,962	(5.2)%
Pima	22,028	19,514	(11.4)%
Pinal	5,246	4,822	(8.1)%
Santa Cruz	258	218	(15.5)%
Yavapai	3,974	3,984	0.3%
Yuma/La Paz	5,636	5,537	(1.8)%
Total	141,474	133,917	(5.3)%

Background – The Operating State Aid Special Line Items provide each community college district with funds for continuing operating and maintenance expenses pursuant to A.R.S. § 15-1466. The Operating State Aid formula

adjusts state aid in an amount that reflects changes in the FTSE enrollment count. This enrollment adjustment is calculated by multiplying the change in the most recent year’s actual FTSE for each district by the average state aid per FTSE appropriated in the current fiscal year. (For FY 2015, the last actual FTSE data was from FY 2013.)

STEM and Workforce Programs State Aid

The budget includes \$8,156,100 from the General Fund in FY 2015 for Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs State Aid (formerly Capital Outlay State Aid). This amount funds the following adjustments:

STEM Aid Increases

The budget includes an increase of \$6,156,100 from the General Fund in FY 2015 for STEM and Workforce Programs State Aid.

In FY 2014 \$2,000,000 of STEM funding was added to the budget for rural districts (excluding Maricopa and Pima). While \$2,000,000 was less than the full formula amount, it was the first STEM/Capital Outlay funding since FY 2009. In FY 2015, the budget includes \$4,156,100 to fully fund the STEM formula for rural districts at \$6,156,100. The budget also includes \$2,000,000 for Maricopa and Pima (\$1,400,000 and \$600,000 respectively).

The Education Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 16) suspends the STEM and Workforce Programs aid formula in A.R.S. § 15-1464 for FY 2015 and instead funds the amounts specified in the General Appropriation Act, which totals \$8,156,100. The FY 2015 suspension forgoes \$11,266,600 in aid for Maricopa and \$2,507,800 for Pima.

Background – The STEM and Workforce Programs Special Line Items provide the community college districts with funds for partnerships, faculty, technology equipment, student services, facilities, and property needs pursuant to A.R.S. § 15-1464.

- 2/ A.R.S. § 15-1469.01 provides that the General Fund will pay the initial cost of students attending community colleges who are from counties that are not part of an established community college district, and then the state will withhold these counties’ sales tax revenues to offset that cost. In FY 2015 the JLBC Staff calculates that amount to be \$3,195,500. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 3/ Of the \$1,273,800 appropriated to the Rural County Reimbursement Subsidy line item, Apache County receives \$699,300 and Greenlee County \$574,500. (General Appropriation Act footnote)
- 4/ A.R.S. § 42-5031.01 directs the State Treasurer to annually transmit to the tribal colleges 10% of Transaction Privilege Tax (TPT) revenues collected from sources located on the reservation, or \$1,750,000, whichever is less, as well as 5% of TPT revenues collected on the reservation, or \$875,000, whichever is less, to a technical college on the same reservation. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 5/ General Appropriation Act funds are appropriated as District-by-District Special Line Items.

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

Equalization Aid

The budget includes \$24,179,300 from the General Fund in FY 2015 for Equalization Aid. This amount funds the following adjustments:

Formula Decreases

The budget includes a decrease of \$(2,122,400) from the General Fund in FY 2015 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 2014	Year-over- Year Change	FY 2015
Cochise	\$ 4,712,400	\$(841,900)	\$3,870,500
Graham	16,075,100	(1,049,600)	15,025,500
Navajo	5,514,200	(230,900)	5,283,300
Total	\$26,301,700	\$(2,122,400)	\$24,179,300

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 2015 Equalization Aid formula calculation, the minimum assessed valuation decreased (6.8)% to \$1.29 billion. (See Table 3 for the calculation of the growth rate.)

District	TY 2012 Primary AV	TY 2013 Primary AV	TY 2012- 2013 % Growth
Cochise*	\$1,038,327,100	\$1,006,475,400	(3.1)%
Graham*	208,931,300	192,240,700	(8.0)%
Navajo*	974,292,400	903,351,900	(7.3)%
Coconino	1,747,818,100	1,519,086,300	(13.1)%
Mohave	1,791,765,200	1,771,371,900	(1.1)%
Pinal	2,153,783,700	1,988,882,400	(7.7)%
Yavapai	2,405,473,700	2,232,629,600	(7.2)%
Yuma/LaPaz	1,414,564,000	1,328,950,800	(6.1)%
Total	\$11,734,955,500	\$10,942,989,000	(6.8)%
Minimum AV	\$1,382,299,300	\$1,288,994,100	(6.8)%

* These districts qualify to receive Equalization Aid under the state funding formula.

Equalization Aid is paid 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.

As noted in Table 3, the average rural district assessed value declined by (6.8)%, in TY 2013. In comparison, Cochise declined by (3.1)%, Graham declined by (8.0)%, and Navajo declined by (7.3)%. By not declining as much as the average districts or by having an assessed valuation that comes closer to the minimum assessed value than in the previous year, Cochise, Graham, and Navajo qualify for less aid in FY 2015 than in FY 2014.

In any one year a district's equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.29 billion in FY 2015) and 2) whether the district's change in assessed value was less than the rural districts' average and 3) the applicable tax rate.

Rural County Allocation

The budget includes \$3,195,500 from the General Fund in FY 2015 for Rural County Allocation. This amount funds the following adjustments:

Formula Decreases

The budget includes a decrease of \$(72,900) from the General Fund in FY 2015 to reflect reduced formula costs for funding Rural County Allocation.

Background - The Rural County Allocation Special Line Item facilitates payment to community college districts for students enrolled from counties that are not a part of an established community college district. If a county is not part of a community college district, it is responsible for the cost of their students attending community college in another county. A.R.S. § 15-1469.01 provides that the General Fund will pay the initial cost for these counties and then the state will withhold these counties' sales tax revenues to offset that cost; therefore there is no net General Fund impact. The FY 2013 expenditure of \$2,990,200 was offset by corresponding reductions 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 county payments are partially offset by a state subsidy. (See next Special Line Item.)

Each year, the amount is determined by enrollment counts submitted to the JLBC Staff. The JLBC Staff is required by A.R.S. § 1469D to report the county withholdings to the Treasurer by May 15 for the upcoming fiscal year. In May 2014, the JLBC Staff reported the amount to be \$3,195,500.

Table 4

Total Estimated Community College Revenues – FY 2014

District	State Aid	Tuition/Fees	Property Taxes	Grants	Other ^{1/}	FY 2014 Total ^{2/}	FY 2013 Total ^{3/}	% Change from FY 2013
Cochise	\$10,872,900	\$8,667,900	\$18,627,900	\$17,827,900	\$1,608,100	\$57,604,700	\$49,010,700	17.5%
Coconino	1,987,900	7,442,700	8,947,800	6,696,200	977,600	26,052,200	24,874,800	4.7%
Gila ^{4/}	420,700	0	3,814,300	130,000	475,000	4,840,000	4,547,400	6.4%
Graham	18,638,900	7,615,500	5,267,700	12,000,000	8,577,700	52,099,800	44,314,800	17.6%
Maricopa	7,913,300	299,209,500	491,865,800	319,070,800	56,443,900	1,174,503,300	978,474,000	20.0%
Mohave	1,871,100	10,220,200	20,413,300	19,559,200	300,500	52,364,300	51,136,000	2.4%
Navajo	7,283,400	4,755,000	13,341,300	6,400,000	2,331,000	34,110,700	33,541,100	1.7%
Pima	7,136,600	55,835,000	97,772,000	79,431,000	5,558,000	245,732,600	212,568,400	15.6%
Pinal	2,392,700	12,855,000	42,437,300	25,800,000	(26,487,200)	56,997,800	78,683,900	(27.6)%
Santa Cruz ^{4/}	75,400	0	1,421,100	25,000	10,500	1,532,000	369,200	315.0%
Yavapai	1,142,500	11,310,000	45,803,400	14,536,000	4,395,700	77,187,600	75,169,700	2.7%
Yuma/La Paz	<u>3,031,100</u>	<u>13,507,600</u>	<u>30,128,100</u>	<u>20,000,000</u>	<u>4,063,500</u>	<u>70,730,300</u>	<u>78,912,500</u>	<u>(10.4)%</u>
Total	\$62,766,500	\$431,418,400	\$779,840,000	\$521,476,100	\$58,254,300	\$1,853,755,300	\$1,631,602,500	13.6%

1/ Includes auxiliary programs, interest income, 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 \$2,515,682,800 for FY 2014.

3/ Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are \$1,909,789,700 for FY 2013.

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.

Monies for the Rural County Allocation are authorized by A.R.S. § 15-1469.01, and therefore do not appear in the General Appropriation Act.

Rural County Reimbursement Subsidy

The budget includes \$1,273,800 from the General Fund in FY 2015 for Rural County Reimbursement Subsidy. This amount funds the following adjustments:

Subsidy Increase

The budget includes an increase of \$425,000 from the General Fund in FY 2015 for Rural County Reimbursement Subsidy.

This funding partially offsets the cost to counties that are not part of an established community college district. The funding is appropriated to Apache and Greenlee Counties. The FY 2015 budget allocates \$699,300 to Apache and \$574,500 to Greenlee. The additional \$425,000 was proportionally distributed to the 2 counties based on the FY 2014 base allocation.

Tribal Community Colleges

The budget includes \$2,625,000 from the General Fund in FY 2015 for Tribal Community Colleges. This amount is unchanged from FY 2014.

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 all sources located on the reservation, whichever is less. These monies provide tribal community colleges

with funding for maintenance, renewal, and capital expenses. A.R.S. § 42-5031.01 also allows any additional technical college located on the same reservation to receive \$875,000, or 5% of the TPT revenues collected from sources located on the reservation, whichever is less, starting in FY 2014. Actual amounts for FY 2015 will depend on FY 2015 collections. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriation Act.

This funding is limited to tribes that entered into a compact with the Executive prior to September 1, 2012. Diné College and Navajo Technical College on the Navajo Nation are the only schools that currently qualify to receive TPT revenues.

The budget assumes that \$1,750,000 will be distributed to Diné College and \$875,000 will be distributed to Navajo Technical College in FY 2015. These amounts represent 10% and 5%, up to \$1,750,000 and \$875,000, respectively, of the estimated TPT revenues to be collected in the Navajo reservation in FY 2015.

Other Issues

Community College Revenue Sources

In addition to state General Fund monies, Arizona's community colleges receive revenues from a number of other sources, including student tuition and fees, local property taxes, grants, and other monies generated by the colleges. Of the total, the community colleges receive 3% of their revenues from state aid.

For FY 2014, base operating revenues from all sources are estimated to be \$1,853,755,300, which would be an increase of 13.6% from FY 2013. (See Table 4 for a summary of FY 2014 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 2014 property tax rates.)

In November 2012, Arizona voters approved Proposition 117, which will consolidate the primary and secondary tax bases into a single tax base (for purposes of levying taxes) and will cap annual property value increases on any single parcel of real property to 5% starting in FY 2016. The proposition will not limit the community college districts' current ability to generate 2% more in property tax revenues annually, not including revenue from new construction. Any increase over 2% requires voter approval, unless the district has forgone increases in prior years and consolidates those increases into a single year.

Long term property value growth has been approximately 5%. From that perspective, Proposition 117 would tend to reduce the year-to-year volatility in property tax values rather than reduce the dollar amount of long term revenues. However, the property tax base might grow more slowly under Proposition 117 because the property tax values would not be able to increase by more than 5% to offset the years that experience growth that is less than 5%.

To the extent that the property value grows more slowly because of Proposition 117, the community colleges could still generate the same level of revenue by increasing their tax rates.

<u>District</u>	<u>Primary Rate</u>	<u>Secondary Rate</u>	<u>Combined Rate</u>	<u>% Change in Combined Rate from FY 2013</u>
Cochise	\$1.85	\$0.00	\$1.85	6.9%
Coconino	0.46	0.12	0.58	16.0%
Gila	0.87	0.00	0.87	16.0%
Graham	2.74	0.00	2.74	13.7%
Maricopa	1.29	0.24	1.53	10.9%
Mohave	1.15	0.00	1.15	4.5%
Navajo	1.48	0.00	1.48	9.6%
Pima	1.27	0.02	1.29	9.3%
Pinal	1.89	0.36	2.25	19.7%
Santa Cruz	0.42	0.00	0.42	500.0%
Yavapai	1.82	0.22	2.04	7.9%
Yuma/La Paz	1.88	0.34	2.22	8.8%

<u>District</u>	<u>Cost Per Credit Hour</u>	<u>Annual Cost^{1/}</u>	<u>% Change from FY 2014</u>
Cochise	\$75	\$2,250	2.7%
Coconino	89	2,820	8.0%
Gila	66	1,976	0.0%
Graham	67	2,000	4.2%
Maricopa	84	2,520	3.7%
Mohave	80	2,610	2.4%
Navajo	66	2,060	3.5%
Pima	71	2,300	7.0%
Pinal	80	2,400	3.9%
Santa Cruz	73	2,190	0.0%
Yavapai	72	2,160	2.9%
Yuma/La Paz	76	2,280	5.6%
Weighted Average	\$80	\$2,427	4.0%

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

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 2015 weighted average tuition (weighted for each district's proportion of the statewide FTSE count) is \$2,427 if a full time student attends for 30 hours a year. The FY 2015 amount represents an increase of 4.0% from FY 2014. (See Table 6 for FY 2015 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.

Total Community College Expenditures

Table 7 shows total budgeted FY 2014 community college expenditures. In FY 2014, total budgeted expenditures are \$2,510,387,200. As mentioned previously, base operating revenues for FY 2014 are \$1,853,755,300; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,515,682,800. Of the total \$2,510,387,200 in expenditures, \$1,685,900,300, or 67%, of these expenditures are from the community colleges' general and restricted funds. This includes about \$520,733,100, or 21%, for instruction and \$250,591,100, or 9%, for administrative support.

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$188,277,600, or 7% of the total. Plant Fund expenditures, which generally

include capital costs, are \$456,664,000, or 18% of the total. The remaining \$179,545,300 is for debt service.

<u>General/Restricted Funds</u>	<u>Total</u>	<u>% of Total</u>
Instruction	\$520,733,100	21%
Public Service	29,223,900	1%
Academic Support	148,919,700	6%
Student Services	151,089,800	6%
Administrative Support	250,591,100	10%
Operation & Maintenance	110,412,600	4%
Scholarships/Grants	395,082,300	16%
Contingency	<u>79,847,800</u>	<u>3%</u>
Subtotal	\$1,685,900,300	67%
Auxiliary Enterprises Fund	\$ 188,277,600	7%
Plant Fund	456,664,000	18%
Debt Service	<u>179,545,300</u>	<u>7%</u>
Total	\$ 2,510,387,200	100%

Constable Ethics Standards and Training Board

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	184,700	324,500	324,500
TOTAL - ALL SOURCES	184,700	324,500	324,500

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

Registrar of Contractors

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	105.6	105.6	105.6
Personal Services	3,699,800	5,666,900	5,666,900
Employee Related Expenditures	1,561,200	2,354,700	2,358,100
Professional and Outside Services	228,900	405,300	405,300
Travel - In State	177,200	505,100	505,100
Travel - Out of State	0	11,800	11,800
Other Operating Expenditures	1,049,300	2,131,600	2,131,600
Equipment	167,100	100,300	100,300
OPERATING SUBTOTAL	6,883,500	11,175,700	11,179,100
SPECIAL LINE ITEMS			
Office of Administrative Hearings Costs	363,200	1,017,600	1,017,600 ^{1/}
Residential Contractors' Recovery Fund Deposit	0	2,700,000	0
AGENCY TOTAL	7,246,700	14,893,300	12,196,700^{2/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Registrar of Contractors Fund	7,246,700	14,893,300	12,196,700
SUBTOTAL - Other Appropriated Funds	7,246,700	14,893,300	12,196,700
SUBTOTAL - Appropriated Funds	7,246,700	14,893,300	12,196,700
Other Non-Appropriated Funds	4,407,900	5,628,500	5,628,500
TOTAL - ALL SOURCES	11,654,600	20,521,800	17,825,200

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

Operating Budget

The budget includes \$11,179,100 and 105.6 FTE Positions from the Registrar of Contractors Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$3,400 from the Registrar of Contractors Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Office of Administrative Hearings Costs

The budget includes \$1,017,600 from the Registrar of Contractors Fund in FY 2015 for Office of Administrative Hearings (OAH) Costs. This amount is unchanged from FY 2014.

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

Residential Contractors' Recovery Fund Deposit

The budget includes no funding in FY 2015 for Residential Contractors' Recovery Fund Deposit. This amount funds the following adjustments:

Remove One-Time Funding

The budget includes a decrease of \$(2,700,000) from the Registrar of Contractors Fund in FY 2015 for the elimination of one-time funding to eliminate the backlog of approved claims in the Residential Contractors' Recovery Fund. The department reports that the backlog of approved claims has been eliminated. The department projects having an ongoing revenue/claim balance in the Residential Contractors' Recovery Fund.

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

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

A homeowner must first file a complaint with the Registrar of Contractors and the contractor must be disciplined, before the homeowner can file a claim with the Residential Contractors' Recovery Fund. After a claim is filed it can typically take up to 5 months for the Registrar of Contractors to review the claim, issue notices and orders, and allow statutory timeframes for the parties to appeal. Once a claim is approved, it can take up to a month to process and pay the approved claim. The current wait time for homeowners to receive payment for approved claims is less than 30 days.

The Residential Contractors' Recovery Fund compensates homeowners who are injured by a residential contractor. The maximum payout is \$30,000 per homeowner. The Residential Contractors' Recovery Fund is funded by an assessment, not to exceed \$600 per biennial license period, paid by residential contractors and other monies per A.R.S. § 32-1132. The current assessment set by the agency is \$300 per biennial license period.

Corporation Commission

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	297.9	300.9	300.9 ^{1/}
Personal Services	14,377,900	16,671,300	16,671,300
Employee Related Expenditures	5,539,300	6,121,800	6,113,500
Professional and Outside Services	1,033,500	178,500	233,500
Travel - In State	148,500	162,900	162,900
Travel - Out of State	83,700	89,500	89,500
Other Operating Expenditures	3,235,400	2,612,800	2,712,800
Equipment	797,300	275,000	275,000
OPERATING SUBTOTAL	25,215,600	26,111,800	26,258,500
SPECIAL LINE ITEMS			
Corporation Filings, Same Day Service	0	400,400	400,400 ^{2/}
Ch. 39 Appropriations; Named Claimants	0	0	600
Securities Division Database Upgrade	0	0	750,000
Utilities Audits, Studies, Investigations & Hearings	0	380,000	380,000 ^{3/}
AGENCY TOTAL	25,215,600	26,892,200	27,789,500^{4/}
FUND SOURCES			
General Fund	600,300	609,700	610,500
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	50,200	50,100	50,100
Investment Management Regulatory and Enforcement Fund	707,600	715,400	715,700
Public Access Fund	5,983,600	6,535,500	6,622,200
Securities Regulatory and Enforcement Fund	4,658,400	4,787,500	5,569,200
Utility Regulation Revolving Fund	13,215,500	14,194,000	14,221,800
SUBTOTAL - Other Appropriated Funds	24,615,300	26,282,500	27,179,000
SUBTOTAL - Appropriated Funds	25,215,600	26,892,200	27,789,500
Other Non-Appropriated Funds	51,600	0	0
Federal Funds	1,057,000	737,200	695,000
TOTAL - ALL SOURCES	26,324,200	27,629,400	28,484,500

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 budget includes \$26,258,500 and 298.9 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

General Fund **FY 2015**
\$609,900

Arizona Arts Trust Fund	50,100
Investment Management Regulatory and Enforcement Fund	715,700
Public Access Fund	6,221,800
Securities Regulatory and Enforcement Fund	4,819,200
Utility Regulation Revolving Fund	13,841,800

^{1/} Includes 2 OF FTE Positions funded from Special Line Items in FY 2015.

^{2/} The \$400,400 appropriated from the Public Access Fund for the Corporation Filings, Same Day Service line item reverts to the Public Access Fund at the end of FY 2015 if the commission has not established a same day service pursuant to section A.R.S. § 10-122. (General Appropriation Act footnote)

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

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

These amounts fund the following adjustments:

Information Technology Service Agreement

The budget includes an increase of \$100,000 in FY 2015 for technical support of proposed and existing IT projects. This amount consists of:

Utility Regulation Revolving Fund	33,400
Public Access Fund	33,300
Securities Regulatory and Enforcement Fund	33,300

These amounts fund an ongoing service agreement with a vendor for review of the agency’s computerized systems that are being replaced and integrated, for risk identification and remediation of existing systems, and for staff training on software.

One-Time Microfilming Backlog

The budget includes an increase of \$55,000 from the Public Access Fund in FY 2015 for one-time funding to hire a vendor to address a 4-year backlog of documents that are required by law to be microfilmed.

Statewide Adjustments

The budget includes a decrease of \$(8,300) in FY 2015 for statewide adjustments. This amount consists of:

General Fund	200
Investment Management Regulatory and Enforcement Fund	300
Public Access Fund	(1,600)
Securities Regulatory and Enforcement Fund	(1,600)
Utility Regulation Revolving Fund	(5,600)

(Please see the Agency Detail and Allocations section.)

Corporation Filings, Same Day Service

The budget includes \$400,400 and 2 FTE Positions from the Public Access Fund in FY 2015 for Corporation Filings, Same Day Service. These amounts are unchanged from FY 2014.

A footnote in the General Appropriation Act specifies that same day and next day services shall not be offered unless the commission has established a same day service pursuant to A.R.S. § 10-122. The fee for same day and next day services must 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.

In previous years, in order to offer same day and next day services, the Corporation Commission was also required to process all expedited services within a minimum of 5 business days and all other documents and services within 30 business days. The FY 2014 Government Budget

Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 2) permanently eliminated this requirement.

Ch. 39 Appropriations; Named Claimants

Laws 2014, Chapter 39 appropriates \$630 from the General Fund in FY 2015 for a new Named Claimants line item. This amount funds the following adjustments:

One-Time Named Claimants Disbursement

The budget includes an increase of \$630 from the General Fund in FY 2015 for one-time funding of prior year unpaid claims.

The state must annually settle legitimate unpaid claims against received goods and services, as submitted by the various state agencies. Vendors providing goods and services to the state can make claims against the receiving agencies if invoices are not paid in full. Up to 1 year following receipt, state agencies have the financial authority to pay such claims through administrative adjustments. However, the Legislature must grant special appropriation authority to pay claims older than 1 year. Chapter 39 appropriates \$630 for prior year unpaid claims against the Corporation Commission.

Securities Division Database Upgrade

The budget includes \$750,000 from the Securities Regulatory and Enforcement Fund in FY 2015 for a new Securities Division Database Upgrade line item. This amount funds the following adjustments:

One-Time Database Upgrade Funding

The budget includes an increase of \$750,000 from the Securities Regulatory and Enforcement Fund in FY 2015 for one-time funding to replace software systems.

Monies in this line item will be used to replace 2 Securities Division software systems that track enforcement matters and handle receipting, securities registration, and licensing functions. The agency expects ongoing maintenance to cost \$100,000 yearly.

Utilities Audits, Studies, Investigations, & Hearings

The budget includes \$380,000 from the Utility Regulation Revolving Fund in FY 2015 for Utilities Audits, Studies, Investigations, & Hearings. This amount is unchanged from FY 2014.

Monies in this line item allow the commission to hire outside consultants to provide professional expertise and advice to the Utilities Program staff. A FY 2014 General Appropriation Act footnote required the Corporation Commission and the General Accounting Office (GAO) of the Arizona Department of Administration to report to the Directors of the Governor’s Office of Strategic Planning

and Budgeting and the Joint Legislative Budget Committee on expenditures from this line item dating back to at least FY 2007. GAO reports expenditures from this line item between FY 2007 and FY 2013 totaled \$3,029,618. The remaining spending authority from this line item at the end of FY 2013 was \$1,520,000, and the remaining spending authority as of October 31 was \$1,718,432. As of March 31, 2014, the fund had a \$1,575,000 balance. GAO recommended that consistency in line item expenditure reporting from both the Corporation Commission and the GAO could be improved by using the same appropriation accounting code for each line item appropriation. The Corporation Commission reports it began using the same code in FY 2007 instead of using a different code for each fiscal year.

State Department of Corrections

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	10,118.2	9,384.0	9,534.0
Correctional Officer Personal Services	306,729,700	318,105,700	322,415,200
Health Care Personal Services	2,493,500	2,457,400	2,457,400
All Other Personal Services	60,300,100	64,694,900	65,187,700
Personal Services Subtotal	369,523,300	385,258,000	390,060,300
Employee Related Expenditures	173,968,700	194,654,400	200,685,100
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	23,772,800	15,261,600	15,501,300
Health Care All Other Operating Expenditures			
Professional and Outside Services	1,564,500	2,750,000	2,750,000
Travel - In State	16,200	25,000	25,000
Travel - Out of State	10,800	15,000	15,000
Other Operating Expenditures	1,005,700	835,200	835,200
Equipment	920,000	15,000	15,000
Health Care Operating Subtotal	3,517,200	3,640,200	3,640,200
Non-Health Care All Other Operating Expenditures			
Professional and Outside Services	6,658,900	6,037,400	6,102,800
Travel - In State	148,700	221,400	224,300
Travel - Out of State	53,200	119,100	119,100
Food	41,667,300	40,944,600	40,977,800
Other Operating Expenditures	108,954,700	109,208,100	109,913,100
Equipment	12,373,200	3,655,700	4,937,300
Non-Health Care Operating Subtotal	169,856,000	160,186,300	162,274,400
OPERATING SUBTOTAL	740,638,000	759,000,500	772,161,300
SPECIAL LINE ITEMS			
Private Prison Per Diem	126,978,700	132,380,300	144,321,300
Inmate Health Care Contracted Services	118,998,500	125,274,900	125,274,900
AGENCY TOTAL	986,615,200	1,016,655,700	1,041,757,500 ^{1/5/}
FUND SOURCES			
General Fund	946,358,800	971,743,900	996,845,600
Other Appropriated Funds			
Alcohol Abuse Treatment Fund	363,000	554,400	554,400
Corrections Fund	26,884,000	27,517,600	27,517,600
Penitentiary Land Fund	979,200	979,200	979,200 ^{6/}
Prison Construction and Operations Fund	8,499,600	12,499,400	13,684,400
State Charitable, Penal and Reformatory Institutions Land Fund	173,500	360,000	360,000 ^{7/}
State Education Fund for Correctional Education	451,800	516,200	516,300 ^{8/}
Transition Program Fund	2,905,300	2,485,000	1,300,000
SUBTOTAL - Other Appropriated Funds	40,256,400	44,911,800	44,911,900
SUBTOTAL - Appropriated Funds	986,615,200	1,016,655,700	1,041,757,500
Other Non-Appropriated Funds	43,614,300	48,648,200	48,648,200
Federal Funds	7,645,300	5,343,200	4,981,400
TOTAL - ALL SOURCES	1,037,874,800	1,070,647,100	1,095,387,100

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

Operating Budget

The budget includes \$772,161,300 and 9,534 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$762,745,600
Alcohol Abuse Treatment Fund	554,400
Corrections Fund	3,000,600
Prison Construction and Operations Fund	3,684,400
State Charitable, Penal and Reformatory Institutions Land Fund	360,000
State Education Fund for Correctional Education	516,300
Transition Program Fund	1,300,000

These amounts fund the following adjustments:

500 Maximum Security Beds

The budget includes an increase of \$9,680,700 and 150 FTE Positions from the General Fund in FY 2015 to fund staffing and start-up costs for the activation of the 500 maximum-security prison beds. The net FY 2016 annualization cost of these beds is projected to be \$343,900.

The FY 2013 Capital Outlay Bill (Laws 2012, Chapter 295) appropriated \$20,000,000 from the General Fund in FY 2013 and \$30,000,000 from the General Fund in FY 2014 to the Arizona Department of Administration (ADOA) to construct 500 male maximum-security beds.

The Lewis Rast Unit has been selected as the site for the beds. These beds will be operated by the Department of Corrections. The Joint Committee on Capital Review (JCCR) favorably reviewed the ADOA plan for construction of the 500 beds at its June 11, 2013 meeting. The Department of Corrections currently expects to begin loading inmates in early December 2014.

CORP Retirement

The budget includes an increase of \$3,546,600 from the General Fund in FY 2015 for a Correction Officer Retirement Plan (CORP) employer contribution rate increase. On July 1, 2014, the employer contribution rate for CORP will increase from 13.45% to 14.47%.

Operating Budget Shift

The budget includes an increase of \$1,185,000 from the Prison Construction and Operations Fund and a decrease of \$(1,185,000) from the Transition Program Fund in FY 2015 to align the appropriation from the Transition Program Fund to its revenues.

Statewide Adjustments

The budget includes a decrease of \$(66,500) in FY 2015 for statewide adjustments. This amount consists of:

General Fund	(66,600)
State Education Fund for Correctional Education	100

(Please see the Agency Detail and Allocations section.)

- 1/ The department may spend a portion of its total appropriation on capital projects in FY 2015. Before the expenditure, the department shall submit the scope, purpose, and estimated cost of the projects to the Joint Committee on Capital Review for its review pursuant to A.R.S. § 41-1252. (General Appropriation Act footnote)
- 2/ Before placing any inmates in out-of-state provisional beds, the department shall place inmates in all available prison beds in facilities that are located in this state and that house Arizona inmates, unless the out-of-state provisional beds are of a comparable security level and price. (General Appropriation Act footnote)
- 3/ The State Department of Corrections shall forward a monthly report comparing department expenditures for the month and year-to-date as compared to prior year expenditures 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 on or before the 30th of the following month. The report must be in the same format as the prior fiscal year and include an estimate of potential shortfalls, potential surpluses that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriation Act footnote)
- 4/ The State Department of Corrections shall provide a report on bed capacity to the Joint Legislative Budget Committee for its review on or before August 1, 2014. The report must reflect the bed capacity for each security classification by gender at each state-run and private institution, divided by rated and total beds. The report must include bed capacity data for June 30 of the previous fiscal year, June 30 of the current fiscal year and June 30 of the subsequent fiscal year, as well as 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. If the department develops a plan subsequent to its August 1 report to close state-operated prison rated beds or cancel or not renew 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 implementing these changes. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as a Operating Lump Sum with Special Line Items by Agency.
- 6/ One hundred percent of land earnings and interest from the Penitentiary Land Fund must be distributed to the State Department of Corrections in compliance with the Enabling Act and the Constitution of Arizona to be used for the support of state penal institutions. (General Appropriation Act footnote)
- 7/ Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatory Institutions Land Fund must be distributed to the State Department of Corrections in compliance with the Enabling Act and the Constitution of Arizona to be used for the support of state penal institutions. (General Appropriation Act footnote)
- 8/ Before the expenditure of any State Education Fund for Correctional Education receipts in excess of \$516,300, the State Department of Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

The FY 2015 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 12) continues to permit the department to use the Transition Program Fund and the non-appropriated Interagency Service Agreement Fund for department operating expenses in FY 2015.

Private Prison Per Diem

The budget includes \$144,321,300 in FY 2015 for Private Prison Per Diem. This amount consists of:

General Fund	118,825,100
Corrections Fund	24,517,000
Penitentiary Land Fund	979,200

These amounts fund the following adjustments:

500 Medium-Security Beds

The budget includes an increase of \$11,941,000 from the General Fund in FY 2015 to annualize the cost of 500 medium-security beds opened in January 2014 and to fund the activation of 500 medium-security private prison beds beginning in January 2015. The funding for the second set of 500 beds assumes the department will open 150 beds on the first of each month, concluding with the final 50 beds on April 1, 2015. Of the amount, \$7,197,300 is for the annualization of the FY 2014 new beds, and the remaining \$4,743,700 is for the activation of 500 beds in FY 2015. The net cost of annualizing these beds in FY 2016 will be \$7,197,300.

The FY 2013 Criminal Justice BRB (Laws 2012, Chapter 302) required the department to award a contract for up to 500 male, medium-security private beds to open on January 1, 2014 and up to 500 more male, and medium-security beds to open on January 1, 2015. These contracts were to be awarded by September 1, 2012 from the 2,000-bed Request for Proposals (RFP) issued by the department in February 2012. On August 31, 2012, the department awarded the contract to Corrections Corporation of America (CCA) at a per diem rate of \$65.43 per bed. CCA will house these prisoners at their existing Red Rock Correctional Center in Eloy. The FY 2015 Criminal Justice BRB continues to prohibit the department from awarding the remainder of the 2,000 beds without legislative authorization.

Background – Monies in this line item are paid to private prison contractors for housing Arizona inmates in 7,538 beds under contract and operational by June 30, 2015. Private prison beds are permanent beds the department typically owns on average after a period of 20 years. ADC will own the facilities after a specified amount of time because the per diem rate includes a portion of the facilities’ purchasing cost. Administrative expenses related to private prison contracts are included in the department’s operating budget.

Inmate Health Care Contracted Services

The budget includes \$125,274,900 in FY 2015 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	115,274,900
Prison Construction and Operations Fund	10,000,000

These amounts are unchanged from FY 2015.

Background - Funding to reimburse the contractor is redirected from Health Care Personal Services, Employee Related Expenditures, and Health Care All Other Operating Expenditures as ADC only provides supervisory and administrative health care functions. Although the FY 2013 General Appropriation Act did not include the Inmate Health Care Contracted Services line item, the FY 2013 funding for the contract has been displayed in this line item for comparability.

As the population fluctuates, so will the cost of the contract. Additionally, the contract allows for annual price adjustments that could affect the per diem rate, which the department must approve. The contract does not allow price increases above the percent of change in the average medical consumer price index for the Phoenix Metro area. The department contracted with Corizon to provide inmate health care services effective March 4, 2013 at a per diem of \$10.10 per prisoner per day.

Additional Legislation

Budget Structure

The FY 2015 Criminal Justice BRB continues to require the department to report FY 2014 actual expenditures, FY 2015 estimated expenditures, and FY 2016 requested expenditure amounts for each line as delineated in the prior year when the department submits its FY 2016 budget request pursuant to A.R.S § 35-113.

Parole Eligibility

Laws 2014, Chapter 156 provides that a person sentenced to life in prison with the possibility of release after a minimum number of calendar years for an offense committed before 18 years of age is eligible for parole on completion of the minimum sentence regardless of whether the offense was committed on or after January 1, 1994. The expansion of parole opportunities to this small sub-population would have an unknown impact to future expenses.

Other Issues

Arizona State Prison (ASP)-Marana RFP

Since 1994, the department has contracted with Management and Training Corporation (MTC) to operate ASP-Marana, a self-standing 500-bed unit providing services to male, minimum-security inmates. ADC signed

a new 10-year contract with two 5-year renewals with MTC in October 2000.

Pursuant to a mutually-agreed-to June 2011 contract amendment, the contract permitted the department to purchase the Marana facility and the land on which it sits for \$150,000 on October 5, 2013 and the department notified MTC at the time of signing the amendment that it intended to purchase the Marana facility and issue an RFP to solicit bids to operate the Marana facility, a process open to MTC and other vendors. The JCCR favorably reviewed ADC’s plan to purchase the facility at its April 2, 2013 meeting. The purchase and transfer of the property was completed on October 4, 2013. A new contract was awarded to MTC with a per-diem of \$45.38. The new contract is a reduction of (7.5)% from the prior contracted rate and provides an estimated savings of \$666,000.

Inmate Growth Rate

At the end of April 2014, the average monthly growth for the previous 12 months was 104 inmates, and the population has 903 more inmates than at the end of FY 2013. The JLBC Staff assumes inmate growth of 67 prisoners per month in FY 2015, or approximately 800 annually (716 male inmates and 84 female inmates).

A breakdown of the annual population growth rate by custody and gender can be seen in *Table 1*. As with the overall growth rate, the rate assumptions by gender and custody level may need further revision.

<u>Custody</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
Minimum	96.0	36.0	132.0
Medium	253.2	31.2	284.4
Close	312.8	12.0	324.8
Maximum	54.0	4.8	58.8
Total	716.0	84.0	800.0

Bed Capacity

There are 2 methods of defining bed capacity:

- “Rated” beds: Beds originally designed for housing prisoners. This amount was 36,681 in public and private prisons on June 30, 2013 a decrease of 428 from the 37,109 on June 30, 2012. The decrease at the end of FY 2013 resulted from the closure of 348 rated minimum beds for efficiency and to open a community corrections center. The department also reassigned 80 rated maximum beds to a temporary classification that should not have been listed as rated beds. ADC added 500 medium rated beds with the opening of the private Red Rock facility in FY 2014, and will add 1,000 rated beds in FY 2015 with the second set of 500 medium private beds at Red Rock and the 500 new maximum beds at the ASPC-Lewis Rast Unit.

- Operating Capacity: “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. During FY 2013, the department reduced its total operating capacity by 179 beds, from 41,989 to 41,810. As of June 30, 2013, public and private prisons have a total of 5,129 temporary beds, an increase from 4,880 as of June 30, 2012. While the use of temporary beds stays the same in FY 2014, ADC projects 5,373 temporary beds in use at the end of FY 2015. They plan to reactivate 324 temporary beds at Cheyenne to meet growth needs and reassign 80 rated maximum beds to their classification as special beds given the opening of the new 500 maximum rated beds.

In addition to rated and temporary beds, special use beds are used for investigative detention, disciplinary isolation, maximum behavior control, mental health observation, or medical inpatient care. Due to their short-term usage, these beds are not counted as part of ADC’s operational capacity. The number of special use beds in public and private prisons was 1,553 as of June 30, 2013, 2 fewer beds than on June 30, 2012.

The department has flexibility in establishing or decommissioning beds (or shifting between inmate classification) as discussed in this section. As a result, a FY 2015 General Appropriation Act footnote continues to require the department to provide a report to the JLBC for its review regarding bed counts and reasons for changes in the number or classification of beds; this footnote also clarifies when the department needs to provide closure plans to the JLBC for its review after submitting the bed plan above. (*See the Footnotes section.*)

FY 2014 Bed Surplus/Shortfall

During FY 2013, the inmate population increased by 809 inmates. At the end of FY 2013, the department had a total rated bed shortfall of (4,005). After adjusting for the 5,129 temporary beds in the overall ADC system, the rated bed shortfall became a 1,124 bed surplus as shown in *Table 3*.

Presuming an annual growth rate of 800 inmates, the projected rated bed shortfall in FY 2014 is (4,305). Including the temporary beds, the shortfall becomes a 824 bed surplus. With either method of capacity, the opening of 500 new private medium beds partially offsets inmate growth. By June 30, 2015, the rated bed shortfall is projected at (4,105) and the operating capacity at 1,268. These projections reflect continued inmate growth offset by the addition of 1,000 rated beds and the reactivation of a net 244 temporary beds.

Bed shortfall estimates vary by level of security (e.g. minimum, medium, or maximum). While the overall operational capacity retains a surplus in FY 2014 and FY 2015, shortfalls are expected in male medium custody beds and close custody beds presuming the growth rates by

gender and classification show in *Table 1*. Including the opening of 1,000 private medium custody beds in FY 2014 and FY 2015, the re-designation of 800 medium custody beds to close custody, and the reactivation of 324 medium custody temporary beds at Yuma Cheyenne in FY 2015, the projected operational capacity shortfalls for male medium custody beds and close custody beds during FY 2013 to FY 2016 are shown in *Table 2*.

Authorized to reclassify beds, the agency projects that they will re-designate a net 1,384 medium custody beds during FY 2014 to FY 2016 as close custody beds to alleviate potential operational capacity shortfalls and to respond to the projected annual growth rate in this category of about 312 inmates. With these proposed changes, the operational capacity shortfalls tighten at the medium custody level. While the operational capacity as a whole shows a surplus, there is a potential for operational capacity shortfalls if growth continues to be concentrated at the male medium custody and close custody levels.

<u>Custody</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Minimum	563	467	371	275
Medium	(158)	(311)	(140)	(778)
Close	(151)	(64)	71	143
Maximum	<u>264</u>	<u>210</u>	<u>528</u>	<u>474</u>
Total	518	302	830	114

Department of Corrections Building Renewal Fund

An FY 2015 General Appropriation Act footnote allows the department to spend a portion of its total operating appropriation on capital projects in FY 2015 after seeking review of the expenditure by the Joint Committee on Capital Review pursuant to A.R.S. § 41-1252. *(Please see the Capital Budget - ADOA narrative for more information.)*

Arizona Inmate Management System

The budget includes FY 2015 transfers from Department funds associated with replacing the Adult Inmate Management System. *(Please see the Department of Administration - Automation Projects Fund section for details regarding this information technology project.)*

Table 3

Fiscal Year-End Operating Capacity

State	FY 2013 Actual			FY 2014 Estimate			FY 2015 Estimate		
	Rated	Temporary	Operating Capacity	Rated	Temporary	Operating Capacity	Rated	Temporary	Operating Capacity
Douglas	1,925	417	2,342	1,925	417	2,342	1,925	417	2,342
Eyman ^{1/}	4,024	1,254	5,278	4,024	1,254	5,278	4,024	1,174	5,198
Florence	3,440	677	4,117	3,440	677	4,117	3,440	677	4,117
Perryville	4,202	72	4,274	4,202	72	4,274	4,202	72	4,274
Phoenix	552	162	714	552	162	714	552	162	714
Lewis ^{2/}	4,604	752	5,356	4,604	752	5,356	5,104	752	5,856
Safford	1,453	316	1,769	1,453	316	1,769	1,453	316	1,769
Tucson	4,605	545	5,150	4,605	545	5,150	4,605	545	5,150
Winslow	1,626	216	1,842	1,626	216	1,842	1,626	216	1,842
Yuma ^{3/}	4,350	80	4,430	4,350	80	4,430	4,350	404	4,754
Subtotal	30,781	4,491	35,272	30,781	4,491	35,272	31,281	4,735	36,016
Private (Per Diem)									
Kingman (\$62.16)	3,400	108	3,508	3,400	108	3,508	3,400	108	3,508
Phoenix West (\$49.28)	400	100	500	400	100	500	400	100	500
Marana (\$49.03) ^{4/}	500	-	500	500	-	500	500	-	500
Florence West (\$44.95 - 55.79)	600	150	750	600	150	750	600	150	750
Florence II (\$67.22)	1,000	280	1,280	1,000	280	1,280	1,000	280	1,280
Eloy (\$65.43) ^{5/}	-	-	-	500	-	500	1,000	-	1,000
Subtotal	5,900	638	6,538	6,400	638	7,038	6,900	638	7,538
Total - All Beds ^{6/}	36,681	5,129	41,810	37,181	5,129	42,310	38,181	5,373	43,554
State Prison Population	34,190		34,190	34,490		34,490	34,790		34,790
Female	3,688		3,688	3,772		3,772	3,856		3,856
Male	30,502		30,502	30,718		30,718	30,934		30,934
Private Prison Population									
Male	6,496		6,496	6,996		6,996	7,496		7,496
Total Population ^{7/}	40,686		40,686	41,486		41,486	42,286		42,286
Bed Surplus/(Shortfall)	(4,005)		1,124	(4,305)		824	(4,105)		1,268
Male	(4,539)		518	(4,755)		302	(4,471)		830
Female	534		606	450		522	366		438
Bed Surplus / (Shortfall) (% of Beds)	-10%		3%	-10%		2%	-10%		3%

^{1/} During FY 2013, ADC redesignated 80 rated Eyman beds as temporary beds. During FY 2015, ADC plans to designate the beds as special use beds with the opening of the new 500 maximum-security beds resulting in a net loss of (80) temporary maximum-security beds.

^{2/} ADC will open 500 maximum-security beds at Lewis Rast in FY 2015.

^{3/} The department plans to reactivate 324 temporary male medium-security beds at Yuma Cheyenne in June 2015.

^{4/} The stated per diem changed with the new contract in October 2013.

^{5/} 500 medium-security private beds opened in January 2014, and another 500 beds are scheduled to open starting in January 2015.

^{6/} Excludes special use beds totaling 1,553 in FY 2013, 1,553 in FY 2014, 1,633 in FY 2015.

^{7/} The chart uses the Official Daily Count that includes prisoners in outside facilities and those awaiting transfer from county jail.

Board of Cosmetology

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	24.5	24.5	24.5
Personal Services	729,100	754,500	754,500
Employee Related Expenditures	330,300	330,300	330,800
Professional and Outside Services	266,300	266,300	266,300
Travel - In State	40,500	40,500	40,500
Travel - Out of State	8,000	10,000	10,000
Other Operating Expenditures	356,100	355,300	355,300
Equipment	27,600	27,600	27,600
AGENCY TOTAL	1,757,900	1,784,500	1,785,000^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board of Cosmetology Fund	1,757,900	1,784,500	1,785,000
SUBTOTAL - Other Appropriated Funds	1,757,900	1,784,500	1,785,000
SUBTOTAL - Appropriated Funds	1,757,900	1,784,500	1,785,000
TOTAL - ALL SOURCES	1,757,900	1,784,500	1,785,000

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

Operating Budget

The budget includes \$1,785,000 and 24.5 FTE Positions from the Board of Cosmetology Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$500 from the Board of Cosmetology Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

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

County Funding

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
FUND SOURCES			
General Fund	0	7,150,500	7,650,500
SUBTOTAL - Appropriated Funds	0	7,150,500	7,650,500
TOTAL - ALL SOURCES	0	7,150,500	7,650,500

AGENCY DESCRIPTION — The Arizona Department of Administration (ADOA) distributes these monies to counties for maintenance of county services.

Assistance to Counties

The budget includes \$7,650,500 from the General Fund in FY 2015 for assistance to counties. This amount funds the following adjustments:

Graham County

The budget includes an increase of \$500,000 from the General Fund in FY 2015 for additional assistance to Graham County.

These monies are appropriated to ADOA, and of the \$7,650,500 appropriation, \$7,150,500 is allocated equally among all counties with a population of less than 900,000 according to the 2010 Decennial Census. This includes all counties except Pima and Maricopa. Each county will receive \$550,038. An additional \$500,000 is allocated to Graham County. The appropriation is in a separate section of the General Appropriation Act apart from the main ADOA appropriation.

Table 1

County Assistance for 13 Counties

<u>County</u>	<u>2010 Decennial Census Population</u>
Pinal	375,770
Yavapai	211,033
Mohave	200,186
Yuma	195,751
Coconino	134,421
Cochise	131,346
Navajo	107,449
Apache	71,518
Gila	53,597
Santa Cruz	47,420
Graham	37,220
La Paz	20,489
Greenlee	8,437
Total	1,594,637

Arizona Criminal Justice Commission

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	8.0	9.0	9.0
Personal Services	411,200	420,100	420,100
Employee Related Expenditures	151,800	143,100	143,700
Professional and Outside Services	60,600	194,600	194,600
Travel - In State	4,400	7,800	7,800
Travel - Out of State	4,400	9,000	9,000
Other Operating Expenditures	72,000	110,500	110,800
Equipment	2,700	3,000	3,000
OPERATING SUBTOTAL	707,100	888,100	889,000
SPECIAL LINE ITEMS			
State Aid to County Attorneys	973,600	973,600	973,600
Victim Compensation and Assistance	3,495,300	4,092,500	4,092,500
AGENCY TOTAL	5,176,000	5,954,200	5,955,100^{1/}

FUND SOURCES

<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	572,000	649,200	650,100
Drug and Gang Prevention Resource Center Fund	135,100	238,900	238,900
State Aid to County Attorneys Fund	973,600	973,600	973,600 ^{2/}
Victim Compensation and Assistance Fund	3,495,300	4,092,500	4,092,500 ^{3/}
SUBTOTAL - Other Appropriated Funds	5,176,000	5,954,200	5,955,100
SUBTOTAL - Appropriated Funds	5,176,000	5,954,200	5,955,100
Other Non-Appropriated Funds	5,924,900	6,100,900	6,100,900
Federal Funds	11,420,100	11,992,400	6,694,400
TOTAL - ALL SOURCES	22,521,000	24,047,500	18,750,400

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 budget includes \$889,000 and 9 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
CJEF	\$650,100
Drug and Gang Prevention Resource Center Fund	238,900

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$900 from the Criminal Justice Enhancement Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

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

^{2/} All State Aid to the County Attorneys Fund receipts received by the Arizona Criminal Justice Commission in excess of \$973,600 in FY 2015 are appropriated to the State Aid to the County Attorney Program. Before the expenditure of any State Aid to the County Attorneys Fund receipts in excess of \$973,600, the Arizona Criminal Justice Commission shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

^{3/} All Victim Compensation and Assistance receipts received by the Arizona Criminal Justice Commission in excess of \$4,092,500 in FY 2015 are appropriated to the Crime Victims Program. Before the expenditure of any Victim Compensation and Assistance receipts in excess of \$4,092,500 in FY 2015, the Arizona Criminal Justice Commission shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

State Aid to County Attorneys

The budget includes \$973,600 from the State Aid to County Attorneys Fund in FY 2015 for State Aid to County Attorneys. This amount is unchanged from FY 2014.

This line item provides funding for the various offices of county attorneys throughout Arizona to improve the processing of criminal cases. The line item receives funds from a 15.44% allocation of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations and a portion of the monies collected by the Supreme Court and Court of Appeals. The Arizona Criminal Justice Commission (ACJC) is required to distribute the monies to each county based on a composite index formula using Superior Court felony filings and county population.

Victim Compensation and Assistance

The budget includes \$4,092,500 from the Victim Compensation and Assistance Fund in FY 2015 for Victim Compensation and Assistance. This amount is unchanged from FY 2014.

This line item provides funding for 2 crime victim grant programs: the Victim Compensation Program and the Victim Assistance Program. Victim compensation monies are distributed to county compensation boards that award cash compensation to crime victims for specified expenses resulting from their victimization. Revenues for victim compensation grant monies come from 3 sources: 4.6% CJEF distribution, inmate work fees, and unclaimed victim restitution. Victim assistance monies are granted to local government and not-for-profit agencies on a competitive basis and are used for operating expenses related to their victim assistance programs. Revenues for victim assistance grants come from community supervision fees and interstate compact fees.

Other Issues

Indigent Defense

The FY 2015 budget includes an \$800,000 appropriation from the State Aid to Indigent Defense Fund to the Attorney General to fund capital postconviction prosecutions for the state and a \$700,000 appropriation from the State Aid to Indigent Defense Fund to the Department of Public Safety (DPS) for operational costs associated with the Arizona Counter Terrorism Information Center. The appropriation to the Attorney General represents an increase of \$300,000 above the FY 2014 level. The Criminal Justice Budget Reconciliation Bill (Laws 2014, Chapter 12) permits the Attorney General and DPS to use the State Aid to Indigent Defense monies for those purposes.

The FY 2014 budget included a \$500,000 appropriation from the State Aid to Indigent Defense Fund to fund capital postconviction prosecutions for the state. Laws 2013, 1st Special Session, Chapter 5 permitted the Attorney General to use State Aid to Indigent Defense Fund monies for this purpose. The FY 2014 General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) directed the Attorney General to submit a report by November 1, 2013 to the JLBC for review of its plan to transition these responsibilities to Maricopa County during the next 4 years. The Committee, at its December 2013 meeting, gave neither a favorable nor unfavorable review.

The State Aid to Indigent Defense Fund receives funding from a 14.66% allocation of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations and a portion of the monies collected by the Supreme Court and Court of Appeals.

Prior to FY 2012, ACJC was required to distribute the Indigent Defense monies to each county based on a composite index formula using Superior Court felony filings and county population. Laws 2011, Chapter 308 transferred these monies in FY 2012 to DPS's Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount. Chapter 308 intended the use of these monies in DPS as one-time. No funds were appropriated from this fund for FY 2013. The FY 2013 year-end balance was \$935,000 and the fund is expected to receive \$907,800 in revenues in FY 2014. The projected FY 2014 year-end fund balance, including the appropriation to the Attorney General, is \$1,259,300. The projected FY 2015 year-end fund balance, including the appropriations to the Attorney General and DPS, is \$664,600.

Arizona State Schools for the Deaf and the Blind

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
PROGRAM BUDGET			
Administration/Statewide Programs	2,779,400	3,778,500	5,643,200
Phoenix Day School for the Deaf	9,902,500	10,336,100	10,002,300
Preschool/Outreach Programs	4,927,800	5,554,300	4,256,600
Regional Cooperatives	1,006,200	832,400	832,800
Tucson Campus	14,455,700	14,879,500	14,353,200
AGENCY TOTAL	33,071,600	35,380,800	35,088,100
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	541.2	541.2	541.2
Personal Services	17,053,200	19,151,500	18,869,900
Employee Related Expenditures	8,290,600	9,328,600	9,219,300
Professional and Outside Services	1,959,700	2,202,700	2,373,700
Travel - In State	43,700	24,000	44,000
Travel - Out of State	18,700	13,000	17,000
Food	64,400	65,000	65,000
Other Operating Expenditures	4,335,700	3,308,100	3,495,800
Equipment	589,100	549,900	569,600
OPERATING SUBTOTAL	32,355,100	34,642,800	34,654,300
SPECIAL LINE ITEMS			
Replace Network Core Infrastructure	0	0	695,800
School Bus Replacement	716,500	738,000	738,000
Voucher Fund Adjustment	0	0	(1,000,000)
AGENCY TOTAL	33,071,600	35,380,800	35,088,100^{1/}
FUND SOURCES			
General Fund	19,775,500	21,795,300	22,497,900
<u>Other Appropriated Funds</u>			
Schools for the Deaf and the Blind Fund	13,296,100	13,585,500	12,590,200 ^{2/}
SUBTOTAL - Other Appropriated Funds	13,296,100	13,585,500	12,590,200
SUBTOTAL - Appropriated Funds	33,071,600	35,380,800	35,088,100
Other Non-Appropriated Funds	7,758,500	19,655,300	19,655,300
Federal Funds	1,771,900	2,072,600	2,072,600
TOTAL - ALL SOURCES	52,602,000	57,108,700	56,816,000

AGENCY DESCRIPTION — The Arizona State Schools for the Deaf and the Blind (ASDB) provides comprehensive educational programs for students with sensory impairments from birth to age 22. ASDB has 2 main campuses, a day school in Phoenix and a residential campus 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 on average 2,208 children: 460 students in the K-12 programs (177 in Tucson and 283 in Phoenix), 112 children in preschools, 444 infant/toddlers in regional areas, and 1,192 children through the 5 existing regional cooperatives.

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

^{2/} Before the expenditure of any Schools for the Deaf and the Blind Fund monies in excess of \$12,585,500 in FY 2015, the Arizona State Schools for the Deaf and the Blind shall report to the Joint Legislative Budget Committee the intended use of the funds. (General Appropriation Act footnote)

Operating Budget

The budget includes \$34,654,300 and 541.2 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$21,064,100
Schools for the Deaf and the Blind Fund	13,590,200

These amounts fund the following adjustments:

Assistive Technology Devices

The budget includes no change in funding from the General Fund in FY 2015 for assistive technology devices. The budget includes a total of \$253,100 from the General Fund in FY 2015 for assistive technology devices. Assistive technology devices may 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 Blind Children

The budget maintains funding in FY 2015 for the preschool program at the Foundation for Blind Children at the previously appropriated level of \$1,054,100.

Appropriation Shift

The budget includes a shift of \$1,167,100 in General Fund appropriations from the Phoenix Day School, the Preschool Outreach, and the Tucson Campus programs to the Administration/Statewide program in FY 2015 to align appropriations with historical and projected expenditures for each program. The shift results in no net change in the overall ASDB General Fund budget. The following amounts were transferred from these programs: Phoenix Day School, \$(336,900); Preschool Outreach, \$(299,000); Tucson Campus, \$(531,200).

Statewide Adjustments

The budget includes an increase of \$11,500 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	\$6,800
Schools for the Deaf and the Blind Fund	4,700

(Please see the Agency Detail and Allocations section.)

Replace Network Core Infrastructure

The budget includes \$695,800 from the General Fund in FY 2015 for Replace Network Core Infrastructure Special Line Item. This amount funds the following adjustments:

One-Time Appropriation

The budget includes a one-time increase of \$695,800 from the General Fund in FY 2015 to replace network core infrastructure at the Tucson and Phoenix campuses.

Monies in this line-item shall be used to complete core network system replacement at the Tucson and Phoenix campuses. The current system is experiencing internal component failure and running at 40% capacity. The agency received Project Investment Justification approval from Arizona Strategic Enterprise Technology (ASET) to replace the core network system.

School Bus Replacement

The budget includes \$738,000 from the General Fund in FY 2015 for School Bus Replacement. This amount is unchanged from FY 2014.

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

Voucher Fund Adjustment

The budget includes \$(1,000,000) from the Schools for the Deaf and the Blind Fund in FY 2015 for a Voucher Fund Adjustment. This amount funds the following adjustments:

Realign ASDB Fund Expenditures With Revenue

The budget includes a decrease of \$(1,000,000) from the ASDB Fund in FY 2015 in order to align the fund's appropriation with expected revenues. Fund revenues are expected to decrease due to a decline in student enrollment compared to the original FY 2014 appropriation. ASDB's original FY 2014 appropriation was based on an enrollment of 646 students. In comparison, actual FY 2014 enrollment is now projected to be 583. ASDB is projected to receive approximately \$12,585,000 in special education voucher funding in FY 2014, which would be \$(1,000,000) below the appropriated level in FY 2014. Enrollment and voucher funding is expected to remain at the revised FY 2014 level in FY 2015.

These estimates include adjustments for K-12 "base level" inflation and are based on enrollment trends shown in *Table 1*. *(Please see Other Issues for additional enrollment information.)*

Background – Special education voucher monies in the ASDB Fund represent ASDB's reimbursement from the Arizona Department of Education (ADE) for educational costs based on its enrollment. As with school districts, ASDB's ADE funding is determined by statutory formula.

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

Other Issues

Enrollment Projections

Table 1 shows average annual enrollment totals for ASDB's Tucson, Phoenix, and Preschool campuses. FY 2014 numbers are estimates. Current monthly enrollment data shows a substantial decrease in FY 2014 in ASDB's preschool population. This may be due in part to A.R.S. § 15-771, passed in FY 2013, which allows charter schools to provide education programs for preschool children with disabilities. The budget assumes that FY 2015 enrollment levels will be unchanged from FY 2014.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>Revised FY 2014</u>
Tucson	190	192	192
Phoenix	283	277	277
Preschool	<u>168</u>	<u>149</u>	<u>114</u>
Total	641	618	583^{1/}

^{1/} Enrollment projection as of November, 2013

Commission for the Deaf and the Hard of Hearing

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	15.0	15.0	15.0
Personal Services	772,800	942,000	942,000
Employee Related Expenditures	292,100	354,000	354,600
Professional and Outside Services	200,400	625,100	625,100
Travel - In State	13,400	17,000	17,000
Travel - Out of State	6,400	10,800	10,800
Other Operating Expenditures	1,787,900	1,630,400	1,874,600
Equipment	162,300	197,100	197,100
AGENCY TOTAL	3,235,300	3,776,400	4,021,200^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Telecommunication Fund for the Deaf	3,235,300	3,776,400	4,021,200
SUBTOTAL - Other Appropriated Funds	3,235,300	3,776,400	4,021,200
SUBTOTAL - Appropriated Funds	3,235,300	3,776,400	4,021,200
Other Non-Appropriated Funds	0	3,500	0
TOTAL - ALL SOURCES	3,235,300	3,779,900	4,021,200

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

Operating Budget

The budget includes \$4,021,200 and 15 FTE Positions from the Telecommunication Fund for the Deaf in FY 2015 for the operating budget. These amounts fund the following adjustments:

Modernization of Agency Business Systems

The budget includes an increase of \$239,000 from the Telecommunication Fund for the Deaf in FY 2015 for the enhancement of the agency's online customer servicing and internal business process management. The total amount includes \$220,000 for one-time development expenses.

Statewide Adjustments

The budget includes an increase of \$5,800 from the Telecommunications Fund for the Deaf in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

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

State Board of Dental Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	464,000	547,300	547,300
Employee Related Expenditures	194,500	153,700	154,000
Professional and Outside Services	170,300	299,200	299,200
Travel - In State	2,900	3,200	3,200
Travel - Out of State	3,700	5,500	5,500
Other Operating Expenditures	166,500	182,200	182,200
Equipment	27,100	23,700	23,700
AGENCY TOTAL	1,029,000	1,214,800	1,215,100^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Dental Board Fund	1,029,000	1,214,800	1,215,100
SUBTOTAL - Other Appropriated Funds	1,029,000	1,214,800	1,215,100
SUBTOTAL - Appropriated Funds	1,029,000	1,214,800	1,215,100
TOTAL - ALL SOURCES	1,029,000	1,214,800	1,215,100

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

Operating Budget

The budget includes \$1,215,100 and 11 FTE Positions from the Dental Board Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$300 from the Dental Board Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

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

Arizona Early Childhood Development and Health Board

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	146,867,300	185,427,400	180,974,500
TOTAL - ALL SOURCES	146,867,300	185,427,400	180,974,500

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

Background

Early Childhood Development and Health Fund

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

Of the annual Program Account budget set by the board each year, 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 the amount made available to regions, 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. The board uses its discretion to allocate the other 20.2% to regions.

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 2013, the board's revenues were \$134,055,900 and expenditures were \$146,867,300. In FY 2014, the board expects to collect \$129,598,300 in revenues and expend \$185,427,400. Of this FY 2014 spending amount, \$169,456,600 and \$14,572,500 will be from the Program Account and the Administrative Account, respectively, plus \$1,398,300 from non-tax sources. In FY 2014, the board's expenditure plan includes \$14,572,500 for administration, \$14,528,300 for statewide grants, and \$156,326,600 for regional grants. These estimates were as of October 7, 2013. The board was not able to provide any updated information.

The above expenditures leave the fund with a projected balance of \$365,797,300 at the end of FY 2014. The board's large balance is a result of the initiative's language, which called for the approval of grants to Regional Partnership Councils to begin in May 2009. The delay between the beginning of revenue collections in FY 2007 and the implementation of regional grants has allowed the board to accrue a significant balance. The board intends to use the balance in future years to offset ongoing revenue losses that may occur if tobacco use (and the corresponding tax collections) continues to decline.

Department of Economic Security

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,055.1	3,924.6	3,882.6 ^{1/}
Personal Services	74,082,200	85,965,000	84,599,100
Employee Related Expenditures	34,539,600	39,624,000	38,997,600
Professional and Outside Services	19,396,800	21,766,900	21,718,200
Travel - In State	1,016,200	1,122,400	1,173,600
Travel - Out of State	40,600	36,800	36,300
Other Operating Expenditures	45,414,700	52,978,000	51,383,800
Equipment	4,390,300	4,199,500	4,775,800
OPERATING SUBTOTAL	178,880,400	205,692,600	202,684,400 ^{2/3/4/}
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	20,301,200	10,673,500	11,141,400
Aging and Adult Services			
Adult Services	7,924,100	6,924,100	7,924,100
Community and Emergency Services	3,724,000	3,724,000	3,724,000
Coordinated Homeless	2,522,600	2,522,600	2,522,600
Domestic Violence Prevention	12,123,700	12,123,700	12,123,700 ^{5/6/}
Homeless Capital Grant	0	0	500,000 ^{7/}
Long Term Care Assisted Living	0	0	300,000 ^{8/}
Benefits and Medical Eligibility			
TANF Cash Benefits	47,491,400	44,999,400	44,999,400
Coordinated Hunger	1,754,600	1,754,600	1,754,600
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
Child Support Enforcement			
County Participation	6,049,300	8,600,200	6,740,200
Developmental Disabilities ^{9/10/11/12/}			
Case Management - Medicaid	44,095,900	47,727,500	47,761,700
Home and Community Based Services - Medicaid	630,432,900	764,575,500	824,215,000
Institutional Services - Medicaid	17,553,100	17,416,500	18,966,900
Medical Services - Medicaid	120,148,000	127,287,600	138,602,400
Arizona Training Program at Coolidge - Medicaid	16,091,500	15,903,500	15,912,300
Medicare Clawback Payments	2,848,400	3,072,000	2,902,400
Case Management - State Only	2,846,000	3,926,600	3,928,600
Home and Community Based Services - State Only	18,515,300	33,443,400	21,296,700
State-Funded Long Term Care Services	29,428,100	26,527,900	26,554,800
Autism Parenting Skills - Rural Areas	0	0	300,000 ^{13/}
Employment and Rehabilitation Services			
JOBS	12,772,700	13,005,600	11,005,600
Child Care Subsidy	96,685,000	130,396,600	98,396,600 ^{14/}
Rehabilitation Services	3,499,100	4,799,100	4,799,100
Independent Living Rehabilitation Services	1,239,400	1,289,400	1,289,400
Workforce Investment Act Services	47,475,100	51,654,600	53,654,600 ^{15/}
AGENCY TOTAL	1,329,082,100	1,542,720,800	1,568,680,800 ^{16/-18/}
FUND SOURCES			
General Fund	425,157,800	460,072,500	479,290,300 ^{19/20/}
Other Appropriated Funds			
Child Support Enforcement Administration Fund	10,049,300	16,787,400	16,802,200 ^{4/}
Domestic Violence Shelter Fund	2,220,000	2,220,000	2,220,000 ^{5/6/}
Federal CCDF Block Grant	107,671,200	130,769,700	103,773,600
Federal TANF Block Grant	88,370,300	90,216,100	86,727,700 ^{20/}
Long Term Care System Fund (Non-Federal Matched)	49,248,800	59,724,300	31,225,400 ^{21/}

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
Public Assistance Collections Fund	18,800	427,000	427,200
Special Administration Fund	1,129,900	2,829,900	2,830,600
Spinal and Head Injuries Trust Fund	1,861,100	1,874,700	1,874,900
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	51,306,800	56,060,000	56,060,800 ^{15/}
SUBTOTAL - Other Appropriated Funds	311,876,200	361,909,100	302,942,400
SUBTOTAL - Appropriated Funds	737,034,000	821,981,600	782,232,700
Expenditure Authority Funds			
Child Support Enforcement Administration Fund (EA)	32,559,000	40,397,800	40,409,800
Long Term Care System Fund (Federal Match)	559,489,100	680,341,400	746,038,300 ^{21/}
SUBTOTAL - Expenditure Authority Funds	592,048,100	720,739,200	786,448,100
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,329,082,100	1,542,720,800	1,568,680,800
Other Non-Appropriated Funds	453,905,600	563,708,300	315,036,800
Federal Funds	747,562,200	584,695,800	482,154,400
TOTAL - ALL SOURCES	2,530,549,900	2,691,124,900	2,365,872,000

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 Adult Services; and Employment and Rehabilitation Services.

- 1/ Includes 460.5 GF, 146.8 OF, and 1,120.6 EA FTE Positions funded from Special Line Items in FY 2015.
- 2/ In accordance with A.R.S. § 35-142.01, the Department of Economic Security shall remit to the Department of Administration any monies received as reimbursement from the federal government or any other source for the operation of the Department of Economic Security West Building and any other building lease-purchased by the State of Arizona in which the Department of Economic Security occupies space. The Department of Administration shall deposit these monies in the state General Fund. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- 3/ The Operating Lump Sum Appropriation may be expended on Arizona Health Care Cost Containment System eligibility determinations based on the results of the Arizona random moment sampling survey. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- 4/ All state shares of retained earnings, fees and federal incentives above \$16,802,200 received by the Division of Child Support Enforcement are appropriated for operating expenditures. New full-time equivalent positions may be authorized with the increased funding. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of the monies to the Joint Legislative Budget Committee. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- 5/ 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. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- 6/ 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 on or before December 15, 2014. The report must include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- 7/ The sum of \$500,000 is appropriated from the state General Fund in FY 2015 to the Department of Economic Security for distribution as a homeless capital grant to a faith-based facility that provides services, including substance abuse treatment, behavioral medicine treatment and job training, to those facing hunger and homelessness in a city with a population of more than 1,000,000 persons according to the 2010 United States decennial census. (General Appropriation Act footnote)
- 8/ The sum of \$300,000 is appropriated from the state General Fund in FY 2015 to the Department of Economic Security for Long-Term Care Assisted Living. The department shall provide the services in a county with a population of less than 500,000 persons according to the 2010 decennial census. (General Appropriation Act footnote)
- 9/ It is the intent of the Legislature that the Department of Economic Security increase home and community based service provider rates by 2% above the June 30, 2014 rate beginning on July 1, 2014. The 2% provider rate increase for home and community based service provider rates may not be used for any administrative costs of the Department of Economic Security. It is the intent of the Legislature that the Department of Economic Security not reduce any developmentally disabled provider rates in order to fund increases for other developmentally disabled provider service rates. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- 10/ The department shall report to the Joint Legislative Budget Committee on or before 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 may not be more than 2%. Before implementation of any changes in capitation rates for the Long Term Care program, the department shall submit a report 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 more for a given fiscal year, the department shall submit the policy changes for review by the Joint Legislative Budget Committee. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- 11/ Before 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 must include, at a minimum, the estimated cost of the provider rate adjustment and the ongoing source of funding for the adjustment, if applicable. (Laws 2014, 2nd Special Session, Chapter 2 footnote)

Summary

The Department of Economic Security's (DES) FY 2015 General Fund spending increased by \$19,217,800, or 4.2% above the adjusted FY 2014 appropriation. The FY 2014 base has been adjusted to reflect the transfer of the Division of Child Safety and Family Services to the new Department of Child Safety.

The \$19,217,800 in changes include:

DD Formula Adjustments

- \$6,636,300 for new FY 2015 Developmentally Disabled (DD) Medicaid formula changes. This also funds a 2% DD capitation rate increase in FY 2015.
- \$1,000,000 for Arizona Early Intervention program caseload growth.

LTCSF Backfill

- \$29,205,900 for the backfill of one-time Long Term Care System Fund (LTCSF) monies that are no longer available.

Other

- \$(21,786,100) for a transfer of resources to the new Department of Child Safety
- \$3,000,000 for 37 Adult Protective Services staff.
- \$300,000 for a new Autism Parenting Skills program in rural areas
- \$300,000 for a new Long Term Care Assisted Living Program in counties other than Maricopa and Pima.
- \$500,000 for a new Homeless Capital Grant Program.
- \$61,700 for statewide adjustments.

- 12/ 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 2015 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 persons with developmental disabilities, was deemed as the most appropriate placement. The department shall also report if no new placements were made. The department shall make this report available on or before July 15, 2015. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- 13/ The appropriation for Autism Parenting Skills - Rural Areas is for training parents in counties with a population of less than 500,000 persons according to the 2010 United States decennial census to provide intensive behavioral treatment to children with autism who are younger than 5 years of age. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- 14/ It is the intent of the Legislature that the combined number of children authorized pursuant to A.R.S. § 46-803D and F, be maintained throughout the year at a minimum of 8,500 children. The department shall prioritize child care assistance for families who qualify for assistance pursuant to A.R.S. § 46-803F on the waiting lists established pursuant to A.R.S. § 46-803I. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- 15/ All Federal Workforce Investment Act monies that are received by this state in excess of \$56,060,800 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 \$56,060,800 to the Joint Legislative Budget Committee. (Laws 2014, 2nd Special Session, Chapter 2 footnote, as adjusted for statewide allocations)
- 16/ The above appropriations are in addition to funds granted to the state by the federal government for the same purposes but are 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. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- 17/ The Department of Economic Security shall forward a monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals 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 on or before the 30th of the following month. The report must include an estimate of potential shortfalls in entitlement programs and potential federal and other funds, such as the statewide assessment for indirect costs, and a 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. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- 18/ General Appropriation Act fund are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 19/ Laws 2013, 1st Special Session, Chapter 1 appropriated \$35,000,000 from the General Fund in FY 2015 to account for the deferral of FY 2014 payments into FY 2015 so that \$35,000,000 does not appear in the FY 2015 General Appropriation Act. A total of \$21,000,000 was appropriated to DES and \$14,000,000 to line items that are now part of the new Department of Child Safety. Laws 2014, Chapter 18 as amended by Laws 2014, 2nd Special Session, Chapter 2, appropriates \$21,000,000 in FY 2016 to reflect the deferral of FY 2015 payments to FY 2016.
- 20/ Any Federal Temporary Assistance for Needy Families Block Grant monies received in FY 2015, including the beginning balance, by the Department of Economic Security in excess of \$218,705,400 is appropriated to the department in FY 2015. For every dollar the Department of Economic Security receives in Federal Temporary Assistance for Needy Families Block Grant monies in FY 2015 in excess of the \$218,705,400 appropriated to the Department of Economic Security and the Department of Child Safety, minus any FY 2014 revertsments expected to be spent as administrative adjustments in FY 2015, the state General Fund appropriations for the Department of Economic Security and the Department of Child Safety are proportionally reduced by a corresponding dollar amount. The Department of Economic Security shall report to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on or before September 1, 2014 its estimate of how much of the FY 2014 revertsments of the Department of Economic Security and the Department of Child Safety will be spent as administrative adjustments in FY 2015 and excluded from the total amount of Federal Temporary Assistance for Needy Families Block Grant monies. On or before June 30, 2015, the Department of Economic Security shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of state General Fund monies, if any, that will not be expended under this provision. (Laws 2014, 2nd Special Session, Chapter 2 footnote)
- 21/ All monies in the Long Term Care System Fund unexpended and unencumbered at the end of FY 2015 revert to the state General Fund, subject to approval by the Arizona Health Care Cost Containment System Administration. (Laws 2014, 2nd Special Session, Chapter 2 footnote)

Creation of the Department of Child Safety

Executive Order 2014-01, signed by the Governor on January 13, 2014, abolished the Division of Children, Youth and Families within DES, and established the Division of Child Safety and Family Services (DCSFS) as an independent cabinet-level agency.

The Director of the Division reported directly to the Governor, and oversaw all administrative, programmatic, and management functions of the state child welfare program, including Child Protective Services (CPS), foster care, adoption, and the Comprehensive Medical and Dental Program.

After the 2nd Regular Session adjourned in April 2014, the Legislature met in special session in May 2014 to consider further changes to DCSFS. Laws 2014, 2nd Special Session, Chapter 1 formally removed DCSFS from DES and created a new stand-alone child welfare agency, the Department of Child Safety (DCS). Chapter 2 repealed the FY 2015 DES appropriation as approved in the 2nd Regular Session and replaced it with new appropriations to DCS and DES.

Chapter 2 transferred the following funding from DES to DCS:

- \$290,631,900 in General Fund and \$725,588,400 in total expenditure authority from the DCSFS appropriation in the DES FY 2015 General Appropriation Act to DCS.
- \$21,786,100 in General Fund and \$65,896,300 in total expenditure authority from non-DCSFS funding in the DES budget (*see Other Issues for more information*) to DCS.

Operating Budget

The budget includes \$202,684,400 and 2,154.7 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	<u>FY 2015</u>
General Fund	\$93,468,000
Child Support Enforcement Administration Fund	13,243,900
Child Support Enforcement Administration Fund (EA)	27,556,300
Federal Temporary Assistance for Needy Families (TANF) Block Grant	16,798,500
Federal Child Care and Development Fund (CCDF) Block Grant	12,077,100
Long Term Care System Fund (EA)	33,532,300
Public Assistance Collections Fund	335,600
Special Administration Fund	1,719,700
Spinal and Head Injuries Trust Fund	546,800
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,406,200

These amounts fund the following adjustments:

Pinal County Child Support

The budget includes an increase of \$1,209,000 in FY 2015 to realign funds so that Pinal County can transfer operation of the child support enforcement function back to the state. This amount consists of:

Child Support Enforcement Administration Fund	169,000
Child Support Enforcement Administration Fund (EA)	1,040,000

Counties have the option to run their own child support enforcement program, and if a county decides not to operate the program, the state will run it. The state began operating Pinal County's Child Support Enforcement program in July 2013.

(Please see the FY 2015 adjustments in the Attorney General Legal Services line item and County Participation line item in the Division of Child Support Enforcement for corresponding information.)

Funding Realignment

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2015 to move funding from the operating budget to the Adult Services line item. This funding shift eliminates the need for an annual appropriation transfer between these 2 line items, showing where the \$1,000,000 is actually used. There is no change in the agency's overall budget.

Adult Protective Services Staff

The budget includes an increase of \$3,000,000 and 37 FTE Positions from the General Fund in FY 2015 for additional Adult Protective Services (APS) staff. APS staff respond to reports of abuse, neglect and exploitation of vulnerable and incapacitated adults and offer appropriate services. APS reports grew by 27% in FY 2013. The additional APS staff will increase the number of cases the agency is able to investigate.

Transfer to DCS

The budget includes a decrease of \$(6,310,000) and (75.8) FTE Positions in FY 2015 for a transfer of resources to the new Department of Child Safety. This amount consists of:

General Fund	(2,845,700)
Federal TANF Block Grant	(3,464,300)

(Please see DCS Transfers in Other Issues.)

Statewide Adjustments

The budget includes an increase of \$92,800 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	40,800
Child Support Enforcement Administration Fund	11,800

Child Support Enforcement Administration Fund (EA)	12,000
Federal TANF Block Grant	22,400
Federal CCDF Block Grant	3,900
Public Assistance Collections Fund	200
Special Administration Fund	700
Spinal and Head Injuries Trust Fund	200
Workforce Investment Act Grant	800

(Please see the Agency Detail and Allocations section.)

Administration

Attorney General Legal Services

The budget includes \$11,141,400 and 156.9 FTE Positions in FY 2015 for Attorney General Legal Services. These amounts consist of:

General Fund	1,237,400
Child Support Enforcement Administration Fund	2,479,200
Federal TANF Block Grant	123,100
Federal CCDF Block Grant	17,700
Federal Expenditure Authority	7,192,400
Public Assistance Collections Fund	91,600

These amounts fund the following adjustments:

Pinal County Child Support

The budget includes an increase of \$651,000 in FY 2015 to realign funds so that Pinal County can transfer operation of the child support enforcement function back to the state. This amount consists of:

Child Support Enforcement Administration Fund	91,000
Child Support Enforcement Administration Fund (EA)	560,000

(Please see the FY 2015 adjustments in the Operating Budget and the County Participation Special Line Item in the Division of Child Support Enforcement for corresponding information.)

Transfer to DCS

The budget includes a decrease of \$(187,200) and (3.2) FTE positions in FY 2015 for a transfer of resources to the new Department of Child Safety. This amount consists of:

General Fund	(140,400)
Federal TANF Block Grant	(46,800)

(Please see DCS Transfers in Other Issues)

Statewide Adjustments

The budget includes an increase of \$4,100 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	800
Child Support Enforcement Administration Fund	3,000
Federal TANF Block Grant	300

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

Aging and Adult Services

Adult Services

The budget includes \$7,924,100 from the General Fund in FY 2015 for Adult Services. This amount funds the following adjustments:

Funding Realignment

The budget includes an increase of \$1,000,000 from the General Fund in FY 2015 to move funding from the operating budget to the Adult Services line item. This funding shift eliminates the need for an annual appropriation transfer between these 2 line items, showing where the \$1,000,000 is actually used. There is no change in the agency's overall budget.

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

Services	FY 2015
Adult Protective Contracted Services	\$ 295,100
Supplemental Payments	104,400
Home Care	3,882,300
Older Americans Act	1,613,700
Assessments and Case Management	1,566,600
Respite Care	462,000
Total	\$7,924,100

Community and Emergency Services

The budget includes \$3,724,000 from the Federal TANF Block Grant in FY 2015 for Community and Emergency Services. This amount is unchanged from FY 2014.

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 2013, this line item provided short-term crisis services to 1,882 households, energy assistance to 39,430 households, and 11,167 households participated in telephone discount programs.

Coordinated Homeless

The budget includes \$2,522,600 in FY 2015 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 2014.

In FY 2013, this line item provided emergency shelter services to 13,408 individuals and transitional shelter services to 1,866 individuals.

Domestic Violence Prevention

The budget includes \$12,123,700 in FY 2015 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 2014.

In FY 2013, this line item, along with non-appropriated funds, served approximately 8,916 women and children in emergency shelters, 322 women and children in transitional housing, and 11,171 victims with legal and lay legal advocacy.

Homeless Capital Grant

The budget includes \$500,000 from the General Fund in FY 2015 for a new Homeless Capital Grant line item. This amount funds the following adjustments:

Homeless Capital Grant

The budget includes an increase of \$500,000 from the General Fund in FY 2015 for a new Homeless Capital Grant.

Monies in this line item fund a grant to a faith-based facility located in Phoenix that provide homelessness services, including substance abuse treatment, behavioral medicine treatment, and job training.

Long Term Care Assisted Living

The budget includes \$300,000 from the General Fund in FY 2015 for a new Long Term Care Assisted Living line item. This amount funds the following adjustments:

Long Term Care Assisted Living

The budget includes an increase of \$300,000 from the General Fund in FY 2015 for a new Long Term Care Assisted Living grant.

Monies in this line item fund long term care assisted living services in a county with a population of less than 500,000 people.

Benefits and Medical Eligibility

TANF Cash Benefits

The budget includes \$44,999,400 from the Federal TANF Block Grant in FY 2015 for TANF Cash Benefits. This amount is unchanged from FY 2014.

The appropriation funds a regular TANF Cash Benefits caseload of approximately 36,263 state-funded recipients each month at a cost of \$91 per recipient and a monthly Grant Diversion caseload of 568 at a cost of \$792 per case. As of March 2014, however, the program had a TANF Cash Benefits caseload of 28,003 state-funded individual recipients at an average cost of about \$91 per recipient and a Grant Diversion caseload of 568 at an average cost of \$792 per case. The TANF Grant Diversion Program's purpose is to divert applicants from receiving long term regular TANF Cash Benefits by offering immediate, one-time assistance to resolve a financial crisis.

The FY 2015 Health and Welfare Budget Reconciliation Bill (BRB) includes a session law provision continuing to require recipients of TANF Cash Benefits pass a drug test in order to be eligible for benefits if DES has reasonable cause to believe that the recipient uses illegal drugs.

Monies in this line item provide financial assistance on a temporary basis to dependent children in their own homes, or in the homes of responsible caretaker relatives. There is a 24-month cumulative lifetime time limit on regular TANF Cash Benefits. Financial eligibility is currently set at 36% of the 1992 Federal Poverty Level (FPL), or \$5,022 for a family of 4.

Coordinated Hunger

The budget includes \$1,754,600 in FY 2015 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 2014.

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 2013, the USDA Commodities Food Program served 479,949 households quarterly.

Tribal Pass-Through Funding

The budget includes \$4,680,300 from the General Fund in FY 2015 for Tribal Pass-Through Funding. This amount is unchanged from FY 2014.

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>	<u>FY 2015</u>
Balance Forward	\$ 892,000
State Share of Retained Earnings	5,300,000
Federal Incentive Payments	6,500,000
Fees	1,880,000
Excess Appropriation Authority	<u>4,645,500</u>
Total	\$19,217,500
Uses	
DCSE Administration	\$16,802,200
Administration (Non-Appropriated)	<u>2,415,300</u>
Total	\$19,217,500

County Participation

The budget includes \$6,740,200 in FY 2015 for County Participation. This amount consists of:

CSEA Fund	1,079,100
Federal Expenditure Authority	5,661,100

These amounts fund the following adjustments:

Pinal County Child Support

The budget includes a decrease of \$(1,860,000) in FY 2015 to realign funds so that Pinal County can transfer operation of the child support enforcement function back to the state. This amount consists of:

Child Support Enforcement Administration Fund	(260,000)
Child Support Enforcement Administration Fund (EA)	(1,600,000)

(Please see the FY 2015 adjustments in the Operating Budget and the Attorney General Special Line item for corresponding information.)

The division contracts with Gila, La Paz, and Navajo 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.

Development Disabilities

DES provides services to individuals with cognitive disabilities, cerebral palsy, autism, or epilepsy. Clients eligible for federal Medicaid program services are funded through the Long Term Care (LTC) program. To qualify for federal funding, an individual must have an income below 300% of the Supplemental Security Income (SSI) eligibility limit, which is approximately 222% of the FPL, and have certain functional needs. The division also provides 100% state-funded services for clients who are not eligible for federal Medicaid services.

The Legislature appropriates the division's resources on a Total Expenditure Authority basis. The Total Expenditure approach acknowledges all of the resources available to the Division of Developmental Disabilities but does not appropriate any specific non-appropriated fund.

As of April 2014, the Division of Developmental Disabilities serves 33,632 clients, which includes 26,587 clients in the LTC program and 7,045 clients in the state-only portion. The primary disabilities are shown in Table 3.

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Cognitive Disability	14,676	44%
At Risk	7,377	22%
Autism	6,767	20%
Cerebral Palsy	3,181	10%
Epilepsy	1,489	4%
Not Indicated	<u>142</u>	<1%
Total	33,632	

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

Overall DES Formula Adjustments

The budget includes an increase of \$6,636,300 from the General Fund in FY 2015 for DES formula changes,

excluding LTCSF backfill. Changes are described in further detail below.

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

FMAP Adjustments

The Federal Medical Assistance Percentage (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 2015, the Medicaid FMAP will increase to 68.15% (1.3% increase). The increased FMAP results in additional General Fund savings of \$(13,803,800).

FY 2015 Caseload Growth

The budget includes a net increase of \$13,357,100 from the General Fund in FY 2015 for DD caseload changes. From FY 2014 to FY 2015, caseloads are expected to grow by 4.5% to a level of 27,636 in June 2015.

Table 4 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 4	
June 2015 Long Term Care Caseloads	
Special Line Item	Clients
Home and Community Based Services	24,247
Institutional Services	94
Arizona Training Program at Coolidge	97
Subtotal	24,438
Case Management/Medical Services only	3,198
Total	27,636

FY 2015 Capitation Rate Adjustments

The budget includes a 2% net capitation rate increase beginning July 1, 2014. The increased capitation rate results in an additional General Fund cost of \$7,083,000 in FY 2015. Capitation rates include a 2% increase to providers as well as adjustments for utilization of services and other factors.

The FY 2015 General Appropriation Act includes a footnote stating it is the intent of the Legislature that DES increase home and community based service provider rates by 2% above the June 20, 2014 rate. The 2% increase may not be used for administrative costs and DES may not reduce any provider rates in order to fund increases for other provider rates.

Client Income

Laws 2014, Chapter 167 decreases the maximum amount of income DES is allowed to collect from a developmentally disabled client for room and board from

88% to 70%. This legislation is estimated to reduce collections by \$(2,700,000). These collections fund state-only developmental disability services.

(Please see LTCSF discussion in Other Issues.)

Case Management - Medicaid

The budget includes \$47,761,700 and 755.5 FTE Positions in FY 2015 for Medicaid Case Management. These amounts consist of:

General Fund	15,210,900
Long Term Care System Fund	32,550,800

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$3,823,600 from the General Fund and a corresponding decrease of \$(3,823,600) from the Long Term Care System Fund in FY 2015 for formula adjustments. The formula adjustment consists of the federal match rate change.

Statewide Adjustments

The budget includes an increase of \$34,200 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	10,900
Long Term Care System Fund	23,300

Background – In addition to providing case management services to an estimated 24,438 clients receiving direct services, this line item also funds “case management only” services to another 3,198 clients.

Home and Community Based Services - Medicaid

The budget includes \$824,215,000 and 94.5 FTE Positions in FY 2015 for Medicaid Home and Community Based Services (HCBS). These amounts consist of:

General Fund	262,491,800
Long Term Care System Fund	561,723,200

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$59,630,400 in FY 2015 for formula adjustments:

General Fund	2,347,400
Long Term Care System Fund	57,283,000

The formula adjustments include 4.5% enrollment growth in FY 2015, a 2% capitation rate increase, and changes to the federal match rate.

Statewide Adjustments

The budget includes an increase of \$9,100 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	2,900
Long Term Care System Fund	6,200

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. It also funds staff in state-operated group homes, excluding the Arizona Training Program at Coolidge (ATP-C). Approximately 24,247 individuals are expected to receive Medicaid home and community based services in June 2015.

Of the \$824,215,000 in this line item, \$811,906,300 funds HCBS services to clients enrolled in the LTC program; the other \$12,308,700 funds program staff.

The budget also includes \$20,000,000 in deferred FY 2014 General Fund payments appropriated in FY 2015 by Laws 2013, 1st Special Session, Chapter 1 and it defers the same amount for FY 2015 to FY 2016. As a result, the FY 2015 General Fund amount of \$262,491,800 would consist of \$20,000,000 from Chapter 1 and \$242,491,800 from the FY 2015 General Appropriation Act.

Institutional Services - Medicaid

The budget includes \$18,966,900 and 74 FTE Positions in FY 2015 for Medicaid Institutional Services. These amounts consist of:

General Fund	6,040,500
Long Term Care System Fund	12,926,400

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$1,547,900 in FY 2015 for formula adjustments:

General Fund	447,900
Long Term Care System Fund	1,100,000

The formula adjustments include 4.5% enrollment growth in FY 2015, a 2% capitation rate increase, and changes to the federal match rate.

Statewide Adjustments

The budget includes an increase of \$2,500 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	800
Long Term Care System Fund	1,700

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 Persons with Intellectual Disabilities (ICF-IDs) (formerly referred to as ICF-MRs) or other nursing facilities, both privately and state-operated, excluding the ATP-C. Approximately 94 individuals are expected to receive Medicaid institutional services in June 2015.

Of the \$18,966,900 in this line item, \$13,401,400 funds Institutional Services to clients enrolled in the LTC program; the other \$5,565,500 funds program staff.

Medical Services

The budget includes \$138,602,400 and 35.4 FTE Positions in FY 2015 for Medical Services. These amounts consist of:

General Fund	44,141,400
Long Term Care System Fund	94,461,000

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$11,312,600 in FY 2015 for formula adjustments:

General Fund	(10,300)
Long Term Care System Fund	11,322,900

The formula adjustments include 4.5% enrollment growth in FY 2015, a 2% capitation rate increase, and changes to the federal match rate.

Statewide Adjustments

The budget includes an increase of \$2,200 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	700
Long Term Care System Fund	1,500

Background – Of the \$138,602,400 in this line item, \$134,124,400 funds Acute Care services to clients enrolled in the LTC program; the other \$4,478,000 funds the staff of the division's Managed Care unit.

Arizona Training Program at Coolidge - Medicaid

The budget includes \$15,912,300 and 383.7 FTE Positions in FY 2015 for the Arizona Training Program at Coolidge (ATP-C). These amounts consist of:

General Fund	5,067,700
Long Term Care System Fund	10,844,600

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$224,100 from the General Fund and a corresponding decrease of \$(224,100) from the Long Term Care System Fund in FY 2015 for formula adjustments. The formula adjustment consists of the federal match rate change.

Statewide Adjustments

The budget includes an increase of \$8,800 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	2,800
Long Term Care System Fund	6,000

Background – Monies in this line item fund an entire range of services for DD clients residing at the ATP-C campus, either in ICF-IDs or state-operated group homes (SOGHs). As of April, 2014 the current caseload at ATP-C is 99. The June 2015 caseload is estimated at 97. At that caseload, the blended cost per DD client at ATP-C will be \$164,000.

Medicare Clawback Payments

The budget includes \$2,902,400 from the General Fund in FY 2015 for Medicare Clawback Payments. This amount funds the following adjustments:

Formula Adjustments

The budget includes a decrease of \$(169,600) in FY 2015 for formula adjustments:

General Fund	54,000
Long Term Care System Fund	(223,600)

The budget includes a decrease for formula adjustments associated with Medicare Clawback Payments.

Long Term Care System Fund Backfill

The budget includes an increase of \$2,848,400 from the General Fund and a corresponding decrease of \$(2,848,400) from the Long Term Care System Fund in FY 2015 for the backfill of one-time Long Term Care System Fund monies that are no longer available.

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 (75% in 2015) of the estimated drug costs.

Case Management - State-Only

The budget includes \$3,928,600 and 79.3 FTE Positions from the General Fund in FY 2015 for state-only case management. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$2,000 from the General Fund in FY 2015 for statewide adjustments.

Background – This line item funds case management services to clients in the state-only DD program.

Home and Community Based Services - State-Only

The budget includes \$21,296,700 and 53.6 FTE Positions from the Long Term Care System Fund in FY 2015 for state-only Home and Community Based Services. These amounts consist of:

General Fund	16,626,100
Long Term Care System Fund	4,670,600

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$653,300 in FY 2015 for formula adjustments:

General Fund	(250,400)
Long Term Care System Fund	903,700

The formula adjustments consist of a 2% capitation rate increase.

Long Term Care System Fund Backfill

The budget includes an increase of \$26,357,500 from the General Fund and a corresponding decrease of \$(26,357,500) from the Long Term Care System Fund in FY 2015 for the backfill of one-time Long Term Care System Fund monies that are no longer available.

Arizona Early Intervention Program

The budget includes an increase of \$1,000,000 from the General Fund in FY 2015 for the Arizona Early Intervention Program (AZEIP).

AZEIP serves over 2,500 children less than 3 years of age with developmental delays who have not reached 50% of the physical, cognitive, communication, emotional, or adaptive developmental milestones expected for their age. Federal funding has decreased for the program due to sequestration while caseloads have continued to increase.

Transfer to DCS

The budget includes a decrease of \$(13,800,000) from the General Fund in FY 2015 for a transfer of resources to the new Department of Child Safety. The department reported that these monies funded DD services for youth in the DCS system.

(Please see DCS Transfers in Other Issues.)

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. As of April 2014, there are approximately 7,045 clients in the state-only program

Of the \$21,296,700 in this line item, \$15,279,600 funds Home and Community Based Services to clients enrolled in the DD program, \$1,698,100 funds program staff, and \$4,319,000 funds the Arizona Early Intervention Program.

State-Funded Long Term Care Services

The budget includes \$26,554,800 and 2 FTE Positions from the Long Term Care System Fund in FY 2015 for State-Funded Long Term Care Services. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$26,900 from the Long Term Care System Fund in FY 2015 for statewide adjustments.

Background – This line item funds a variety of services ineligible for Federal Fund reimbursement from AHCCCS. The most common service provided in this line item is room and board. The program also funds residential and day programs to clients with more severe developmental disabilities. These clients reside in Large Group Living Facilities or other nursing facilities.

Of the \$26,554,800 in this line item, \$26,493,000 funds State-Funded Long Term Care Services to clients enrolled in the DD program; the other \$61,800 funds program staff.

Autism Parenting Skills - Rural Areas

The budget includes \$300,000 from the General Fund in FY 2015 for a new Autism Parenting Skills - Rural Areas line item. These amounts fund the following adjustments:

Rural Autism Parenting Skills

The budget includes an increase of \$300,000 from the General Fund in FY 2015 for the new Autism Parenting Skills - Rural Areas line item.

Monies in this item will be used to train parents in counties with populations less than 500,000 to provide intensive behavioral treatment to children with autism who are younger than 5 years of age.

Employment and Rehabilitation Services

JOBS

The budget includes \$11,005,600 and 93 FTE Positions in FY 2015 for JOBS. These amounts consist of:

General Fund	300,000
Federal TANF Block Grant	9,594,700
Special Administration Fund	1,110,900

These amounts fund the following adjustments:

Funding Shift

The budget includes a decrease of \$(2,000,000) from the Workforce Investment Act Grant in FY 2015 to shift funding from the JOBS Special Line Item to the Workforce Investment Act Services Special Line Item. Due to a federal policy change, the Workforce Investment Act Grant may no longer be used for the JOBS program.

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 5 highlights total estimated expenditures for the JOBS line item.

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$ 7,810,000
Job Training	1,400,300
FLSA Supplement	150,000
Work-Related Transportation	1,345,300
Job Search Stipends	300,000
Total	\$11,005,600

Child Care Subsidy

The budget includes \$98,396,600 in FY 2015 for the Child Care Subsidy. This amount consists of:

General Fund	4,000,000
Federal CCDF Block Grant	91,678,800
Federal TANF Block Grant	2,717,800

These amounts fund the following adjustments:

Transfer to DCS

The budget includes a decrease of \$(32,000,000) in FY 2015 for a transfer of resources to the new Department of Child Safety. This amount consists of:

General Fund	(5,000,000)
Federal CCDF Block Grant	(27,000,000)

These monies were used to fund child care for foster youth. In addition, DES transferred \$7,753,600 of non-appropriated child care monies.

(Please see DCS Transfers in Other Issues.)

Background - The FY 2015 Health and Welfare BRB includes a session law provision continuing to allow DES to reduce the maximum income eligibility levels for child care assistance to manage within appropriated and available monies. DES is required to report to JLBC

within 15 days of implementing any change in eligibility levels.

This line item funds child care subsidies to TANF clients engaged in job activities and low-income working individuals under 165% of the FPL.

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

Depending on the population group to which they belong, the length of time for which families are eligible to receive child care subsidies is restricted by statute. For the low-income working population, there is a 60-month cumulative time limit per child. The Transitional Child Care benefit is available for 24 months, and eligible families receiving TANF Cash Benefits are eligible as long as they are receiving TANF Cash Benefits, which has a 24-month cumulative lifetime time limit. Laws 2014, 2nd Special Session, Chapter 2 contains a footnote stating it is the intent of the Legislature that the combined number of children authorized for the low-income working population be maintained throughout the year at a minimum of 8,500 children.

Subsidy Rates - The average subsidy paid to providers per child is projected to be approximately \$354 per month in FY 2015. This average includes children in DCS. The maximum reimbursement rate paid by the state for a 2-year-old child in Maricopa County is \$26.60 per day.

Families in non-mandatory categories are required to make co-payments to defray the state's share of the cost of care. For families with an income level at or below 100% of the FPL, the required daily co-payment for their first child in care is \$2.00. Using the \$26.60 Maricopa rate, this \$2.00 co-payment would account for 7.5% of the total cost of care (with the state paying the other 92.5%). By comparison, a family at 165% FPL is required to make a co-payment of \$10.00 per child. Using the same scenario as above, a family at 165% FPL would contribute 37.6% of the child's child care costs.

Caseloads - The estimated average number of children receiving child care services in FY 2015 is projected to be 15,800 (see Table 6). DES initiated a waiting list for the Low-Income Working category of child care services on February 18, 2009. Children must be determined eligible for child care services to be placed on the waitlist. According to DES, as of April 2014, approximately 6,231 children had been found eligible for child care services and placed on the waiting list. It is unknown whether those children remain eligible.

Federal dollars for both the CCDF and the TANF Block Grants are appropriated. Although the FY 2015 budget appropriates \$130,773,600 to DES and DCS from CCDF,

actual CCDF available to the state may be less. The department expects FY 2014 revenues to be \$6 million less than the appropriation.

Category	Estimated FY 2015 ^{1/}
TANF	2,400
Low-Income Working	8,500
Transitional Child Care SLI	4,900
Total Served	15,800

^{1/} Represents DES' projected average caseload.

Rehabilitation Services

The budget includes \$4,799,100 in FY 2015 for Rehabilitation Services. This amount consists of:

General Fund	4,594,400
Spinal and Head Injuries Trust Fund	204,700

These amounts are unchanged from FY 2014.

Background - This line item funds services for the physically disabled to return them to the workforce. The federal government provides 78.7% of funding for every 21.3% of state match. The program is expected to serve up to 9,400 clients at an average Total Funds cost of \$11,400 per client. Administrative expenditures and local match draw down additional federal match.

The budget also includes \$1,000,000 in deferred FY 2014 General Fund payments appropriated in FY 2015 by Laws 2013, 1st Special Session, Chapter 1 and it defers the same amount for FY 2015 to FY 2016. As a result, the FY 2015 General Fund amount of \$4,594,400 would consist of \$1,000,000 from Chapter 1 and \$3,594,400 from the FY 2015 General Appropriation Act.

Independent Living Rehabilitation Services

The budget includes \$1,289,400 in FY 2015 for Independent Living Rehabilitation Services. This amount consists of:

General Fund	166,000
Spinal and Head Injuries Trust Fund	1,123,400

These amounts are unchanged from FY 2014.

The Independent Living Rehabilitation Services program is expected to serve up to 1,000 clients at an average Total Funds cost of \$4,100.

In addition to these clients, the division is also expected to serve 300 clients at an average annual cost of \$4,600 per client, using federal Social Services Block Grant.

The line item assists severely disabled individuals in living more independently. Funds are used to purchase technology assistance, adaptive aids and devices, home modifications, and independent living skills training.

Workforce Investment Act Services

The budget includes \$53,654,600 from the Workforce Investment Act (WIA) Grant in FY 2015 for the Workforce Investment Act Services line item. This amount funds the following adjustments:

Funding Shift

The budget includes an increase of \$2,000,000 from the Workforce Investment Act Grant in FY 2015 to shift funding from the JOBS Special Line Item to the Workforce Investment Act Services Special Line Item. Due to a federal policy change, the Workforce Investment Act Grant may no longer be used for the JOBS program.

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, 95% is allocated to local governments and 5% is retained at the state level.

The allocation of the WIA Grant for workforce related programs in FY 2015 is shown in *Table 7*.

<u>Category</u>	<u>Amount</u>
WIA SLI	\$53,654,600
Administration	2,406,200 ^{1/}
Total	\$56,060,800

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

Agencywide

Other Issues

Payment Deferral

The budget continues the \$21.0 million payment deferral from FY 2015 to FY 2016. DES plans to defer a total of \$21.0 million in payments from the Special Line Items specified below:

Home and Community Based Services - Medicaid	20,000,000
Rehabilitation Services	1,000,000

Laws 2013, 1st Special Session, Chapter 1 appropriated \$35.0 million in FY 2015 to pay the amount deferred from FY 2014 to FY 2015. A total of \$21.0 million was appropriated to DES and \$14.0 million was appropriated to line items now transferred to the newly formed DCS. These amounts do not appear in the General Appropriation Act; however, the amounts are included in the agency

General Fund totals in this report. As a result, the FY 2015 DES General Fund amount of \$479.3 million would consist of \$21.0 million from the deferral appropriation and \$458.3 million from the General Appropriation Act.

DCS Transfers

Laws 2014, 2nd Special Session, Chapter 2 transfers \$65,896,300 and 99 FTE Positions in FY 2015 from DES to DCS. These amounts consist of the following:

General Fund	21,786,100
Federal CCDF Block Grant	27,000,000
Federal TANF Block Grant	3,511,100
Child Safety Expenditure Authority	13,599,100

These amounts include the DCS share of DES costs for central administration, Attorney General Legal Services, the Inspector General, Developmentally Disabled foster children, and child care. (*Please see the DES Funding Realignment policy issues in the Operating Budget, Attorney General Legal Services line item, Inspections Bureau line item, the DCS Child Care Subsidy line item, and the Out-of-Home Support Services line item in the DCS narrative for more information.*)

LTCSF and TANF Backfill

The budget includes \$58.7 million from the General Fund in FY 2015 to backfill one-time Long Term Care System Fund (LTCSF) and federal Temporary Assistance for Needy Families (TANF) Block Grant monies that are no longer available and to reallocate Contingency Funding. The General Fund backfills monies in the newly formed Department of Child Safety and the Division of Developmental Disabilities in DES. A breakout of the backfill and reallocation is shown in *Table 8*.

<u>Line Item</u>	<u>FY 2015</u>
Department of Child Safety	
LTCSF Out-of-Home Support Services	\$11,957,900
TANF Out-of-Home Support Services	2,301,700
LTCSF Emergency and Residential Placement	10,500,000
LTCSF Adoption Services	4,730,400
Subtotal	\$29,490,000
Developmental Disabilities	
LTCSF Medicare Clawback Payments	2,848,400
LTCSF HCBS State-Only	26,357,500
Subtotal	\$29,205,900
Total	\$58,695,900

Long Term Care System Fund

The LTCSF consists of 2 main revenue components: State-Funded Long Term Care (SFLTC) monies and LTCSF equity.

SFTLC Services

The state deposits SFLTC revenues in the LTCSF. SFTLC revenues, as seen in *Table 9*, include client billing revenue from room and board charges, one-time monies, and

interest. SFLTC revenues primarily fund the SFLTC Services line item.

Laws 2014, Chapter 167 decreases the amount of income DES is allowed to collect from clients for room and board, and is estimated to reduce client billing revenue by \$(2.7) million in FY 2015. This could result in a SFLTC Services shortfall of \$(6.9) million in FY 2015.

Table 9
State-Funded Long Term Care Revenues (SFLTC)
Sources and Uses

	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Sources			
Carry-Forward	\$ 7,708,600	\$ 4,400,000	\$ 1,872,100
Client Billing Revenue	21,047,100	17,600,000	20,100,000
LTCSF Equity	0	4,000,000	0
One-Time Monies	485,300	1,200,000	1,200,000
Interest	1,091,000	1,200,000	1,200,000
Other	3,496,100	0	0
Total	\$33,828,100	\$28,400,000	\$24,372,100
Uses			
SFLTC Services	29,428,100	26,527,900	26,554,800
HCBS – State Only	0	0	4,670,600
Total	\$29,428,100	\$26,527,900	\$31,225,400
Ending Balance	\$ 4,400,000	\$ 1,872,100	\$ (6,853,300)

LTCSF Equity

The vast majority of the LTCSF consists of federal payments made for the Developmental Disabilities (DD) program through a capitated system of payments. According to the terms of the federal agreement, the state assumes all liability for cost overages above the agreed capitation. Conversely, if DES is able to operate the program at a cost less than the federal capitation rate, then DES is able to retain the equity, which is essentially “profit.”

The FY 2015 Health and Welfare BRB (Laws 2014, Chapter 11) requires any equity accrued to the LTCSF from capitation payments that are unexpended and unencumbered at the end of the fiscal year to be deposited into the General Fund. The transfer amount may be adjusted for reported but unpaid claims and estimated incurred but unreported claims, subject to approval by AHCCCS. In FY 2015, the LTCSF equity transfer to the General Fund is assumed to be \$35 million.

Theoretically, the capitated system of payments should not generate significant amounts of equity in the long run. Capitation rates are renegotiated annually, and the federal government should be adjusting their rates accordingly. Nonetheless, there have been multiple years where the state has accumulated a significant amount of equity, as it did for FY 2014.

Table 10
Long Term Care System Fund Equity
Sources and Uses

	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Sources			
LTCSF Carry - Forward	\$25,486,900	\$25,486,900	\$ 0
LTCSF Equity	18,730,400	23,366,000	35,000,000
DSH	0	8,541,500	0
Other	1,090,300	0	0
Unused Appropriation	0	2,990,300	0
Total	\$45,307,600	\$60,384,700	\$35,000,000
Uses			
Children Support Services	\$ 0	\$11,957,900	\$ 0 ^{1/}
Adoption Services	0	4,730,400	0 ^{1/}
Medicare Clawback Payments	2,848,400	3,072,000	0 ^{1/}
Home & Community Based Services - State Only	16,472,300	30,124,400	0 ^{1/}
Case Management- State Only	500,000	0	0 ^{1/}
Contingency Funding	0	10,500,000	0 ^{1/}
GF Transfer	0	0	35,000,000
Total	\$19,820,700	\$60,384,700	\$35,000,000
Ending Balance	\$25,486,900	\$ 0	\$ 0

^{1/} Reduction from FY 2014 replaced with General Fund in FY 2015

The FY 2014 budget appropriated \$60.4 million of LTCSF equity, including \$49.9 million in General Fund offsets and \$10.5 million for a Contingency Funding line item. In FY 2015, the LTCSF equity will be deposited into the General Fund and the General Fund will support the DES programs previously funded with LTCSF equity (see Table 10).

TANF Block Grant

The budget appropriates \$218.7 million of the state’s federal TANF Block Grant allocation in FY 2015. Table 11 shows expected yearly revenues, expenditures, and fund balances.

TANF revenues were reduced in FY 2012 due to the loss of the 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. The FY 2014 budget allocated Long Term Care System Fund (LTCSF) equity funds to offset the loss of the TANF Population Supplemental revenues and other federal monies, while also picking up the cost of some caseload growth. The FY 2015 budget backfilled \$56.4 million of one-time LTCSF with General Fund. The FY 2015 budget also backfilled

\$2.3 million in TANF Block Grant with General Fund in the Out-of-Home Support Services line item.

In the event that DES receives more TANF monies than anticipated, a General Appropriation Act footnote requires DES to revert General Fund monies dollar for dollar for TANF Block Grant monies received above \$218.7 million, including the beginning balance.

Table 11

TANF Block Grant Spending

	Actual FY 2013	Estimate FY 2014	Estimate FY 2015
Revenues			
Beginning Balance	\$ 20,103,800	\$ 1,172,500	\$ -
Adjustment for Obligated Funds		(1,001,700) ^{1/}	-
TANF Base Revenues	200,141,300	200,141,300	200,141,300
TANF Contingency Fund Revenues ^{2/}	26,763,700	21,078,500	18,564,100
Total TANF Available	\$ 247,008,800	\$ 221,390,600	\$ 218,705,400
Expenditures			
Operating ^{3/}	\$ 73,287,100	\$ 20,240,400	\$ 16,798,500
Special Line Item			
Administration			
Attorney General Legal Services	\$ 222,000	\$ 169,600	\$ 123,100
Aging and Adult Services			
Community and Emergency Services	\$ 3,724,000	\$ 3,724,000	\$ 3,724,000
Coordinated Homeless Programs	1,649,500	1,649,500	1,649,500
Domestic Violence Prevention	6,620,700	6,620,700	6,620,700
Total - Aging and Community Services	\$ 11,994,200	\$ 11,994,200	\$ 11,994,200
Benefits and Medical Eligibility			
TANF Cash Benefits	\$ 44,999,400	\$ 44,999,400	\$ 44,999,400
Coordinated Hunger Program	500,000	500,000	500,000
Total - Benefits and Medical Eligibility	\$ 45,499,400	\$ 45,499,400	\$ 45,499,400
Employment and Rehabilitation Services			
JOBS	\$ 9,594,700	\$ 9,594,700	\$ 9,594,700
Child Care Subsidy	2,717,800	2,717,800	2,717,800
Total - Employment and Rehabilitation Services	\$ 12,312,500	\$ 12,312,500	\$ 12,312,500
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$ 143,315,200	\$ 90,216,100	\$ 86,727,700
Department of Child Safety			
Operating ^{3/}	\$ -	\$ 52,872,900	\$ 56,337,200
Attorney General Legal Services	-	52,600	99,400
In-Home Preventive Support Services	-	-	5,911,200
Out-of-Home Support Services	-	-	23,867,800
Children Support Services	32,754,800	32,080,700	-
Emergency and Residential Placement	12,423,000	16,423,000	16,423,000
Foster Care Placement	10,973,100	6,973,100	6,973,100
Permanent Guardianship Subsidy	1,743,000	1,743,000	1,743,000
Adoption Services	19,802,400	20,645,700	20,645,700
TOTAL - DEPARTMENT OF CHILD SAFETY	\$ 77,696,300	\$ 130,791,000	\$ 132,000,400
SUBTOTAL	\$ 221,011,500	\$ 221,007,100	\$ 218,728,100
Administrative Adjustments	-	- ^{1/}	-
General Appropriation Act Footnote Additional Authority ^{2/}	24,824,800	383,500	-
TOTAL - STATEWIDE	\$ 245,836,300	\$ 221,390,600	\$ 218,728,100
Ending Balance ^{4/}	\$ 1,172,500	\$ -	\$ (22,700)

^{1/} Per a General Appropriation Act footnote, the portion of the carry-forward balance that is used to pay administrative adjustments is deducted from the beginning balance.

^{2/} Per a General Appropriation Act footnote, all available TANF is appropriated to DES and DCS. Therefore, the difference between the total TANF available and that fiscal year's TANF appropriation is included in the annual budget, and the departments' LTCSF or General Fund appropriation is reduced by the same amount.

^{3/} The DCS portion of the DES operating budget was separately delineated starting in FY 2014.

^{4/} As reported by the agency. Actual ending balance cannot be negative.

Department of Education

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	171.4	175.9	175.9 ^{1/}
Personal Services	3,908,600	4,844,800	4,844,800
Employee Related Expenditures	1,412,000	1,826,400	1,829,500
Professional and Outside Services	44,400	395,100	395,100
Travel - In State	21,000	30,200	30,200
Travel - Out of State	26,700	34,000	34,000
Other Operating Expenditures	1,854,500	1,448,100	1,448,100
Equipment	101,600	20,500	20,500
OPERATING SUBTOTAL	7,368,800	8,599,100	8,602,200^{2/}
SPECIAL LINE ITEMS			
Formula Programs			
Basic State Aid	3,107,154,500	3,253,155,100	3,327,810,300 ^{3/-6/}
K-3 Reading	39,972,700	40,007,600	40,007,800 ^{7/}
School Year 2013-2014 School District Charter School Conversions	0	0	24,500,000 ^{8/}
Student Success Funding	0	0	21,500,000 ^{9/}
Additional State Aid	286,677,100	339,269,300	352,502,000
Special Education Fund	33,242,100	33,242,100	33,242,100
Other State Aid to Districts	574,000	983,900	983,900
Non-Formula Programs			
Accountability and Achievement Testing	8,443,300	10,223,600	18,223,600 ^{10/}
Adult Education	0	4,500,000	4,500,000
Alternative Teacher Development Program	0	0	0 ^{11/12/}
Arizona Structured English Immersion Fund	8,791,400	8,791,400	4,960,400
Education Learning and Accountability System	6,200,000	0	0
English Learner Administration	4,002,500	4,016,200	6,516,700 ^{13/}
Information Technology Certifications	0	0	1,000,000
Innovative Education Program Grants	2,845,300	0	0
JTED Performance Pay	0	0	500,000 ^{14/}
JTED Soft Capital and Equipment	0	0	0 ^{15/16/}
School Safety Program	0	3,646,400	3,646,400
State Block Grant for Vocational Education	11,504,000	11,575,400	11,576,300
Student Success Fund Deposit	0	2,400,000	22,400,000 ^{9/17/}
Teacher Certification	1,639,900	1,841,900	1,842,500
Technology-Based Language Development and Literacy Intervention Pilot Program	0	0	300,000
State Board of Education			
State Board of Education	1,564,400	1,614,400	1,614,600 ^{18/}
AGENCY TOTAL	3,519,980,000	3,723,866,400	3,886,228,800^{19/-22/}
FUND SOURCES			
General Fund	3,464,988,900	3,667,831,200	3,808,392,700
Other Appropriated Funds			
Department of Education Empowerment Scholarship Account Fund	62,100	200,000	200,100
Education Learning and Accountability Fund	1,200,000	0	0
Permanent State School Fund	46,406,900	46,475,500	46,475,500
Proposition 301 Fund	5,221,200	7,000,000	7,000,000
Student Success Fund	0	0	21,500,000
Teacher Certification Fund	2,100,900	2,359,700	2,360,500
Technology-Based Language Development and Literacy Intervention Fund	0	0	300,000

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
SUBTOTAL - Other Appropriated Funds	54,991,100	56,035,200	77,836,100
SUBTOTAL - Appropriated Funds	3,519,980,000	3,723,866,400	3,886,228,800
Other Non-Appropriated Funds	489,579,000	571,171,500	556,239,100
Federal Funds	1,118,764,300	1,074,288,800	1,074,288,800
TOTAL - ALL SOURCES	5,128,323,300	5,369,326,700	5,516,756,700

AGENCY DESCRIPTION — The Department of Education (ADE) is headed by the Superintendent of Public Instruction, an elected constitutional officer. For FY 2015 it is anticipated that the department will oversee 237 school districts, accommodation districts and Joint Technological Education Districts and approximately 430 charter schools in their provision of public education from preschool through grade 12.

- 1/ Includes 56 GF and 29 OF FTE Positions funded from Special Line Items in FY 2015.
- 2/ The operating lump sum appropriation includes \$683,900 and 8.5 FTE Positions for average daily membership auditing and \$200,000 and 2 FTE Positions for information technology security services. (General Appropriation Act footnote)
- 3/ Includes K-12 rollover appropriation of \$930,727,700 from Laws 2013, 1st Special Session, Chapter 1. Laws 2014, Chapter 18 also appropriates \$930,727,700 in FY 2016 to reflect the deferral of FY 2015 payments.
- 4/ 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 2015. (General Appropriation Act footnote)
- 5/ Receipts derived from the Permanent State School Fund and any other nonstate General Fund revenue source that is dedicated to fund Basic State Aid must be expended, whenever possible, before expenditure of state General Fund monies. (General Appropriation Act footnote)
- 6/ Except as required by A.R.S. § 37-521, all monies received during the fiscal year from national forests, interest collected on deferred payments on the purchase of state lands, the income from the investment of permanent funds as prescribed by the Enabling Act and the Constitution of Arizona and all monies received by the Superintendent of Public Instruction from whatever source, except monies received pursuant to A.R.S. § 15-237 and 15-531, when paid into the State Treasury are appropriated for apportionment to the various counties in accordance with law. An expenditure shall not be made except as specifically authorized above. (General Appropriation Act footnote)
- 7/ The appropriated amount is for funding costs of the K-3 reading weight established in A.R.S. § 15-943, except that the State Board of Education may use up to \$1,500,000 of the appropriated amount on technical assistance and state level administration of the K-3 Reading program. The appropriated amount includes 2 FTE Positions. (General Appropriation Act footnote)
- 8/ Incremental monies for school district charter schools that converted to charter school status or that began operating as new schools under charter school status in FY 2014 may be expended only from the monies appropriated in the School Year 2013-2014 School District Charter Schools Conversions line item. It is the intent of the Legislature that incremental monies provided for school district charter schools that converted to charter school status or that began operating as new schools under charter school status for FY 2014 be funded in FY 2015 at \$24,500,000 in state aid statewide and that school district budget limits must be reduced accordingly. The Department of Education shall allocate monies from the School Year 2013-2014 School District Charter School Conversions line item on a pro rata basis based on the amount of incremental monies for state aid that individual school district charter schools that converted to charter school status or that began operating as new schools under charter school status for FY 2014 received for FY 2014. In addition, it is the intent of the Legislature that incremental monies provided through local property taxes for school district charter schools that converted to charter school status or that began operating as new schools under charter school status for FY 2014 in school districts that are not eligible to receive basic state aid funding be reduced in FY 2015 by the same proportion that incremental monies for state aid are reduced for school districts that are eligible for basic state aid funding for FY 2015 and that school district budget limits be reduced accordingly. "Incremental monies" means the additional funding that a school district charter school receives under the K-12 state equalization funding formula above what it would receive under that formula if the school was a district non-charter school. (General Appropriation Act footnote)
- 9/ The FY 2015 budget deposits \$22,400,000 from the General Fund into the Student Success Fund. Of that amount, \$21,500,000 is then appropriated from the Student Success Fund for incentive payments.
- 10/ Before making any changes to the Achievement Testing program that will increase program costs, the State Board of Education shall submit the estimated fiscal impact of those changes to the Joint Legislative Budget Committee for review. (General Appropriation Act footnote)
- 11/ The General Appropriation Act, as originally passed, included \$500,000 from the General Fund in FY 2015 for the Alternative Teacher Development Program Special Line Item. This amount was line-item vetoed by the Governor thus reducing the total appropriation by a corresponding amount.
- 12/ ~~The Department of Education shall award the appropriated amount to a service provider that meets all of the requirements of A.R.S. § 15-552. The service provider shall dedicate 50% of the appropriated amount for alternative teacher development programs in counties with a population of more than 900,000 persons according to the 2010 United States decennial census and 50% of the appropriated amount for alternative teacher development programs in counties with a population of less than 900,000 persons according to the 2010 United States decennial census. (General Appropriation Act footnote)~~ The stricken language reflects language vetoed by the Governor.
- 13/ The Department of Education must use the appropriated amount to provide English language acquisition services for the purposes of A.R.S. § 15-756.07 and for the costs of providing English language proficiency assessments, scoring and ancillary materials as prescribed by the Department of Education to school districts and charter schools for the purposes of Title 15, Chapter 7, Article 3.1, Arizona Revised Statutes. The Department of Education may use a portion of the appropriated amount to hire staff or contract with a third party to carry out the purposes of A.R.S. § 15-756.07. Notwithstanding A.R.S. § 41-192, the Superintendent of Public Instruction also may use a portion of the appropriated amount to contract with one or more private attorneys to provide legal services in connection with the case of *Flores v. State of Arizona*, No. CIV 92-596-TUC-RCC. (General Appropriation Act footnote)
- 14/ The Department of Education shall distribute the appropriated amount to joint technical education districts on a pro rata basis based on the actual costs incurred to secure industry credential assessments and examinations for eligible students in joint technical education districts.
- 15/ The General Appropriation Act, as originally passed, included \$1,000,000 from the General Fund in FY 2015 for the JTED Soft Capital and Equipment Special Line Item. This amount was line-item vetoed by the Governor thus reducing the total appropriation by a corresponding amount.
- 16/ ~~The department of education shall distribute the appropriated amount to joint technical education districts with fewer than 2,000 average daily membership pupils for soft capital and equipment expenses. The appropriated amount must be allocated on a pro rata basis based on the average daily membership of eligible joint technical education districts. (General Appropriation Act footnote)~~ The stricken language reflects language vetoed by the Governor.

Summary

ADE's FY 2015 General Fund budget increases by \$140,561,500, or 3.8%. The budget includes:

- An increase of \$62,470,400 for 1.1% Average Daily Membership (ADM) growth in FY 2015.
- An increase of \$21,817,400 for higher average formula costs per pupil due to ongoing special education and charter growth.
- An increase of \$74,609,600 for a 1.4% inflator.
- A decrease of \$(47,000,000) to adjust for supplemental funding from FY 2014 appropriated by Laws 2014, Chapter 18.
- An increase of \$24,500,000 for charter conversions (relative to the original FY 2014 budget, which included no funding for charter conversions).
- A decrease of \$(42,349,400) for local property tax growth due to new construction (includes related property tax change impact).
- An increase of \$22,300,000 for higher Basic State Aid and Homeowner's Rebate costs due to recent statutory changes.
- An increase of \$20,000,000 for Student Success Funding.
- An increase of \$8,000,000 for Achievement Testing.
- A decrease of \$(5,247,600) for fourth year of 5-year Career Ladder phase out.
- A decrease of \$(3,831,000) for Structured English Immersion Fund to reflect current expenditure level.
- An increase of \$2,500,000 for English Learner testing.
- An increase of \$1,500,000 to fully fund large Joint Technical Education Districts (JTEDs).
- An increase of \$1,000,000 for Information Technology Certifications
- An increase of \$500,000 for JTED Performance Pay.
- A decrease of \$(207,900) for other base adjustments and standard changes.

Operating Budget

The budget includes \$8,602,200 and 90.9 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$8,263,900
Department of Education Empowerment	
Scholarship Account Fund	200,100
Teacher Certification Fund	138,200

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$3,100 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	2,900
Department of Education Empowerment	
Scholarship Account Fund	100
Teacher Certification Fund	100

(Please see the Agency Detail and Allocations section.)

Formula Programs

Basic State Aid

The budget includes \$3,327,810,300 in FY 2015 for Basic State Aid. This amount consists of:

General Fund	3,281,334,800
Permanent State School Fund	46,475,500

The \$3,327,810,300 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 2015 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 2015, as they also are non-appropriated. In addition, it excludes \$40,007,800 for the K-3 Reading weight authorized in A.R.S. § 15-943, as those monies are appropriated to a separate line item (*see*

^{17/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

^{18/} The State Board of Education program may establish its own strategic plan separate from that of the Department of Education and based on its own separate mission, goals and performance measures. (General Appropriation Act footnote)

^{19/} 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 must include, at a minimum, the department's current funding surplus or shortfall projections for Basic State Aid and other major formula-based programs and is due 30 days after the end of the applicable reporting period. (General Appropriation Act footnote)

^{20/} Within 15 days after each apportionment of state aid that occurs pursuant to A.R.S. § 15-973B, the department shall post on its website the amount of state aid apportioned to each recipient and the underlying data. (General Appropriation Act footnote)

^{21/} For FY 2015, the State Board of Education, in collaboration with the Department of Education and the Department of Administration, shall report quarterly on or before the last day of each calendar quarter on its progress in implementing the Education Learning and Accountability Fund to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees, the Director of the Joint Legislative Budget Committee and the Director of the Governor's Office of Strategic Planning and Budgeting. (General Appropriation Act footnote)

^{22/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

narrative for "K-3 Reading" Special Line Item below). It also excludes \$24,500,000 for "charter conversions" (see narrative for "School Year 2013-2014 School District Charter School Conversions" line item) and \$21,500,000 for Student Success Funding (see narrative for "Student Success Funding" line item), as those formula monies also are appropriated to separate line items.

The \$3,327,810,300 appropriated total includes a net General Fund increase of \$74,655,200 and no change from the Permanent State School Fund for FY 2015. These amounts fund the following adjustments:

General Fund	
FY 2014 Appropriation (including supplemental)	\$3,206,679,600
Base Adjustment – FY14 supplemental	(47,000,000)
Base Adjustment – FY14 enrollment growth	10,000,000
Enrollment Growth @ 1.1%	62,470,400
Higher Average Cost Per Pupil	21,817,400
1.4% Inflater	74,609,600
Fund Large JTEDs @ 95.5%	1,500,000
Property Taxes - New Construction	(47,294,600)
Property Taxes - Statutory Changes	3,800,000
Career Ladder Phase Out	(5,247,600)
FY 2015 budget	3,281,334,800
K-3 Reading Program (separate Line Item)	40,007,800
FY 2014 Charter Conversions	24,500,000
Permanent State School Fund (no change)	46,475,500
Prop 301 Sales Tax (no change) ^{1/}	86,280,500
Local Property Taxes ^{1/}	
FY 2014 Base	2,347,699,300
Property Taxes - New Construction	47,294,600
Property Taxes – Homeowner’s Rebate	(3,800,000)
FY 2015 Estimated ^{2/}	2,391,193,900
Grand Total (all sources) ^{3/}	\$5,869,792,500

^{1/} Non-appropriated, so excluded from appropriated totals.
^{2/} An estimated \$352,502,000 of this total will be funded by the state through the Homeowner’s Rebate and 1% cap funding.
^{3/} Statutory formula cost would be approximately \$275,700,000 higher without the District Additional Assistance (DAA), Charter Additional Assistance (CAA) and large JTED reductions that are continued in the budget on a session law basis, including the impact on non-state aid districts.

Base Adjustment – FY 2014 Supplemental

The budget includes a decrease of \$(47,000,000) from the General Fund in FY 2015 in order to adjust for supplemental funding from FY 2014. The FY 2015 budget separately continues \$34,500,000 of this amount through the "School Year 2013-2014 School District Charter School Conversions" line item (\$24,500,000) and the "Base Adjustment – FY 2014 Enrollment Growth" (\$10,000,000) policy issue discussed separately below. The remaining \$12,500,000 is not continued primarily because charter conversions are being funded at a lower level for FY 2015 (discussed further below) and because

part of the FY 2014 supplemental was spent on a one-time prior year state aid correction.

Base Adjustment – FY 2014 Enrollment Growth

The budget includes an increase of \$10,000,000 from the General Fund in FY 2015 to reflect higher than budgeted enrollment growth for FY 2014. That growth will increase starting point costs for the program for FY 2015 by an estimated \$10,000,000.

Enrollment Growth

The budget includes an increase of \$62,470,400 from the General Fund in FY 2015 for enrollment growth. This assumes that K-12 ADM will increase by 1.1% in FY 2015, or slightly more than the 0.9% increase observed in FY 2013 (see Table 2). It does not reflect ongoing growth in the average cost per pupil, which is described separately below.

Fiscal Year	District ^{2/}	Charter ^{3/}	Total	Change	% Change
2008	947,964	93,284	1,041,248	15,543	1.5%
2009	941,694	100,590	1,042,284	1,036	0.1%
2010	936,434	110,231	1,046,665	4,381	0.4%
2011	914,929	119,321	1,034,250	(12,415)	(1.2)%
2012	909,536	131,993	1,041,529	7,279	0.7%
2013	910,553	140,199	1,050,732	9,203	0.9%
2014 est	914,140	147,318	1,061,458	10,726	1.0%
2015 est	918,319	155,133	1,073,452	11,994	1.1%
2016 est	923,346	163,471	1,086,817	13,365	1.2%
2017 est	928,511	172,366	1,100,877	14,060	1.3%

^{1/} Actuals for FY 2008 through FY 2013 are from ADE payment data. Figures for other years are current JLBC Staff estimates. Excludes students enrolled at the Arizona State Schools for the Deaf and the Blind (ASDB).
^{2/} Includes district-sponsored charter schools.
^{3/} Excludes district-sponsored charter schools.

Higher Average Cost Per Pupil

The budget includes an increase of \$21,817,400 from the General Fund in FY 2015 for growth in the average Basic State Aid cost per pupil for FY 2015. The average cost per pupil increases every year due to ongoing growth in the proportion of K-12 pupils who are enrolled in charter schools or special education programs. Charter school students typically receive more formula funding per pupil than non-charter school students (although they do not receive local bond and override funding) and special education students receive "add on" funding that increases their average per pupil costs.

The \$21,817,400 estimate includes \$9,000,000 for charter school pupils and \$12,817,400 for special education students in FY 2015. The charter estimate assumes that board sponsored charter schools will continue to grow by approximately 9,000 ADM in FY 2015 and receive approximately \$1,000 more per pupil than non-charter pupils (9,000 X \$1,000 = \$9,000,000). The special education estimate assumes that the statewide special

education weighted student count will continue to increase by approximately 3,800 ADM in FY 2015 (see Table 3) and an average per pupil “base level add on” of \$3,373 (3,800 X \$3,373 = \$12,817,400). The assumed \$3,373 “base level” amount is “add on” in nature for special education pupils because it is in addition to “base level” funding that they generate under the “main” (non-special education) part of the Basic State Aid formula.

Table 3
Special Education ADM (weighted) ^{1/}

Fiscal Year	Districts	Charters	Total	Change	% Change
2008	76,640	2,690	79,330	5,393	7.3%
2009	81,311	3,239	84,550	5,219	6.6%
2010	83,450	4,104	87,554	3,004	3.6%
2011	88,633	5,189	93,823	6,269	7.2%
2012	92,700	5,858	98,558	4,736	5.0%
2013	95,799	6,522	102,321	3,763	3.8%
2014 est	98,939	7,182	106,121	3,800	3.7%
2015 est	102,079	7,842	109,921	3,800	3.6%

^{1/} Actuals for FY 2008 through FY 2013 are from ADE payment data. Excludes “Group B” category that only receives funding weight of 0.003 (302 additional “weighted” students for FY 2013) and students enrolled at ASDB.

1.4% Inflation Adjustment

The budget includes an increase of \$74,609,600 from the General Fund in FY 2015 for a 1.4% inflation increase in the per pupil “base level” prescribed in A.R.S. § 15-901B2, 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. These inflation adjustments are all included in the FY 2015 K-12 Education Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 17) and will result in a “base level” of \$3,373.11 per pupil for FY 2014 versus \$3,326.54 for FY 2014.

A.R.S. § 15-901.01 (established by Proposition 301) requires the Legislature to increase the “base level or other components of the Revenue Control Limit” (RCL) by 2% or by the change in the GDP price deflator for the most recent prior calendar year, whichever is less. The budgeted FY 2015 adjustment is 1.4%, which equals the currently projected GDP price deflator for calendar year 2013. 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.

The budgets for FY 2011 through FY 2013 provided inflation increases for transportation and charter school Additional Assistance only. The State Supreme Court ruled in September 2013 (*Cave Creek Unified, et. al. v. Ducey*) that the state must inflate the K-12 per pupil “base level,” as well as transportation and charter Additional Assistance. It also remanded the case to the trial court for entry of a declaratory judgment in favor of the plaintiffs, which is currently pending. The budget does not include retroactive payments for FY 2011 through FY 2013.

Large JTED Funding

The budget includes an increase of \$1,500,000 from the General Fund in FY 2015 in order to fund Basic State Aid for JTEDs with more than 2,000 ADM at 95.5% apart from continuing District Additional Assistance (DAA) suspensions (which will continue to apply to all JTEDs for FY 2015). The 95.5% funding ratio for large JTEDs for FY 2015 is required by the FY 2015 Higher Education BRB (Laws 2014, Chapter 16). In FY 2014, JTEDs with more than 2,000 ADM pupils were funded at 91% and all other JTEDs at 100% apart from separate DAA suspensions. Small JTEDs continue to be funded at 100% in FY 2015 apart from separate DAA suspensions. (Please see *Formula Suspensions policy issue below for more information.*)

Property Taxes from New Construction

The budget includes a decrease of \$(47,294,600) from the General Fund in FY 2015 due to a projected 2.0% increase in statewide Net Assessed Value (NAV) from new construction in FY 2015. This will increase local property tax revenues from the K-12 “Qualifying Tax Rate” (QTR) and State Equalization Tax Rate (SETR) by an estimated \$47,294,600 in FY 2015. It also will decrease state costs by \$(47,294,600), 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 increase by 0.7% in FY 2015, resulting in a net 2.7% NAV increase for new construction and existing property combined for FY 2015.

The projected 0.7% NAV increase for existing property will not affect net QTR or SETR collections in FY 2015 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 decrease to an estimated \$4.22 (from \$4.25 currently) and the SETR will decrease to \$0.5089 (from \$0.5123 currently) in FY 2015 in order to offset the estimated 0.7% NAV increase for existing property (see Table 4).

Table 4
TNT Tax Rates

Tax Rate	FY 2014	FY 2015
Qualifying Tax Rate (QTR)		
• High School districts and elementary districts located within a high school district	\$2.1265	\$2.1123
• Unified districts and elementary districts not located within a high school district	\$4.2530	\$4.2246
• State Equalization Tax Rate (SETR)	\$0.5123	\$0.5089

Additional K-12 property tax impacts will occur in FY 2015 due to statutory changes discussed separately below.

Property Taxes – Statutory Changes

The budget includes an increase of \$3,800,000 from the General Fund in FY 2015 to offset an anticipated reduction in K-12 QTR and SETR tax collections for FY 2015 due to

tax law changes pertaining to commercial property. Laws 2011, 2nd Special Session, Chapter 1 phases down the assessment ratio on commercial property from 20% to 18% over 4 years beginning in FY 2014, which is projected to reduce K-12 QTR and SETR property tax collections by \$(3,800,000) in FY 2015. This will increase Basic State Aid costs by an estimated \$3,800,000 in FY 2015, since QTR and SETR revenues offset state K-12 formula costs on a dollar for dollar basis.

Career Ladder Phase Out

The budget includes a decrease of \$(5,247,600) from the General Fund in FY 2015 for the fourth year of a 5-year phase out of Career Ladder funding required by Laws 2011, Chapter 29. Chapter 29 phases out existing Career Ladder funding over 5 fiscal years, starting in FY 2012, which would eliminate program funding by FY 2016. It also phases out state funding first, which maximizes the state savings in the initial years of the phase out. The budgeted \$(5,247,600) state decrease will provide Career Ladder districts with an estimated \$15,168,100 in total program funding for FY 2015. That total includes an estimated \$716,700 in state funding and \$14,451,400 from local property taxes. A total of 28 school districts participate in the Career Ladder program.

Endowment Earnings

The budget includes no change from the Permanent State School Fund in FY 2015 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 2015. This leaves the amount of land trust monies available to fund Basic State Aid in FY 2015 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. All endowment earnings above \$72,263,000 go to the Classroom Site Fund.

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.

Proposition 118 from the November 2012 General Election revised the formula for determining distributions of land trust earnings from the State Treasurer for FY 2013 through FY 2021 by making them equal to a flat 2.5% of the average 5-year monthly market value of a beneficiary's permanent land trust proceeds fund. Prior to this change, State Treasurer distributions were based on both average

market values and average rates of investment return for the prior 5 years.

Rollover

The budget includes no change from the General Fund in FY 2015 for the K-12 rollover. This continues to defer through the General Appropriation Act \$930,727,700 of current year (now FY 2015) state aid payments until the following fiscal year (now FY 2016).

The FY 2015 rollover will continue to affect only school districts with more than 600 students, as has been the policy since FY 2013. (The FY 2013 budget originally included small districts, but Laws 2013, 1st Special Session, Chapter 1 later exempted them starting in FY 2013.) The budget continues to exempt small districts from the K-12 rollover in FY 2015, which continues it at the \$930,727,700 level.

As a result of the continuing rollover, the 12 monthly payments that "large" school districts receive in FY 2015 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 2013, 1st Special Session, Chapter 1 advance appropriated \$930,727,700 from the General Fund in FY 2015 in order to fund the \$930,727,700 deferred obligation from FY 2014. Those monies therefore do not appear in the FY 2015 General Appropriation Act. The Act, however, advance appropriates \$930,727,700 from the General Fund in FY 2016 in order to fund the deferred FY 2015 obligation.

A continued \$930,727,700 rollover for FY 2015 includes \$272,627,700 for the original FY 2008 rollover, \$330,000,000 for the additional FY 2009 rollover, \$350,000,000 for the additional FY 2010 rollover and \$(21,900,000) to exempt districts with less than 600 students.

Formula Suspensions

The budget includes no change from the General Fund in FY 2015 for a continued partial suspension of the district additional assistance (DAA) and charter additional assistance (CAA) funding formulas. This continues to suspend \$238,985,500 of DAA and \$15,656,000 of CAA for FY 2015 (both amounts unchanged from FY 2014). The continued suspensions are authorized by the K-12 Education BRB.

School districts will receive an estimated \$184,691,600 in DAA funding in FY 2015 under current projections. Without the continuing suspension they instead would receive an estimated \$447,931,900 in DAA funding, including an estimated \$24,254,800 self-funded by non-state aid districts. (DAA is authorized by A.R.S. § 15-961, which establishes DAA funding amounts [if fully funded] of \$450.76 to \$601.24 per pupil depending on the pupil's grade level and the size of their school district.) As in prior years, the K-12 Education BRB requires non-state aid

districts to reduce their budgets by the amount that their state aid would be reduced under continuing DAA suspensions if they did qualify for state aid. Non-state aid districts are school districts that are able to fully fund their K-12 formula costs with local property taxes only because of their strong local property tax base.

The K-12 BRB for FY 2015 also continues to extend this requirement to CAA reductions for non-state aid districts that have district-sponsored charter schools in order to conform to existing practice for DAA reductions.

In addition to suspending a portion of DAA and CAA, the K-12 Education BRB suspends 4.5% of state aid for JTEDs with more than 2,000 ADM for FY 2015 by funding their state aid at 95.5% of the full funding amount apart from unrelated DAA suspensions. This will suspend an estimated \$1,747,400 of large JTED funding for FY 2015. *(Please see Large JTED Funding policy issue for more information.)*

The K-12 Education BRB also continues to cap total statewide DAA reductions for school districts with less than 1,100 students at \$5,000,000 for FY 2015.

Empowerment Scholarship Accounts

The budget includes no change from the General Fund in FY 2015 for Basic State Aid costs related to Empowerment Scholarship Accounts (ESAs) authorized by A.R.S. § 15-2402. Eligible students can use monies in an ESA to attend private school or fund other educational expenses, such as textbooks and tutoring. ESAs are funded primarily with Basic State Aid monies that a school district or charter school otherwise would have received for a student if they had remained in public school. Laws 2013, Chapter 250 exempted incoming Kindergartners from the requirement of being former public school students in order to qualify for an ESA starting in FY 2015. Kindergartners with ESAs who otherwise would not be attending public schools therefore now represent a new state cost under the program.

In addition, Chapter 250 amended the funding formula for the ESA program to include “. . . an amount that is equivalent to ninety percent of the sum of the base support level and additional assistance prescribed in sections 15-185 and 15-943 for that particular student if that student were attending a charter school.” The impact of this change has been unclear due to varying interpretations of the enacted language. In May 2014, however, the Superintendent of Public Instruction indicated that starting in FY 2015 the department would interpret it as providing 90% of charter additional assistance to all ESA recipients, including those who did not previously attend charter schools. Due to the lack of a track record on how these recent changes affect state costs, additional information will be needed in order to determine whether Basic State Aid funding should be adjusted to reflect program impacts.

Table 6 shows historical and projected data for the ESA program. For FY 2015, ADE estimates that 1,671 students will receive \$16,500,000 in ESA funding.

<u>Fiscal Year</u>	<u>Program Enrollment</u>	<u>Total Awards</u>
FY 2012	144	\$1,576,000
FY 2013	302	\$5,209,200
FY 2014 (est)	761	\$10,200,000
FY 2015 (est)	1,671	\$16,500,000

^{1/} ADE data and estimates as of May 2014. “Total Awards” represent estimated ESA allocations rather than the net General Fund impact of the program after related Basic State Aid savings are deducted. The latter amount is unknown because it would depend on where individual ESA recipients would have attended school apart from the program, which is unknown.

A.R.S. § 15-2402C authorizes the department to retain for administration up to 5% of the funding designated for each student’s ESA account, of which it is required to transfer one-fifth to the State Treasurer for related administration at the State Treasurer’s office. The budget continues to appropriate \$200,000 (plus \$100 for standard changes) to ADE from the Department of Education Empowerment Scholarship Account Fund (A.R.S. § 15-2402D) in FY 2015 for program administration *(see agency Operating Budget narrative above)*. The budget likewise continues to appropriate \$40,000 from the State Treasurer Empowerment Scholarship Account Fund in FY 2015 for ESA program administration *(see related narrative in State Treasurer Budget pages)*.

Three bills from the 2014 legislative session modify eligibility criteria for the ESA program, with 2 of them expanding the program and 1 adding a new restriction. Laws 2014, Chapter 199 (HB 2139) expands the program to siblings of current or previous ESA recipients and to preschool pupils with disabilities. Laws 2014, Chapter 200 (HB 2150) expands the program to a child whose parent or guardian was killed in the line of active military duty and exempts military dependents from having to have attended public school previously in order to qualify for an ESA. Laws 2014, Chapter 278 (HB 2328) newly requires previous public school attendance for students who switch to ESAs from the displaced or disabled scholarship program. Previously, any student who had received a displaced or disabled pupil scholarship in the prior year was eligible for an ESA. *(See “Additional Legislation” section for more information on Chapter 278.)*

An additional bill from the 2014 legislative session (Laws 2014, Chapter 244) (SB 1237) modifies administrative requirements for the program. Chapter 244 requires the department to provide each county school superintendent with a list of ESA students in their county rather than copies of individual ESA contracts (the prior requirement). It also requires the department to contract with an independent third party in order to determine whether an ESA participant is eligible to spend ESA monies on special

therapies or services for students with disabilities and limits such spending to eligible pupils only. In addition, Chapter 244 allows the department to transfer ESA monies to parents on a non-quarterly basis, if necessary, and requires parents to use a portion of each quarterly (or other) ESA allocation to provide an education in reading, grammar, mathematics, social studies and science.

The ESA program began in FY 2012 and originally was available only to pupils with disabilities who previously had attended public schools or had received a disabled pupil scholarship under A.R.S. § 43-1505. Laws 2012, Chapter 360, expanded it to also include 1) students attending a school district that has been assigned a letter grade of “D” or “F” pursuant to A.R.S. § 15-241, 2) a child of a parent who is a member of the United States armed forces and who is on active duty, 3) a child who is a ward of the juvenile court and who is residing with a prospective permanent placement, and 4) a child who was a ward of the juvenile court and who has been adopted or gained permanent guardianship. Laws 2013, Chapter 250 further expanded the program starting in FY 2015 to also include incoming Kindergartners who previously were not eligible because they had not attended public school in the prior year. Prior to Chapter 250, only Kindergartners who attended public school programs for preschoolers with disabilities the year before they enrolled in Kindergarten were eligible for ESA funding.

Background (Basic State Aid) – Basic State Aid funding is based on a statutory formula enacted in 1980 and substantially modified in 1985. This formula “equalizes” formula funding among school districts, enabling them all to spend approximately the same amount of formula money per pupil from state and local sources combined. (Non-formula funding, such as from bonds and overrides, is not equalized.) A few districts with very strong local property tax bases are able to generate their entire formula funding entitlement from local property taxes alone. Most school districts, however, require “Basic State Aid” monies in order to receive full formula funding.

The equalization formula for school districts consists of 3 components: the Base Support Level (BSL), Transportation Support Level (TSL), and District Additional Assistance (DAA). BSL and DAA funding are computed by multiplying specific dollar amounts in statute by a school district's student count, adjusted for various weights. The TSL instead is computed by multiplying specific dollar amounts per route mile in statute by a district's pupil transportation route miles. The sum of the 3 formula components equals what is referred to as a school district's “equalization base,” which is its total funding entitlement under the K-12 equalization funding formula.

After a school district's equalization base is determined, its net assessed property value (NAV) is multiplied by the statutory “Qualifying Tax Rate” (QTR) (A.R.S. § 15-

971B) in order to determine the portion of its formula funding that is assumed to come from QTR taxes. This amount, plus the district's share of State Equalization Tax Rate (SETR) revenues (A.R.S. § 15-994), if any, are then subtracted from its equalization base. If the district's combined QTR and SETR revenues exceed its equalization base, the district is not entitled to Basic State Aid. If, however, its “local share” funding does not exceed its equalization base, the district receives Basic State Aid funding to make up the difference. The actual local property tax rate for schools may be lower than the QTR (such as if the QTR would raise more than the district's formula funding entitlement), or higher if the district is allowed to budget for items outside of its “Revenue Control Limit” (RCL) pursuant to A.R.S. § 15-910.

Basic State Aid is also provided to charter schools, which are schools that do not have geographic boundaries, operate under terms specified in a “charter,” and are sponsored by an entity such as the State Board for Charter Schools. The equalization funding formula for charter schools does not include DAA or separate transportation funding and instead consists only of BSL and CAA funding. BSL funding for charter schools is determined under the same formula prescribed for traditional public schools in A.R.S. § 15-943. CAA funding amounts, however, are established separately in A.R.S. § 15-185B4 and for FY 2015 (as modified by the FY 2015 K-12 Education BRB) equal \$1,707.77 per pupil for Grades K-8 and \$1,990.38 per pupil for Grades 9-12. Charter schools receive all of their equalization funding through Basic State Aid, since they do not have authority to generate funding through local property taxes.

K-3 Reading

The budget includes \$40,007,800 and 2 FTE Positions from the General Fund in FY 2015 for the K-3 Reading program. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$200 from the General Fund in FY 2015 for statewide adjustments.

The program is authorized by A.R.S. § 15-211, which requires the State Board of Education, in collaboration with the department, to establish a program to improve the reading proficiency of pupils in Grades K-3. Program funding is generated by the K-3 Reading “Group B” weight established in A.R.S. § 15-943. The budget continues a General Appropriation Act footnote stipulating that the State Board of Education may use up to \$1,500,000 of the appropriated amount on technical assistance and state level program administration. In FY 2013, the department used \$449,500 for those purposes.

School Year 2013-2014 School District Charter School Conversions

The budget includes \$24,500,000 from the General Fund in FY 2015 for School Year 2013-2014 School District Charter School Conversions. This amount funds the following adjustments:

One-Time Funding

The budget includes an increase of \$24,500,000 from the General Fund in FY 2015 for one-time Basic State Aid costs for FY 2014 “charter conversions.” Relative to the revised FY 2014 budget (which included \$47,000,000 in supplemental funding for charter conversions and other caseload issues for FY 2014), however, the budgeted amount represents a decrease of approximately \$(8,800,000) for this issue. The \$(8,800,000) decrease results from a provision in the General Appropriation Act that caps “incremental funding” from the state for FY 2014 converters at \$24,500,000 for FY 2015 versus an estimated \$33,300,000 for FY 2014. Charter conversions increase state costs because charter schools typically receive about \$1,000 more per pupil under the Basic State Aid formula than district schools (but usually do not receive bond or override funding). The \$24,500,000 increase for FY 2015 is relative to the original FY 2014 budget, which included no funding for FY 2014 charter conversions. (At the time of the enactment of the original FY 2014 budget, the growth in charter conversions was not expected to have a cost until FY 2015.)

The General Appropriation Act requires the department to allocate monies from this line item on a pro rata basis based on the amount of incremental monies for state aid that individual school district charter schools that converted to charter school status or that began operating as new schools under charter school status for FY 2014 received for FY 2014. It is anticipated that the \$24,500,000 appropriation for this issue will provide each affected school district in FY 2015 with approximately 74% of the “incremental funding” for charter conversions that it received for FY 2014.

This funding is one-time, as Section 22 of the FY 2015 K-12 Education BRB (Laws 2014, Chapter 17) stipulates that new “charter conversions” from FY 2014 may continue to operate as charter schools only through FY 2015. The Higher Education BRB (Laws 2014, Chapter 16) amends this provision to further stipulate that FY 2015 funding for FY 2014 “converters” is as prescribed in the General Appropriation Act. Chapter 16 also stipulates that in FY 2016 the department shall compute equalization formula funding for students who in FY 2015 attended school district charter schools that “converted” in FY 2014 as if those students had attended school district non-charter schools in FY 2015 and shall adjust student counts and budget limits for FY 2016 accordingly. Apart from this provision, districts that “converted back” former charter conversions would experience substantial one-time

reductions in their student counts and budget limits for FY 2016.

In addition, Chapter 16 stipulates that beginning in FY 2015 the ADM of students in school district charter schools may not exceed by more than 20% the ADM for all students who attended school district charter schools in the school district in FY 2013. Laws 2014, Chapter 214 amends this provision to clarify that it only applies to a school district that sponsored school district charter schools that became operational prior to FY 2014 or had charter schools operated for or by the same school district prior to FY 2014. Those “pre-FY 2014 converters” will continue to be eligible to operate charter schools and receive “charter conversion” funding as in the past, but with their charter enrollment capped starting in FY 2015 at 120% of their FY 2013 charter enrollment level. Other school districts will not be allowed to operate charter schools after FY 2015, as Section 1 of Chapter 17 prohibits any entity from granting a charter to a new school district charter school, including converted schools, retroactive to June 30, 2013. (Section 22 of Chapter 17, however, allows FY 2014 converters to continue to operate through FY 2015 only, as noted above.)

Chapter 17 also stipulates that the repayment of Charter Additional Assistance that A.R.S. § 15-185A7 requires for “charter conversions” that “convert back” to non-charter status does not apply to charter schools that are required to “convert back” due to other related provisions in Chapter 17.

(See the “Charter Conversion” policy issue under Basic State Aid in the FY 2015 Baseline Book for additional information.)

Student Success Funding

The budget includes \$21,500,000 from the Student Success Fund in FY 2015 for Student Success Funding (SSF). This amount funds the following adjustments:

New Program

The budget includes an increase of \$21,500,000 from the Student Success Fund in FY 2015 for Student Success Funding (SSF). The K-12 Education BRB requires the department to distribute this funding to public schools in FY 2015 based on a formula linked to achievement profiles and improvement categories defined in the bill. A student who “exceeds proficiency” and exhibits “superior improvement,” for example, will generate \$24.50 in SSF for their school district or charter school in FY 2015. The estimated cost of the program for FY 2015 is \$21,500,000.

Funding for the program is appropriated from the Student Success Fund established by A.R.S. § 15-917. The FY 2014 budget deposits \$22,400,000 from the General Fund into the Student Success Fund. Of that amount, \$21,500,000 is appropriated from the Student Success

Fund to this line item for incentive payments. (See "Student Success Fund Deposit" line item narrative below for more information.)

Additional State Aid

The budget includes \$352,502,000 from the General Fund in FY 2015 for Additional State Aid (ASA). This amount funds the following adjustments:

Base Adjustment

The budget includes a decrease of \$(10,212,500) from the General Fund in FY 2015 to align the program's base budget with actual reported costs for FY 2014. The Arizona Department of Revenue (DOR) reported in November 2013 that the program would cost \$329,056,800 for FY 2014, which is \$(10,212,500) less than its FY 2014 appropriation. Program costs have been more difficult to project in recent years due to new restrictions on Homeowner's Rebate funding established by Laws 2011, 2nd Special Session, Chapter 1, as amended by Laws 2012, Chapter 350.

New Homes

The budget includes an increase of \$4,945,200 from the General Fund in FY 2015 for increased Homeowner's Rebate costs associated with new home construction. The \$4,945,200 estimate assumes that Class 3 properties (owner occupied homes) will account for about one-fourth of statewide property tax growth from new construction in FY 2015 and that 41.825% of the QTR taxes owed by new homes will be paid by the state through the Homeowner's Rebate.

Increased Rebate Percentage

The budget includes an increase of \$18,500,000 from the General Fund in FY 2015 for costs associated with an increased Homeowner's Rebate percentage required by Laws 2011, 2nd Special Session, Chapter 1. Chapter 1 requires DOR to adjust the Homeowner's Rebate percentages for FY 2014 through FY 2017 in order to offset homeowner tax shifts that otherwise would occur in those years under Chapter 1 due to reduced assessment ratios for commercial property. For FY 2014, DOR increased the rebate percentage to 41.825% versus 40.0% in FY 2013. The currently estimated cost of the required rebate percentage increase for FY 2015 is \$18,500,000, which would reflect a rebate percentage of roughly 44.0%. DOR is not expected to determine the actual rebate percentage for FY 2015 until the summer of 2014.

Background – Additional State Aid is authorized by A.R.S. § 15-972, which requires the state to pay a portion of each homeowner's school district primary property taxes, up to a maximum of \$600 per parcel. The program also pays for any portion of a homeowner's primary property taxes for all taxing jurisdictions combined (not just schools) that exceeds 1% of the full cash value of their home. This second feature is referred to as the "1% cap" and is

required by Article IX, Section 18 of the State Constitution, which limits Class 3 primary property taxes to no more than 1% of a home's full cash value. All Class III properties are eligible for both "homeowner's rebate" and "1% cap" funding.

Special Education Fund

The budget includes \$33,242,100 and 1 FTE Position from the General Fund in FY 2015 for the Special Education Fund Special Line Item. These amounts are unchanged from FY 2014.

The Special Education Fund provides funding for special education costs of students from 1) Arizona State Schools for the Deaf and the Blind, 2) Arizona State Hospital (ASH), or 3) programs for the developmentally disabled operated by DES (A.R.S. § 15-1202). It also funds costs of residential education for students who require a private residential special education placement, or who are placed in a residential education facility by a state placing agency.

Other State Aid to Districts

The budget includes \$983,900 from the General Fund in FY 2015 for Other State Aid to Districts. This amount is unchanged from FY 2014.

This amount includes \$880,200 (unchanged) for Certificates of Educational Convenience pursuant to A.R.S. § 15-825 and \$103,700 (unchanged) for Assistance to School Districts for Children of State Employees (ASDCSE) pursuant to A.R.S. § 15-976.

Non-Formula Programs

Accountability and Achievement Testing

The budget includes \$18,223,600 and 2 FTE Positions in FY 2015 for Accountability and Achievement Testing. These amounts consist of:

General Fund	11,223,600
Proposition 301 Fund	7,000,000

These amounts fund the following adjustments:

New Testing Contract

The budget includes an increase of \$8,000,000 from the General Fund in FY 2015 for a new achievement testing contract. Achievement testing costs will increase in FY 2015 under new "Arizona College and Career Ready" tests to be implemented starting in FY 2015. The amount of the increase was not known at the time of budget enactment, as a new testing contract had not yet been awarded. (ADE expects it to be awarded in October 2014.) The budget, however, increased program funding by

\$8,000,000 in FY 2015 in order to preliminarily cover anticipated cost increases under the new contract. The final increase will depend upon selection of a test vendor, determination of a contract cost, and the availability of federal and other non-General Fund funding for the new testing program.

On a related note, the FY 2015 budget modifies an existing General Appropriation Act footnote to require JLBC review of any changes to the Achievement Testing program that will increase program costs. Previously the footnote required the State Board of Education to report such changes to the JLBC for information only.

This 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.

Adult Education

The budget includes \$4,500,000 from the General Fund in FY 2015 for Adult Education. These amounts are unchanged from FY 2015.

The program provides instruction in the following areas to adult learners who are at least 16 years of age: 1) English Language Acquisition; 2) Adult Basic Education, including GED preparation; 3) Adult Secondary Education; 4) Civics; and 5) Basic computer literacy skills. Program monies are distributed through a competitive grant process. In FY 2014, a total of 18 school districts, community colleges, counties and community-based organizations are operating state-funded Adult Education programs.

The program also receives approximately \$12,800,000 in federal funding annually. Its federal monies are subject to non-supplanting and maintenance of effort requirements stipulated in federal law.

Alternative Teacher Development Program

The General Appropriation Act, as originally passed, included \$500,000 from the General Fund for an Alternative Teacher Development Program. This amount was line-item vetoed by the Governor.

The new line item would have provided funding to a teacher development service provider that met all of the requirements in A.R.S. § 15-552. The program was last funded in FY 2008.

Arizona Structured English Immersion Fund

The budget includes \$4,960,400 from the General Fund in FY 2015 for the Arizona Structured English Immersion Fund. This amount funds the following adjustments:

Base Adjustment

The budget includes a decrease of \$(3,831,000) from the General Fund in FY 2015 in order to align the program’s appropriation with actual expenditures. For FY 2014 the department estimated that it would allocate \$4,960,400 to public schools from the fund, which would be \$(3,831,000) less than the program’s FY 2014 appropriation.

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 and charter schools based on amounts that they request pursuant to A.R.S. § 15-756.04C. The department distributed \$4,351,600 to public schools from the fund in FY 2013. It also used \$6,833,000 from the fund in FY 2013 to help pay for replacement of the English language proficiency (“AzELLA”) test for English Learners, as authorized by a footnote in the FY 2013 General Appropriation Act.

Education Learning and Accountability System

The budget includes no funding in ADE in FY 2015 for the Education Learning and Accountability System (ELAS). These amounts are unchanged from FY 2014. The program is now being funded through the Arizona Department of Administration rather than ADE. (*Please see the Arizona Department of Administration – Automation Projects Fund section for more information.*)

On a related note, the K-12 Education BRB continues to require community college and universities to transfer \$6 per Full Time Student Equivalent (FTSE) to ADE by December 1 of the budget year for deposit into the Education and Accountability Fund.

In addition, the K-12 Education BRB establishes a K-12 Broadband Task Force of legislators, Arizona Strategic Enterprise Technology (ASET) director, Superintendent of Public Instruction and stakeholders. The task force is required to report by December 2014 on available information and by December 2015 on recommendations on how to proceed. HB 2316 (schools; local control; student privacy) from the 2014 Legislative Session would have modified task force membership, but was vetoed by the Governor.

Background – Laws 2011, Chapter 29 authorized development of the Education Learning and Accountability System (ELAS), in order to “collect, compile, maintain and report student level data for students attending public

educational institutions that provide instruction to pupils in preschool programs, kindergarten programs, grades 1 through 12 and postsecondary educational programs in this state” (A.R.S. § 15-249A).

English Learner Administration

The budget includes \$6,516,700 and 19 FTE Positions from the General Fund in FY 2015 for English Learner Programs. These amounts fund the following adjustments:

AzELLA Administration

The budget includes an increase of \$2,500,000 from the General Fund in FY 2015 for increased costs for administering the Arizona English Language Learner Assessment (“AzELLA”) test under a new testing contract.

The AzELLA is used to determine whether a student should be classified as an “English Language Learner” (ELL) as defined in A.R.S. § 15-901B9. Students who are classified as ELLs are required to enroll in English language education programs prescribed by A.R.S. §§ 15-751, 15-752 and 15-753 and qualify for ELL weight funding authorized in A.R.S. § 15-943. The AzELLA test was recently modified in order to align it with Arizona College and Career Ready standards. The new contract will cost approximately \$4,900,000 in FY 2015, which will be about \$2,500,000 more than under the prior contract. Approximately 125,500 students are expected to take the AzELLA in FY 2015, including 47,000 for initial testing and 78,000 for retesting to see if they should continue to be classified as ELLs.

Statewide Adjustments

The budget includes an increase of \$500 from the General Fund in FY 2015 for statewide adjustments.

The English Learner Administration program was originally authorized by Laws 2006, Chapter 4 in order to address the *Flores v. State of Arizona* litigation. The lawsuit was filed in federal court in 1992 by parents of children enrolled in the Nogales Unified School District. Litigation in the case continued until March 2013, when a federal judge dismissed the case. Plaintiffs in the case appealed the federal judge’s ruling in April 2013. The timeline for appellate action in the case is unknown. (See *FY 2011 Appropriations Report for additional history on this issue.*)

The line item 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.

Information Technology Certifications

The budget includes \$1,000,000 from the General Fund in FY 2015 for Information Technology Certifications. This amount funds the following adjustments:

New Program

The budget includes an increase of \$1,000,000 from the General Fund in FY 2015 for Information Technology Certifications. The program is intended to prepare students for industry-recognized information technology certification exams and provide for bulk purchasing of those exams.

JTED Performance Pay

The budget includes \$500,000 from the General Fund in FY 2015 for JTED Performance Pay. This amount funds the following adjustments:

New Program

The budget includes an increase of \$500,000 from the General Fund in FY 2015 for JTED Performance Pay. A General Appropriation Act footnote requires the department to distribute the appropriated amount on a pro rata basis based on the actual costs incurred to secure industry credential assessments and examinations for JTED students.

JTED Soft Capital and Equipment

The General Appropriation Act, as originally passed, included \$1,000,000 from the General Fund in FY 2015 for JTED Soft Capital and Equipment. This amount was line-item vetoed by the Governor.

A General Appropriation Act footnote also vetoed by the Governor would have required the department to distribute the appropriated amount to JTEDs with fewer than 2,000 ADM pupils on a pro rata basis based on their ADM counts.

School Safety Program

The budget includes \$3,646,400 from the General Fund in FY 2015 for the School Safety program. These amounts are unchanged from FY 2014.

The School Safety Program places trained school resource officers or juvenile probation officers in public schools and has existed in Arizona since FY 1995. It is authorized by A.R.S. § 15-154 and is administered by the State Board of Education in conjunction with the School Safety Program Oversight Committee established in A.R.S. § 15-153. The program began in FY 1995 with a General Fund appropriation of \$2,500,000. From FY 2002 through FY 2010 (its years of peak funding) the program received

approximately \$14,500,000 annually, including \$6,700,000 from the General Fund and \$7,800,000 from Proposition 301 sales tax monies. From FY 2011 through FY 2013, the program operated solely with \$7,800,000 annually from Proposition 301.

In FY 2014, \$3,646,400 in state General Fund funding was restored for the program, providing it with General Fund support for the first time since FY 2010. That funding is continued for FY 2015 and the FY 2015 K-12 Education BRB continues to require that \$100,000 of the \$3,646,400 appropriation be used for a pilot program on school emergency readiness. The FY 2015 K-12 Education BRB requires the department to submit a report that summarizes the results of the FY 2015 program by November 1, 2015. (The FY 2014 K-12 Education BRB required a report summarizing the FY 2014 program by November 1, 2014.)

All available state General Fund and Proposition 301 funding for the program is allocated annually by the School Safety Program Oversight Committee pursuant to A.R.S. § 15-153C. Monies are awarded on a competitive grant basis on a 3-year cycle. FY 2014 is the last year of the current cycle.

Program funding is used primarily to pay officer salaries and benefits. Law enforcement agencies typically cover associated costs for police cars, uniforms and equipment. School districts and charter schools typically pay costs for related overhead, supervision and supplies.

State Block Grant for Vocational Education

The budget includes \$11,576,300 and 28 FTE Positions from the General Fund in FY 2015 for the State Block Grant for Vocational Education. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$900 from the General Fund in FY 2015 for statewide adjustments.

The program provides block grants to school districts and charter schools that have Career and Technical Education (CTE) programs. CTE programs also currently receive approximately \$24,000,000 in federal funding annually pursuant to the Carl D. Perkins Vocational and Technical Education Act of 2006. Those monies are subject to a federal 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.

Student Success Fund Deposit

The budget includes \$22,400,000 from the General Fund in FY 2015 for the Student Success Fund Deposit Line Item. This amount funds the following adjustments:

Program Expansion

The budget includes an increase of \$20,000,000 from the General Fund in FY 2015 in order to increase the annual deposit into the Student Success Fund from \$2,400,000 in FY 2014 to \$22,400,000 in FY 2015.

The K-12 Education BRB amends related statutory language in A.R.S. § 15-917 in order to change the name of the former "Performance Incentive Fund" to the "Student Success Fund" (SSF). It also amends statute to allow the SSF to receive monies other than legislative appropriations, require districts and charters to establish local level SSF funds to receive state allocations, and eliminate language pertaining to fund administration.

The K-12 Education BRB also includes session law provisions that establish operating parameters for the Student Success Funding program for FY 2015. (*See "Student Success Funding" line item narrative for more information.*)

Teacher Certification

The budget includes \$1,842,500 and 23 FTE Positions from the Teacher Certification Fund in FY 2015 for Teacher Certification. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$600 from the Teacher Certification Fund in FY 2015 for statewide adjustments.

The program processes applications for teacher and administrator certification, including certification renewal. It is funded through fees paid by certification applicants pursuant to A.R.S. § 15-531.

Technology-Based Language Development and Literacy Intervention Pilot Program

The budget includes \$300,000 from the Technology-Based Language Development and Literacy Intervention Fund in FY 2015 for the Technology-Based Language Development and Literacy Intervention Pilot Program. These amounts fund the following adjustments:

New Program

The budget includes an increase of \$300,000 from the Technology-Based Language Development and Literacy Intervention Fund in FY 2015 for the first year of a 2-year pilot program required by A.R.S. § 15-216, as established by the K-12 Education BRB (Laws 2014, Chapter 17). Chapter 17 requires the department to develop application procedures and selection criteria for school districts and charter schools that voluntarily decide to participate in the pilot program. The program seeks to promote English language development and literacy for public school pupils in Grades K-6.

A.R.S. § 15-216, as established by Chapter 17, establishes the Technology-Based Language Development and Literacy Intervention Fund, which is the fund source for the program. Chapter 17 requires the Commission for Postsecondary Education to transfer \$546,800 from the Commission for Postsecondary Education IGA/ISA Fund to the Technology-Based Language Development and Literacy Intervention Fund by August 1, 2014. The \$546,800 amount consists of unused funding from the now-eliminated Early Graduation Scholarship Program (formerly established by A.R.S. § 15-105).

As originally passed, Chapter 17 also required the Department of Education to transfer \$53,200 in state General Fund funding from its Accountability and Achievement Testing program to the Technology-Based Language Development and Literacy Intervention Fund by August 1, 2014. The Governor, however, vetoed the latter provision.

Finally, Chapter 17 appropriates \$300,000 annually from the Technology-Based Language Development and Literacy Intervention Fund in FY 2015 and FY 2016 to fund the pilot program.

State Board of Education

State Board of Education

The budget includes \$1,614,600 and 10 FTE Positions in FY 2015 for the State Board of Education. These amounts consist of:

General Fund	1,234,800
Teacher Certification Fund	379,800

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$200 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	100
Teacher Certification Fund	100

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.

The State Board of Education has jurisdiction over programs such as Adult Education (A.R.S. § 15-232) and the School Safety Program (A.R.S. § 15-154). (See

narrative above for additional information on these 2 programs.)

Additional Legislation

Property Tax Calculations

Laws 2014, Chapter 209 requires county school superintendents to submit the property tax rates and levies adopted by all of the school districts in their county to the Property Tax Oversight Commission (PTOC) for review by July 25 of each year.

New Agency Fund

Laws 2014, Chapter 214 establishes a new Department of Education Professional Development Revolving Fund (A.R.S. § 15-237.01) for use for expenses incurred for producing and delivering professional development courses and content. Monies obtained from tuition for professional development shall be deposited into the fund. Monies in the fund are subject to legislative appropriation and are non-lapsing.

Pupil Transportation

Laws 2014, Chapter 226 amends A.R.S. § 15-923 to stipulate that pupil transportation route miles driven by buses that transport students from more than one school district may be claimed only by one of the participating school districts. The department estimates that this provision will reduce Basic State Aid costs by approximately \$(1,800,000) in FY 2015. These savings are not part of the FY 2015 General Appropriation Act.

Supplemental State Aid

Laws 2014, Chapter 226 expands eligibility for supplemental state aid (A.R.S. § 15-980) to a school district that experiences a loss of more than 20% of its primary property tax revenues due to a natural disaster such as fire or flood. Previously, supplemental state aid was available only to a school district that experienced a loss of 20% or more of its primary property tax revenues due to property tax delinquencies.

Under Chapter 226, a school district that experiences a natural disaster can qualify for supplemental state aid for up to 3 fiscal years. The amount of supplemental state aid that it receives under Chapter 226 is reduced annually by 1/3rd and by any increase in property tax revenue that occurs each year due to assessed valuation growth.

The department estimates that this provision will increase Basic State Aid costs by approximately \$500,000 in FY 2015. This cost is not part of the General Appropriation Act.

Displaced or Disabled Pupil Scholarships

Laws 2014, Chapter 278 eliminates the requirement that pupils must have previously attended public school in order to be eligible for scholarships provided for displaced or disabled pupil by school tuition organizations (STOs)

funded with tax credit-eligible contributions from corporations pursuant to A.R.S. §43-1505. This change is not expected to have a state fiscal impact because the bill does not increase the current \$5,000,000 cap in tax credits that are permitted each year for related corporate STO contributions.

While Chapter 278 eliminates the requirement that pupils must have previously attended public school in order to be eligible for displaced or disabled STO scholarships, it adds that requirement for students who wish to switch from a displaced or disabled STO scholarship to an Empowerment Scholarship Account (ESA) pursuant to A.R.S. §15-2402. Previously, any student who had received a displaced or disabled pupil scholarship in the prior year and who continued to attend a qualified school was eligible for an ESA. (See *ESA narrative above for more information on the ESA program.*)

Other Issues

Education Learning and Accountability System

The budget includes FY 2015 transfers from the General Fund and from department funds associated with establishing the Education Learning and Accountability System. (Please see the *Department of Administration – Automation Projects Fund section for details regarding this information technology project.*)

Achievement Testing

The department will be implementing a new statewide achievement test in FY 2015 (see *narrative for Accountability and Achievement Testing line item above*). While the new test has not yet been selected, ADE will align it to new academic standards adopted by the State Board of Education in December 2010. There is no specific state statutory requirement regarding implementation of the new standards. The State Board of Education, however, adopted them in December 2010 under powers granted to it by A.R.S. § 15-203. In September 2013, the Governor issued an Executive Order requiring executive agencies to refer to these standards as “Arizona’s College and Career Ready Standards” (ACCR).

The ACCR standards list knowledge and skills that students are expected to learn each year in English language arts and Math in the 45 states that have adopted Common Core standards in some fashion. As a result, participating states will be able to use common exams and compare test performance of students across states. Prior to the adoption of ACCR standards, Arizona students were instead taught under state-specific academic standards and tested by Arizona Instrument to Measure Standards (AIMS) tests that were not comparable to tests used by other states.

Under AIMS, high school students could not graduate until they had passed AIMS Math, Reading and Writing tests that were administered separately from their high school

math and English classes. Under ACCR, the math and English content required for high school graduation will instead be incorporated into “end of courses tests” (final exams) for high school math and English classes themselves.

Students therefore will be able to graduate under ACCR if they pass all required classes without having to also pass separate graduation tests. Non-high school students generally will not have to pass annual ACCR exams in order to be promoted to the next grade, as is true under AIMS testing. Students in 3rd Grade, however, will still need to score at better than the “falls far below the 3rd Grade level” on ACCR English language tests in order to be promoted to 4th Grade under Arizona’s “Move on When Reading” law (A.R.S. § 15-701A2a).

High school students through the Class of 2016 will still need to pass the AIMS math, reading and writing tests in order to graduate. As a result, ADE will administer the existing AIMS tests through the spring of 2014 and will continue to make AIMS retests available through December 31, 2016 for students who do not pass all 3 AIMS subject tests during initial attempts. The Class of 2017 and beyond will instead be subject to the new ACCR assessments.

Two different state consortia are currently working to develop Common Core tests: 1) the Partnership for Assessment of Readiness for College and Careers (PARCC), and 2) the SMARTER Balanced Assessment Consortium. Arizona was one of 23 member states for PARCC until it ended its participation in May 2014. Both consortia are using federal “Race to the Top” grants to fund test development and plan to make their Common Core tests available to states for the 2014-2015 school year. States will be responsible for costs of administering the tests, once developed. Those costs are expected to rise under the new exams because of the more complex nature of their questions and of their subsequent scoring requirements. In addition, although the PARCC and SMARTER Balanced consortia are developing initial versions of the tests, new test questions will need to be continually developed and the cost of that ongoing development will be factored into annual contract costs.

Arizona will use a competitive bid process to select a vendor to provide the new test and the scoring. As a result, the cost of the new testing contract is uncertain at this time. ADE issued a Request for Information (RFI) for the new testing contract in the fall of 2013. It expects the State Board of Education to release the RFP for the new contract by June 2014 and expects to award the contract by October 2014. Actual contract costs for the new tests should become known once the procurement process nears completion.

ADE will need to fund both ACCR testing and continued AIMS retesting in FY 2015, since AIMS retesting will

continue through 2016, as noted above. ADE estimates that it will cost approximately \$5,000,000 to fund AIMS retests (plus continued AIMS Science testing in Grades 4, 8 and 10) and approximately \$21,750,000 to fund ACCR testing in FY 2015 for a combined testing cost of approximately \$26,750,000. The ACCR estimate assumes that 750,000 students will take ACCR tests in FY 2015 at an average cost of approximately \$29 per pupil based on PARCC estimates. These amounts do not include ADE costs for program administration. With program administration, ADE estimates that the achievement testing program as a whole will cost \$29,854,600 in FY 2015.

The \$29,854,600 estimate assumed that ADE would receive a \$15,000,000 increase in General Fund funding for achievement testing for FY 2015. The enacted FY 2015 budget instead provided a General Fund increase of \$8,000,000.

Assuming that the state proceeds with ACCR, the amount of additional General Fund funding needed for achievement testing in FY 2015 will depend primarily on 3 factors: 1) actual contract costs for AIMS and ACCR testing, 2) available federal funding, and 3) available carry forward funding from Proposition 301 (which helps funding testing costs) and other sources.

In order for ACCR tests to be administered on-line to all Arizona public school pupils, every school would need sufficient computers, bandwidth and related infrastructure. The magnitude and cost of technology upgrades needed to equip all Arizona public schools for statewide ACCR testing is currently unknown. ADE indicates, however, that “paper and pencil” versions of ACCR tests will be made available in FY 2015 to school districts and charter schools that lack technology needed for on-line ACCR testing.

Budget Overrides

Current law permits school districts to exceed statutory budget limits through “budget override” elections. This includes “Maintenance and Operation (M&O) overrides” (A.R.S. § 15-481E&F), “Special Program overrides” (A.R.S. § 15-482) and “District Additional Assistance” overrides (called “Capital Overrides” prior to FY 2014) (A.R.S. § 15-481L&M).

M&O and Special Program overrides together are capped at 15% of a district’s Revenue Control Limit (RCL). (“RCL” essentially equals a district’s total funding under the Basic State Aid formula minus its District Additional Assistance funding, pursuant to A.R.S. § 15-947.) District Additional Assistance overrides are capped at 10% of a district’s RCL.

M&O and Special Program overrides provide additional funding for school district operating expenses, such as teacher salaries. District Additional Assistance overrides instead must be used for the capital improvements listed in

the publicity pamphlet for the override, except that up to 10% of the override proceeds may be used for general capital expenses, including cost overruns of proposed capital improvements, pursuant to A.R.S. § 15-481X.

Overrides are funded with additional local property taxes. All 3 types of overrides may be authorized for up to 7 years. M&O and Special Program overrides are phased down over the last 2 years of authorization unless re-approved by voters.

For FY 2014, 102 districts statewide had M&O overrides pursuant to A.R.S. § 15-481, 19 had “Special Program” overrides pursuant to A.R.S. § 15-482, and 20 had District Additional Assistance overrides. The total amounts budgeted for overrides for FY 2014 included \$383,661,700 for both types of M&O overrides combined and \$59,210,200 for District Additional Assistance overrides. *(See the School Facilities Board budget narrative for a related summary on K-12 Capital Bonding.)*

A.R.S. § 15-249.04 requires ADE to report by November 30 of each year the amount budgeted for school district budget overrides by district and type of override for the current fiscal year.

Department of Emergency and Military Affairs

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
PROGRAM BUDGET			
Administration	1,643,500	1,895,700	4,396,200
Emergency Management	2,730,600	6,121,700	6,237,600
Military Affairs	2,672,000	2,427,700	2,543,300
AGENCY TOTAL	7,046,100	10,445,100	13,177,100
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	66.6	66.6	68.6 ^{1/2/}
Personal Services	1,483,700	1,674,400	1,749,300
Employee Related Expenditures	531,600	611,900	653,400
Professional and Outside Services	119,400	213,300	213,300
Travel - In State	16,000	7,600	7,600
Travel - Out of State	8,900	20,900	20,900
Other Operating Expenditures	2,751,100	2,443,800	2,443,800
Equipment	180,600	123,400	123,400
OPERATING SUBTOTAL	5,091,300	5,095,300	5,211,700
SPECIAL LINE ITEMS			
Governor's Emergency Fund	901,700	4,000,000	4,000,000 ^{3/}
Nuclear Emergency Management Fund	1,001,700	1,259,800	1,375,400 ^{4/5/}
Military Airport Planning	51,400	90,000	2,590,000 ^{6/}
AGENCY TOTAL	7,046,100	10,445,100	13,177,100 ^{7/8/}
FUND SOURCES			
General Fund	6,928,600	10,312,400	13,044,400
<u>Other Appropriated Funds</u>			
Emergency Response Fund	117,500	132,700	132,700
SUBTOTAL - Other Appropriated Funds	117,500	132,700	132,700
SUBTOTAL - Appropriated Funds	7,046,100	10,445,100	13,177,100
Other Non-Appropriated Funds	126,600	171,600	168,000
Federal Funds	72,124,100	77,040,000	52,238,400
TOTAL - ALL SOURCES	79,296,800	87,656,700	65,583,500

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.

^{1/} Includes 4.5 FTE Positions in FY 2015 appropriated by Laws 2013, Chapter 13 and 1 FTE Position appropriated by A.R.S. § 26-263.

^{2/} Includes 5.5 FTE Positions funded from Special Line Items in FY 2015.

^{3/} Includes expenditures authorized by A.R.S. § 35-192, which states that up to \$4,000,000 may be spent on disaster prevention and mitigation. Because this appropriation is in statute, it is not included in the General Appropriation Act.

^{4/} Includes \$1,259,833 and 4.5 FTE Positions in FY 2014 and \$1,375,402 and 4.5 FTE Positions in FY 2015, appropriated by Laws 2013, Chapter 13, for the Nuclear Emergency Management Fund.

^{5/} Pursuant to A.R.S. § 26-306.02, this appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriation, however, any unexpended monies shall be used to reduce the assessment and appropriation in future years.

^{6/} A.R.S. § 26-263 annually appropriates \$90,000 and 1 FTE Position from the General Fund for the administration of the Military Installation Fund. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.

^{7/} 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 2015 monies remaining unexpended and unencumbered on October 31, 2015, revert to the state General Fund. (General Appropriation Act footnote)

^{8/} General Appropriation Act funds are appropriated as a Lump Sum by Program with Special Line Items by Agency.

Operating Budget

The budget includes \$5,211,700 and 63.1 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$5,079,000
Emergency Response Fund	132,700

These amounts fund the following adjustments:

Mental Health Therapists

The budget includes an increase of \$115,200 and 2 FTE Positions from the General Fund in FY 2015 for 2 mental health therapist positions to help counsel national guardsmen. These monies will replace federal funding for the Military Family Life Consultant program that is scheduled to expire in September 2014.

Statewide Adjustments

The budget includes an increase of \$1,200 from the General Fund for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Governor's Emergency Fund

The budget includes \$4,000,000 from the General Fund in FY 2015 for the Governor's Emergency Fund. This amount is unchanged from FY 2014.

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.

Nuclear Emergency Management Fund

The budget includes \$1,375,402 and 4.5 FTE Positions from the General Fund in FY 2015 for the Nuclear Emergency Management Fund (NEMF). These amounts fund the following adjustments:

NEMF Allocation Increase

The budget includes an increase of \$115,600 from the General Fund in FY 2015 for the NEMF Special Line Item.

Laws 2013, Chapter 13 appropriated \$1,259,833 and 4.5 FTE Positions from the General Fund in FY 2014 for the NEMF Special Line Item and \$1,375,402 and 4.5 FTE Positions in FY 2015. As a result, these monies do not appear in the General Appropriation Act. The Radiation Regulatory Agency, Department of Emergency and Military Affairs, and Department of Agriculture receive monies from this bill. *(Please see the Department of*

Agriculture and Radiation Regulatory Agency narratives 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.

Military Airport Planning

The budget includes \$2,590,000 and 1 FTE Position from the General Fund in FY 2015 for Military Airport Planning. These amounts fund the following adjustments:

One-Time Deposit

The budget includes an increase of \$2,500,000 from the General Fund for a one-time deposit into the Military Installation Fund for the purchase and preservation of land near military installations.

At the end of FY 2013, the Military Installation Fund had a balance of \$5,136,400. As of April 2014, DEMA had not expended any of these monies as the current grant award process is ongoing with the first awards anticipated in the first quarter of FY 2015. DEMA projects a FY 2014 ending balance of \$5,136,400 in the Military Installation Fund. With the \$2,500,000 FY 2015 appropriation, the fund would have \$7,636,400 in resources in FY 2015.

Prior to the FY 2015 funding, the Military Installation Fund had no General Fund appropriation since FY 2011. The FY 2012 General Government Budget Reconciliation Bill (BRB) eliminated the annual \$4,825,000 General Fund deposit into the Military Installation Fund in statute. A.R.S. § 26-263 retained 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.

Of the monies deposited into the Military Installation Fund, the Department of Emergency and Military Affairs is required to award 80% to acquire private property, real

estate, property rights, and related infrastructure. The remaining 20% is awarded to cities, towns, and counties. The purchasing entity - whether it is the state or a local government - owns the property and state properties are managed by DEMA. Currently, DEMA only awards funding for preservation and enhancement projects, and not land acquisition, to local governments.

Additional Legislation

EMP Preparedness

Laws 2014, Chapter 236 requires DEMA to develop preparedness recommendations for the public in the event of an Electromagnetic Pulse (EMP) attack. An EMP produces an electromagnetic wave which can disable and destroy electronics and related infrastructure within a certain radius. The recommendations are to be posted on DEMA's website and updated every 5 years.

Department of Environmental Quality

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	322.0	322.0	322.0
Personal Services	12,181,100	15,716,500	15,716,500
Employee Related Expenditures	4,854,800	6,709,200	6,718,600
Professional and Outside Services	2,096,900	7,761,400	7,761,400
Travel - In State	239,700	472,700	472,700
Travel - Out of State	4,700	53,600	53,600
Other Operating Expenditures	11,905,700	15,381,400	15,479,800
Equipment	78,300	119,700	119,700
OPERATING SUBTOTAL	31,361,200	46,214,500	46,322,300
SPECIAL LINE ITEMS			
Emissions Control Contractor Payment	21,931,700	21,119,500	21,119,500
Safe Drinking Water Program	0	0	1,800,000 ^{1/}
WQARF Priority Site Remediation	7,000,000	7,000,000	7,000,000 ^{2/3/4/}
AGENCY TOTAL	60,292,900	74,334,000	76,241,800^{5/}
FUND SOURCES			
General Fund	7,000,000	7,000,000	7,000,000
<u>Other Appropriated Funds</u>			
Air Permits Administration Fund	4,506,600	7,143,900	7,145,300 ^{6/}
Air Quality Fund	3,400,800	5,376,400	5,377,200
Emissions Inspection Fund	26,786,400	26,592,300	28,392,900
Hazardous Waste Management Fund	1,209,000	1,742,700	1,743,000
Indirect Cost Recovery Fund	10,951,900	13,308,500	13,410,100 ^{7/}
Recycling Fund	713,300	1,359,400	1,359,700
Solid Waste Fee Fund	705,100	1,242,700	1,243,000
Underground Storage Tank Revolving Fund	0	22,000	22,000
Used Oil Fund	6,200	0	0
Water Quality Fee Fund	5,013,600	10,546,100	10,548,600
SUBTOTAL - Other Appropriated Funds	53,292,900	67,334,000	69,241,800
SUBTOTAL - Appropriated Funds	60,292,900	74,334,000	76,241,800
Other Non-Appropriated Funds	31,744,100	39,743,600	39,743,600
Federal Funds	16,249,200	18,947,000	18,947,000
TOTAL - ALL SOURCES	108,286,200	133,024,600	134,932,400

^{1/} Before spending any monies from the Safe Drinking Water Program line item, the department shall submit an expenditure plan for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

^{2/} A.R.S. § 49-282 requires an annual \$15,000,000 transfer from the Corporate Income Tax to the Water Quality Assurance Revolving Fund. Although the transfer is not included in the annual General Appropriation Act, it is shown here as a General Fund expenditure. Laws 2014, Chapter 13 reduced this transfer to \$7,000,000 in FY 2015.

^{3/} 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 must also include a budget for the WQARF program that is developed in consultation with the WQARF Advisory Board. The department shall submit the FY 2015 report to the Joint Legislative Budget Committee on or before September 1, 2014. This budget must specify the monies budgeted for each listed site during FY 2015. In addition, the department and the advisory board shall prepare and submit to the Joint Legislative Budget Committee, on or before October 2, 2014, a report in a table format summarizing the current progress on remediation of each listed site on the WQARF registry. The table must include the stage of remediation for each site at the end of FY 2014, indicate whether the current stage of remediation is anticipated to be completed in FY 2015 and indicate the anticipated stage of remediation at each listed site at the end of FY 2015, assuming FY 2015 funding levels. The department and advisory board may include other relevant information about the listed sites in the table. (General Appropriation Act footnote)

^{4/} Pursuant to A.R.S. § 49-282, the Department of Environmental Quality shall submit a FY 2016 budget for the Water Quality Assurance Revolving Fund before September 1, 2014, for review by the Senate and House of Representatives Appropriations Committees. (General Appropriation Act footnote)

AGENCY DESCRIPTION — The Department of Environmental Quality (ADEQ) enforces air, water, and land quality standards. The department's Office of Air Quality issues permits to regulate industrial air pollution sources, regulates vehicle emissions, monitors and assesses the ambient air, and develops air quality improvement strategies. The Office of Waste Programs implements programs to minimize waste generation, identifies and corrects improper waste management practices, and oversees the clean up (remediation) of hazardous waste sites. The Office of Water Quality regulates drinking water and waste water systems, monitors and assesses waters of the state, and provides hydrologic analysis to support hazardous site remediation.

Operating Budget

The budget includes \$46,322,300 and 322 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
Air Permits Administration Fund	\$7,145,300
Air Quality Fund	5,377,200
Emissions Inspection Fund	5,473,400
Hazardous Waste Management Fund	1,743,000
Indirect Cost Recovery Fund	13,410,100
Recycling Fund	1,359,700
Solid Waste Fee Fund	1,243,000
Underground Storage Tank Revolving Fund	22,000
Water Quality Fee Fund	10,548,600

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$107,800 in FY 2015 for statewide adjustments. This amount consists of:

Air Permits Administration Fund	\$1,400
Air Quality Fund	800
Emissions Inspection Fund	600
Hazardous Waste Management Fund	300
Indirect Cost Recovery Fund	101,600
Recycling Fund	300
Solid Waste Fee Fund	300
Water Quality Fee Fund	2,500

(Please see the Agency Detail and Allocations section.)

As session law, the FY 2015 Environment Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 13) continues to allow the department to utilize up to \$6,531,000 from a combination of the Underground Storage Tank Fund and Regulated Substance Fund in FY 2015 for department administrative expenses.

Emissions Control Contractor Payment

The budget includes \$21,119,500 from the Emissions Inspection Fund in FY 2015 for the Emissions Control Contractor Payment. This amount is unchanged from FY 2014.

Monies appropriated to this line item are used 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. Statute does not specify a fee level, and the Director of the DEQ has the statutory authority to alter the fees.

The FY 2013 Environment BRB (Laws 2012, Chapter 303) required the State Agency Fee Commission to recommend reductions to Emissions Inspection fees by December 31, 2012, along with any proposed changes to the statutory use of monies from the Emissions Inspection Fund. The Fee Commission recommended that the current fee structure remain unchanged and that the Legislature set a statutory cap of 140% of Emission Inspection contract costs.

The FY 2014 budget did not implement a statutory fee cap on Emissions Inspection contract costs, as monies from the Emissions Inspection Fund have been transferred to the Arizona Department of Administration (ADOA) to fund a new ADEQ e-licensing system through the Automation Projects Fund.

5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
 6/ All Air Permits Administration revenues received by the Department of Environmental Quality in excess of \$7,145,300 in FY 2015 are appropriated to the department. Before the expenditure of Air Permits Administration receipts in excess of \$7,145,300 in FY 2015, the Department of Environmental Quality shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
 7/ All Indirect Cost Recovery Fund revenues received by the Department of Environmental Quality in excess of \$13,410,100 in FY 2015 are appropriated to the department. Before the expenditure of Indirect Cost Recovery Fund receipts in excess of \$13,410,100 in FY 2015, the Department of Environmental Quality shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

In response to the report, DEQ intends to decrease the primary VEI fee in Maricopa County by more than 25% on July 1, 2014. The fee for Phoenix Metropolitan area residents who have 1981 and newer cars and light duty trucks will be reduced from \$27.25 to \$20.00. Sufficient VEI monies will remain after the fee reduction to fund the automation project and the Safe Drinking Water Program. (Please see the ADOA-Automation Projects Fund and the Safe Drinking Water Program sections for more information.)

Safe Drinking Water Program

The budget includes \$1,800,000 from the Emissions Inspection Fund in FY 2015 for the Safe Drinking Water Program. This amount funds the following adjustments:

Safe Drinking Water Program

The budget includes a one-time increase of \$1,800,000 from the Emissions Inspection Fund in FY 2015 for the Safe Drinking Water Program.

As session law, the FY 2015 Environment BRB allows the department to use up of \$1,800,000 from the Emissions Inspection Fund for the Safe Drinking Water Program. Before any monies in the line item are expended, the department shall submit an expenditure plan to the Joint Legislative Budget Committee for its review.

WQARF Priority Site Remediation

The budget includes \$7,000,000 from the General Fund in FY 2015 for the Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. This amount is unchanged from FY 2014.

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 FY 2015 Environment BRB continues to notwithstanding these statutory provisions and reduces the General Fund allocation to \$7,000,000. Table 1 describes program activity for FY 2013 and FY 2014. The budget continues the deposit at the reduced level in FY 2015.

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,

Table 1		
WQARF Activity		
	Actual FY 2013	Estimated FY 2014
Balance Forward	\$ 8,273,500	\$ 8,996,100
General Fund	7,000,000	7,000,000
Other Revenue	4,889,800	4,249,400
Total Funds Available	\$20,163,300	\$20,245,500
General Fund Expenditures	\$ 5,728,000	\$ 7,000,000
Other Funds Expended	5,139,200	1,285,600
<u>Funds Transferred</u>		
Dept. of Water Resources	\$ 300,000	\$ 300,000
Year-End Fund Balance	\$ 8,996,100	\$ 11,659,900

conducting risk assessments and remediation feasibility studies, and contracting for remediation services.

Additional Legislation

Underground Storage Tank Tax Extension & Program

Laws 1990, Chapter 328 established the Underground Storage Tank (UST) Tax, a 1¢ excise tax on petroleum products and hazardous substances regulated under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980. The tax was deposited in the UST Assurance Account, which financed corrective action costs of repairing leaking underground storage tanks incurred by the department, owners, operators, or political subdivisions. The basic Assurance Account limit of coverage is \$500,000 per UST release with certain exceptions. An eligible owner may receive up to 90% of their costs. The deadline to make a claim against the Assurance Account was June 30, 2010.

Laws 2004, Chapter 273 repealed the UST Program and the associated 1¢ excise tax no later than December 31, 2013 and required that the program be replaced by the Regulated Substance Fund (RSF), which receives its funding from underground storage tank revenues, reimbursements, donations, monies encumbered by the department for implementing work plans and corrective action plans. The RSF would then be the funding source for underground storage tanks where the owner cannot be located.

However, Laws 2013, Chapter 244 extended the UST tax to December 31, 2015. All monies collected from the tax will first be deposited into the UST Program. The bill also included the following provisions:

1. Extends eligibility for corrective action coverage from the UST Assurance Account for releases that could not have been reasonably reported prior to July 1, 2006. This provision was subsequently repealed by Laws 2014, Chapter 14.
2. Allows an owner or operator of a UST to apply for preapproval of corrective action costs until December 21, 2014 and extends reimbursement for corrective action until December 31, 2015.

3. Forms an UST study committee and requires the committee to consider and make recommendations related to funding the UST program, financial responsibility, requirements, tank compatibility issues, leak protection, and tank inspections.
4. Requires a report of the committee's findings by December 31, 2013.
5. Specifies that the department is not required to take any action on an application for coverage until after the study committee reports its findings and recommendations; however, reimbursement is contingent upon available funding. This provision was subsequently amended by Laws 2014, Chapter 14 to state that the department is not required to take action until a new revised UST corrective action program is effective.
6. If the UST Assurance Account does not have sufficient monies to pay for coverage of releases reported after July 1, 2006, those releases reported before July 1, 2006 have priority for coverage. This provision was subsequently repealed by Laws 2014, Chapter 14.
7. After payment of claims, the department is required to transfer any monies remaining in the Assurance Account to the RSF up to a maximum of \$60,000,000.
8. Any monies deposited to the RSF in excess of \$60,000,000 will be transferred to the State Highway Fund. This transfer was modified by Laws 2014, Chapter 14, as described below.

During FY 2014, the RSF reached \$60,000,000 in deposits. Any monies deposited to the RSF in excess of \$60,000,000 are now transferred to the State Highway Fund (SHF). At the end of May 2014, \$9,974,919 has been transferred to the SHF.

A provision in the FY 2015 Budget Procedures BRB (Laws 2014, Chapter 14) eliminates the transfer of monies to the State Highway Fund effective January 1, 2015. After that date, any deposits to the RSF will remain the RSF (the 1¢ excise tax, however, expires on December 31, 2015.) The bill also included the following provisions:

1. Repeals the previous Laws 2013, Chapter 244 provision which extended eligibility for corrective action coverage from the UST Assurance Account for releases that could not have been reasonably reported prior to July 1, 2006.
2. Changes the provision from Laws 2013, Chapter 244 that the department is not required to take any action until after the committee report to when a new revised UST corrective action program is effective.
3. Extends "stop order" authority on delivery of regulated substance to an underground storage tank if owner has not submitted a statement of financial responsibility.

The Budget Procedures BRB, as amended by Laws 2014, Chapter 247, offered a legislative intent statement that monies in the UST account be used to fund a new and revised corrective action program and the existing UST Leak Prevention program. The intent of the Legislature within the Budget Procedures BRB is that the new program:

1. Requires DEQ to use UST monies to conduct a baseline assessment of all existing USTs to determine whether they are leaking. Laws 2014, Chapter 247 amended this provision to add that the new program must allow an owner or operator an opportunity as an alternative to the baseline to demonstrate to DEQ that state and federal financial responsibility requirements are already being met.
2. Requires the department to perform any corrective action necessary in consultation with the owner or operator and/or remove USTs at the request of the owner or operator.
3. Requires owners and operators using private insurance to meet the financial responsibility requirements to obtain a standard policy to be developed by DEQ in cooperation with the Department of Insurance and insurance carriers. Laws 2014, Chapter 247 amended this provision to add that DEQ must allow an owner or operator an opportunity, as an alternative to the standard policy, to demonstrate to DEQ that state and federal responsibility requirements are already being met.
4. Prohibit delivery to any UST that does not meet the requirements of the new program and to establish reasonable deductibles to be paid by owners and operators to defray the costs for the baseline assessments, corrective actions, and tank removals.

At the final meeting of the UST Study Committee on February 28, 2014, a motion passed that DEQ be given the authority to convene stakeholder meeting(s) to discuss the proposed program ideas and directed DEQ to spend up to \$200,000 for an actuarial study to assess the issues and costs associated with a new and revised program. DEQ is currently planning to solicit a vendor and conduct the actuarial study by the fall.

Other Issues

DEQ Web Portal Development

The budget includes FY 2015 transfers from Department funds associated with the development of the DEQ web portal that will automate many permitting and compliance processes now conducted with paper. *(Please see the Department of Administration - Automation Projects Fund section for details regarding this information technology project.)*

Governor's Office of Equal Opportunity

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	112,800	119,000	119,000
Employee Related Expenditures	44,400	46,400	46,500
Professional and Outside Services	600	1,000	1,000
Travel - In State	200	1,200	1,200
Other Operating Expenditures	18,800	20,900	20,900
Equipment	700	0	0
AGENCY TOTAL	177,500	188,500	188,600^{1/}
FUND SOURCES			
General Fund	177,500	188,500	188,600
SUBTOTAL - Appropriated Funds	177,500	188,500	188,600
Federal Funds	16,900	0	0
TOTAL - ALL SOURCES	194,400	188,500	188,600

AGENCY DESCRIPTION — The agency monitors equal opportunity plans submitted annually by each state agency and assists agencies in equal employment opportunity training and evaluation.

Operating Budget

The budget includes \$188,600 and 4 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$100 from the General Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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

State Board of Equalization

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	272,400	319,900	319,900
Employee Related Expenditures	62,500	90,500	90,700
Professional and Outside Services	17,900	41,800	41,800
Travel - In State	13,500	15,000	15,000
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	127,400	142,100	144,200
Equipment	8,600	28,200	28,200
AGENCY TOTAL	502,300	639,500	641,800^{1/}
FUND SOURCES			
General Fund	502,300	639,500	641,800
SUBTOTAL - Appropriated Funds	502,300	639,500	641,800
TOTAL - ALL SOURCES	502,300	639,500	641,800

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 budget includes \$641,800 and 7 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$2,300 from the General Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

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

Board of Executive Clemency

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	454,900	490,000	588,300
Employee Related Expenditures	129,300	152,000	173,900
Professional and Outside Services	0	22,500	22,500
Travel - In State	200	6,400	6,400
Other Operating Expenditures	153,100	166,000	166,000
Equipment	85,400	1,500	1,500
AGENCY TOTAL	822,900	838,400	958,600 ^{1/2/}
FUND SOURCES			
General Fund	822,900	838,400	958,600
SUBTOTAL - Appropriated Funds	822,900	838,400	958,600
TOTAL - ALL SOURCES	822,900	838,400	958,600

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

Operating Budget

The budget includes \$958,600 and 14 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Executive Director and Support Staff

The budget includes an increase of \$120,000 from the General Fund in FY 2015 to separate the functions of Executive Director and Chairman by providing funding for the fifth board member, and including monies to fill support staff positions within the current FTE authority.

Statewide Adjustments

The budget includes an increase of \$200 from the General Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations Section.)

Other Issues

Caseload Data

A footnote in the FY 2014 General Appropriation Act requires the board to report on FY 2013 caseload by November 1, 2013. In FY 2013, the board heard 3,306 cases, as described below:

- Phases 1 and 2 Commutation (1,262): 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 (41): The board may recommend that the Governor pardon an offender.
- Absolute Discharge (20): 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 (1): The board can make a recommendation to the Governor to delay or temporarily suspend the carrying out of an inmate's punishment.
- Parole (355): 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.
- Violator (1,627): These hearings are conducted when an offender has violated the terms of community supervision.

Overtime & Retirement Issue

In July 2013, 4 Board of Executive Clemency members claimed they were not paid for work performed between August and December 2012. While investigating the claim, the Arizona Department of Administration (ADOA)

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

^{2/} The Board of Executive Clemency shall report to the Staff Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on or before November 1, 2014 on the total number and types of cases it reviewed in FY 2014. (General Appropriation Act footnote)

substantiated that they were not paid for the additional hours worked and that they also received holiday pay to which they were not entitled. ADOA also discovered that employer and employee payments were not made to the Arizona State Retirement System (ASRS). In addition, interest is owed to ASRS for the unpaid retirement payments. The agency was able to cover their applicable costs from agency funds.

Arizona Exposition and State Fair Board

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	184.0	184.0	184.0
Personal Services	3,190,100	3,190,100	3,190,100
Employee Related Expenditures	792,000	792,000	989,300
Professional and Outside Services	3,631,800	3,760,000	3,760,000
Travel - In State	1,800	2,000	2,000
Travel - Out of State	2,800	3,000	3,000
Other Operating Expenditures	3,260,300	3,626,400	3,626,400
Equipment	79,100	320,000	50,000
AGENCY TOTAL	10,957,900	11,693,500	11,620,800^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona Exposition and State Fair Fund	10,957,900	11,693,500	11,620,800
SUBTOTAL - Other Appropriated Funds	10,957,900	11,693,500	11,620,800
SUBTOTAL - Appropriated Funds	10,957,900	11,693,500	11,620,800
TOTAL - ALL SOURCES	10,957,900	11,693,500	11,620,800

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

Operating Budget

The budget includes \$11,620,800 and 184 FTE Positions from the Arizona Exposition and State Fair Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Employee Health Insurance

The budget includes an increase of \$195,300 from the Arizona Exposition and State Fair Fund in FY 2015 to comply with new federal requirements and provide healthcare to 16 full-time employees.

Eliminate One-Time Expenditure

The budget includes a decrease of \$(270,000) from the Arizona Exposition and State Fair Fund in FY 2015 to eliminate one-time funding for installation of a power meter. The one-time funding was appropriated as a FY 2014 supplemental by Laws 2014, Chapter 18.

Previously, the Arizona Exposition and State Fair (AESF) had a single electrical service meter supplying power to 5 major buildings. Due to its peak power usage during state and county fairs, Arizona Public Service notified AESF that the power meter would have to be shifted to a higher service rate and charges. The proposed solution was to split the power being drawn through the single meter and

distribute it through 2 meters. The smaller usage of each new meter would avoid the threshold triggering the higher rates. The Joint Committee on Capital Review gave a favorable review of the project in June 2013. However, since the proposal was submitted after the FY 2014 General Appropriation Act had been enacted in June 2013, no funds were appropriated for the power meter project at that time.

Statewide Adjustments

The budget includes an increase of \$2,000 from the Arizona Exposition and State Fair Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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

Department of Financial Institutions

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	58.1	58.1	60.1
Personal Services	2,123,700	2,360,700	2,546,500
Employee Related Expenditures	832,900	982,400	1,068,300
Professional and Outside Services	151,000	179,800	179,800
Travel - In State	3,300	6,000	10,100
Travel - Out of State	5,600	3,000	7,100
Other Operating Expenditures	494,300	418,000	440,800
Equipment	96,300	5,900	15,000
AGENCY TOTAL	3,707,100	3,955,800	4,267,600^{1/2/}
FUND SOURCES			
General Fund	2,948,800	3,019,100	3,020,200
<u>Other Appropriated Funds</u>			
Financial Services Fund	758,300	936,700	1,247,400
SUBTOTAL - Other Appropriated Funds	758,300	936,700	1,247,400
SUBTOTAL - Appropriated Funds	3,707,100	3,955,800	4,267,600
Other Non-Appropriated Funds	1,655,900	2,254,700	958,700
TOTAL - ALL SOURCES	5,363,000	6,210,500	5,226,300

AGENCY DESCRIPTION — The department regulates state-chartered financial entities. The regulated entities include money transmitters, motor vehicle dealers, holding companies, trust companies, sales finance companies, collection agencies, escrow agents, debt management companies, consumer lenders, mortgage bankers, mortgage brokers, premium finance companies, credit unions and banks.

Operating Budget

The budget includes \$4,267,600 and 60.1 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$3,020,200
Financial Services Fund	1,247,400

These amounts fund the following adjustments:

Department of Financial Institutions Staff

The budget includes an increase of \$310,400 and 2 FTE Positions from the Financial Services Fund in FY 2015 to hire 5 new staff, 3 of which were already authorized but unfunded. The new staff will consist of 2 Loan Originator/Mortgage Examiners, 1 Examiner for the Enterprises Division, a Customer Service representative, and an Administrative Assistant. Of this appropriation, \$10,000 is a one-time expenditure for equipment.

As of April 2013, the department was behind on 197 required enterprise examinations. Currently, with 1 Mortgage Examiner for every 1,317 licenses, the department states that it is unable to comply with the statutory requirement that mortgage licensees be examined every 5 years. The additional positions will allow the department to comply with the statutory examination schedule for various financial enterprises and institutions.

Statewide Adjustments

The budget includes an increase of \$1,400 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	1,100
Financial Services Fund	300

(Please see the Agency Detail and Allocation section.)

^{1/} The Department of Financial Institutions shall assess and set fees to ensure that monies deposited in the state General Fund will equal or exceed its expenditure from the state General Fund. (General Appropriation Act footnote)
^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<i>Additional Legislation</i>

Department Receivership Revolving Fund

The FY 2015 Revenue Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 9) extends department spending authority from the Receivership Fund for an electronic licensing system permitted by the FY 2014 Revenue BRB (Laws 2013, 1st Special Session, Chapter 9). Total expenditures for the system in FY 2014 and FY 2015 may not exceed a total of \$850,000.

Department Financial Services Fund

The FY 2015 Revenue BRB allows the agency to use the Financial Services Fund in FY 2015 for general operating expenditures.

Department of Fire, Building and Life Safety

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	47.0	47.0	48.0 ^{1/}
Personal Services	890,000	1,089,800	1,089,800
Employee Related Expenditures	461,500	576,500	577,200
Professional and Outside Services	12,300	26,000	26,000
Travel - In State	104,000	109,000	109,000
Travel - Out of State	700	0	0
Other Operating Expenditures	251,300	224,700	228,300
Equipment	3,700	0	0
OPERATING SUBTOTAL	1,723,500	2,026,000	2,030,300
SPECIAL LINE ITEMS			
Fire School	0	0	175,000
AGENCY TOTAL	1,723,500	2,026,000	2,205,300 ^{2/}
FUND SOURCES			
General Fund	1,723,500	2,026,000	2,205,300
SUBTOTAL - Appropriated Funds	1,723,500	2,026,000	2,205,300
Other Non-Appropriated Funds	581,100	494,600	494,600
Federal Funds	212,100	212,400	212,400
TOTAL - ALL SOURCES	2,516,700	2,733,000	2,912,300

AGENCY DESCRIPTION — The agency enforces safety standards for manufactured homes, mobile homes, and factory-built buildings. The agency also includes the Office of the State Fire Marshal, which enforces the state fire codes and provides training and education for fire personnel and the general public. All training provided by the department must comply with safety standards prescribed by the National Fire Protection Association and the Occupational Safety and Health Administration of Arizona.

Operating Budget

The budget includes \$2,030,300 and 47 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$4,300 from the General Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Fire School

The budget includes \$175,000 and 1 FTE Position from the General Fund in FY 2015 for the Fire School. These amounts fund the following adjustments:

Fire School

The budget includes an increase of \$175,000 and 1 FTE Position from the General Fund in FY 2015 for the Fire School. The Department of Fire, Building, and Life Safety expects to use about \$100,000 to subsidize the cost of attending the Fire School mainly for smaller rural volunteer fire departments. The department expects to use about \$75,000 for the new FTE Position, which would be involved in liaison work with the Arizona State Fire Training Committee and other firefighter training activities.

Monies in this line item subsidize Arizona State Fire School workshops that provide education in the skills and knowledge of firefighting. Generally, Fire Departments pay for tuition, but the firefighters pay for their room and board to attend the 4-day hands-on Fire School. The Arizona State Fire Training Committee, a non-profit organization, coordinates and manages the Fire School. The majority of Fire School workshops take place at the Mesa Convention Center in downtown Mesa with the

^{1/} Includes 1 GF FTE Position from Special Line Items in FY 2015.

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

exception of a few workshops that must be held at designated off-site locations.

Additional Legislation

Mobile Home Relocation Expenses

Laws 2014, Chapter 183 clarifies that the Department of Fire, Building, and Life Safety may use the Mobile Home Relocation Fund to pay for the relocation of a mobile home due to a change in use, increase in rent or change in age restricted community use. The payment is to be paid to the installer or contractor when they have both obtained valid moving permits for a new location and informed the department that the mobile home is fully installed in its new location and has passed inspection. The law also increases from \$1,000 to \$1,500 the maximum reimbursement allowed from the fund to bring a mobile home into statutory compliance.

Trampoline Court Safety Fund

Laws 2014, Chapter 259 establishes the Trampoline Court Safety Fund consisting of fees for the initial registration and annual renewal registration of trampoline courts. The Department of Fire, Building, and Life Safety uses the monies to administer and enforce trampoline court statutes and rules. The monies in the fund are non-appropriated.

State Forester

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	52.0	52.0	55.0 ^{1/}
Personal Services	1,384,900	1,460,900	1,460,900
Employee Related Expenditures	550,700	578,000	579,200
Professional and Outside Services	1,000,000	25,000	25,000
Travel - In State	300	300	300
Other Operating Expenditures	412,000	301,500	717,700
OPERATING SUBTOTAL	3,347,900	2,365,700	2,783,100
SPECIAL LINE ITEMS			
Environmental County Grants	75,000	175,000	275,000
Fire Suppression	3,000,000	4,000,000	4,000,000 ^{2/}
Hazardous Vegetation Removal	0	0	1,350,000
Inmate Fire Crews	695,700	695,700	695,700
Resource Management Plan Grants	0	100,000	0
AGENCY TOTAL	7,118,600	7,336,400	9,103,800 ^{3/}
FUND SOURCES			
General Fund	7,118,600	7,336,400	9,103,800
SUBTOTAL - Appropriated Funds	7,118,600	7,336,400	9,103,800
Other Non-Appropriated Funds	29,453,300	20,030,400	20,030,400
Federal Funds	350,700	0	0
TOTAL - ALL SOURCES	36,922,600	27,366,800	29,134,200

AGENCY DESCRIPTION — The State Forester is responsible for the prevention and suppression of forest fires on State Trust Land and private land outside incorporated municipalities (about 22 million acres total).

Operating Budget

The budget includes \$2,783,100 and 42 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Wildland Firefighting Training

The budget includes an increase of \$147,200 and 1 FTE Position from the General Fund in FY 2015 to create a statewide Wildland Firefighting Training Coordinator position. The Wildland Firefighting Training Coordinator is responsible for developing and delivering training to the over 2,500 firefighters from approximately 220 fire departments that the state relies on to suppress wildland fires. The required training includes a 40-hour basic wildland firefighter course and yearly 8-hour refresher training.

Dispatch Center Dispatchers

The budget includes an increase of \$135,600 and 2 FTE Positions from the General Fund in FY 2015 for hiring permanent Dispatch Center Dispatchers. The Dispatch Center coordinates wildfire suppression throughout the state and supports the suppression of other fires nationwide by supervising the movement of state resources. In 2012, federal agencies that were sharing the Dispatch Center removed their equipment and staff and necessary roles were filled by temporary state Dispatchers to maintain staffing requirements.

Tucson Fire District Engine

The budget includes a one-time increase of \$57,000 from the General Fund in FY 2015 for the purchase of a replacement fire engine for the Tucson Fire District. Wildland fire engines are capable of traveling over more rugged terrain than other fire suppression vehicles and are used to patrol for fires and perform initial attacks when a fire is reported. The Tucson Fire District has the most fire

^{1/} Includes 13 GF FTE Positions funded from Special Line Items in FY 2015.

^{2/} A.R.S. § 37-623.02 annually appropriates \$3,000,000 from the General Fund to the Fire Suppression Revolving Fund. Because this authorization is in permanent statute, \$3,000,000 of the \$4,000,000 appropriation is not included in the General Appropriation Act.

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

activity on state and private lands of the 3 Districts and provides extensive assistance for fires on federal lands.

Satellite Offices Operating Expenses

The budget includes an increase of \$73,700 from the General Fund in FY 2015 for operating expenses for satellite offices located in Flagstaff, Pinetop, Prescott, and Tucson. The satellite offices are used for operations, wildfire prevention coordination, firefighting equipment storage, and as a base for the State Forester's 12 Inmate Fire Crews.

Statewide Adjustments

The budget includes an increase of \$3,900 from the General Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Environmental County Grants

The budget includes \$275,000 from the General Fund in FY 2015 for Environmental County Grants. This amount funds the following adjustments:

One-Time Funding Increase

The budget includes a one-time increase of \$100,000 from the General Fund in FY 2015 for Environmental County Grants.

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.

In FY 2013, this funding supported the following 4 projects:

- \$30,000 was distributed to projects for the Four Forest Restoration Initiative, which is a plan to implement effective large scale forest restoration.
- \$15,000 was distributed for the development and implementation of a successor strategy to the White Mountain Stewardship Contract, which allowed for restoration treatments and round wood and residual biomass supply projects in the White Mountains.
- \$15,000 was distributed to continue to manage the reintroduction of the Mexican Gray Wolf in an area of Greenlee County, an adjacent New Mexico area, and the Blue Range Wolf Recovery Area.
- \$15,000 was distributed to projects for the protection and development of Eastern Arizona electrical generation, water collection, and transportation infrastructures.

In FY 2014, this funding continued support for the 4 programs from FY 2013 and added 4 additional programs:

- \$26,250 for the development of an Arizona Watersheds Investment Fund by a group of stakeholders including federal agencies, state utilities, universities, communities, and conservation groups with a focus on watershed management and ecosystem services monetization.
- \$17,500 to address issues encountered in the implementation of the current Eastern Arizona counties' programs and caused by the inconsistent ability of counties to meet legal and regulatory requirements for coordination and cooperation, as well as the lack of specific counties' natural resources management objectives, plans, policies, jurisdiction by law and special expertise defined by the Arizona Legislature.
- \$17,500 for participation in the development and implementation of an ecologically and economically sustainable management plan for public lands in Arizona and the West.
- \$8,700 for the development and implementation of an effective planning and execution strategy for emerging issues.

Fire Suppression

The budget includes \$4,000,000 from the General Fund in FY 2015 for Fire Suppression. This amount is unchanged from FY 2014.

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, \$3,000,000 of the \$4,000,000 would not be included in the General Appropriation Act.

Hazardous Vegetation Removal

The budget includes \$1,350,000 from the General Fund in FY 2015 for a new Hazardous Vegetation Removal Program. This amount funds the following adjustments:

Funding Creation

The budget includes \$1,350,000 from the General Fund in FY 2015 for the creation of a new Hazardous Vegetation Removal Program.

This Special Line Item funds hazardous material removal programs that treat state and private lands through prescribed burning or thinning of flammable vegetation. This work can be conducted by State Forester crews or through fuel reduction grants to contractors.

Inmate Fire Crews

The budget includes \$695,700 and 13 FTE Positions from the General Fund in FY 2015 for Inmate Fire Crews. These amounts are unchanged from FY 2014.

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.

Resource Management Plan Grants

The budget includes no funding in FY 2015 for Resource Management Plan Grants. These amounts fund the following adjustments:

Remove One-Time Funding

The budget includes a decrease of \$(100,000) from the General Fund in FY 2015 for the elimination of one-time funding.

This line item provided one-time funding in FY 2014 to the Arizona Natural Resources Review Council to study and develop a strategy to manage natural resources in a coordinated cross-agency effort designed to promote economic development and to address federal encroachment on state authorities tasked with managing the state's natural resources. The Council was established in January 2013 by Executive Order and consists of the agency heads of the Arizona Game and Fish Department, Arizona Department of Transportation, State Land Department, Department of Environmental Quality, Department of Water Resources, State Forester, Arizona Geological Survey, State Parks Board, and the Arizona Department of Agriculture. The Council adopted an interim report at its April 2014 meeting. The report included recommendations from the geographic information systems, planning, mitigation banking, partnering and engagement, and clearinghouse subcommittees.

Additional Legislation

Fireworks Penalty Changes

Laws 2014, Chapter 108 establishes further regulations on the sale and use of specific fireworks and penalties for related violations. The State Fire Marshal collects civil penalties for incidents of prohibited fireworks use on state land and deposits these funds into the Fire Suppression Revolving Fund, which is used to cover the costs of fighting fires on public and certain private lands.

Vegetative Natural Products Removal Program

Laws 2014, Chapter 207, establishes a program for the removal of vegetation for the purpose of fire suppression and forest management on state lands. The law authorizes the State Land Commissioner and the State Forester to prioritize which state lands would benefit the most from

the removal of vegetation in accordance with the wildfire risk assessment developed by the State Forester. The State Land Department and the State Forester may coordinate and contract with public and private entities, or enter into intergovernmental agreements with political subdivisions to implement the program. The program expires on July 1, 2024.

State Board of Funeral Directors and Embalmers

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	200,500	206,000	206,000
Employee Related Expenditures	42,000	48,400	48,500
Professional and Outside Services	4,700	9,500	9,500
Travel - In State	9,200	8,500	8,500
Other Operating Expenditures	62,100	78,200	78,200
Equipment	8,500	3,000	3,000
AGENCY TOTAL	327,000	353,600	353,700^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Funeral Directors' and Embalmers' Fund	327,000	353,600	353,700
SUBTOTAL - Other Appropriated Funds	327,000	353,600	353,700
SUBTOTAL - Appropriated Funds	327,000	353,600	353,700
TOTAL - ALL SOURCES	327,000	353,600	353,700

AGENCY DESCRIPTION — The board licenses, registers, and regulates embalmers, prearranged funeral salespersons, crematories, and funeral homes. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

The budget includes \$353,700 and 4 FTE Positions from the Board of Funeral Directors' and Embalmers' Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$100 from the Board of Funeral Directors' and Embalmers' Fund FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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

Arizona Game and Fish Department

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	273.5	273.5	273.5
Personal Services	12,907,700	16,110,300	16,110,300
Employee Related Expenditures	7,229,100	8,851,500	9,223,800
Professional and Outside Services	324,200	1,005,200	969,000
Travel - In State	244,000	279,400	279,400
Travel - Out of State	118,400	0	0
Other Operating Expenditures	6,211,600	6,375,700	6,336,400
Equipment	790,000	1,305,700	1,801,200
OPERATING SUBTOTAL	27,825,000	33,927,800	34,720,100
SPECIAL LINE ITEMS			
Lower Colorado Multispecies Conservation	350,000	350,000	350,000
Performance Incentive Pay Program	346,100	346,100	346,100 ^{1/}
Pittman-Robertson/Dingell-Johnson Act	1,308,000	3,808,000	3,808,000 ^{2/}
Watercraft Grant Program	0	1,000,000	1,000,000
Watercraft Safety Education Program	250,000	250,000	250,000
AGENCY TOTAL	30,079,100	39,681,900	40,474,200 ^{3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Capital Improvement Fund	1,000,000	999,700	999,700
Game and Fish Fund	25,821,800	33,684,100	34,545,900
Game, Non-Game, Fish and Endangered Species Fund	130,900	346,300	346,800
Watercraft Licensing Fund	3,106,400	4,555,800	4,565,800
Waterfowl Conservation Fund	20,000	80,000	0
Wildlife Endowment Fund	0	16,000	16,000
SUBTOTAL - Other Appropriated Funds	30,079,100	39,681,900	40,474,200
SUBTOTAL - Appropriated Funds	30,079,100	39,681,900	40,474,200
Other Non-Appropriated Funds	23,124,100	30,843,400	30,843,400
Federal Funds	33,986,100	38,234,400	38,234,400
TOTAL - ALL SOURCES	87,189,300	108,759,700	109,552,000

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 budget includes \$34,720,100 and 273.5 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
Capital Improvement Fund	\$999,700
Game and Fish Fund	30,437,900
Game, Non-Game, Fish and Endangered Species Fund	346,800
Watercraft Licensing Fund	2,919,700
Wildlife Endowment Fund	16,000

^{1/} The \$300,000 from the Game and Fish Fund and \$46,100 from the Watercraft Licensing Fund in FY 2015 for the Performance Incentive Pay Program line item must be used for Personal Services and Employee Related Expenditures associated with the department's Performance Incentive Pay Program. This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

^{2/} In addition to the \$3,808,000 for the Pittman-Robertson/Dingell-Johnson Act line item, the lump sum appropriation includes \$50,000 for cooperative fish and wildlife research, which may be used for the purpose of matching federal and apportionment funds. (General Appropriation Act footnote)

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

These amounts fund the following adjustments:

Equipment

The budget includes an increase of \$500,000 from the Game and Fish Fund in FY 2015 for the scheduled replacement of equipment. This includes radio communication equipment, trucks to haul heavy equipment, along with body armor vests and training ammunition for law enforcement officers.

Waterfowl Conservation Fund Elimination

The budget includes a decrease of \$(80,000) from the Waterfowl Conservation Fund in FY 2015 due to the repeal of the Waterfowl Conservation Fund. Laws 2013, Chapter 197 repealed the fund and transferred any remaining monies to the Game and Fish Fund as of September 13, 2013.

Statewide Adjustments

The budget includes an increase of \$372,300 in FY 2015 for statewide adjustments. This amount consists of:

Game and Fish Fund	361,800
Game, Non-Game, Fish and Endangered Species Fund	500
Watercraft Licensing Fund	10,000

(Please see the Agency Detail and Allocations section.)

Lower Colorado Multispecies Conservation

The budget includes \$350,000 from the Watercraft Licensing Fund in FY 2015 for the Lower Colorado River Multispecies Conservation Plan (MSCP). This amount is unchanged from FY 2014.

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.

Annual payments for the plan are made to the U.S. Bureau of Reclamation. The bureau uses the monies received from state payments to implement conservation measures under the MSCP agreement.

The MSCP is an agreement between Arizona, California, Nevada, Indian Tribes, and water and utility companies to protect species classified as threatened or endangered, and to prevent any additional species from being added to these lists. The MSCP implementation plan lasts for 50 years, is estimated to cost \$626,000,000, and is administered by the U.S. Bureau of Reclamation.

Performance Incentive Pay Program

The budget includes \$346,100 in FY 2015 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 2014.

These monies fund the department's Performance Incentive Pay Program. Employee distributions are based on 50% work unit performance measures and 50% on agencywide performance measures. These measures are determined by internal and external customer surveys, cycle times, and other quantifiable data.

Pittman-Robertson/Dingell-Johnson Act

The budget includes \$3,808,000 from the Game and Fish Fund in FY 2015 for the Pittman-Robertson/Dingell-Johnson Act. This amount is unchanged from FY 2014.

These monies fund the state's 25% match for federal aid matching funds for wildlife restoration projects.

Watercraft Grant Program

The budget includes \$1,000,000 from the Watercraft Licensing Fund in FY 2015 for the Watercraft Grant Program Special Line Item (SLI). This amount is unchanged from FY 2014.

The program awards grants through a competitive grant process to Arizona watercraft enforcement agencies. These grants are used by agencies to expand Operation Under the Influence enforcement efforts, such as purchasing equipment, paying officers' overtime, or funding prevention and education programs.

Watercraft Safety Education Program

The budget includes \$250,000 from the Watercraft Licensing Fund in FY 2015 for the Watercraft Safety Education Program SLI. This amount is unchanged from FY 2014.

The Watercraft Safety Education Program SLI funds a statewide marketing campaign designed to promote a boating education class and an internet-based education program. Department data indicate that 79% of all boaters involved in accidents have never received any formal boating education.

Department of Gaming

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	115.3	115.3	115.3 ^{1/}
Personal Services	4,108,000	4,633,900	4,633,900
Employee Related Expenditures	1,588,400	1,902,100	1,903,000
Professional and Outside Services	323,100	465,900	465,900
Travel - In State	338,000	250,600	250,600
Travel - Out of State	54,400	40,200	40,200
Other Operating Expenditures	1,070,800	870,900	875,500
Equipment	173,200	149,300	149,300
OPERATING SUBTOTAL	7,655,900	8,312,900	8,318,400
SPECIAL LINE ITEMS			
Additional Operating Expenses	0	800,400	800,400 ^{2/}
Casino Operations Certification	2,052,500	2,104,000	2,104,900
Problem Gambling	2,036,100	2,279,700	2,292,500
AGENCY TOTAL	11,744,500	13,497,000	13,516,200 ^{3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona Benefits Fund	9,392,000	11,093,000	11,111,300
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	2,052,500	2,104,000	2,104,900
SUBTOTAL - Other Appropriated Funds	11,744,500	13,497,000	13,516,200
SUBTOTAL - Appropriated Funds	11,744,500	13,497,000	13,516,200
TOTAL - ALL SOURCES	11,744,500	13,497,000	13,516,200

AGENCY DESCRIPTION — The Department of Gaming regulates tribal gaming activities as authorized by the Arizona Tribal-State Gaming Compacts. The agency is funded by the Arizona Benefits Fund, which receives a portion of tribal gaming revenues to pay for regulation of tribal gaming and prevention of problem gambling. The agency is also responsible for certifying casino employees and vendors working with casinos. The department receives monies from the Tribal State Compact Fund through casino employee and vendor certification application fees.

The budget continues the \$9,113,300 FY 2014 appropriated spending level for administration expenses, increased only for statewide adjustments, appropriating \$8,318,400 for operating budget expenditures and \$800,400 for additional operating budget expenditures.

The department's actual spending level will be determined by the level of gaming revenues.

Pursuant to the Gaming ballot initiative (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.

In FY 2015, 9% of tribal gaming revenues are forecasted to be \$8,631,700. In that circumstance, the department would not be able to expend its full appropriation of \$9,118,800. If gaming revenues are higher than the forecast, the department would be able to expend more of the FY 2015 appropriated amount.

The budget continues the FY 2014 appropriated spending level for Problem Gambling; adjusted for statewide adjustments, the budget totals \$2,292,500. The department's actual spending level on Problem Gaming will be determined by the level of gaming revenues.

Pursuant to the Gaming ballot initiative and the Tribal-State Gaming Compacts, the department's Problem

^{1/} Includes 33 OF FTE Positions funded from Special Line Items in FY 2015.

^{2/} The Department of Gaming shall report to the Staff Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on or before December 1, 2014 on the expected amount and purpose of expenditures from the Additional Operating Expenses line item for FY 2015. The report must include the projected line item detail. (General Appropriation Act footnote)

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

Gambling expenses from the Arizona Benefits Fund are limited to 2% of revenues.

In FY 2015, 2% of tribal gaming revenues are projected to be \$1,918,200. In that circumstance, the department would not be able to expend its full Arizona Benefits Fund appropriation of \$1,992,500 for Problem Gambling. If gaming revenues are higher than the forecast, the department would be able to expend more of the FY 2015 appropriation.

From FY 2012 to FY 2013, state gaming revenues grew 1.9% to \$86,170,100. Gaming revenues are expected to grow by 5% from FY 2013 to FY 2014 to a level of \$90,478,600. From FY 2014 to FY 2015, revenues are forecasted to increase by 6% to \$95,907,300. (See Table 1 for more information on projected state revenues and department allocations.)

Operating Budget

The budget includes \$8,318,400 and 82.3 FTE Positions from the Arizona Benefits Fund in FY 2015 for the operating budget. These amounts fund the following adjustments.

Statewide Adjustments

The budget includes an increase of \$5,500 from the Arizona Benefits Fund in FY 2015 for statewide adjustments. (See the Agency Detail and Allocations section.)

Additional Operating Expenses

The budget includes \$800,400 from the Arizona Benefits Fund in FY 2015 for additional operating expenses. The department would be required to report on any new administrative spending. This amount is unchanged from FY 2014.

Monies in this line item are used to align spending with the 9% of projected tribal contributions. The agency may use this additional appropriation for administrative cost of regulating gaming. In FY 2015, these resources will be allocated to the appropriate operating budget line items. (See footnote on additional operating expenses reporting.)

Casino Operations Certification

The budget includes \$2,104,900 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2015 for Casino Operations Certification. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$900 from the Tribal-State Compact Fund in FY 2015 for statewide adjustments.

The department has the responsibility for investigating and certifying all vendors that provide over \$10,000 per month of goods and services to tribal gaming facilities and all tribal gaming employees, excluding food and beverage personnel who are certified by the relevant tribal gaming office. Certification application fees provide funding for the Casino Operations Certification line item.

Problem Gambling

The budget includes \$2,292,500 and 5 FTE Positions in FY 2015 for Problem Gambling. These amounts consist of:

	FY 2015
Arizona Benefits Fund	\$1,992,500
State Lottery Fund	300,000

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$12,800 from the Arizona Benefits Fund in FY 2015 for statewide adjustments.

Pursuant to A.R.S. § 5-601.02 and the Tribal-State Gaming Compacts, 2% of tribal revenues received by the state shall be appropriated from the Arizona Benefits Fund to the department to provide problem gambling prevention, treatment, and education programs. The budget includes \$1,992,500 for FY 2015 from the Arizona Benefits Fund. (See Table 1 for more information on projected state revenues and department allocations.)

Table 1

Tribal Gaming Distributions Pursuant to Proposition 202 ^{1/}

<u>Recipient</u>	<u>Proposition 202 Formula</u>	<u>FY 2012 Actual</u> ^{1/}	<u>FY 2013 Actual</u> ^{1/}	<u>FY 2014 Projected</u> ^{2/}	<u>FY 2015 Projected</u> ^{2/}
State Government Distribution	88% of total	\$84,580,600	\$86,170,100	\$ 90,478,600	\$ 95,907,300
Local Government Distribution ^{3/}	12% of total	<u>11,533,700</u>	<u>11,750,500</u>	<u>12,338,000</u>	<u>13,078,300</u>
Total	100% of total	\$96,114,300	\$97,920,600	\$102,816,600	\$108,985,600
<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	\$ 8,143,100 ^{4/}	\$ 8,631,700 ^{4/}
Department of Gaming Problem Gambling Subtotal-Department of Gaming	2%	<u>1,691,600</u>	<u>1,723,400</u>	<u>1,809,600</u> ^{5/}	<u>1,918,200</u> ^{5/}
		\$ 9,691,600	\$ 9,723,400	\$ 9,952,700	\$ 10,549,900
Instructional Improvement Fund (Department of Education)	56% of remainder	41,937,900	42,810,200	45,094,400	47,800,100
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	20,968,900	21,405,100	22,547,300	23,900,100
Arizona Wildlife Conservation Fund	8% of remainder	5,991,100	6,115,700	6,442,100	6,828,600
Tourism Fund	8% of remainder	<u>5,991,100</u>	<u>6,115,700</u>	<u>6,442,100</u>	<u>6,828,600</u>
Total		\$84,580,600	\$86,170,100	\$90,478,600	\$95,907,300

^{1/} The numbers displayed herein represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts.

^{2/} The budget projects 5% growth in FY 2014 tribal contributions and 6% growth for FY 2015.

^{3/} Local distributions may not proportionally match state distributions due to timing issues associated with different fiscal years.

^{4/} While the FY 2014 appropriation includes \$9,113,300 and the FY 2015 appropriation includes \$9,118,800, A.R.S. § 5-601.02H3 requires 9% of state gaming revenues or \$8,000,000, whichever is greater, to be used for the department's operating budget. This provision is expected to allow the department to only expend \$8,143,100 for operating expenditures in FY 2014 and \$8,631,700 in FY 2015.

^{5/} While the FY 2014 appropriation includes \$1,979,700 and FY 2015 appropriation includes \$1,992,500, A.R.S. § 5-601.02H3 requires 2% of state gaming revenues to be used for problem gambling prevention. This provision is expected to allow the department to only expend \$1,809,600 for problem gambling expenditures in FY 2014 and \$1,918,200 in FY 2015.

Arizona Geological Survey

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	10.3	10.3	10.3
Personal Services	522,000	511,500	511,500
Employee Related Expenditures	197,000	209,900	210,200
Professional and Outside Services	400	0	0
Travel - In State	1,200	0	0
Other Operating Expenditures	149,600	220,000	220,000
Equipment	1,000	0	0
AGENCY TOTAL	871,200	941,400	941,700^{1/}
FUND SOURCES			
General Fund	871,200	941,400	941,700
SUBTOTAL - Appropriated Funds	871,200	941,400	941,700
Other Non-Appropriated Funds	1,355,700	1,108,100	319,600
Federal Funds	8,032,400	8,769,900	1,672,500
TOTAL - ALL SOURCES	10,259,300	10,819,400	2,933,800

AGENCY DESCRIPTION — The Geological Survey investigates Arizona's geology and provides technical advice and assistance to state and local government agencies, industry and other members of the public concerning the geologic environment and the development and use of mineral resources in Arizona. The Survey also provides staffing to the Arizona Oil and Gas Conservation Commission, which regulates the drilling and production of oil, gas and other energy resources.

Operating Budget

The budget includes \$941,700 and 10.3 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$300 from the General Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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

Office of the Governor

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	8,150,500	6,926,000	6,920,100
AGENCY TOTAL	8,150,500	6,926,000	6,920,100 ^{1/2/3/}
FUND SOURCES			
General Fund	8,150,500	6,926,000	6,920,100
SUBTOTAL - Appropriated Funds	8,150,500	6,926,000	6,920,100
Other Non-Appropriated Funds	3,875,600	3,978,200	3,398,500
Federal Funds	51,271,300	27,074,700	16,101,300
TOTAL - ALL SOURCES	63,297,400	37,978,900	26,419,900

AGENCY DESCRIPTION — The Governor is the state's Chief Executive Officer and responsible for the execution of state laws. The Office of the Governor includes the Office for Children, Youth and Families, Office on Aging, Office of Constituent Services, Arizona-Mexico Commission, Northern Office, and Tucson Office.

Operating Budget

The budget includes \$6,920,100 from the General Fund in FY 2015 for the operating budget. This amount funds the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(5,900) from the General Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Additional Legislation

Human Trafficking Victim Assistance Fund

Laws 2014, Chapter 151 establishes the Human Trafficking Victim Assistance Fund consisting of monies received from civil penalties for unlawful advertising by escort services and massage therapists. The Director of the Governor's Office for Children, Youth and Families is to use fund monies to provide assistance to victims of sex trafficking and trafficking of persons for forced labor or services.

- ^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.
- ^{3/} Included in the Lump Sum appropriation of \$6,920,100 for FY 2015 is \$10,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)

Governor's Office of Strategic Planning and Budgeting

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	22.0	22.0	22.0
Personal Services	1,169,900	1,330,900	1,330,900
Employee Related Expenditures	403,200	360,700	361,500
Professional and Outside Services	105,800	92,500	92,500
Travel - In State	1,500	100	100
Travel - Out of State	500	0	0
Other Operating Expenditures	186,100	207,200	207,200
Equipment	25,400	1,800	1,800
AGENCY TOTAL	1,892,400	1,993,200	1,994,000^{1/2/}
FUND SOURCES			
General Fund	1,892,400	1,993,200	1,994,000
SUBTOTAL - Appropriated Funds	1,892,400	1,993,200	1,994,000
TOTAL - ALL SOURCES	1,892,400	1,993,200	1,994,000

AGENCY DESCRIPTION — The Governor's Office of Strategic Planning and Budgeting advises the Governor in the preparation of the Executive budget and provides the Executive Branch a central resource for the compilation, analysis, and investigation of state fiscal matters. It facilitates a strategic planning process and assists agencies in preparation and execution of their budgets.

Operating Budget

The budget includes \$1,994,000 and 22 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$800 from the General Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

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

Department of Health Services

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,176.7	1,176.7	1,176.7 ^{1/}
Personal Services	53,124,100	58,284,000	25,217,000
Employee Related Expenditures	20,705,400	22,311,700	9,472,000
Professional and Outside Services	12,913,300	15,705,400	4,498,700
Travel - In State	486,700	547,300	412,300
Travel - Out of State	67,200	88,300	83,300
Other Operating Expenditures	32,429,600	38,051,700	24,872,100
Equipment	918,000	1,699,800	1,423,800
OPERATING SUBTOTAL	120,644,300	136,688,200	65,979,200
SPECIAL LINE ITEMS			
Behavioral Health			
Medicaid Behavioral Health - Traditional	829,920,400	897,207,500	819,169,600 ^{2/3/4/}
Medicaid Behavioral Health - Proposition 204	327,724,200	223,879,100	533,313,600 ^{2/3/4/5/}
Medicaid Behavioral Health - Comprehensive Medical and Dental Program	0	175,395,700	182,521,300 ^{2/3/4/}
Medicaid Behavioral Health - Adult Expansion	0	41,015,800	73,805,900
Proposition 204 Administration	5,579,200	6,446,700	6,446,700 ^{5/}
Medicare Clawback Payments	13,838,800	14,057,100	14,100,700
Medicaid Insurance Premium Payments	23,337,600	28,447,300	23,795,400
Non-Medicaid Seriously Mentally Ill Services	94,411,200	78,846,900	78,846,900
Supported Housing	5,218,100	5,324,800	5,324,800
Crisis Services	0	16,391,100	16,391,100
Mental Health First Aid	0	250,000	250,000 ^{6/}
Arizona State Hospital			
ASH - Operating	0	0	58,289,500
ASH - Restoration to Competency	0	0	900,000 ^{7/}
ASH - Sexually Violent Persons	0	0	9,721,700 ^{8/}
Community Placement Treatment	0	1,130,700	0
One-Time Electronic Medical Records Start-Up	0	3,850,000	0
Public Health/Family Health			
Adult Cystic Fibrosis	76,900	105,200	105,200
AIDS Reporting and Surveillance	983,100	1,000,000	1,000,000
Alzheimer's Disease Research	1,125,000	1,125,000	2,375,000 ^{9/}
Biomedical Research Support	0	0	2,000,000 ^{10/}
Breast and Cervical Cancer and Bone Density Screening	1,110,100	1,369,400	1,369,400
County Tuberculosis Provider Care and Control	517,300	590,700	590,700
Emergency and Trauma Services	300,000	300,000	0
Folic Acid	316,000	400,000	400,000
High Risk Perinatal Services	1,961,400	2,543,400	2,543,400
Newborn Screening Program	5,428,500	6,307,000	6,307,700
Nursing Facility Study	0	90,000	50,000
Poison Control Centers Funding	580,700	990,000	990,000
Nonrenal Disease Management	198,000	198,000	198,000 ^{11/}
Renal Dental Care and Nutrition Supplements	0	300,000	300,000
School-Based Prevention Education	0	0	300,000 ^{12/}
AGENCY TOTAL	1,433,270,800	1,644,249,600	1,907,385,800^{13/-16/}
FUND SOURCES			
General Fund	582,926,600	568,284,900	613,362,100
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	10,453,700	14,918,500	9,588,600

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
ASH Land Earnings Fund	186,900	650,000	650,000
Capital Outlay Stabilization Fund	210,000	1,559,800	1,559,800
Child Fatality Review Fund	94,400	94,800	94,800
Emergency Medical Services Operating Fund	4,209,900	5,121,400	5,122,400
Environmental Laboratory Licensure Revolving Fund	745,600	926,900	927,100
Federal Child Care and Development Fund Block Grant	694,500	830,400	879,400
Health Services Licensing Fund	7,784,800	8,842,400	9,275,100
Hearing and Speech Professionals Fund	317,800	0	0
Indirect Cost Fund	8,746,700	10,390,400	8,573,500
Long Term Care System Fund	1,379,600	0	0
Newborn Screening Program Fund	5,652,100	6,738,900	6,739,600
Nursing Care Institution Resident Protection Revolving Fund	54,700	128,200	88,200
Substance Abuse Services Fund	2,250,000	2,250,000	2,250,000
TTHCF Health Research Account	1,000,000	1,000,000	3,000,000
TTHCF Medically Needy Account	35,083,000	35,467,000	35,467,000
Vital Records Electronic Systems Fund	2,456,200	3,634,700	3,635,500
SUBTOTAL - Other Appropriated Funds	81,319,900	92,553,400	87,851,000
SUBTOTAL - Appropriated Funds	664,246,500	660,838,300	701,213,100
Expenditure Authority Funds			
Federal Medicaid Services	769,024,300	983,411,300	1,206,172,700
SUBTOTAL - Expenditure Authority Funds	769,024,300	983,411,300	1,206,172,700
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,433,270,800	1,644,249,600	1,907,385,800
Other Non-Appropriated Funds	128,294,400	127,320,600	127,320,600
Federal Funds	313,217,000	310,573,100	310,781,000
TOTAL - ALL SOURCES	1,874,782,200	2,082,143,300	2,345,487,400

AGENCY DESCRIPTION — The Department of Health Services (DHS) is responsible for the provision of most public health programs not administered by AHCCCS, most behavioral health programs, the Arizona State Hospital (ASH), emergency medical services, state laboratory support, vital records maintenance, disease control, and epidemiological monitoring.

- 1/ Includes 1 GF and 24.1 OF FTE Positions funded from Special Line Items in FY 2015.
- 2/ On or before January 6, 2015, the Department of Health Services shall report to the Director of the Joint Legislative Budget Committee the total amount of Medicaid reconciliation payments and penalties received on or before that date since July 1, 2014. On June 30, 2015, the department shall report the same information for all of FY 2015. (General Appropriation Act footnote)
- 3/ The Department of Health Services shall report to the Joint Legislative Budget Committee within 30 days after the end of each calendar quarter on the progress in implementing the *Arnold v. Sarn* lawsuit settlement. The report must include at a minimum the department's progress toward meeting all criteria specified in the 2014 joint stipulation, including the development and estimated cost of additional behavioral health service capacity in Maricopa County as follows: supported housing services for 1,200 class members, supported employment services for 750 class members, 8 assertive community treatment teams and consumer operated services for 1,500 class members. The department shall also report the amounts, by fund source, it plans to use to pay for expanded services. (General Appropriation Act footnote)
- 4/ It is the intent of the Legislature that the percent attributable to administration/profit for the Regional Behavioral Health Authority in Maricopa County is 9% of the overall capitation rate. (General Appropriation Act footnote)
- 5/ The amounts included in the Proposition 204 Administration and Medicaid Behavioral Health - Proposition 204 line items include all available sources of funding consistent with A.R.S. § 36-2901.01B. (General Appropriation Act footnote)
- 6/ It is the intent of the Legislature that monies in the Mental Health First Aid line item be spent to train mental health first aid instructors. (General Appropriation Act footnote)
- 7/ The Arizona State Hospital - Restoration to Competency line item includes monies for direct costs associated with the Restoration to Competency program. All other indirect costs are included in the Arizona State Hospital - Operating line item.
- 8/ The Arizona State Hospital - Sexually Violent Persons line item includes monies for direct costs associated with the Sexually Violent Person program. All other indirect costs are included in the Arizona State Hospital - Operating line item.
- 9/ Of the \$2,375,000 for Alzheimer's Disease Research, \$1,000,000 of that amount is from the Tobacco Tax and Health Care Fund - Health Research Account. (General Appropriation Act footnote)
- 10/ A. The sum of \$2,000,000 is appropriated from the Health Research Fund established by A.R.S. § 36-275 in FYs 2015, 2016, 2017, 2018, and 2019 to the Department of Health Services for allocation to a nonprofit medical research institute headquartered in this state that does all of the following:
 1. Specializes in biomedical research focused on applying genomic technologies and sequencing to clinical care.
 2. Has served as a resource to this state to conduct molecular epidemiologic analyses to assist with disease outbreak investigations.
 3. Collaborates with universities, hospitals and health science research centers and other public and private bioscience and related industries in this state.

Summary

DHS' FY 2015 General Fund spending would increase by \$45,077,200, or 7.9%. The budget includes:

- \$(5,715,000) for formula adjustments.
- \$36,814,300 for the annualization of costs associated with mandatory federal health care legislation.
- \$15,475,200 for the annualization of costs associated with Medicaid expansion and the Childless Adult restoration.
- \$(2,747,300) for annualization of savings associated with shifting services of most enrollees in the Children's Rehabilitative Services program to the Arizona Health Care Cost Containment System (AHCCCS).
- \$1,250,000 for Alzheimer's research.
- \$300,000 for the School-Based Prevention Education program.
- \$(300,000) to eliminate the Emergency Trauma Services line item and shift La Paz Regional Hospital to the Critical Access Hospital line in the AHCCCS budget.

Operating Budget

The budget includes \$65,979,200 and 1,151.6 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	<u>FY 2015</u>
General Fund	\$24,006,900
Capital Outlay Stabilization Fund	1,559,800
Child Fatality Review Fund	94,800
Emergency Medical Services (EMS) Operating Fund	4,672,400
Environmental Laboratory Licensure Revolving Fund	927,100
Federal Child Care and Development Fund (CCDF) Block Grant	879,400
Health Services Licensing Fund	9,275,100
Indirect Cost Fund	8,573,500
Newborn Screening Program Fund	431,900
Nursing Care Institution Resident Protection Revolving Fund	38,200
Vital Records Electronic Systems Fund	3,635,500
Federal Medicaid Authority (FMA)	11,884,600

These amounts fund the following adjustments:

- B. The recipient of the monies appropriated pursuant to subsection A of this section shall commission an annual audit of the expenditure of these monies and shall submit a copy of the audit to the Department of Health Services on or before February 1 of each year.
- C. The appropriation made in subsection A of this section is exempt from the provisions A.R.S. § 35-190 relating to lapsing of appropriations. (General Appropriation Act footnote)
- 11/ The Department of Health Services may use up to 4% of the amounts appropriated for Nonrenal Disease Management for the administrative costs to implement the program. (General Appropriation Act footnote)
- 12/ A. The sum of \$300,000 is appropriated from the General Fund in FY 2015 to the Department of Health Services for a middle and high school prevention education program. The department shall distribute monies appropriated pursuant to this section on a competitive grant basis to grant applicants who will implement a proactive prevention education program in all middle and high schools in this state. The program must:
1. Promote positive life choices by educating middle and high school students about the harms and consequences of destructive behaviors in order to reduce motivation to use drugs and be involved in harmful social environments.
 2. Incorporate an educational prevention component focusing on the areas of:
 - (a) Substance abuse.
 - (b) Mental health.
 - (c) Violence.
 - (d) Other risky behaviors.
- B. Before the expenditure of any monies appropriated in subsection A of this section, the Department of Health Services shall present an expenditure plan to the Joint Legislative Budget Committee for its review.
- C. The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations. (General Appropriation Act footnote)
- 13/ In addition to the appropriation for the Department of Health Services, earnings on state lands and interest on the investment of the Permanent State Land Funds are appropriated to the Arizona State Hospital in compliance with the Enabling Act and the Constitution of Arizona. (General Appropriation Act footnote)
- 14/ The department shall report to the Joint Legislative Budget Committee on or before 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 may not be 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 more for a given fiscal year, the department shall submit the policy changes for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 15/ The Department of Health Services shall electronically forward a monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals 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 on or before the 30th of the following month. The report must include an estimate of potential shortfalls in programs, potential federal and other funds, such as the statewide assessment for indirect costs, that may be available to offset these shortfalls, and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation and total expenditure authority of the month and year-to-date for federally matched services. (General Appropriation Act footnote)
- 16/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

ASH - Operating Shift

The budget includes a decrease of \$(58,349,500) in FY 2015 to shift operating costs of the Arizona State Hospital (ASH) from DHS' general operating budget to a new line item. This amount consists of:

General Fund	(52,033,100)
Arizona State Hospital Fund	(5,666,400)
ASH Land Earnings Fund	(650,000)

(Please see the ASH - Operating line item for more information.)

ASH - Sexually Violent Persons Shift

The budget includes a decrease of \$(9,728,700) in FY 2015 to shift treatment costs of Sexually Violent Persons (SVP) at ASH from DHS' general operating budget to a new line item. This amount consists of:

General Fund	(6,707,300)
Arizona State Hospital Fund	(3,021,400)

(Please see ASH - Sexually Violent Persons line item for more information.)

ASH - Restoration to Competency Shift

The budget includes a decrease of \$(900,000) from the Arizona State Hospital Fund in FY 2015 to shift treatment costs of Restoration to Competency at ASH from DHS' general operating budget to a new line item.

(Please see ASH - Restoration to Competency line item for more information.)

Annualize County SVP Contribution

The budget includes a decrease of \$(1,800,000) from the ASH Fund in FY 2015 to reflect the increase in the state share of costs for the treatment of SVPs at ASH in the FY 2014 budget. Last year, the county share of SVP costs was reduced by shifting \$1,800,000 to the General Fund. County SVP contributions are deposited into the ASH Fund. The ASH Fund was not reduced by a commensurate amount in FY 2014. The budget reflects the FY 2014 cost sharing arrangement by reducing the appropriation for the ASH Fund accordingly.

Surveyor and Program Manager Salary Increase

The budget includes \$479,200 in FY 2015 to fund increases in the salaries of surveyors and program managers who perform on-site inspections at health and child care facilities. This amount consists of:

Health Services Licensing Fund	430,200
Federal Child Care and Development Fund (CCDF) Block Grant	49,000

These monies will be used in conjunction with federal monies to increase the salaries of 115 surveyors and 24

team leaders in the Division of Licensing Services by \$5,000 each.

Statewide Adjustments

The budget includes a decrease of \$(410,000) in FY 2015 for statewide adjustments. This amount consists of:

General Fund	(33,200)
Emergency Medical Services (EMS) Operating Fund	1,000
Environmental Laboratory Licensure Revolving Fund	200
Health Services Licensing Fund	2,500
Indirect Cost Fund	(366,900)
Vital Records Electronic Systems Fund	800
Federal Medicaid Authority (FMA)	(14,400)

Behavioral Health

These line items fund 4 types of services: 1) Serious Mental Illness (SMI), 2) Children's Behavioral Health (CBH), 3) General Mental Health and Substance Abuse (GMH/SA) and 4) Comprehensive Medical and Dental Program (CMDP). *(Please see Table 1 for more information.)*

Formula Adjustments

Formula adjustments totaling \$(5,715,000) are comprised of FY 2015 changes to capitation rates, Medicare Clawback payments, caseloads and the federal match rate. Formula adjustments do not include costs associated with federal health care expansion. *(Please see the Mandatory Federal Health Care Changes and Medicaid Expansion sections of this report for additional information.)*

Capitation rate inflation is assumed to be 3% above FY 2014 for all Medicaid Behavioral Health programs. The 3% capitation rate increase is estimated to cost the General Fund \$12,561,600 in FY 2015. As part of the 3% capitation rate increase, the FY 2015 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 11) stated that it is the intent of the Legislature that Behavioral Health Service provider rates be increased by up to 2% beginning on October 1, 2014. Capitation rates include a risk corridor to limit profits and losses of the Regional Behavioral Health Authorities (RHBA) that administer Medicaid Behavioral Health services. *(Please see Other Issues section for additional information.)* Adjustments to Medicare Clawback payments will increase General Fund costs by \$43,600.

Apart from enrollment associated with federal health care expansion, enrollment growth for Traditional Acute Care and Proposition 204 populations is projected to remain unchanged while growth for the CMDP population is projected to be 3% from June 1, 2014 to June 1, 2015. Caseload growth in FY 2015 is estimated to result in a \$(345,300) General Fund cost reduction in FY 2015.

	<u>FY 2014</u> <u>Appropriated</u>	<u>FY 2015</u> <u>Appropriated</u>	<u>FY 2015</u> <u>Above FY 2014</u>
Medicare Clawback payments	\$ 14,057,100	\$ 14,100,700	\$ 43,600
Medicaid Insurance Premium Payments	7,758,800	7,578,300	(180,500)
<u>State Match for Medicaid ^{1/}</u>			
CBH	84,428,200	95,170,200	10,742,000
SMI	161,133,800	106,139,900	(54,993,900)
GMH/SA	51,287,900	58,218,800	6,930,900
<u>State Match for Proposition 204</u>			
CBH	992,700	1,150,100	157,400
SMI	0	75,121,000	75,121,000
GMH/SA	36,838,700	41,204,500	4,365,800
State Match for CMDP ^{2/}	<u>56,308,300</u>	<u>58,128,500</u>	<u>1,820,200</u>
Total	\$412,805,500	\$456,812,000	\$44,006,500

^{1/} Base amounts include \$34,767,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund.
^{2/} Prior to FY 2014 State Match for CMDP was a component of funding for the CBH population.

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. During FY 2015, the FMAP for Medicaid will increase to 68.15% (1.31% increase). The formula adjustments include a decrease of \$(17,974,900) in General Fund spending reflecting savings from the federal rate increase.

The budget also includes an increase of \$17,638,500 from the General Fund in FY 2014 to fund Behavioral Health Services caseload growth in excess of the agency's FY 2014 appropriation. This increase is continued into the FY 2015 budget. The budget also permits AHCCCS to transfer up to an additional \$12,984,900 of its FY 2014 General Fund appropriation to DHS if AHCCCS has sufficient available funding and DHS experiences a commensurate shortfall in FY 2014. (Please see *Other Issues for more information.*)

In June 2015, there are projected to be 1,499,577 individuals eligible for Medicaid Behavioral Health services. DHS receives a monthly capitation payment from AHCCCS for every eligible individual, although only an estimated average 10.7%, or 160,324, of the eligible population will utilize services. (See *Table 2 for more information.*)

Mandatory Federal Health Care Changes

Federal health care legislation passed in 2010, known as the Affordable Care Act (ACA), expanded mandatory levels of Medicaid coverage beginning on January 1, 2014. The General Fund cost of this expanded coverage is estimated to increase \$36,814,300 in FY 2015, above costs in the FY 2014 budget. Changes resulting from the legislation are projected to increase DHS Medicaid caseloads by 90,690 by June 2014 and by 169,665 by June

2015 (not all enrollees receive Behavioral Health services). New enrollees in mandatory coverage receive a regular FMAP of 68.15% in FY 2015. (Please see *Mandatory Changes Resulting from Federal Health Care Legislation in the AHCCCS section of this report.*)

<u>By Line Item</u>	<u>Eligible ^{1/}</u>	<u>No. Using Services</u>	<u>Rate of Use</u>
Traditional	980,004	86,227	8.8%
Proposition 204	446,232	57,077	12.8
CMDP	14,427	9,425	65.3
Adult Expansion ^{2/}	<u>58,894</u>	<u>7,595</u>	<u>12.9</u>
Total Member Months	1,499,577	160,324	10.7%
<u>By Service Type</u>	<u>Eligible ^{1/}</u>	<u>No. Using Services</u>	<u>Rate of Use</u>
CBH	651,055	43,340	6.7%
SMI ^{3/}	834,075	43,070	5.2
GMH/SA ^{3/}	14,427	64,488	7.7
CMDP	<u>14,427</u>	<u>9,425</u>	<u>65.3</u>
Total Member Months	1,499,557	160,324	10.7%

^{1/} Projections in this table differ from total enrollment projections in the AHCCCS agency section as some populations enrolled in AHCCCS are not eligible to enroll in DHS. Additionally, some individuals receive all of their care through AHCCCS on an integrated basis.
^{2/} Parents and Childless Adults from 100%-133% of the federal poverty level (FPL).
^{3/} Each adult enrollee is eligible for both SMI and GMH/SA services.

Medicaid Expansion

The FY 2014 Health and Welfare BRB (Laws 2013, 1st Special Session, Chapter 10) made a number of changes to Medicaid coverage, including the expansion of coverage for adults up to 133% of the Federal Poverty Level (FPL) and the restoration of coverage for the Childless Adult population. The federal government will pay 100% of the cost of the Adult Expansion (parents and childless adults whose incomes are from 100% to 133% FPL) in 2014 to 2016. The Childless Adult population from 0% to 100%

FPL will also receive a higher match rate than the standard 2:1 match. The increased match starts at 83.62% in 2014 and increases to 85.48% in FY 2015. The General Fund cost of Medicaid Expansion is estimated to increase \$15,475,200 in FY 2015, above costs in the FY 2014 budget. By June 2015, there are projected to be 252,140 enrollees under Medicaid Expansion. *(Please see Medicaid Expansion, Childless Adult Restoration, and the Hospital Assessment in the AHCCCS section for additional information.)*

Children’s Rehabilitative Services (CRS) Integration

On October 1, 2013, AHCCCS integrated care for most children in the CRS program. Most CRS children that had been receiving behavioral health services from DHS now receive all their health care services through one CRS contractor. Some behavioral health costs that were previously paid for in DHS will, therefore, be shifted to AHCCCS. The FY 2015 budget annualizes the impact of this shift from DHS to AHCCCS. The budget includes a decrease of \$(2,747,300) from the General Fund in FY 2015 in DHS and a corresponding increase in AHCCCS. *(Please see Formula Adjustments in the AHCCCS section for additional information.)*

Medicaid Behavioral Health - Traditional

The budget includes \$819,169,600 in FY 2015 for Medicaid Behavioral Health - Traditional. This amount consists of:

General Fund	224,761,900
Tobacco Tax and Health Care Fund	34,767,000
Medically Needy Account	
Federal Medicaid Authority	559,640,700

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$118,431,800 in FY 2015 for Medicaid Behavioral Health - Traditional caseload and capitation rate changes. This amount consists of:

General Fund	25,321,400
Federal Medicaid Authority	93,110,400

Apart from the annualization of costs associated with federal health care legislation, the formula adjustments include 0% enrollment growth. The adjustments also include an increase to the federal match rate and a 3% capitation rate increase.

SMI Reclassification

The budget includes a decrease of \$(188,068,300) in FY 2015 to shift Proposition 204 SMI clients back to the Proposition 204 line item. This amount consists of:

General Fund	(59,895,100)
Federal Medicaid Authority	(128,173,200)

The FY 2011 appropriation previously shifted these individuals to the Traditional SMI population because they were assumed to also be Supplemental Security Income (SSI) eligible. Some SSI-eligible clients would receive Traditional services even if Proposition 204 had not been enacted. A corresponding increase can be found in the Proposition 204 line item.

Annualization of CRS Shift to AHCCCS

The budget includes a decrease of \$(8,401,400) in FY 2015 for annualization savings of shifting behavioral health services to the CRS line item in AHCCCS. This amount consists of:

General Fund	(2,747,300)
Federal Medicaid Authority	(5,654,100)

A corresponding increase can be found in AHCCCS. The CRS program offers health care to children with handicapping or potentially handicapping conditions.

Background – This line item provides behavioral health treatment to Medicaid eligible adults and children. In June 2015, there are projected to be 980,004 eligible individuals. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated average 8.8%, or 86,227, of the eligible population will utilize services. A summary of projections for eligibility and service utilization appear in *Table 2*.

Medicaid Behavioral Health - Proposition 204

The budget includes \$533,313,600 in FY 2015 for Medicaid Behavioral Health - Proposition 204. This amount consists of:

General Fund	117,475,600
Federal Medicaid Authority	415,838,000

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$121,366,200 in FY 2015 for Medicaid Behavioral Health - Proposition 204 caseload and capitation rate changes. This amount consists of:

General Fund	19,749,100
Federal Medicaid Authority	101,617,100

Apart from the annualization of costs associated with federal health care expansion, the formula adjustments include 0% enrollment growth. The adjustments also include an increase to the federal match rate and a 3% capitation rate increase.

SMI Reclassification

The budget includes an increase of \$188,068,300 in FY 2015 to shift Proposition 204 SMI clients back to the Proposition 204 line item. This amount consists of:

General Fund	59,895,100
Federal Medicaid Authority	128,173,200

(Please see Medicaid Behavioral Health - Traditional for additional information.)

Background – This line item provides behavioral health treatment to Proposition 204 - Medicaid eligible adults and children. In June 2015, there are projected to be 446,232 eligible individuals. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated average 12.8%, or 57,077, of the eligible population will utilize services. A summary of projections for eligibility and service utilization appear in *Table 2*.

Medicaid Behavioral Health - Comprehensive Medical and Dental Program

The budget includes \$182,521,300 in FY 2015 for Medicaid Behavioral Health - Comprehensive Medical and Dental Program (CMDP). This amount consists of:

General Fund	58,128,500
Federal Medicaid Authority	124,392,800

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$7,125,600 in FY 2015 for Medicaid Behavioral Health – CMDP caseload and capitation rate changes. This amount consists of:

General Fund	1,820,200
Federal Medicaid Authority	5,305,400

The formula adjustments include 3% enrollment growth, an increase to the federal match rate, and a 3% capitation increase.

Background – This line item provides behavioral health treatment to CMDP eligible children. CMDP is the health plan responsible for providing health services for children in foster care and will primarily be administered by the Department of Child Safety (DCS), beginning in FY 2015. DHS administers behavioral health services for these clients. Prior to FY 2014, DHS administered CMDP behavioral health through its CBH program. During FY 2014, DES administered acute care services for this population before this responsibility was transferred to DCS. In June 2015, there are projected to be 14,427 eligible individuals. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for CMDP, and it is estimated that an average of 65.3%, or

9,425, of the eligible population will utilize services. A summary of projections for eligibility and service utilization appear in *Table 2*.

Medicaid Behavioral Health - Adult Expansion

The budget includes \$73,805,900 from Federal Medicaid Authority in FY 2015 for the Adult Expansion. This amount funds the following adjustments:

Formula Adjustments

The budget includes an increase of \$32,790,100 in Federal Medicaid Authority in FY 2015 for the annualization and phase-in of this population.

Background – Beginning on January 1, 2014, the Adult Expansion provides Medicaid services for adults from 100%-133% FPL who are not eligible for another Medicaid program. The federal government will pay 100% of the cost of this population from 2014 to 2016. The federal share will gradually decline to 90% by 2020. The budget assumes that 58,894 individuals will be enrolled in June 2015. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for the Adult Expansion, and it is estimated that an average of 12.9%, or 7,595, of the eligible population will utilize services. A summary of projections for eligibility and service utilization appear in *Table 2*.

Proposition 204 Administration

The budget includes \$6,446,700 in FY 2015 for Proposition 204 Administration. This amount consists of:

General Fund	2,053,100
Federal Medicaid Authority	4,393,600

These amounts fund the following adjustments:

Formula Adjustments

The budget includes a decrease of \$(78,300) from the General Fund and a corresponding increase from Federal Medicaid Authority in FY 2015 due to a change in the federal match rate.

This line item provides funding for the administrative component of the Proposition 204 population.

Medicare Clawback Payments

The budget includes \$14,100,700 from the General Fund in FY 2015 for Medicare Clawback Payments. This amount funds the following adjustments:

Formula Adjustments

The budget includes an increase of \$43,600 from the General Fund in FY 2015 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 a certain percent (75.0% in 2015) of the estimated drug costs.

Medicaid Insurance Premium Payments

The budget includes \$23,795,400 in FY 2015 for Medicaid Insurance Premium Payments. This amount consists of:

General Fund	7,578,300
Federal Medicaid Authority	16,217,100

These amounts fund the following adjustments:

Formula Adjustments

The budget includes a decrease of \$(4,651,900) in FY 2015 for Medicaid Insurance Premium Payments related to caseload growth and FMAP adjustments. This amount consists of:

General Fund	(180,500)
Federal Medicaid Authority	(4,471,400)

This line item provides funding necessary for insurance premium tax payments by DHS. The department is required to pay a 2% tax on the capitation payments it pays to Regional Behavioral Health Authorities.

Non-Medicaid Seriously Mentally Ill Services

The budget includes \$78,846,900 from the General Fund in FY 2015 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2014.

Background – This line item provides funding for Non-Medicaid Seriously Mentally Ill clients. The state has been a longstanding defendant in the *Arnold v. Sarn* litigation concerning the level of services provided to the SMI population. Due to the state’s fiscal condition, the plaintiffs and the state agreed in March 2010 to suspend the lawsuit for 2 years due to lack of funding. As part of the suspension, the FY 2011 budget reduced Non-Medicaid behavioral health spending by \$(41,754,000). The FY 2013 budget restored the majority of this reduction. In accordance with a May 2012 agreement to end the suspension, the state agreed to utilize the restored funding to provide *Arnold* class members with access to name-brand prescription medication, additional crisis services, and expanded support services. Additionally, the agreement required that the amount of class members receiving treatment at the Arizona State Hospital be capped at 55, in order to encourage greater use of community-based treatment and living arrangements. The FY 2015 Health and Welfare BRB expanded the behavioral health expenditure report that DHS annually

submits to the Joint Legislative Budget Committee to include income data for clients served.

In January 2014, an exit agreement from the litigation was signed by Arizona’s Governor, Maricopa County, and the plaintiffs in the case. The Maricopa County Superior Court approved the agreement in February 2014. The exit agreement requires the state to begin meeting requirements by June 2016 for providing assertive community treatment, supported housing, supported employment, crisis services, and family and peer support services to individuals with a serious mental illness. (See *Other Issues and Table 3 for more information.*)

Supported Housing

The budget includes \$5,324,800 from the General Fund in FY 2015 for Supported Housing. This amount is unchanged from FY 2014.

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. The program served an average of 3,097 clients per month in FY 2013.

Crisis Services

The budget includes \$16,391,100 in FY 2015 for Crisis Services. This amount consists of:

General Fund	14,141,100
Substance Abuse Services Fund	2,250,000

These amounts are unchanged from FY 2014.

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. The program served an average of 17,738 clients per month in FY 2013.

Mental Health First Aid

The budget includes \$250,000 from the General Fund in FY 2015 for Mental Health First Aid. This amount is unchanged from FY 2014.

This line item provides training for Mental Health First Aid instructors. The Mental Health First Aid program is a public education effort to teach the public to identify, understand, and respond to signs of mental illnesses and substance abuse. DHS has allocated \$195,000 to Regional Behavioral Health Authorities to provide training and materials in their regions. DHS will use the remaining

\$55,000 to train persons who will teach Mental Health First Aid classes.

Arizona State Hospital

ASH - Operating

The budget includes \$58,289,500 in FY 2015 for a new ASH - Operating line item. This amount consists of:

General Fund	51,972,600
Arizona State Hospital Fund	5,666,900
ASH Land Earnings Fund	650,000

These amounts fund the following adjustments:

ASH - Operating Shift

The budget shifts \$58,349,500 in FY 2015 to a new ASH - Operating line item. This amount consists of:

General Fund	52,033,100
Arizona State Hospital Fund	5,666,400
ASH Land Earnings Fund	650,000

Statewide Adjustments

The budget includes a decrease of \$(60,000) in FY 2015 for statewide adjustments. This amount consists of:

General Fund	(60,500)
Arizona State Hospital Fund	500

This line item provides funding for inpatient psychiatric hospitalization services for adult seriously mentally ill residents. Over the 12-month period from March 2013 through March 2014, the Arizona State Hospital has had an average monthly census of 243 patients.

ASH - Restoration to Competency

The budget includes \$900,000 from the Arizona State Hospital Fund in FY 2015 for a new Arizona State Hospital - Restoration to Competency line item. This amount funds the following adjustments:

ASH - Restoration to Competency Shift

The budget shifts \$900,000 from the Arizona State Hospital Fund in FY 2015 to a new Arizona State Hospital - Restoration to Competency line item.

The FY 2015 Health and Welfare BRB continues to require counties to pay 100% of the daily cost of care for Restoration to Competency (RTC) patients treated at the Arizona State Hospital (ASH).

Background – ASH provides treatment to restore to competency individuals who are found incompetent to stand trial. Prior to 1997, counties paid 100% of the cost of restoring patients to competency. In FY 1997, the state

assumed the full cost of RTC treatment. In FY 2002, the state began requiring cities and counties to pay 86% of the costs of the program. The state continued to vary the required reimbursement rate over the next several years. Beginning in FY 2010, budget-related session laws have required all counties to pay 100% of the daily cost of care for RTC patients treated at ASH.

ASH - Sexually Violent Persons

The budget includes \$9,721,700 in FY 2015 for a new Arizona State Hospital - Sexually Violent Persons line item. This amount consists of:

General Fund	6,700,000
Arizona State Hospital Fund	3,021,700

These amounts fund the following adjustments:

ASH - Sexually Violent Persons Shift

The budget shifts \$9,728,700 in FY 2015 to a new ASH - Sexually Violent Persons line item. This amount consists of:

General Fund	6,707,300
Arizona State Hospital Fund	3,021,400

Statewide Adjustments

The budget includes a decrease of \$(7,000) in FY 2015 for statewide adjustments. This amount consists of:

General Fund	(7,300)
Arizona State Hospital Fund	300

After serving their prison sentence, some persons convicted of sexually violent crimes may be remanded by the courts for further confinement and treatment. These individuals are housed at the Arizona State Hospital (ASH). Since FY 2010, counties that have sent Sexually Violent Persons (SVP) to ASH are responsible for a portion of the daily cost of care. The FY 2010 Health and Welfare BRB (Laws 2009, 3rd Special Session, Chapter 10) initially required counties to pay 25% of the daily cost of care. The FY 2012 Health BRB (Laws 2011, Chapter 31) increased the county share to 50% of daily SVP costs. The FY 2014 Health and Welfare BRB permitted DHS to set the percentage rate at a level that would increase the state share of the cost by \$1.8 million in FY 2014. The FY 2015 Health and Welfare BRB requires that the counties' cost of care percentage for SVP treatment not increase from the FY 2014 levels.

Currently, DHS bills counties at 50% of program rates until it collects the overall county contribution amount. After the contribution limit has been reached, counties that send SVPs to ASH no longer pay for the daily cost of care for the rest of the year. DHS estimates direct and indirect expenditures for SVP care will be approximately \$9,700,000 for FY 2014. After the \$1,800,000 cost shift to

the state, counties will pay \$3,021,354, or 31%, of total SVP expenditures.

Community Placement Treatment

The budget includes no funding in FY 2015 for Community Placement Treatment. This amount funds the following adjustments:

Delete Unused Funding

The budget includes a decrease of \$(1,130,700) from the ASH Fund in FY 2015 for the elimination of the Community Placement Treatment line item because the annual appropriation has not been expended by the department since FY 2009. The department reports these services were previously funded through Behavioral Health Services (BHS) contracts with Regional Behavioral Health Authorities.

This line item had provided funding for housing, transportation, clinical support, and day activities for Arizona State Hospital patients treated in the community.

One-Time Electronic Medical Records Start-Up

The budget includes no funding in FY 2015 for Electronic Medical Records Start-Up. This amount funds the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(3,850,000) in FY 2015 for one-time Electronic Medical Records start-up costs. This amount consists of:

ASH Fund	(2,400,000)
Indirect Cost Fund	(1,450,000)

This line item funded one-time start-up costs to implement a new electronic medical records system at the Arizona State Hospital.

Section 143 of the FY 2014 General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) exempted the FY 2014 appropriation that funds this line item from lapsing until June 30, 2015.

Public Health/Family Health

Adult Cystic Fibrosis

The budget includes \$105,200 from the General Fund in FY 2015 for Adult Cystic Fibrosis. This amount is unchanged from FY 2014.

This line item provides contracted care and treatment services through Phoenix Children's Hospital for 20 individuals with cystic fibrosis.

AIDS Reporting and Surveillance

The budget includes \$1,000,000 from the General Fund in FY 2015 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2014.

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 1,823 clients per month in FY 2013.

Alzheimer's Disease Research

The budget includes \$2,375,000 in FY 2015 for Alzheimer's Disease Research. This amount consists of:

General Fund	1,375,000
TTHCF Health Research Account	1,000,000

These amounts fund the following adjustments:

Alzheimer's Research Funding Increase

The budget includes an increase of \$1,250,000 from the General Fund in FY 2015 for Alzheimer's research funding.

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.

The FY 2015 Health and Welfare BRB continues to permit the department to use Tobacco Tax and Health Care Fund-Health Research Account monies for Alzheimer's disease research.

Biomedical Research Support

The budget includes \$2,000,000 from the Tobacco Tax and Health Care Fund-Health Research Account in FY 2015 for a new Biomedical Research Support line item. This amount funds the following adjustments:

Biomedical Research Funding

The budget (Section 128) includes an increase of \$2,000,000 from the Tobacco Tax and Health Care Fund-Health Research Account in FY 2015 for biomedical research. The budget also contains an advance appropriation for this line item of \$2,000,000 annually from FY 2016 to FY 2019 from the same funding source.

This line item provides funding to a nonprofit medical research institute headquartered in Arizona that specializes in biomedical research, conducts molecular

epidemiological analyses to assist with disease outbreak investigations, and collaborates with universities, hospitals, and other public and private bioscience and related industries in this state. The General Appropriation Act requires the recipient of monies in this line item to submit an annual audit of expenditures of these monies to DHS by February 1 of each year.

In prior years, DHS has distributed biomedical research support funding to the Translational Genomics Research Institute (TGen), a nonprofit medical research institution headquartered in Arizona. In FY 2013 and FY 2014, respectively, DHS allocated \$4,100,000 and \$2,000,000 to TGen from non-appropriated Health Research Account monies.

Breast and Cervical Cancer and Bone Density Screening

The budget includes \$1,369,400 and 1 FTE Position from the General Fund in FY 2015 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2014.

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 FPL. Women who are diagnosed with breast and cervical cancer through this program are eligible to receive treatment through AHCCCS.

County Tuberculosis Provider Care and Control

The budget includes \$590,700 from the General Fund in FY 2015 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2014.

This line item provides General Fund reimbursement to hospitals and physicians for the care of hospitalized tuberculosis patients and for assistance to all county health departments for local tuberculosis control programs.

Emergency and Trauma Services

The budget includes no funding in FY 2015 for Emergency and Trauma Services. This amount funds the following adjustments:

Eliminate Emergency and Trauma Services SLI

The budget includes a decrease of \$(300,000) from the General Fund in FY 2015 to eliminate funding for the line item as funding will shift to AHCCCS.

This line item provided funding for hospitals located in a county with a population of less than 500,000 persons; be licensed to operate 25 or fewer beds; not be designated as a critical access hospital as of January 1, 2012, pursuant to U.S. Code 42 § 485, F; and located within 25 miles of a hospital operated by the Indian Health Service. La Paz

Regional Hospital met these criteria until August 2013 when the U.S. Department of Health and Human Services determined that the hospital qualified as a Critical Access Hospital (CAH), thereby eliminating the need for funding from this line item.

(Please see Rural Hospitals in the AHCCCS section of this report for more details.)

Folic Acid

The budget includes \$400,000 from the Tobacco Tax and Health Care Fund-Medically Needy Account in FY 2015 for Folic Acid. This amount is unchanged from FY 2014.

This line item provides for the distribution of folic acid to women of child bearing age to help prevent birth defects. In FY 2013, 27,455 low-income women of childbearing age received only multivitamins and 9,739 women received folic acid education and multivitamins.

High Risk Perinatal Services

The budget includes \$2,543,400 in FY 2015 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 2014.

This line item provides contracted transport services for high risk expectant mothers and contracted physician follow-up services for uninsured newborns in intensive care centers. It also provides funding for 4 visits per year to families who have babies born at risk of having developmental problems (i.e. speech problems, poor motor skills, delay in walking, etc.). The purpose of the visits is to have children developmentally ready to enter school by age 5.

Newborn Screening Program

The budget includes \$6,307,700 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2015 for the Newborn Screening Program. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$700 from the Newborn Screening Program Fund in FY 2015 for statewide adjustments.

This line item funds the centralized testing of all newborns in the state for a standard set of 29 disorders plus Chapter 171 provisions described below. In FY 2013, the program provided screening for approximately 87,590 newborns. The program also provides for follow-up counseling for

the parents of affected newborns. The State Health Laboratory is the designated laboratory for testing.

Laws 2014, Chapter 171 requires DHS to screen newborns for critical congenital heart defects (CCHD) and permits DHS to adopt tests for Severe Combined Immunodeficiencies (SCID) and Krabbe Disease if the department performs a cost benefit analysis and seeks stakeholder input. The law also allows DHS to designate other laboratories as testing facilities for conditions or tests added to the screening program. Prior to the enactment of this law, DHS was required to contract only with the State Health Laboratory.

Nursing Facility Study

The budget includes \$50,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2015 for a quality improvement study of nursing care facilities. This amount funds the following adjustments:

Nursing Care Study Reduction

The budget includes a decrease of \$(40,000) from the Nursing Care Institution Resident Protection Revolving Fund in FY 2015 for the continuation of a quality improvement study of nursing care facilities.

This line item provides funding to complete a quality improvement study of nursing care facilities that began in FY 2013.

Poison Control Centers Funding

The budget includes \$990,000 from the General Fund in FY 2015 for Poison Control Centers. This amount is unchanged from FY 2014.

A.R.S. § 36-1161 requires 2 poison control centers to be maintained in Arizona. DHS allocated \$647,300 to the University of Arizona Poison Information Center and \$342,700 to the Banner Poison Control Center in FY 2014.

A.R.S. § 32-1907 allows the Board of Pharmacy to transfer up to \$1,000,000 from the Arizona State Board of Pharmacy Fund to the University of Arizona Poison Control Information Center. However, this amount is not reflected in the table at the beginning of this narrative.

Nonrenal Disease Management

The budget includes \$198,000 from the General Fund in FY 2015 for Nonrenal Disease Management. This amount is unchanged from FY 2014.

This line item provides funding for medication and other transplant-related services for nonrenal transplant patients who are ineligible for other public assistance programs.

Renal Dental Care and Nutrition Supplements

The budget includes \$300,000 from the Tobacco Tax and Health Care Fund-Medically Needy Account in FY 2015 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2014.

This line item provides pre-operative dental care and ongoing nutritional assistance for low-income renal disease patients. Funding in this line item treats kidney disease and associated kidney damage.

School-Based Prevention Education

The budget includes \$300,000 from the General Fund in FY 2015 for a new School-Based Prevention Education line item. This amount funds the following adjustments:

School-Based Prevention Education

The budget (Section 129) includes an increase of \$300,000 from the General Fund in FY 2015 for prevention education programs in middle and high schools.

This line item provides funding to organizations that implement school-based prevention education programs promoting positive life choices and focusing on the topics of substance abuse, mental health, violence, and other risky behaviors. Prior to disbursement of monies from this line item, DHS must submit an expenditure plan for review by the Joint Legislative Budget Committee.

Additional Legislation

IGA/ISA Fund Reporting

The FY 2015 Health and Welfare BRB requires the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting to agree to the content and format of a revenue and expenditure report for DHS' IGA/ISA Fund by August 1, 2014. Beginning September 30, 2014, DHS shall report annually to the Joint Legislative Budget Committee on the revenues, expenditures, and ending balances from the previous, current, and subsequent fiscal years.

Other Issues

FY 2014 Supplemental

The budget includes an increase of \$17,638,500 from the General Fund and \$149,800,800 in Federal Medicaid Authority in FY 2014 to fund Behavioral Health Services caseload growth in excess of the agency's FY 2014 appropriation. The added General Fund cost of the DHS supplemental was more than offset by a \$(73,439,600) General Fund ex-appropriation for AHCCCS in FY 2014.

The budget also permits AHCCCS to transfer up to an additional \$12,984,900 of its FY 2014 General Fund appropriation to DHS if AHCCCS has sufficient available funding and DHS experiences a commensurate shortfall in

FY 2014. Prior to implementation, AHCCCS shall submit the proposed transfer for review by the Joint Legislative Budget Committee.

Financial Reporting

The budget requires the Directors of the Governor’s Office of Strategic Planning and Budgeting and the Joint Legislative Budget Committee, on or before November 1, 2014, to jointly submit a report to the Governor and the Joint Legislative Budget Committee regarding the feasibility of adopting a common reporting format for the current financial status of AHCCCS and DHS.

Risk Corridor

DHS contracts with community-based organizations, known as Regional Behavioral Health Authorities (RBHAs), to administer behavioral health services. In turn, each RBHA contracts with a network of medical providers to deliver these services. DHS limits the service profit or loss of a RBHA to a percentage of the annual service revenue. If a RBHA exceeds the profit limit, then DHS can request the return of those excess profits. Conversely, if a RBHA experiences excess losses, then DHS will reimburse the RBHA. The profit/loss margin is called a “risk corridor.”

Currently, the risk corridor for all but one RBHA is 3% – their profits or losses, as percentage of annual services revenue, are limited to 3%. The RBHA responsible for Maricopa County has a 4% risk corridor. Below is the list of RBHAs, by geographic service area (GSA), and their risk corridors:

- GSA 1 (Apache, Coconino, Mohave, Navajo, and Yavapai) – Northern Arizona Regional Behavioral Health Authority: 3%
- GSA 2 (La Paz, Yuma) – Cenpatico: 3%
- GSA 3 (Cochise, Graham, Greenlee, Santa Cruz), – Cenpatico: 3%
- GSA 4 (Gila, Pinal) – Cenpatico: 3%
- GSA 5 (Pima) – Community Partnership of Southern Arizona: 3%
- GSA 6 (Maricopa) – Mercy Maricopa Integrated Care: 4%

Non-Medicaid Behavioral Health Services Funding

The FY 2015 budget includes \$100,562,800 for Non-Medicaid behavioral health services, which are funded in the Non-Medicaid Seriously Mentally Ill (SMI) Services, Crisis Services and the Supported Housing line items. This is the same funding level as in FY 2014. When compared with the original FY 2010 appropriation for Non-Medicaid behavioral health services, the FY 2015 budget amount represents a reduction of \$(3,062,000). Table 3 summarizes Non-Medicaid behavioral health funding totals and changes to funding in line items from FY 2010 to FY 2015. The FY 2011 budget consolidated Non-Medicaid behavioral health services into 3 line items. The FY 2013 budget further consolidated the Non-Medicaid behavioral health services line items to reflect additional monies that were added as part of the agreement to settle the *Arnold v. Sarn* lawsuit. The FY 2014 budget separated Crisis Services from the Non-Medicaid SMI Services line item.

Table 3

Non-Medicaid Behavioral Health Appropriations

<u>Program</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2015 Change from FY 2010</u>
CBH	\$ 7,320,700	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (7,320,700)
SMI	53,849,700	0	0	0	0	0	(53,849,700)
Court Monitor	197,500	0	0	0	0	0	(197,500)
Arnold v. Sarn	34,170,200	0	0	0	0	0	(34,170,200)
Mental Health	1,747,300	0	0	0	0	0	(1,747,300)
Substance Abuse	6,339,400	0	0	0	0	0	(6,339,400)
Prescription Medication	0	40,154,900	40,154,900	0	0	0	0
Supported Housing	0	5,324,800	5,324,800	5,324,800	5,324,800	5,324,800	5,324,800
Crisis Services	0	16,391,100	16,391,100	0	16,391,100	16,391,100	16,391,100
Non-Medicaid SMI Services	0	0	0	95,238,000	78,846,900	78,846,900	78,846,900
Total	\$103,624,800	\$61,870,800	\$61,870,800	\$100,562,800	\$100,562,800	\$100,562,800	\$(3,062,000)

Arizona Historical Society

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	51.9	51.9	51.9 ^{1/}
Personal Services	1,185,600	1,240,200	1,240,200
Employee Related Expenditures	482,500	525,800	526,600
Professional and Outside Services	36,300	1,000	1,000
Other Operating Expenditures	345,200	349,500	349,500
OPERATING SUBTOTAL	2,049,600	2,116,500	2,117,300
SPECIAL LINE ITEMS			
Arizona Experience Museum	412,100	428,300	428,300
Field Services and Grants	69,100	66,000	66,000
Papago Park Museum	534,500	544,200	544,400
AGENCY TOTAL	3,065,300	3,155,000	3,156,000 ^{2/3/}
FUND SOURCES			
General Fund	3,065,300	3,155,000	3,156,000
SUBTOTAL - Appropriated Funds	3,065,300	3,155,000	3,156,000
Other Non-Appropriated Funds	1,127,500	1,094,700	941,900
TOTAL - ALL SOURCES	4,192,800	4,249,700	4,097,900

AGENCY DESCRIPTION — The Arizona Historical Society acquires, preserves, maintains, and publicly exhibits archival and museum objects pertaining to the history of Arizona, the West, and the Indian tribes inhabiting the state. The Society's major museums are in Yuma, Flagstaff, Tucson, Phoenix, and Tempe (Papago Park).

Operating Budget

The budget includes \$2,117,300 and 40.4 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$800 from the General Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Experience Museum

The budget includes \$428,300 and 1 FTE Position from the General Fund in FY 2015 for the Arizona Experience Museum. These amounts are unchanged from FY 2014.

This line item funds personnel and rent of the Arizona Experience Museum. This facility was formerly the Arizona Mining and Mineral Museum on the Capitol Mall and was operated by the Department of Mines and Mineral Resources.

The museum closed May 1, 2011 for renovations and the Department of Mines and Mineral Resources was eliminated as a state agency in FY 2012.

The Arizona Historical Society (AHS) does not currently have an estimated re-opening date; however, rent is still paid on the vacant 18,000-square-foot property and a Curator position is maintained to care for the mineral collection. Of the total appropriation for the Arizona Experience Museum, \$360,800 is used to pay rent and the remaining \$67,500 is used to fund the Curator position. AHS plans to house the Experience Museum collection at their Papago Park facility.

The FY 2015 General Appropriation Act contains a footnote requiring AHS and the Department of Administration to submit a joint report before November 28, 2014 to the JLBC with options and a recommendation for use of the vacant building. *(Please see Other Issues for more information.)*

^{1/} Includes 11.5 GF FTE Positions funded from Special Line Items in FY 2015.

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

^{3/} On or before November 28, 2014, the Arizona Historical Society and the Department of Administration shall submit a joint report to the Joint Legislative Budget Committee on the options for use of the now-vacant Mining and Mineral Museum at 1502 West Washington Street. The options may include reopening the space as a museum, converting the space into offices or selling the facility. The report must address the costs of each option. The report must also identify the option recommended by the society and the option recommended by the department. (General Appropriation Act footnote)

Field Services and Grants

The budget includes \$66,000 and a 0.4 FTE Position from the General Fund in FY 2015 for Field Services and Grants. These amounts are unchanged from FY 2014.

This line item funds contracts with certified county historical societies for services to be performed for the benefit of the state.

Papago Park Museum

The budget includes \$544,400 and 10.1 FTE Positions from the General Fund in FY 2015 for the Papago Park Museum. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$200 from the General Fund in FY 2015 for statewide adjustments.

Other Issues

Experience Museum and Centennial Special Plate Funds

A.R.S. § 28-2448 established the centennial specialty license plate, which requires a \$25 fee. Of the \$25 fee, \$8 is for special plate administration costs, and \$17 is a donation for the Centennial Special Plate Fund. Beginning in FY 2013, permanent law required the Arizona Department of Transportation (ADOT) to make annual distributions of the monies in the Centennial Special Plate Fund to AHS to pay costs related to the maintenance and operations of the Centennial Museum that houses the Mining and Mineral Museum. To date, AHS has received \$126,500 in centennial plate funds.

As noted in the discussion above, the Mining and Mineral Museum is now closed. As a result, AHS may not have the authority to expend these funds. AHS, however, plans to utilize the funds in FY 2014 to support the curation of collections (including the mining and mineral collection), exhibits, and educational programs that were developed for the Arizona Experience Museum. The collections, exhibits, and programming will be primarily featured in the Papago Park facility.

Museum Attendance

<u>Facility</u>	<u>Visitors</u>
Arizona History (Tucson)	9,612
Downtown History (Tucson)	1,372
Fort Lowell (Tucson)	1,704
Sanguinetti House (Yuma)	1,507
Museum at Papago Park (Tempe)	4,644
Pioneer Museum (Flagstaff)	9,244
Riordan Mansion (Flagstaff)	<u>22,094</u>
Total	50,177

^{1/} Latest available information.

Prescott Historical Society of Arizona

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	400,600	444,400	444,400
Employee Related Expenditures	181,800	195,500	195,800
Professional and Outside Services	2,500	2,500	2,500
Other Operating Expenditures	91,700	183,600	183,600
AGENCY TOTAL	676,600	826,000	826,300^{1/}
FUND SOURCES			
General Fund	676,600	826,000	826,300
SUBTOTAL - Appropriated Funds	676,600	826,000	826,300
Other Non-Appropriated Funds	182,000	182,400	182,400
TOTAL - ALL SOURCES	858,600	1,008,400	1,008,700

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 budget includes \$826,300 and 13 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$300 From the General Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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

Arizona Department of Homeland Security

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 ESTIMATE
FUND SOURCES			
Federal Funds	45,737,900	37,189,000	10,599,600
TOTAL - ALL SOURCES	45,737,900	37,189,000	10,599,600

AGENCY DESCRIPTION — The Arizona Department of Homeland Security distributes funding received from the U.S. Department of Homeland Security to state agencies and local governments to prevent and mitigate acts of terrorism and natural disasters. The department publishes the Arizona Homeland Security Strategy and provides planning assistance to aid in the development of regional response plans for natural disasters or terrorism incidents.

Board of Homeopathic and Integrated Medicine Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	50,400	47,500	47,500
Employee Related Expenditures	14,400	27,900	27,900
Professional and Outside Services	0	3,000	3,000
Travel - In State	600	1,200	1,200
Other Operating Expenditures	20,800	22,500	22,500
Equipment	100	0	0
AGENCY TOTAL	86,300	102,100	102,100^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board of Homeopathic and Integrated Medicine Examiners' Fund	86,300	102,100	102,100
SUBTOTAL - Other Appropriated Funds	86,300	102,100	102,100
SUBTOTAL - Appropriated Funds	86,300	102,100	102,100
TOTAL - ALL SOURCES	86,300	102,100	102,100

AGENCY DESCRIPTION — The board licenses and regulates medical physicians who practice homeopathic and integrated medicine, a system of medical treatment based on the use of small quantities of remedies which in larger doses produce symptoms of the disease. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

The budget includes \$102,100 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

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

Arizona Department of Housing

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	175,700	176,100	176,100
Employee Related Expenditures	69,400	66,900	67,000
Professional and Outside Services	4,600	3,400	3,400
Travel - In State	8,900	8,900	8,900
Travel - Out of State	1,800	0	0
Other Operating Expenditures	47,400	54,000	54,700
Equipment	3,400	4,500	4,500
AGENCY TOTAL	311,200	313,800	314,600^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Housing Trust Fund	311,200	313,800	314,600
SUBTOTAL - Other Appropriated Funds	311,200	313,800	314,600
SUBTOTAL - Appropriated Funds	311,200	313,800	314,600
Other Non-Appropriated Funds	10,765,000	12,723,900	13,159,300
Federal Funds	84,117,700	81,863,800	75,603,400
TOTAL - ALL SOURCES	95,193,900	94,901,500	89,077,300

AGENCY DESCRIPTION — Through a variety of housing and community improvement programs, the department annually administers approximately \$89 million in federal and non-appropriated state housing and community development funds. The appropriated budget reflects a portion of the agency's administration expenses. The department provides affordable housing opportunities in conjunction with the Arizona Housing Finance Authority.

Operating Budget

The budget includes \$314,600 and 3 FTE Positions from the Housing Trust Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$800 from the Housing Trust Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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

Independent Redistricting Commission

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	2,592,500	2,577,800	1,115,300
AGENCY TOTAL	2,592,500^{1/}	2,577,800^{2/3/}	1,115,300
FUND SOURCES			
General Fund	2,592,500	2,577,800	1,115,300
SUBTOTAL - Appropriated Funds	2,592,500	2,577,800	1,115,300
TOTAL - ALL SOURCES	2,592,500	2,577,800	1,115,300

AGENCY DESCRIPTION — Proposition 106, approved by voters in November 2000, established the Independent Redistricting Commission (IRC). The commission consists of 5 members, 4 of which are selected by the House and Senate majority and minority leadership. These 4 members then select the final member, who can not be affiliated with either of the 2 major political parties. The commission is charged with redrawing the boundaries for Arizona's legislative and congressional districts based on the 10-year census.

Operating Budget

The budget includes \$1,115,300 from the General Fund in FY 2015 for the operating budget. This amount funds the following adjustments:

Litigation Funding

The budget includes a decrease of \$(1,462,700) from the General Fund in FY 2015 to remove the FY 2014 supplemental, which provided funding for litigation expenses. (Please see *Other Issues* section.)

Statewide Adjustments

The budget includes an increase of \$200 from the General Fund in FY 2015 for statewide adjustments. (Please see *the Agency Detail and Allocations* section.)

Other Issues

Current Redistricting Cycle Funding

For the first year of the current 2010 redistricting cycle, the Legislature appropriated \$500,000 from the General Fund in FY 2011 for start-up expenses. In FY 2012, the Legislature appropriated \$3,000,000 from the General Fund. Given the commission's legal expenses, these appropriations were insufficient. Laws 2012, Chapter 108 provided the commission with a FY 2012 supplemental General Fund appropriation of \$700,000.

The original FY 2013 General Fund appropriation of \$1,457,300 (including statewide adjustments) was also insufficient to provide for the commission's legal expenses. Laws 2013, Chapter 2 appropriated \$500,000

from the General Fund and Laws 2013, Chapter 158 appropriated \$635,226 from the General Fund in FY 2013.

Laws 2013, 1st Special Session, Chapter 1 appropriated \$1,115,100 from the General Fund and Laws 2014, Chapter 3 appropriated \$1,462,701 from the General Fund in FY 2014 for continued operations and legal expenses. These supplemental appropriations along with the FY 2015 budget amount bring total funding for the current redistricting cycle to \$10,485,627 (see *Table 1*).

Table 1
CY 2010 Redistricting Cycle Appropriations

<u>Fiscal Year</u>	<u>Appropriation</u>
FY 2011 (Laws 2010, 7 th Special Session, Ch. 1)	\$ 500,000
FY 2012 (Laws 2011, Ch. 24)	3,000,000
FY 2012 (Laws 2012, Ch. 108)	700,000
FY 2013 (Laws 2012, Ch. 294)	1,457,300
FY 2013 (Laws 2013, Ch. 2)	500,000
FY 2013 (Laws 2013, Ch. 158)	635,226
FY 2014 (Laws 2013, 1 st Special Session, Ch. 1)	1,115,100
FY 2014 (Laws 2014, Ch. 3)	1,462,701
FY 2015 (Laws 2014, Ch. 18)	1,115,300
Total	10,485,627

^{1/} The FY 2013 General Appropriation Act specified that the amount appropriated in FY 2013 may be used for the payment of obligations incurred in FY 2012.

^{2/} Laws 2013, Chapter 158 specifies that the amount appropriated in FY 2014 may be used for the payment of obligations incurred in FY 2013.

^{3/} Laws 2014, Chapter 3 specifies that of the amount appropriated in FY 2014, \$1,462,701 may be used for the payment of obligations incurred in FY 2015.

Litigation Status

The budget includes funding for several other outstanding cases. Those 3 cases are as follows:

1. *Arizona Legislature v. Independent Redistricting Commission* – The Legislature has sued in federal court stating that the United States Constitution gives the Legislature sole responsibility to draw U.S. congressional districts. The U.S. District Court confirmed the Arizona Court of Appeals decision to convene a 3 judge panel and appointed judges to that panel. Oral arguments were heard in January 2014 and the panel dismissed the case in February 2014. The Legislature appealed the case to the U.S. Supreme Court in April 2014.
2. *Leach v. Independent Redistricting Commission* – Various individuals are suing IRC in state court alleging IRC did not follow the process laid out in the Arizona Constitution for drawing the Congressional districts. Several motions have been filed in Superior Court and the individual commissioners were dismissed as defendants, but no trial date has been set. A decision for the plaintiff would require a map redraw.
3. *Harris v. Independent Redistricting Commission* – Various individuals are suing the IRC in federal district court stating that the population counts of the state’s legislative districts are the result of unconstitutional partisan bias. This case went to trial in March 2013 and the 3 judge panel released their final order in April 2014, which found in favor of the Commission. The plaintiffs appealed the case to the U.S. Supreme Court in May 2014.

Arizona Commission of Indian Affairs

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	21,000	22,800	22,800
Employee Related Expenditures	7,200	9,400	9,400
Travel - In State	2,600	2,000	2,000
Other Operating Expenditures	22,600	22,700	22,700
AGENCY TOTAL	53,400	56,900	56,900^{1/}
FUND SOURCES			
General Fund	53,400	56,900	56,900
SUBTOTAL - Appropriated Funds	53,400	56,900	56,900
Other Non-Appropriated Funds	10,200	14,500	14,500
TOTAL - ALL SOURCES	63,600	71,400	71,400

AGENCY DESCRIPTION — The agency studies policy issues affecting the Indian tribes, attempts to facilitate better working relationships between the tribes and government agencies, and promotes an understanding of Indian history and culture through statewide forums and other educational activities.

Operating Budget

The budget includes \$56,900 and 3 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

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

Industrial Commission of Arizona

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	235.6	235.6	235.6
Personal Services	8,068,000	8,912,000	8,912,000
Employee Related Expenditures	3,332,700	3,826,700	3,832,000
Professional and Outside Services	1,630,400	1,567,900	1,567,900
Travel - In State	136,200	185,100	185,100
Travel - Out of State	1,300	0	0
Other Operating Expenditures	4,729,800	5,372,500	5,372,500
Equipment	870,400	125,300	125,300
AGENCY TOTAL	18,768,800	19,989,500	19,994,800^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Administrative Fund	18,768,800	19,989,500	19,994,800
SUBTOTAL - Other Appropriated Funds	18,768,800	19,989,500	19,994,800
SUBTOTAL - Appropriated Funds	18,768,800	19,989,500	19,994,800
Other Non-Appropriated Funds	33,181,200	29,660,000	29,660,000
Federal Funds	4,988,000	5,936,100	5,992,400
TOTAL - ALL SOURCES	56,938,000	55,585,600	55,647,200

AGENCY DESCRIPTION — The Industrial Commission regulates the workers' compensation insurance industry. The commission is also responsible for child labor issues, occupational safety and health issues, wage claim dispute resolutions, licensing of private employment agencies and providing workers' compensation coverage for claimants of uninsured and self-insured employers or insolvent carriers.

Operating Budget

The budget includes \$19,994,800 and 235.6 FTE Positions from the Administrative Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$5,300 from the Administrative Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Additional Legislation

Workers' Compensation Insurance Account/Guaranty Fund

Laws 2014, Chapter 186 establishes the Workers' Compensation Insurance Account (WCIA) as part of the Arizona Property and Casualty Insurance Guaranty Fund (Guaranty Fund) within the Department of Insurance. The law transfers the rights and obligations related to payment of workers' compensation claims on insolvent insurers from the Special Fund, administered by the Industrial Commission of Arizona (ICA), to the Guaranty Fund

effective July 1, 2015. The law requires the ICA to transfer \$222,848,153 in assets from the Special Fund to the Guaranty Fund for deposit in the WCIA no less than 30 days before July 1, 2015.

The WCIA is to be used to continue workers' compensation benefits for claimants of insolvent carriers and bankrupt self-insured employers.

In the event of an insolvency or bankruptcy, the Department of Insurance may cover the cost of claims on that insurer or employer by levying an assessment of up to 1% on the other solvent workers' compensation insurers' premiums from all policies issued during the preceding calendar year. The assessment revenue is deposited into the WCIA for payment of those claims.

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

Department of Insurance

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	90.5	90.5	90.5
Personal Services	2,930,000	3,189,900	3,189,900
Employee Related Expenditures	1,206,100	1,292,700	1,294,500
Professional and Outside Services	199,400	189,400	189,400
Travel - In State	23,000	23,900	23,900
Travel - Out of State	3,800	0	0
Other Operating Expenditures	546,100	662,600	662,600
Equipment	76,000	6,400	6,400
AGENCY TOTAL	4,984,400	5,364,900	5,366,700^{1/}
FUND SOURCES			
General Fund	4,984,400	5,364,900	5,366,700
SUBTOTAL - Appropriated Funds	4,984,400	5,364,900	5,366,700
Other Non-Appropriated Funds	8,111,100	7,423,000	7,423,000
Federal Funds	612,900	1,794,500	293,700
TOTAL - ALL SOURCES	13,708,400	14,582,400	13,083,400

AGENCY DESCRIPTION — The Department of Insurance licenses and authorizes the transaction of insurance business by insurers, producers, and other insurance-related entities. The department collects various filing and licensing fees, which are deposited into the state General Fund. The revenues derived from these fees are required by law to be between 95% and 110% of the department's state General Fund appropriation.

Operating Budget

The budget includes \$5,366,700 and 90.5 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,800 from the General Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Additional Legislation

Statutory Fee Revenue Requirement Suspension

The Revenue Budget Reconciliation Bill (Laws 2014, Chapter 9) continues to suspend the statutory requirement that fee revenues be between 95% and 110% of the department's appropriation.

Workers' Compensation Insurance Account/Guaranty Fund

Laws 2014, Chapter 186 establishes the Workers' Compensation Insurance Account (WCIA) as part of the Property and Casualty Insurance Guaranty Fund (Guaranty Fund) within the Department of Insurance. The statute

transfers the rights and obligations related to payment of workers' compensation claims on insolvent insurers from the Special Fund, administered by the Industrial Commission of Arizona (ICA), to the Guaranty Fund. The statute requires ICA to transfer \$222.8 million in assets currently held in the Special Fund to the WCIA.

The WCIA is to be used to continue workers' compensation benefits for claimants of insolvent carriers and bankrupt self-insured employers.

In the event of an insolvency or bankruptcy, the Department of Insurance may cover the cost of claims on that insurer or employer by levying a proportionate assessment of up to 1% on the other solvent workers' compensation insurers' premiums from all policies issued during the preceding calendar year. The assessment revenue is deposited into the WCIA for payment of those claims.

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

Judiciary - Supreme Court

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	169.1	172.0	175.0 ^{1/}
Personal Services	5,330,600	5,833,200	5,833,200
Employee Related Expenditures	1,827,000	2,228,700	2,220,800
Professional and Outside Services	294,700	499,700	499,700
Travel - In State	133,800	83,400	83,400
Travel - Out of State	19,800	32,600	32,600
Other Operating Expenditures	5,350,200	5,395,000	5,395,000
Equipment	380,400	0	0
OPERATING SUBTOTAL	13,336,500	14,072,600	14,064,700^{2/}
SPECIAL LINE ITEMS			
State Aid	4,786,700	5,949,100	5,949,400
County Reimbursements	187,900	187,900	187,900 ^{3/}
Automation	10,362,700	11,344,600	11,345,000 ^{4/}
Case and Cash Management System	2,750,900	3,326,500	3,326,500
Foster Care Review Board	3,357,000	3,617,100	3,617,900 ^{5/}
Court Appointed Special Advocate	2,540,000	3,042,900	3,043,100
Model Court	443,200	447,600	447,600
Domestic Relations	644,600	655,400	655,600
Judicial Nominations and Performance Review	417,200	428,400	428,500
Commission on Judicial Conduct	508,600	522,300	522,500
AGENCY TOTAL	39,335,300	43,594,400	43,588,700^{6/}
FUND SOURCES			
General Fund	15,762,000	16,020,000	16,012,900
<u>Other Appropriated Funds</u>			
Confidential Intermediary and Fiduciary Fund	275,400	488,000	488,200
Court Appointed Special Advocate Fund	2,438,000	2,940,900	2,941,100
Criminal Justice Enhancement Fund	2,197,300	3,004,500	3,004,800
Defensive Driving School Fund	3,646,900	4,194,400	4,194,700
Judicial Collection Enhancement Fund	12,426,300	14,002,000	14,002,400
State Aid to the Courts Fund	2,589,400	2,944,600	2,944,600
SUBTOTAL - Other Appropriated Funds	23,573,300	27,574,400	27,575,800
SUBTOTAL - Appropriated Funds	39,335,300	43,594,400	43,588,700
Other Non-Appropriated Funds	15,597,000	25,647,000	25,241,900
TOTAL - ALL SOURCES	54,932,300	69,241,400	68,830,600

1/ Includes 52.5 GF and 21.8 OF FTE Positions funded from Special Line Items in FY 2015.

2/ Included in the appropriation for the Supreme Court program is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)

3/ Of the \$187,900 appropriated for County Reimbursements, State Grand Jury is limited to \$97,900 and Capital Postconviction Relief is limited to \$90,000 (General Appropriation Act footnote)

4/ On or before September 1, 2014, the Supreme Court must report to the Joint Legislative Budget Committee on current and future automation projects coordinated by the Administrative Office of the Courts. The report must 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, the number of FTE Positions, the entities involved and the goals and anticipated results for each automation project. The report must be submitted in 1 summary document. The report must indicate each project's total multi-year cost by fund source and budget line item, including any prior year, current year and future year expenditures. (General Appropriation Act footnote)

5/ The appropriation includes 40 FTE Positions for the Foster Care Review Board, which is an increase of 3 FTE Positions from FY 2014. The Supreme Court shall allocate sufficient monies to the Foster Care Review Board to hire 3 additional employees. (General Appropriation Act footnote)

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

AGENCY DESCRIPTION — The Supreme Court consists of 5 Supreme Court Justices, judicial support staff and the Administrative Office of the Courts (AOC). The Supreme Court, as the state’s highest court, has the responsibility to review appeals and to provide rules of procedure for all the courts in Arizona. Under the direction of the Chief Justice, the AOC provides administrative supervision over the Arizona court system.

Operating Budget

The budget includes \$14,064,700 and 100.7 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$10,050,900
Confidential Intermediary and Fiduciary Fund	488,200
Defensive Driving School Fund	702,400
Judicial Collection Enhancement Fund (JCEF)	2,823,200

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(7,900) in FY 2015 for statewide adjustments. This amount consists of:

General Fund	\$(8,400)
Confidential Intermediary and Fiduciary Fund	200
Defensive Driving School Fund	200
Judicial Collection Enhancement Fund (JCEF)	100

(Please see the Agency Detail and Allocations section.)

State Aid

The budget includes \$5,949,400 and 3.3 FTE Positions in FY 2015 for State Aid. These amounts consist of:

Criminal Justice Enhancement Fund (CJEF)	3,004,800
State Aid to the Courts Fund	2,944,600

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$300 from CJEF in FY 2015 for statewide adjustments.

The State Aid line item provides state aid to counties for the payment of judges pro tempore salaries, and for projects designed to improve the processing of criminal cases in the Superior Court and Justice Courts. The State Aid to the Courts Fund receives: 1) 40.97% of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and 2) a portion of the monies collected by the Supreme Court and the Court of Appeals.

The AOC distributes the monies appropriated from court fines and collections to the Superior Court and the Justice Courts based on a composite index formula using Superior

Court felony filings and county population. Monies appropriated from the State Aid to the Courts Fund in the State Aid line item are distributed to all counties.

County Reimbursements

The budget includes \$187,900 from the General Fund in FY 2015 for County Reimbursements. This amount is unchanged from FY 2014.

The County Reimbursements line item provides reimbursement to counties for grand jury expenses and for state-funded representation of indigent defendants in first-time capital post conviction relief proceedings. A.R.S. § 13-4041 and 21-428 require the state to pay 50% of these expenses.

The FY 2015 Criminal Justice Budget Reconciliation Bill (Laws 2014, Chapter 12) permanently eliminated the statutory requirement that the state reimburse counties for 50% of grand jury and state-funded representation of indigent defendants in first-time capital post conviction relief proceedings. Instead, reimbursement was limited to the amount appropriated for those purposes. This provision had previously been suspended annually.

Automation

The budget includes \$11,345,000 and 13 FTE Positions in FY 2015 for Automation. These amounts consist of:

Defensive Driving School Fund	3,352,900
JCEF	7,992,100

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$400 in FY 2015 for statewide adjustments. This amount consists of:

Defensive Driving School Fund	\$100
Judicial Collection Enhancement Fund (JCEF)	300

The Automation line item provides funding for court automation projects throughout the state.

Case and Cash Management System

The budget includes \$3,326,500 in FY 2015 for the Case and Cash Management System. This amount consists of:

Defensive Driving School Fund	139,400
JCEF	3,187,100

These amounts are unchanged from FY 2014.

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.

Foster Care Review Board

The budget includes \$3,617,900 and 40 FTE Positions from the General Fund in FY 2015 for the Foster Care Review Board. These amounts fund the following adjustments:

Increased Staffing

The budget includes an increase of 3 FTE Positions from the General Fund in FY 2015 to provide additional staff for the increased Foster Care Review Board caseloads. There is no funding appropriated for this purpose, but a General Appropriation Act footnote requires the Court to allocate sufficient resources to fill the 3 FTE Positions.

Statewide Adjustments

The budget includes an increase of \$800 from the General Fund in FY 2015 for statewide adjustments.

The Foster Care Review Board line item coordinates local volunteer review boards for foster care children in out-of-home placement.

Court Appointed Special Advocate

The budget includes \$3,043,100 and 5.5 FTE Positions in FY 2015 for the Court Appointed Special Advocate (CASA). These amounts consist of:

General Fund	102,000
CASA Fund	2,941,100

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$200 from the CASA Fund in FY 2015 for statewide adjustments.

The CASA line item administers and monitors a community-based volunteer advocacy program for abused and neglected children in the Juvenile Court System. In FY 2013, 1,087 individuals volunteered for this program.

Model Court

The budget includes \$447,600 from the General Fund in FY 2015 for Model Court. This amount is unchanged from FY 2014.

Monies in this line item represent a pass-through to counties to improve processing of dependency cases.

Domestic Relations

The budget includes \$655,600 and 4.9 FTE Positions from the General Fund in FY 2015 for Domestic Relations. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$200 from the General Fund in FY 2015 for statewide adjustments.

The Domestic Relations line item provides coordination and technical support for groups formed to develop and review policies and programs related to domestic relations and child support.

Judicial Nominations and Performance Review

The budget includes \$428,500 and 3.6 FTE Positions from the General Fund in FY 2015 for Judicial Nominations and Performance Review. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$100 from the General Fund in FY 2015 for statewide adjustments.

This line item funds administrative costs to oversee the nominations for the Supreme Court, the Court of Appeals, and the Superior Court in Maricopa, Pima, and Pinal Counties, as well as evaluating the performance of all merit retention justices and judges. The results of the performance evaluations are provided to the voters before each retention election.

Commission on Judicial Conduct

The budget includes \$522,500 and 4 FTE Positions from the General Fund in FY 2015 for Commission on Judicial Conduct. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$200 from the General Fund in FY 2015 for statewide adjustments.

The Commission on Judicial Conduct investigates and resolves all complaints of judicial misconduct.

Judiciary - Court of Appeals

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
PROGRAM BUDGET			
Division I	9,700,300	9,896,900	10,039,900
Division II	4,223,800	4,289,800	4,340,300
AGENCY TOTAL	13,924,100	14,186,700	14,380,200
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	134.8	136.8	136.8 ^{1/}
Personal Services	9,634,300	9,725,900	9,725,900
Employee Related Expenditures	2,950,900	3,369,200	3,562,700
Professional and Outside Services	64,300	5,200	5,200
Travel - In State	171,200	176,100	176,100
Travel - Out of State	11,100	10,000	10,000
Other Operating Expenditures	1,064,800	900,300	900,300
Equipment	27,500	0	0
AGENCY TOTAL	13,924,100	14,186,700	14,380,200^{2/}
FUND SOURCES			
General Fund	13,924,100	14,186,700	14,380,200
SUBTOTAL - Appropriated Funds	13,924,100	14,186,700	14,380,200
TOTAL - ALL SOURCES	13,924,100	14,186,700	14,380,200

AGENCY DESCRIPTION — The Court of Appeals has jurisdiction in all proceedings appealable from the Superior Court except criminal death penalty cases, which are automatically appealed to the Supreme Court. Division I also has statewide responsibility for reviewing appeals from the Arizona Corporation Commission, Industrial Commission, the Department of Economic Security unemployment compensation rulings, and the Arizona Tax Court. Division I convenes in Phoenix and encompasses the counties of Apache, Coconino, La Paz, Maricopa, Mohave, Navajo, Yavapai, and Yuma. Division II convenes in Tucson and encompasses the counties of Cochise, Gila, Graham, Greenlee, Pima, Pinal, and Santa Cruz.

Operating Budget

The budget includes \$14,380,200 and 136.8 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts include \$10,039,900 and 98.3 FTE Positions for Division I and \$4,340,300 and 38.5 FTE Positions for Division II. These amounts fund the following adjustments:

Health, Dental, and Retirement Funding

The budget includes an increase of \$229,600 from the General Fund in FY 2015 for an increase in health, dental, and retirement funding. Between FY 2012 and FY 2014, the Elected Officials Retirement Plan (EORP) employer contribution rate increased from 17.96% to 25.94%, but the Court of Appeals did not receive funding for these changes. A total of \$183,200 will cover increases in the EORP employer contribution rate between FY 2012 and FY 2014. The remaining \$46,400 will fund health and

dental costs the Court of Appeals claims was unfunded in prior years.

Statewide Adjustments

The budget includes a decrease of \$(36,100) from the General Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

^{1/} Of the 136.8 FTE Positions for FY 2015, 98.3 FTE Positions are for Division I and 38.5 FTE Positions are for Division II. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum by Subprogram.

Judiciary - Superior Court

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
SPECIAL LINE ITEMS			
<i>Full Time Equivalent Positions</i>	136.5	137.5	137.5 ^{1/}
Judges Compensation	7,721,100	7,682,500	7,614,000
Adult Standard Probation	13,527,200	13,543,200	17,659,000
Adult Intensive Probation	10,765,600	10,754,500	12,417,600
Community Punishment	1,504,500	2,310,100	2,310,300
Interstate Compact	645,400	648,000	748,600
Drug Court	1,013,600	1,013,600	1,013,600
Court Ordered Counseling	0	0	250,000 ^{2/3/}
Drug Treatment Alternative to Prison	0	0	250,000 ^{2/4/}
Probation Surcharge	4,887,000	6,029,200	0
Juvenile Standard Probation	4,586,800	4,606,200	4,756,300
Juvenile Intensive Probation	8,674,400	9,175,600	9,175,700
Juvenile Treatment Services	22,252,200	22,341,400	22,341,600 ^{5/}
Juvenile Family Counseling	659,800	660,400	660,400
Juvenile Diversion Consequences	9,028,100	9,024,900	9,024,900 ^{5/}
Juvenile Crime Reduction	3,814,700	5,192,100	5,192,100
Mental Health Court Report	0	90,000	0
Special Water Master	20,000	94,000	220,000
AGENCY TOTAL	89,100,400	93,165,700	93,634,100^{6/1/8/}
FUND SOURCES			
General Fund	78,894,200	79,634,300	80,102,500
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	4,819,200	7,002,200	7,002,200
Drug Treatment and Education Fund	500,000	500,000	500,200
Judicial Collection Enhancement Fund	4,887,000	6,029,200	6,029,200
SUBTOTAL - Other Appropriated Funds	10,206,200	13,531,400	13,531,600
SUBTOTAL - Appropriated Funds	89,100,400	93,165,700	93,634,100
Other Non-Appropriated Funds	5,335,900	5,331,200	5,331,200
Federal Funds	1,606,700	1,364,400	1,364,400
TOTAL - ALL SOURCES	96,043,000	99,861,300	100,329,700

AGENCY DESCRIPTION — The Superior Court, which has a division in every county, is the state's only general jurisdiction court. Superior Court judges hear all types of cases except small claims, minor offenses, or violations of city codes and ordinances. In addition, the responsibility for supervising adults and juveniles who have been placed on probation resides in the Superior Court.

^{1/} Of the 137.5 FTE Positions, 82 FTE Positions represent Superior Court judges in counties with a population of less than 2,000,000 persons. One-half of their salaries are provided by state General Fund appropriations pursuant to A.R.S. § 12-128. This is not meant to limit the counties' ability to add judges pursuant to A.R.S. § 12-121. (General Appropriation Act footnote)

^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to non-lapsing of appropriations, through June 30, 2016.

^{3/} The sum of \$250,000 is appropriated from the state General Fund in FY 2015 to the Administrative Office of the Courts for distribution to a county with a population of more than 3,000,000 persons according to the 2010 United States decennial census. The county shall use the funding to contract with a provider offering integrated delivery of services from testing to treatment, as needed, using evidence-based treatment standards, and providing the option of an online case management system to report client progress to the court. (General Appropriation Act footnote)

^{4/} The sum of \$250,000 is appropriated from the state General Fund in FY 2015 to the Administrative Office of the Courts for distribution to a county with a population of more than 500,000 persons and less than 1,000,000 persons according to the 2010 United States decennial census. The county shall use the funding in a drug treatment alternative to prison program. (General Appropriation Act footnote)

^{5/} Up to 4.6% of the amounts appropriated for Juvenile 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 Juvenile Treatment Services and Juvenile Diversion Consequences appropriations must be deposited in the Juvenile Probation Services Fund established by A.R.S. § 8-322. (General Appropriation Act footnote)

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

Judges Compensation

The budget includes \$7,614,000 and 82 FTE Positions from the General Fund in FY 2015 for Judges Compensation. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(68,500) from the General Fund in FY 2015 for statewide adjustments. This reduction is primarily due to a decrease in the employer contribution rate for the Elected Officials Retirement Plan in FY 2015. (Please see the Agency Detail and Allocations section.)

Background – This line item provides funding for the state’s 50% share of the salary and benefits 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 County judges. Maricopa County is responsible for 100% of the salary and benefits of its Superior Court Judges. Pursuant to A.R.S. § 12-121, each county receives one judge for the first 30,000 in population. Additional judges may be created for every additional 30,000 person increment upon approval by the Governor.

Probation Programs

The state and non-Maricopa Counties share the costs of probation. For the intensive programs, the state pays 100% of the costs (although the counties may provide offices and other support services). For the standard programs and treatment services, the state predominantly pays for the cost of additional probation officers. Counties typically contribute through Probation Service Fee collections, outside grants, and office space. Since FY 2004, Maricopa County has assumed the state’s share of its probation costs. (Please see the Other Issues section for more information on probation funding.)

Adult Standard Probation

The budget includes \$17,659,000 and 10.4 FTE Positions in FY 2015 for Adult Standard Probation. These amounts consist of:

- 7/ Receipt of state probation monies by the counties is contingent on the county maintenance of FY 2004 expenditure levels for each probation program. State probation monies are not intended to supplant county dollars for probation programs. (General Appropriation Act Footnote)
- 8/ On or before November 1, 2014, the Administrative Office of the Courts shall report to the Joint Legislative Budget Committee the FY 2014 actual, FY 2015 estimated and FY 2016 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 must 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 Probation 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 Probation line items that the office does not distribute as direct aid to counties. The report shall delineate how the office expends these monies that are not distributed as direct aid to counties. (General Appropriation Act footnote)

FY 2015

General Fund	\$13,543,300
Judicial Collection Enhancement Fund (JCEF)	4,115,700

These amounts fund the following adjustments:

Surcharge Shift

The budget includes an increase of \$4,115,700 and 0.8 FTE Positions from JCEF in FY 2015 for the shifting of Probation Surcharge SLI monies to the relevant probation category. (Please see the Probation Surcharge SLI for more information.)

Statewide Adjustments

The budget includes an increase of \$100 from the General Fund in FY 2015 for statewide adjustments.

Background – This line item provides funding for community supervision services for adults placed on standard probation by the Adult Division of the Superior Court. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 12-251A, an adult probation officer shall not supervise more than 65 adults on standard probation at one time.

Adult Intensive Probation

The budget includes \$12,417,600 and 7.8 FTE Positions in FY 2015 for Adult Intensive Probation. These amounts consist of:

General Fund	\$10,754,600
JCEF	1,663,000

These amounts fund the following adjustments:

Surcharge Shift

The budget includes an increase of \$1,663,000 from JCEF in FY 2015 for the shifting of Probation Surcharge SLI monies to the relevant probation category. (Please see the Probation Surcharge SLI for more information.)

Statewide Adjustments

The budget includes an increase of \$100 from the General Fund in FY 2015 for statewide adjustments.

Background – This line item provides funding for a sentencing alternative intended to divert serious, non-violent offenders from prison. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 13-916, 1 team shall not supervise more than 25 intensive probationers at one time.

Community Punishment

The budget includes \$2,310,300 and 0.9 FTE Positions in FY 2015 for Community Punishment. These amounts consist of:

Criminal Justice Enhancement Fund (CJEF)	\$1,810,100
Drug Treatment and Education Fund (DTEF)	500,200

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$200 from the Drug Treatment and Education Fund in FY 2015 for statewide adjustments.

Background – This line item provides behavioral treatment services for adult probationers and for enhanced supervision, such as electronic monitoring and specialized probation caseloads. The funding is intended to provide for diversion of offenders from prison and jail, as well as to enhance probation programs, excluding Maricopa County.

Interstate Compact

The budget includes \$748,600 and 4.8 FTE Positions in FY 2015 for Interstate Compact. These amounts consist of:

General Fund	\$648,100
JCEF	100,500

These amounts fund the following adjustments:

Surcharge Shift

The budget includes an increase of \$100,500 from JCEF in FY 2015 for the shifting of Probation Surcharge SLI monies to the relevant probation category. *(Please see the Probation Surcharge SLI for more information.)*

Statewide Adjustments

The budget includes an increase of \$100 from the General Fund in FY 2015 for statewide adjustments.

Background – This line item provides funding for supervision and intervention to probationers transferring to Arizona and monitors the supervision of probationers transferred to other states from Arizona.

Drug Court

The budget includes \$1,013,600 from the General Fund in FY 2015 for Drug Court programs. This amount is unchanged from FY 2014.

Background – 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.

Court Ordered Counseling

The budget includes \$250,000 from the General Fund in FY 2015 for Court Ordered Counseling. This amount funds the following adjustments:

One-Time Funding

The budget includes an increase of \$250,000 from the General Fund in FY 2015 for a one-time appropriation to allow the Maricopa County Family Drug Court to contract with a provider offering integrated delivery of services from testing to treatment, as needed, using evidence-based treatment standards, and providing the option of an online case management system to report client progress to the court. This appropriation is non-lapsing through June 30, 2016.

Drug Treatment Alternative to Prison

The budget includes \$250,000 from the General Fund in FY 2015 for the Pima County Drug Treatment Alternative to Prison Program. This amount funds the following adjustments:

One-Time Funding

The budget includes an increase of \$250,000 from the General Fund in FY 2015 for a one-time appropriation to provide additional funding to the Pima County Drug Treatment Alternative to Prison Program. The program allows drug addicted criminals that plead guilty to receive residential therapeutic treatment as an alternative to prison. This appropriation is non-lapsing through June 30, 2016.

Probation Surcharge

The budget includes no funding in FY 2015 for the Probation Surcharge. This amount funds the following adjustments:

Surcharge Shift

The budget includes a decrease of \$(6,029,200) and (0.8) FTE Positions from JCEF in FY 2015 for the shifting of

Probation Surcharge SLI monies to the relevant probation category. The probation surcharge is a fund source and not a program; as a result, the monies are being transferred to the 4 line items that represent their actual spending. There is no net change in agency resources associated with this shift.

Background – 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 JCEF and redistributed by the Administrative Office of the Courts (AOC) to all counties to supplement funding for the salaries of probation and surveillance officers and for the support of programs and services of the Superior Court adult and juvenile probation departments.

Juvenile Standard Probation

The budget includes \$4,756,300 and 3.6 FTE Positions in FY 2015 for Juvenile Standard Probation. These amounts consist of:

General Fund	\$4,606,300
JCEF	150,000

These amounts fund the following adjustments:

Surcharge Shift

The budget includes an increase of \$150,000 from JCEF in FY 2015 for the shifting of Probation Surcharge SLI monies to the relevant probation category. *(Please see the Probation Surcharge SLI for more information.)*

Statewide Adjustments

The budget includes an increase of \$100 from the General Fund in FY 2015 for statewide adjustments.

Background – This line item provides funding for community supervision services for juveniles placed on standard probation by the Juvenile Division of the Superior Court. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 8-203B, a juvenile probation officer shall not supervise more than an average of 35 juveniles on standard probation at one time.

Juvenile Intensive Probation

The budget includes \$9,175,700 and 5.4 FTE Positions from the General Fund in FY 2015 for Juvenile Intensive Probation. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$100 from the General Fund in FY 2015 for statewide adjustments.

Background – This line item provides funding for a sentencing alternative to divert serious, non-violent juvenile offenders from incarceration or residential care and to provide intensive supervision for high-risk offenders already on probation. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 8-353B, 1 JIPS team shall not supervise more than an average of 25 juveniles on intensive probation at one time.

Juvenile Treatment Services

The budget includes \$22,341,600 and 15.6 FTE Positions from the General Fund in FY 2015 for Juvenile Treatment Services. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$200 from the General Fund in FY 2015 for statewide adjustments.

Background – This line item provides funding to the juvenile courts to meet the requirements of A.R.S. § 8-230.01 and A.R.S. § 8-230.02, relating to the assignment of youths referred for delinquency or incorrigibility to treatment programs, residential treatment centers, counseling, shelter care and other programs.

Juvenile Family Counseling

The budget includes \$660,400 from the General Fund in FY 2015 for Juvenile Family Counseling. This amount is unchanged from FY 2014.

Background – This line item provides funding to the Juvenile Division of the Superior Court for prevention of delinquency among juvenile offenders by strengthening family relationships. These monies are predominantly for non-adjudicated juveniles and their families and require a 25% county match.

Juvenile Diversion Consequences

The budget includes \$9,024,900 from the General Fund in FY 2015 for Juvenile Diversion Consequences. This amount is unchanged from FY 2014.

Background – 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 2013, there were approximately 26,268 juveniles diverted from formal court proceedings. Monies in this line item are distributed to all counties.

Juvenile Crime Reduction

The budget includes \$5,192,100 and 7 FTE Positions from CJEF in FY 2015 for Juvenile Crime Reduction. These amounts are unchanged from FY 2014.

Background – 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 31 public and private entities.

Mental Health Court Report

The budget includes no funding in FY 2015 for a Mental Health Court Report. This amount funds the following adjustments:

Elimination of One-Time Funding

The budget includes a decrease of \$(90,000) from the General Fund in FY 2015 for the elimination of one-time funding. The provision of funds was for a one-time report on Mental Health Courts mandated by Laws 2013, Chapter 140.

Background – Laws 2013, Chapter 140 requires the Administrative Office of the Courts (AOC) to evaluate the effectiveness, efficiency and accountability of the mental health courts and to establish operational standards on or before December 31, 2014. The funding provided in this special line item allows AOC to implement the provisions of this law.

Special Water Master

The budget includes \$220,000 from the General Fund in FY 2015 for the Special Water Master line item. This amount funds the following adjustments:

Gila River Water Master

The budget includes an increase of \$126,000 from the General Fund in FY 2015 for additional funding for the Gila River Water Master.

Background – This line item provides funding for the Special Water Master assigned by the court in 1990 to the Little Colorado River and Gila River water rights adjudications. The adjudication of water rights for the Little Colorado River and Gila River were petitioned in 1978 and 1980, respectively. In FY 2013, 519 water rights claims were filed by individuals, communities, governments, and companies. 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. (*see the Other Issues section for more information.*)

Additional Legislation

County Non-Supplanting Provisions

The FY 2015 Criminal Justice Budget Reconciliation Bill (Laws 2014, Chapter 12) continues to suspend 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.

Other Issues

Special Water Master

In FY 2013, revenue and interest to the Gila River water rights adjudication totaled \$3,042 and expenditures were \$156,243 leaving an ending balance of \$97,342. The revenue consists of filing fees paid by claimants initiating water rights claims, interest, and monies appropriated by the Legislature. Despite a lack of revenue, the Special Water Master was able to fund this level of expenditure due to its beginning balance.

In the FY 2014 budget, \$74,000 was appropriated from the General Fund for the Gila River litigation. The FY 2015 budget includes an additional \$126,000 to ensure that the fund remains balanced.

The FY 2013 revenue, interest and appropriations to the Little Colorado River water rights adjudication totaled \$2,004 and expenditures were \$27,572. The FY 2013 ending balance was \$94,185. This balance and an annual appropriation of \$20,000 in General Fund monies will allow sufficient funding for the Little Colorado Water Master through at least FY 2015. *Table 1* displays a short history of the revenues and expenditures to the Gila River and Little Colorado River Water Masters from FY 2012 through FY 2015.

Probation Caseloads

The state appropriates \$38,079,500 in General Fund monies annually to support non-Maricopa County adult and juvenile probation services. *Table 2* below displays total funding and probation officer expenditures from both county and state sources in FY 2013.

	Special Water Master Funding			
	FY 2012	FY 2013	FY 2014	FY 2015
	<u>Actual</u>	<u>Actual</u>	<u>Estimated</u> ^{1/}	<u>Estimated</u> ^{1/}
Gila River				
Beginning Balance	\$392,903	\$250,543	\$97,342	\$0
Revenues ^{2/}	17,687	3,042	78,600	200,000
Expenditures	160,047	156,243	175,942	200,000
Ending Balance	\$250,543	\$97,342	\$0	\$0
Little Colorado River				
Beginning Balance	\$104,261	\$99,753	\$94,185	\$81,285
Revenues ^{2/}	23,894	22,004	20,850	20,650
Expenditures	28,402	27,572	33,750	36,000
Ending Balance	\$99,753	\$94,185	\$81,285	\$65,935

1/ Estimated amounts were provided by the Administrative Office of the Courts.
2/ Includes an annual appropriation of \$74,000 for the Gila River Water Master in FY 2014 and \$200,000 in FY 2015. The Little Colorado River Water Master revenues include an annual appropriation of \$20,000 for all years displayed.

	FY 2013 Non-Maricopa County Probation Funding				
	Adult	Adult	Juvenile	Juvenile	Total
	<u>Standard</u>	<u>Intensive</u>	<u>Standard</u>	<u>Intensive</u>	
Probation Officers					
Case Carrying Positions	207.0	108.0	75.2	51.5	441.7
Non-Case Carrying Positions	331.6	54.1	353.9	31.8	771.4
Total Filled Positions	538.6	162.1	429.1	83.3	1,213.1
Probation SLI Expenditures					
Amount Distributed to Counties	\$11,565,800	\$8,681,500	\$4,062,300	\$5,771,200	\$30,080,800
Amount Retained by AOC	1,961,400	2,084,100	524,500	2,903,100	7,473,100
Total SLI Expenditures	\$13,527,200	\$10,765,600	\$4,586,800	\$8,674,300	\$37,553,900
County Probation Expenditures					
State General Fund	\$11,558,800	\$8,645,300	\$3,889,400	\$5,236,200	\$29,329,700
Other State Funds	4,488,100	732,100	2,887,100	0	8,107,300
County Funding	17,598,200	0	12,736,000	0	30,334,200
Total Expenditures	\$33,645,100	\$9,377,400	\$19,512,500	\$5,236,200	\$67,771,200

Department of Juvenile Corrections

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	738.5	738.5	738.5
Personal Services	25,269,600	27,774,400	27,774,400
Employee Related Expenditures	11,563,200	12,690,000	13,050,700
Professional and Outside Services	1,025,600	1,244,400	1,244,400
Travel - In State	461,000	502,400	502,400
Travel - Out of State	9,100	10,000	10,000
Other Operating Expenditures	4,711,100	4,517,800	4,517,800
Equipment	792,600	1,009,100	1,009,100
AGENCY TOTAL	43,832,200	47,748,100	48,108,800^{1/2/}
FUND SOURCES			
General Fund	40,636,400	43,822,700	44,165,900
<i>Other Appropriated Funds</i>			
Criminal Justice Enhancement Fund	406,100	530,600	530,600
State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600	1,098,600	1,098,600
State Education Fund for Committed Youth	1,691,100	2,296,200	2,313,700
SUBTOTAL - Other Appropriated Funds	3,195,800	3,925,400	3,942,900
SUBTOTAL - Appropriated Funds	43,832,200	47,748,100	48,108,800
Other Non-Appropriated Funds	217,600	235,100	235,100
Federal Funds	1,620,000	1,717,200	1,717,200
TOTAL - ALL SOURCES	45,669,800	49,700,400	50,061,100

AGENCY DESCRIPTION — The Department of Juvenile Corrections (DJC) is responsible for the care and treatment of youth offenders adjudicated to be delinquent and remanded to the custody of the department. DJC has jurisdiction over youth until they are released from custody or reach age 18.

Operating Budget

The budget includes \$48,108,800 and 738.5 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$44,165,900
Criminal Justice Enhancement Fund (CJEF)	530,600
State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600
State Education Fund for Committed Youth	2,313,700

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$360,700 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	\$343,200
State Education Fund for Committed Youth	17,500

(Please see the Agency Detail and Allocations section.)

Other Issues

Population Counts

Table 1 lists the DJC population by category. The parole population has decreased significantly over the past few years. DJC reports that this is due to the decline in the number of committed youth, an increase in the age of the average offender resulting in shorter parole periods, and an increase in the recidivism rate.

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

^{2/} Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatory Institutions Land Fund must be distributed to the Department of Juvenile Corrections, in compliance with Section 25 of the Enabling Act and the Constitution of Arizona, to be used for the support of state juvenile institutions and reformatories. (General Appropriation Act footnote)

Table 1

	DJC Census			
	<u>FY 2012 Average Population</u>	<u>FY 2013 Average Population</u>	<u>Population as of October 31, 2013</u>	<u>Population as of March 31, 2014</u>
Housed Population				
Adobe Mountain	390	347	362	339
Parole Population				
Parole	317	252	186	151
Interstate Compact (inside Arizona) ^{1/}	<u>143</u>	<u>139</u>	<u>120</u>	<u>127</u>
Total Parole Population	460	391	306	278
Total DJC Population	850	738	668	617

^{1/} The Interstate Compact is an agreement between states to supervise parolees in each other's state. "Inside Arizona" means parolees from other states living in Arizona and "outside Arizona" means Arizona parolees living in other states. There were an average of 117 Arizona parolees outside of Arizona in FY 2013 and 105 parolees on March 31, 2014.

State Land Department

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	125.7	125.7	130.7 ^{1/}
Personal Services	6,130,900	6,890,200	7,378,200
Employee Related Expenditures	2,398,200	2,917,400	2,921,500
Professional and Outside Services	1,003,700	1,341,500	1,341,500
Travel - In State	132,100	151,600	151,600
Travel - Out of State	15,600	15,600	15,600
Other Operating Expenditures	3,013,500	3,224,800	3,224,800
Equipment	79,200	75,500	75,500
OPERATING SUBTOTAL	12,773,200	14,616,600	15,108,700
SPECIAL LINE ITEMS			
CAP User Fees	481,100	641,600	673,600 ^{2/}
Due Diligence Fund	0	500,000	500,000
Natural Resource Conservation Districts	561,800	650,000	650,000 ^{3/}
Northern Arizona Landing Strip	0	0	0 ^{4/}
Scanning and Digitizing Trust Land Records	0	0	1,200,000
Trust Land Management Fund Repayment	15,018,000	0	0
AGENCY TOTAL	28,834,100	16,408,200	18,132,300^{5/}
FUND SOURCES			
General Fund	1,253,800	12,473,700	12,509,800
<u>Other Appropriated Funds</u>			
Due Diligence Fund	0	500,000	500,000
Environmental Special Plate Fund	171,800	260,000	260,000
Risk Management Revolving Fund	25,957,300	0	0
Trust Land Management Fund	1,451,200	3,174,500	4,862,500
SUBTOTAL - Other Appropriated Funds	27,580,300	3,934,500	5,622,500
SUBTOTAL - Appropriated Funds	28,834,100	16,408,200	18,132,300
<u>Other Non-Appropriated Funds</u>			
Federal Funds	637,300	827,400	827,400
TOTAL - ALL SOURCES	29,765,300	17,467,300	19,191,400

AGENCY DESCRIPTION — The agency manages the state's 9.3 million acres of trust land on behalf of its 14 beneficiaries. In order to generate revenue, the agency plans, leases, and sells trust land. The agency also generates revenue by collecting royalties from the operators of 2 copper mines on state land.

Operating Budget

The budget includes \$15,108,700 and 129.7 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$11,446,200
Trust Land Management Fund	3,662,500

These amounts fund the following adjustments:

- 1/ Includes 1 OF FTE Positions funded from a Special Line Item in FY 2015.
- 2/ The appropriation includes \$673,600 for Central Arizona Project User Fees in FY 2015. For FY 2015, from municipalities that assume their allocation of Central Arizona Project water for every dollar received as reimbursement to the state for past Central Arizona Water Conservation District payments, \$1.00 reverts to the state General Fund in the year that the reimbursement is collected. (General Appropriation Act footnote)
- 3/ Of the amount appropriated for Natural Resource Conservation Districts in FY 2015, \$30,000 must be used to provide grants to Natural Resource Conservation Districts environmental education centers. (General Appropriation Act footnote)
- 4/ The General Appropriation Act, as originally passed, included \$10,000 from the General Fund in FY 2015 for the Northern Arizona Landing Strip Special Line Item. This amount was line-item vetoed by the Governor thus reducing the total appropriation by a corresponding amount.
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Land Exchange Program

The budget includes an increase of \$488,000 and 4 FTE Positions from the Trust Land Management Fund in FY 2015 for the Land Exchange Program.

The program will use these monies to fund expenses relating to Proposition 119 and A.R.S. § 37-604, which allow state land to be exchanged for public land to improve the management of state land for the purpose of sale, lease, conversion to public use of state lands or to assist in preserving and protecting military facilities in this state.

Statewide Adjustments

The budget includes an increase of \$4,100 from the General Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

CAP User Fees

The budget includes \$673,600 from the General Fund in FY 2015 for Central Arizona Project (CAP) User Fees. This amount funds the following adjustments:

CAP Rate Increase

The budget includes an increase of \$32,000 from the General Fund in FY 2015 to adjust the appropriation for new CAP rates. This assumes that the department will be billed for “capital charges” of \$21 per acre foot on 32,076 acre feet of water in FY 2015 for a total charge of \$673,600. This amount would be \$32,000 above the revised appropriation for CAP user fees for FY 2014 of \$641,600. The revised FY 2014 appropriation reflected capital charges of \$20 per acre foot.

Pursuant to A.R.S. § 36-106.01, the State Land Department has a long-term contract with the Central Arizona Water Conservation District (CAWCD) (the governing entity for CAP) for the rights to purchase 32,076 acre-feet of CAP water annually for municipal and industrial uses on state trust lands. The department typically does not take delivery of the water, but must still pay capital charges to the CAWCD each year in order to maintain its CAP water rights. (The CAWCD uses revenue from capital charges to fund repayment of federal construction debt for the CAP.) Maintaining CAP water rights on state trust lands increases their market value. When CAP water rights on state trust lands are transferred to a municipality through the sale or lease of state trust lands, the State General Fund is reimbursed for all previous costs associated with the water rights pursuant to A.R.S. § 37-106.01C. *(Please see related General Appropriation Act footnote.)*

The original FY 2014 budget appropriated \$513,300 for CAP User Fees for FY 2014 based on assumed capital charges of \$16 per acre-foot. In June 2013, however, CAP increased the FY 2014 capital charges to \$20 per acre-foot, resulting in a \$(128,300) shortfall for the program for

FY 2014. Laws 2014, Chapter 18 provided the department with \$128,300 in supplemental funding from the General Fund in FY 2014 to address this shortfall.

Due Diligence Fund

The budget includes \$500,000 from the Due Diligence Fund in FY 2015 for this line item. This amount is unchanged from FY 2014.

The State Land Department uses monies in this line item to fund due diligence studies on land that it prepares for auction. The purchasers of State Trust land then reimburse the State Land Department for the cost of the studies.

Natural Resource Conservation Districts

The budget includes \$650,000 in FY 2015 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 2014.

Monies in this line item are used to provide for natural resource research, activities, 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 24 education centers sponsored or co-sponsored by 30 NRCs. The \$30,000 is divided among the 24 education centers, meaning each center receives \$1,250. 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. Current levels of Environmental Special Plate Fund revenue do not permit expenditure of the full appropriation. Revenue for FY 2013 totaled \$166,700 and will not be able to fund the appropriated amount which is set at \$260,000. The revenue generated from the Environmental Special Plate Fund has trended downward and license plate sales have not reached \$260,000 since FY 2007.

The Environment Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 13) increases the maximum amount that the

Land Department may include in its budget request for Natural Resources Conservation Districts from \$30,000 to \$40,000 each.

Northern Arizona Landing Strip

The General Appropriation Act, as originally passed, included \$10,000 from the General Fund in FY 2015 for the Northern Arizona Landing Strip. This amount was line-item vetoed by the Governor.

The \$10,000 appropriation would have provided funding for insurance needed to re-establish the Northern Arizona Landing Strip (“Tuweep”), which is on the north rim of the Grand Canyon. When open, it saw an average of 3 private aircraft landings per week during the busy season and has been used by the Bureau of Land Management as a staging area for firefighting operations.

Scanning and Digitizing Trust Land Records

The budget includes \$1,200,000 and 1 FTE Position from the Trust Land Management Fund in FY 2015 for Scanning and Digitizing Trust Land Records. These amounts fund the following adjustments:

One-Time Funding

The budget includes an increase of \$1,200,000 and 1 FTE Position from the Trust Land Management Fund in FY 2015 for one-time funding for scanning and digitizing land trust records.

Monies in this line item will be used for the purpose of managing the digital conversion in addition to funding a data system to modernize and improve workflow and security of the business processes and systems.

Trust Land Management Fund Repayment

The budget includes no funding in FY 2015 for the Trust Land Management Fund Repayment. The FY 2014 budget included a one-time FY 2013 supplemental appropriation of \$15,018,000 to refund earlier Trust Land Management Fund payments that were used in FY 2010 and FY 2011 to pay a portion of the State Land Department’s operating budget. Subsequent court decisions ruled this practice unconstitutional and required that the diverted monies be refunded to the Trust Land Management Fund.

Other Issues

Proposition 119

The Proposition, approved by voters in 2012, authorizes exchanges of State Trust land for public land for the purpose of preserving and protecting military facilities from encroaching development and to improve the

management of state lands for the purpose of sale or lease. Exchanges may be made for land owned or administered by other state agencies, counties, municipalities, the United States or its agencies. These exchanges cannot be made with private land owners. A.R.S. § 37-604 was also amended pursuant to SB 1001 to establish the specific exchange steps.

Legislature - Auditor General

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	184.8	184.8	184.8
Personal Services	11,088,700	11,235,800	11,235,800
Employee Related Expenditures	4,079,000	4,271,900	4,278,600
Professional and Outside Services	640,400	499,100	499,100
Travel - In State	96,000	290,800	290,800
Travel - Out of State	14,500	4,500	4,500
Other Operating Expenditures	825,300	1,120,300	1,120,300
Equipment	684,100	567,300	567,300
OPERATING SUBTOTAL	17,428,000	17,989,700	17,996,400
SPECIAL LINE ITEMS			
Independent Consultant	0	0	250,000 ^{1/}
AGENCY TOTAL	17,428,000	17,989,700	18,246,400^{2/3/4/}
FUND SOURCES			
General Fund	17,428,000	17,989,700	18,246,400
SUBTOTAL - Appropriated Funds	17,428,000	17,989,700	18,246,400
Other Non-Appropriated Funds	1,864,200	1,997,800	1,997,800
TOTAL - ALL SOURCES	19,292,200	19,987,500	20,244,200

AGENCY DESCRIPTION — The Auditor General (AG) provides an independent financial, performance, and compliance audit capability in support of legislative oversight and public accountability of funds administered by the state and certain local governments.

Operating Budget

The budget includes \$17,996,400 and 184.8 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$6,700 from the General Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Independent Consultant

The budget includes \$250,000 from the General Fund in FY 2015 for the Independent Consultant line item. This amount funds the following adjustments:

Independent Consultant

The budget includes an increase of \$250,000 from the General Fund in FY 2015 for an independent consultant. The Auditor General will hire an independent consultant with expertise in child welfare system planning and operations to examine the current child protective services system and consider best practices to improve the delivery of services in this state and to provide consultation on the effective establishment of the new Department of Child Safety with a focus on implementation challenges.

^{1/} Laws 2014, 2nd Special Session, Chapter 2 appropriated \$250,000 from the General Fund for an independent consultant.

^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{4/} Included in the lump sum appropriation is funding to pay state rent at the statewide rate. (General Appropriation Act footnote)

Legislature - House of Representatives

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	11,850,500	13,372,200	13,372,200
OPERATING SUBTOTAL	11,850,500	13,372,200	13,372,200
SPECIAL LINE ITEMS			
Legal Representation	0	50,000	0
AGENCY TOTAL	11,850,500	13,422,200	13,372,200 ^{1/2/3/}
FUND SOURCES			
General Fund	11,850,500	13,422,200	13,372,200
SUBTOTAL - Appropriated Funds	11,850,500	13,422,200	13,372,200
TOTAL - ALL SOURCES	11,850,500	13,422,200	13,372,200

AGENCY DESCRIPTION — The House of Representatives is made up of 60 members, 2 of whom are elected from each of the legislative districts. The officers and employees of the House of Representatives consist of the Speaker of the House, a Chief Clerk of the House, and other employees as the House directs.

Operating Budget

The budget includes \$13,372,200 from the General Fund in FY 2015 for the operating budget. This amount is unchanged from FY 2014.

production of documents that are solely campaign documents. The monies are a continuing appropriation and are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Legal Representation

The budget includes no funding in FY 2015 for Legal Representation. This amount funds the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(50,000) from the General Fund in FY 2015 for the elimination of one-time funding for legal representation.

Laws 2014, Chapter 1 appropriated a supplemental \$50,000 from the General Fund in FY 2014 for legal representation.

Monies in this line item are to provide legal representation to current and former members of the Legislature who are subject to a subpoena or other request in a civil action for the production of documents related to the member's status as a current or former member of the Legislature and who would otherwise be required to pay the costs of the representation and related costs and fees. The monies may not be used to provide legal representation relating to the

^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

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

^{3/} Included in the Lump Sum appropriation of \$13,372,200 for FY 2015 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)

Legislature - Joint Legislative Budget Committee

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	29.0	29.0	29.0
Personal Services	1,317,100	1,661,800	1,661,800
Employee Related Expenditures	419,400	605,700	606,700
Professional and Outside Services	85,700	125,000	125,000
Travel - In State	300	500	500
Other Operating Expenditures	36,000	97,000	97,000
Equipment	20,600	2,000	2,000
AGENCY TOTAL	1,879,100	2,492,000	2,493,000 ^{1/2/}
FUND SOURCES			
General Fund	1,879,100	2,492,000	2,493,000
SUBTOTAL - Appropriated Funds	1,879,100	2,492,000	2,493,000
TOTAL - ALL SOURCES	1,879,100	2,492,000	2,493,000

AGENCY DESCRIPTION — The Staff of the Joint Legislative Budget Committee, established by the Arizona Legislature, provides its members with analysis, forecasts, research and recommendations on state government finances and public policies.

Operating Budget

The budget includes \$2,493,000 and 29 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,000 from the General Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Legislature - Legislative Council

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	42.8	47.0	49.0 ^{1/}
Personal Services	2,461,400	2,785,000	2,785,000
Employee Related Expenditures	876,500	974,700	977,100
Professional and Outside Services	54,600	55,000	55,000
Travel - In State	200	400	400
Other Operating Expenditures	355,700	360,000	360,000
Equipment	2,382,200	3,242,900	3,242,900
OPERATING SUBTOTAL	6,130,600	7,418,000	7,420,400 ^{2/}
SPECIAL LINE ITEMS			
Ombudsman-Citizens Aide Office	602,100	628,500	828,500 ^{3/4/5/}
AGENCY TOTAL	6,732,700	8,046,500	8,248,900 ^{6/7/}
FUND SOURCES			
General Fund	6,732,700	8,046,500	8,248,900
SUBTOTAL - Appropriated Funds	6,732,700	8,046,500	8,248,900
TOTAL - ALL SOURCES	6,732,700	8,046,500	8,248,900

AGENCY DESCRIPTION — The Legislative Council, a staff agency of the Legislative Department, provides bill drafting and research services, continuing code revision and manages the operation and renovation of certain legislative buildings and grounds. The council is also responsible for the development, operation, and maintenance of the legislative computer system.

Operating Budget

The budget includes \$7,420,400 and 40 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$2,400 from the General Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Ombudsman-Citizens Aide Office

The budget includes \$828,500 and 9 FTE Positions from the General Fund in FY 2015 for the Ombudsman-Citizens Aide Office. The FY 2015 General Appropriation Act, as originally passed, included \$828,500 and 9 FTE Positions

from the General Fund in FY 2015. The \$828,500 was line-item vetoed by the Governor. Laws 2014, 2nd Special Session, Chapter 2, restored the \$828,500.

The \$828,500 and 9 FTE Positions fund the \$628,500 base appropriation plus the following adjustments:

Child Safety Complaints

The budget includes an increase of \$200,000 and 2 FTE Positions from the General Fund in FY 2015 to address child safety complaints and to fill a vacant position.

The FY 2015 Revenue Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 9) requires Child Protective Services or its successor agency (now the Department of Child Safety, established by Laws 2014, 2nd Special Session, Chapter 1) to establish a mechanism to direct complainants to the Ombudsman-Citizens Aide Office. It further

^{1/} Includes 9 GF FTE Positions from Special Line Items in FY 2015.

^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

^{3/} The General Appropriation Act, as originally passed, included \$828,500 from the General Fund in FY 2015 for the Ombudsman-Citizens Aide Office Special Line Item. This amount was line-item vetoed by the Governor. Laws 2014, 2nd Special Session, Chapter 2 restored the \$828,500.

^{4/} It is the intent of the Legislature that the Ombudsman-Citizens Aide prioritize the investigation and processing of complaints relating to the Department of Child Safety. (Laws 2014, 2nd Special Session, Chapter 2 footnote)

^{5/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (Laws 2014, 2nd Special Session, Chapter 2 footnote)

^{6/} General Appropriation Act and Laws 2014, 2nd Special Session, Chapter 2 funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{7/} Dues for the Council of State Governments may be expended only on an affirmative vote of the Legislative Council. (General Appropriation Act footnote)

requires the Ombudsman-Citizens Aide Office to process these complaints, and allows the Ombudsman-Citizens Aide after investigating a complaint to refer the matter to a Superior Court judge for further review and action. These requirements are repealed after June 30, 2016.

Monies in this line item fund operation of the Ombudsman-Citizens Aide Office, which receives public complaints, investigates administrative acts of agencies, and may present their final opinion and recommendations to the Governor, the Legislature, the office of the appropriate prosecutor or the public, or any combination of these persons. The Ombudsman-Citizens Aide Office also trains public officials and educates the public on the rights of the public and the responsibilities of public agencies under the public access laws.

Additional Legislation

Small Business Bill of Rights

Laws 2014, Chapter 204 requires each regulatory agency's small business bill of rights to state that the regulated business person may contact the Ombudsman-Citizens Aide Office if the person has made a reasonable effort to resolve the problem with the regulatory agency and has not been successful. The law requires the Ombudsman-Citizens Aide to investigate complaints.

Legislature - Senate

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	8,029,900	8,283,800	8,283,800
OPERATING SUBTOTAL	8,029,900	8,283,800	8,283,800
SPECIAL LINE ITEMS			
Legal Representation	0	50,000	0
AGENCY TOTAL	8,029,900	8,333,800	8,283,800 ^{1/2/3/}
FUND SOURCES			
General Fund	8,029,900	8,333,800	8,283,800
SUBTOTAL - Appropriated Funds	8,029,900	8,333,800	8,283,800
TOTAL - ALL SOURCES	8,029,900	8,333,800	8,283,800

AGENCY DESCRIPTION — The Senate is made up of 30 members elected from each of the legislative districts. The officers and employees of the Senate consist of the President of the Senate, a Secretary of the Senate, and other employees as the Senate directs.

Operating Budget

The budget includes \$8,283,800 from the General Fund in FY 2015 for the operating budget. This amount is unchanged from FY 2014.

production of documents that are solely campaign documents. The monies are a continuing appropriation and are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Legal Representation

The budget includes no funding in FY 2015 for Legal Representation. This amount funds the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(50,000) from the General Fund in FY 2015 for the elimination of one-time funding for legal representation.

Laws 2014, Chapter 1 appropriated a supplemental \$50,000 from the General Fund in FY 2014 for legal representation.

Monies in this line item are to provide legal representation to current and former members of the Legislature who are subject to a subpoena or other request in a civil action for the production of documents related to the member's status as a current or former member of the Legislature and who would otherwise be required to pay the costs of the representation and related costs and fees. The monies may not be used to provide legal representation relating to the

^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.
^{3/} Included in the Lump Sum appropriation of \$8,283,800 for FY 2015 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)

Department of Liquor Licenses and Control

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	45.2	45.2	45.2
Personal Services	1,547,900	1,522,700	1,522,700
Employee Related Expenditures	728,500	729,900	753,300
Professional and Outside Services	66,000	40,400	40,400
Travel - In State	85,500	110,400	110,400
Travel - Out of State	2,800	3,300	3,300
Other Operating Expenditures	477,400	525,600	532,400
Equipment	3,200	0	0
OPERATING SUBTOTAL	2,911,300	2,932,300	2,962,500
SPECIAL LINE ITEMS			
Licensing Replacement System	0	0	626,700
AGENCY TOTAL	2,911,300	2,932,300	3,589,200^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Liquor Licenses Fund	2,911,300	2,932,300	3,589,200
SUBTOTAL - Other Appropriated Funds	2,911,300	2,932,300	3,589,200
SUBTOTAL - Appropriated Funds	2,911,300	2,932,300	3,589,200
<i>Other Non-Appropriated Funds</i>			
Other Non-Appropriated Funds	1,005,000	975,200	975,200
Federal Funds	121,100	0	0
TOTAL - ALL SOURCES	4,037,400	3,907,500	4,564,400

AGENCY DESCRIPTION — The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

Operating Budget

The budget includes \$2,962,500 and 45.2 FTE Positions from the Liquor Licenses Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Rent Increase

The budget includes an increase of \$6,800 from the Liquor Licenses Fund in FY 2015 for a rent increase.

Statewide Adjustments

The budget includes an increase of \$23,400 from the Liquor Licenses Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Licensing Replacement System

The budget includes \$626,700 from the Liquor Licenses Fund in FY 2015 for licensing system replacement. This amount includes the following adjustments:

Licensing and Imaging System

The budget includes a one-time increase of \$626,700 from the Liquor Licenses Fund in FY 2015 to provide one-time funding for the replacement of the licensing and imaging system.

Monies in this line item will be used to replace the current system installed in the early 1990s. The new system will integrate both licensing and document imaging; enhance tracking, reporting and enforcement mechanisms; and allow the department to accept online license renewals and fee payments.

Additional Legislation

Liquor Omnibus

Laws 2014, Chapter 253 changes statute related to the oversight, production, distribution, and sale of liquor in Arizona. Chapter 253 adjusts licensing fees and standards with a number of provisions related to the production and/or sale of liquor by craft distillers, farm wineries, and microbreweries. The revenue impact of the statutory changes is unknown. The Liquor Licenses Fund receives

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

monies from a portion of the state's liquor license fee revenues, not to exceed the appropriation of the Legislature. Any balance over \$700,000 reverts to the state General Fund at the end of the year.

Arizona State Lottery Commission

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	97.8	98.8	98.8
Personal Services	4,146,100	4,812,000	4,812,000
Employee Related Expenditures	1,760,000	1,769,400	1,772,300
Professional and Outside Services	358,600	386,800	386,800
Travel - In State	221,600	271,600	271,600
Travel - Out of State	11,100	16,800	16,800
Other Operating Expenditures	1,089,300	1,163,600	1,162,100
Equipment	128,000	0	0
OPERATING SUBTOTAL	7,714,700	8,420,200	8,421,600
SPECIAL LINE ITEMS			
Advertising	14,110,300	15,500,000	15,500,000
Charitable Commissions ^{1/}	348,300	811,800	852,300 ^{2/}
Instant Tickets ^{1/}	11,870,400	17,199,700	18,571,300 ^{3/}
On-Line Vendor Fees ^{1/}	9,225,200	9,163,500	9,399,400 ^{4/}
Retailer Commissions ^{1/}	21,660,500	48,331,900	51,298,200 ^{5/}
AGENCY TOTAL	64,929,400	99,427,100	104,042,800^{6/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
State Lottery Fund	64,929,400	99,427,100	104,042,800
SUBTOTAL - Other Appropriated Funds	64,929,400	99,427,100	104,042,800
SUBTOTAL - Appropriated Funds	64,929,400	99,427,100	104,042,800
Other Non-Appropriated Funds	428,624,000	445,333,300	474,104,600
TOTAL - ALL SOURCES	493,553,400	544,760,400	578,147,400

AGENCY DESCRIPTION — The Arizona Lottery is responsible for administering sanctioned games of chance. In addition to Arizona-specific games, the state also participates in multi-state Powerball and Mega-Millions on-line games.

Operating Budget

The budget includes \$8,421,600 and 98.8 FTE Positions from the State Lottery Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(1,500) from the State Lottery Fund in FY 2015 for the elimination of one-time costs of office equipment for an additional staff member.

Statewide Adjustments

The budget includes an increase of \$2,900 from the State Lottery Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Advertising

The budget includes \$15,500,000 from the State Lottery Fund in FY 2015 for Advertising. This amount is unchanged from FY 2014.

- 1/ Charitable Commissions, Instant Tickets, On-Line Vendor Fees, and Retailer Commissions are appropriated as a percentage of sales. Therefore, the amounts shown for those line items are estimates only.
- 2/ An amount equal to 20% of Tab Ticket sales is appropriated for payment of sales commissions to charitable organizations. This amount is currently estimated to be \$852,300 in FY 2015. (General Appropriation Act footnote)
- 3/ An amount equal to 3.6% of actual instant ticket sales is appropriated for the printing of instant tickets or for contractual obligations concerning instant ticket distribution. This amount is currently estimated to be \$18,571,300 in FY 2015. (General Appropriation Act footnote)
- 4/ An amount equal to a percentage of actual on-line game sales as determined by contract is appropriated for payment of on-line vendor fees. This amount is currently estimated to be \$9,399,400, or 3.7% of actual on-line ticket sales in FY 2015. (General Appropriation Act footnote)
- 5/ An amount equal to 6.5% of gross lottery game sales, less Tab Tickets, is appropriated for payment of sales commissions to ticket retailers. An additional amount 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 \$51,298,200 in FY 2015. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Monies in this line item are used to promote and market Lottery games.

Charitable Commissions

The budget includes \$852,300 from the State Lottery Fund in FY 2015 for Charitable Commissions. This amount funds the following adjustments:

Tab Ticket Increase

The budget includes an increase of \$40,500 from the State Lottery Fund in FY 2015 to realign spending with projected revenues. (See Table 1 for more information.)

Monies in this line item are used to compensate charities for selling lottery 'Tab Tickets.' Laws 2010, Chapter 126 established a special type of instant ticket, Tab Tickets, to be sold exclusively by charitable organizations, who receive a 20% commission for selling the games. The displayed amount is derived by applying the approved percentage, 20%, to the forecasted Tab Ticket sales. A.R.S. § 5-555 also allows the department to collect up to 35% of total Tab Ticket sales (which includes the 20% commission) for their operating budget, with the remainder distributed as prizes.

Instant Tickets

The budget includes \$18,571,300 from the State Lottery Fund in FY 2015 for Instant Tickets. This amount funds the following adjustments:

Instant Ticket Sales Increase

The budget includes an increase of \$1,371,600 from the State Lottery Fund in FY 2015 for Instant Tickets due to higher projected sales. (See Table 1 for more information.)

Monies in this line item are used to pay for instant ticket printing and distribution costs. The actual appropriation is for 3.6% of instant ticket sales. The amount displayed is derived by applying the approved spending percentage to the forecasted sales total.

On-Line Vendor Fees

The budget includes \$9,399,400 from the State Lottery Fund in FY 2015 for On-Line Vendor Fees. This amount funds the following adjustments:

On-Line Vendor Fees Increase

The budget includes an increase of \$235,900 from the State Lottery Fund in FY 2015 for On-Line Vendor Fees due to higher projected sales. (See Table 1 for more information.)

Monies in this line item are used to pay the vendor that operates the on-line game computer system. The actual appropriation is equal to a percentage of on-line ticket

sales specified in the Lottery's contractual agreement with the vendor, which is 3.7%.

Retailer Commissions

The budget includes \$51,298,200 from the State Lottery Fund in FY 2015 for Retailer Commissions. This amount funds the following adjustments:

Retailer Commissions Increase

The budget includes an increase of \$2,966,300 from the State Lottery Fund in FY 2015 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. A.R.S. § 5-555 specifies that compensation to retailers will be at least 5.5% but not more than 8% of non-Tab Ticket sales. The actual appropriation is equal to 6.5% of these sales. Pursuant to statute, an additional 0.5% of total non-Tab Ticket sales may be paid to retailers based on their attainment of specified sales and marketing objectives. Since 40% of retailers are estimated to meet these objectives, this would result in an additional 0.2% in retailer commissions and a total retail commission rate of 6.7%. The displayed amount is derived by applying the approved percentage to the forecasted sales total.

Lottery Forecast and Distributions

The budget assumes a 4.7% increase in overall Lottery ticket sales in FY 2014, followed by a 6.1% increase in FY 2015. For FY 2014 and FY 2015, the budget assumes Lottery ticket sales of \$725,430,600 and \$769,905,700, 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 2013 and the JLBC Staff projected distributions for FY 2014 and FY 2015. A brief description of each beneficiary follows in the order that they receive Lottery-generated revenue in accordance with A.R.S. § 5-534 and 5-572.

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 principal and interest payments in FY 2014 and FY 2015 are expected to be \$37,499,800 and \$37,499,000, respectively. Chapter 4 requires the first Lottery proceeds to be distributed to the State Lottery Revenue Bond Debt Service Payment Fund.

Maricopa County Mass Transit

The projected annual distribution of Powerball proceeds to the Maricopa Public Transportation Fund is \$11,224,800 in each FY 2014 and FY 2015.

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.

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. 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.

General Fund - Part 1

The statutory distribution requires the General Fund to receive up to \$84,150,000. The General Fund - Part 2 would receive up to an additional \$15,490,000 (for a total of \$99,640,000) after the statutory funding obligations have been met through the Homeless Shelters distribution. After all other statutory obligations have been met, the General Fund - Part 3 would receive all remaining revenues.

The profit distributions in FY 2014 and FY 2015 are forecasted to fulfill requirements for General Fund - Part 1 and Part 2. The Lottery revenue bond payments of \$37,499,800 in FY 2014 and \$37,499,000 in FY 2015 count towards the \$84,150,000 General Fund - Part 1 requirement. Total General Fund distributions, net of bond payments, are therefore estimated to be \$77,548,000 in FY 2014 and \$87,577,400 in FY 2015.

Heritage Fund

Statute caps annual distributions to the Arizona Game and Fish Commission's Heritage Fund at \$10,000,000. The funds are used to promote wildlife habitat and education programs and to rehabilitate historic buildings. In FY 2014 and FY 2015, 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 \$20,837,800 in FY 2014 and \$21,169,400 in FY 2015. These amounts are distributed among the following agencies:

- 29.4% to the Department of Child Safety 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 2014 and FY 2015.

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 2014 and FY 2015.

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 2014 and FY 2015, the General Fund is estimated to receive its entire allocation of \$15,490,000.

Arizona Competes Fund

Statute caps annual distributions to the Arizona Competes Fund at \$3,500,000. Allotments to this fund are used for administering grants to qualifying businesses for the purpose of attracting, retaining, and expanding business within the state. This fund is estimated to receive its full allocation in both FY 2014 and FY 2015.

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 agreements. This fund received \$11,161,000 in FY 2013, which was 80% of the annual debt service payments on the \$386,715,000 of lease-purchase agreements that have been issued to date. The UCI Fund is expected to require \$18,759,800 in FY 2014 and \$19,487,700 in FY 2015 to make the expected level of debt service payments. The FY 2015 estimate includes debt service payments on \$524,615,000 of lease-purchase agreements that have already been or will be issued by the end of FY 2015. Once the full \$800,000,000 has been issued, debt service payments could total \$41,632,800, depending on assumptions of repayment lengths and interest rates. (*Please see the FY 2015 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. These

payments to the General Fund are estimated to equal \$15,407,800 in FY 2014 and \$25,436,400 in FY 2015.

Additional Legislation

As session law, the FY 2015 Budget Procedures Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 14) requires that \$25,836,400 in Lottery ticket sales commissions earned during the second half of FY 2013 be paid from the State Lottery Fund's FY 2013 ending balance. Due to a delay in processing, these amounts were recorded as FY 2014 expenditures in the state's accounting system.

Sales	FY 2013	FY 2014	FY 2015
Instant Sales	\$440.5	\$477.8	\$515.9
On-Line Sales	252.4	247.6	254.0
Total Sales	\$692.9	\$725.4	\$769.9
<i>Less:</i>			
Operating Budget ^{1/2/}	\$ 64.9	\$ 99.4	\$ 104.0
Gaming Distribution	0.3	0.3	0.3
Prizes ^{2/3/}	428.6	445.3	474.1
Net Profit ^{2/4/}	\$173.2	\$180.4	\$191.5
Profit Transfers			
Debt Service Fund	\$ 37.5	\$ 37.5	\$ 37.5
Maricopa County Mass Transit ^{5/}	11.2	11.2	11.2
General Fund - Part 1 ^{6/}	46.7	46.7	46.7
Heritage	10.0	10.0	10.0
Health and Welfare Programs	19.6	20.8	21.2
Homeless Shelters	1.0	1.0	1.0
General Fund - Part 2 ^{6/}	15.5	15.5	15.5
Arizona Commerce Authority ^{7/}	3.5	3.5	3.5
University Capital	11.1	18.8	19.5
General Fund - Part 3 ^{6/}	17.1	15.4	25.4
Total Transfer	\$173.2	\$180.4	\$191.5

^{1/} Of this amount, an estimated \$811,800 in FY 2014 and an estimated \$852,300 in FY 2015 will be distributed as commissions to charities that sell lottery Tab Tickets.
^{2/} Due to a delay in processing, \$25,836,400 of Lottery expenditures made in FY 2013 were recorded in FY 2014 in the state's accounting system. This delay in processing did not change the FY 2013 calculations of prizes, net profit, and profit transfers that appear in this table. Any delayed expenditures are assumed to be made from the FY 2013 ending balance and are not included in FY 2014 expenditures.
^{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 2013 rate of return for each game was applied to the current budget forecast. The cumulative profit transfer rate is 25.05%.
^{5/} As a result of a federal court order, Maricopa County's share of Local Transportation Assistance Fund II monies was reinstated starting September 2011. (See Lottery Forecast and Distributions for more information.)
^{6/} Excluding fund transfers, distributions to the General Fund totaled \$79,260,800 in FY 2013 and are estimated to be \$77,548,000 in FY 2014 and \$87,577,400 in FY 2015.
^{7/} Laws 2012, Chapter 297 moved the Arizona Competes Fund distribution from before the General Fund – Part 1 to after General Fund – Part 2, beginning in FY 2013.

Board of Massage Therapy

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	245,100	228,000	228,000
Employee Related Expenditures	95,400	54,900	55,000
Professional and Outside Services	10,600	26,400	26,400
Travel - In State	1,000	1,000	1,000
Other Operating Expenditures	106,500	137,900	119,300
Equipment	13,800	9,000	9,000
AGENCY TOTAL	472,400	457,200	438,700^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Massage Therapy Fund	472,400	457,200	438,700
SUBTOTAL - Other Appropriated Funds	472,400	457,200	438,700
SUBTOTAL - Appropriated Funds	472,400	457,200	438,700
TOTAL - ALL SOURCES	472,400	457,200	438,700

AGENCY DESCRIPTION — The board licenses and regulates massage therapists. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

The budget includes \$438,700 and 5 FTE Positions from the Board of Massage Therapy Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(18,500) from the Board of Massage Therapy Fund in FY 2015 for statewide adjustments. Of this amount, \$(18,600) represents a one-time adjustment in rent charges due to the separation from the Naturopathic Physicians Medical Board. (Please see the Agency Detail and Allocations section.)

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

Arizona Medical Board

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	58.5	58.5	58.5
Personal Services	2,265,500	2,705,000	2,705,000
Employee Related Expenditures	783,500	1,012,600	1,014,200
Professional and Outside Services	785,000	884,500	884,500
Travel - In State	17,400	19,700	19,700
Travel - Out of State	25,600	28,400	28,400
Other Operating Expenditures	1,109,300	881,000	881,000
Equipment	189,300	207,500	207,500
OPERATING SUBTOTAL	5,175,600	5,738,700	5,740,300
SPECIAL LINE ITEMS			
Credentials Verification Service	0	855,000 ^{1/}	0
AGENCY TOTAL	5,175,600	6,593,700	5,740,300^{2/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Arizona Medical Board Fund	5,175,600	6,593,700	5,740,300 ^{3/}
SUBTOTAL - Other Appropriated Funds	5,175,600	6,593,700	5,740,300
SUBTOTAL - Appropriated Funds	5,175,600	6,593,700	5,740,300
TOTAL - ALL SOURCES	5,175,600	6,593,700	5,740,300

AGENCY DESCRIPTION — The Arizona Medical Board licenses, regulates and conducts examinations of medical doctors and physician's assistants.

Operating Budget

The budget includes \$5,740,300 and 58.5 FTE Positions from the Arizona Medical Board Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,600 from the Arizona Medical Board Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Credentials Verification Service

The budget includes no funding from the Arizona Medical Board Fund in FY 2015 for the Credentials Verification Service Special Line Item. This amount funds the following adjustments:

Credentials Verification Service

The budget includes a decrease of \$(855,000) from the Arizona Medical Board Fund in FY 2015 for the removal

of a one-time supplemental appropriation in FY 2014 for the review of initial applications received by the board from October 1, 2011 through February 5, 2014. *(Please see the Additional Legislation section for more information on the FY 2014 Credentials Verification Service supplemental.)*

Additional Legislation

FY 2014 Credentials Verification Service Supplemental
Laws 2014, Chapter 251 included an FY 2014 supplemental appropriation of \$855,000 from the Arizona Medical Board Fund to conduct credentials verification. In October 2013, the Arizona Ombudsman Citizens' Aide office released an investigative report that described an expedited licensing process where the verification and documentation processes did not follow state statute and rules. The appropriation will be used for in-state credentials verification service to review all initial applications received by the board from October 1, 2011 through February 5, 2014.

^{1/} The Arizona Medical Board may also expend appropriated monies in FY 2015. (Laws 2014, Chapter 251 footnote)

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

^{3/} The Arizona Medical Board may use up to 7% of the Arizona Medical Board Fund balance remaining at the end of each fiscal year for a performance based incentive program the following fiscal year based on the program established in A.R.S. § 38-618. (General Appropriation Act footnote)

State Mine Inspector

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	493,800	509,600	509,600
Employee Related Expenditures	207,100	234,300	226,600
Professional and Outside Services	3,300	5,000	5,000
Travel - In State	72,800	56,800	56,800
Travel - Out of State	3,400	7,000	7,000
Other Operating Expenditures	204,400	208,000	208,000
Equipment	17,000	7,900	7,900
OPERATING SUBTOTAL	1,001,800	1,028,600	1,020,900
SPECIAL LINE ITEMS			
Abandoned Mines	185,700	194,700	194,700
Aggregate Mined Land Reclamation	11,400	112,500	112,500 ^{1/}
AGENCY TOTAL	1,198,900	1,335,800	1,328,100^{2/}
FUND SOURCES			
General Fund	1,187,500	1,223,300	1,215,600
<i>Other Appropriated Funds</i>			
Aggregate Mining Reclamation Fund	11,400	112,500	112,500
SUBTOTAL - Other Appropriated Funds	11,400	112,500	112,500
SUBTOTAL - Appropriated Funds	1,198,900	1,335,800	1,328,100
Other Non-Appropriated Funds	12,200	104,500	104,500
Federal Funds	423,700	255,500	255,500
TOTAL - ALL SOURCES	1,634,800	1,695,800	1,688,100

AGENCY DESCRIPTION — The State Mine Inspector is an elected constitutional officer and may serve 4 consecutive 4-year terms. The office inspects the health conditions and safety of mining operations, investigates mining accidents, identifies abandoned mines, and conducts safety certification classes for mine employees.

Operating Budget

The budget includes \$1,020,900 and 14 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(7,700) from the General Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Abandoned Mines

The budget includes \$194,700 from the General Fund in FY 2015 for Abandoned Mines. This amount is unchanged from FY 2014.

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 to the program, deposits can be made into the Abandoned Mines Safety Fund from sources such as intergovernmental agreements and donations.

^{1/} All Aggregate Mining Reclamation Fund receipts received by the State Mine Inspector in excess of \$112,500 in FY 2015 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 2015, the State Mine Inspector shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

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

Aggregate Mined Land Reclamation

The budget includes \$112,500 from the Aggregate Mining Reclamation Fund in FY 2015 for Aggregate Mined Land Reclamation. This amount is unchanged from FY 2014.

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.

Naturopathic Physicians Medical Board

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	60,500	89,700	89,700
Employee Related Expenditures	23,900	32,500	32,600
Professional and Outside Services	2,600	16,400	600
Travel - In State	200	800	800
Other Operating Expenditures	26,500	35,300	53,900
Equipment	2,200	0	0
AGENCY TOTAL	115,900	174,700	177,600^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Naturopathic Physicians Medical Board Fund	115,900	174,700	177,600
SUBTOTAL - Other Appropriated Funds	115,900	174,700	177,600
SUBTOTAL - Appropriated Funds	115,900	174,700	177,600
TOTAL - ALL SOURCES	115,900	174,700	177,600

AGENCY DESCRIPTION — The board licenses and regulates naturopathic physicians, and naturopathic medical assistants. The board certifies physicians to dispense natural remedies, and accredits and approves naturopathic medical schools, internships, and programs. The board also investigates persons unlawfully practicing naturopathic medicine and refers them for prosecution. This board is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

The budget includes \$177,600 and 2 FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Eliminate One-Time Expenditure

The budget includes a decrease of \$(15,800) from the Naturopathic Physicians Medical Board Fund in FY 2015 to eliminate one-time funding for hearing expenses. The one-time funding was appropriated as a FY 2014 supplemental by Laws 2014, Chapter 18.

Statewide Adjustments

The budget includes an increase of \$18,700 from the Naturopathic Physicians Medical Board Fund in FY 2015 for statewide adjustments. Of this amount, \$18,600 represents a one-time adjustment in rent charges due to the separation from the Board of Massage Therapy. *(Please see the Agency Detail and Allocations section.)*

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

Arizona Navigable Stream Adjudication Commission

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	65,400	70,000	70,000
Employee Related Expenditures	26,800	26,800	26,800
Professional and Outside Services	80,000	6,600	6,600
Travel - In State	0	1,000	1,000
Other Operating Expenditures	23,900	174,800	24,800
AGENCY TOTAL	196,100	279,200	129,200^{1/}
FUND SOURCES			
General Fund	116,100	279,200	129,200
<i>Other Appropriated Funds</i>			
Risk Management Revolving Fund	80,000	0	0
SUBTOTAL - Other Appropriated Funds	80,000	0	0
SUBTOTAL - Appropriated Funds	196,100	279,200	129,200
TOTAL - ALL SOURCES	196,100	279,200	129,200

AGENCY DESCRIPTION - The Arizona Navigable Stream Adjudication Commission (ANSAC) is a 5-member body charged with determining the ownership of watercourses in the state by establishing whether the watercourses were navigable at the time of statehood. If navigable, title to the watercourse belongs to the state based on a series of court rulings. If non-navigable, the title to the watercourse belongs to the current title holder.

Operating Budget

The budget includes \$129,200 and 2 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(150,000) from the General Fund in FY 2015 in order to eliminate one-time supplemental funding from FY 2014. *(Please see the Other Issues section for more information.)*

Other Issues

Litigation

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, ANSAC 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.

As of May 2014, the commission indicates that hearings for the San Pedro River case have been completed and that only the final report for this case is pending. The Santa Cruz River case also is nearing completion, as it requires only a closing briefing and final report. The other 4 cases

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

(Gila River, Verde River, Upper Salt River and Lower Salt River) require additional hearings in order to further address questions raised by the Arizona Court of Appeals and a related 2012 U.S. Supreme Court ruling. The latter ruling requires the commission to resolve whether individual “segments” of the 4 streambeds were navigable prior to statehood rather than making that determination only for each streambed as a whole. The commission indicates, however, that remaining work on the latter 4 cases also should be completed within the next calendar year. The commission is currently scheduled to sunset after June 30, 2016.

Since FY 2011, the budget has allowed the commission to use up to \$80,000 annually from the Risk Management Revolving Fund for outside legal services and hearing related costs. This provision was included for FY 2015 in the Environment Budget Reconciliation Bill (Laws 2014, Chapter 8). In FY 2011 through FY 2014 the commission expended the entire \$80,000 allocation.

FY 2014 Supplemental

Laws 2014, Chapter 2 appropriates \$150,000 for a one-time supplemental from the General Fund in FY 2014 to address a shortfall in funding for outside legal counsel and related hearing expenses for the commission in the current fiscal year. As of December 2013, the commission indicated that it had already spent all but \$300 of its \$80,000 Risk Management Revolving Fund allocation for FY 2014. The commission also receives approximately \$130,000 annually from the General Fund, but those monies are used primarily for the salaries and benefits for the agency director (see “*Operating Budget*” detail on prior page).

State Board of Nursing

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	40.2	42.2	42.2
Personal Services	2,247,700	2,180,100	2,180,100
Employee Related Expenditures	814,900	713,000	714,300
Professional and Outside Services	352,900	583,800	583,800
Travel - In State	6,700	6,000	6,000
Travel - Out of State	2,700	5,000	5,000
Other Operating Expenditures	572,300	644,200	644,200
Equipment	114,400	143,500	138,700
OPERATING SUBTOTAL	4,111,600	4,275,600	4,272,100
SPECIAL LINE ITEMS			
Certified Nursing Assistant Program	0	150,000	150,000
AGENCY TOTAL	4,111,600	4,425,600	4,422,100^{1/}
FUND SOURCES			
General Fund	0	150,000	150,000
<u>Other Appropriated Funds</u>			
Board of Nursing Fund	4,111,600	4,275,600	4,272,100
SUBTOTAL - Other Appropriated Funds	4,111,600	4,275,600	4,272,100
SUBTOTAL - Appropriated Funds	4,111,600	4,425,600	4,422,100
Other Non-Appropriated Funds	164,400	0	0
Federal Funds	479,000	414,700	414,700
TOTAL - ALL SOURCES	4,755,000	4,840,300	4,836,800

AGENCY DESCRIPTION — The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.

Operating Budget

The budget includes \$4,272,100 and 42.2 FTE Positions from the Board of Nursing Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Remove One-Time Funding

The budget includes a decrease of \$(4,800) from the Board of Nursing Fund in FY 2015 for the elimination of one-time funding for equipment for 2 additional nurse practice consultants to accelerate the processing of complaints.

Statewide Adjustments

The budget includes an increase of \$1,300 from the Board of Nursing Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Certified Nursing Assistant Program

The budget includes \$150,000 from the General Fund in FY 2015 for Certified Nursing Assistant Program costs. This amount is unchanged from FY 2014.

Certified Nursing Assistant Program Costs

The budget includes the continuation of a \$150,000 FY 2014 General Fund supplemental in the FY 2015 General Appropriation Act.

Monies in this line item fund expenses to fingerprint CNAs. The board receives federal monies to certify nursing assistants and federal regulations prevent the board from charging CNAs for certification or services related to certification, including fingerprinting. Fingerprinting is a state, not a federal requirement. In the past, the board supplemented the federal monies with additional federal funds and vacancy savings from the operating budget, both of which are no longer available. As a result, the revised FY 2014 budget and the FY 2015 budget includes \$150,000.

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

The General Appropriation Act requires the State Board of Nursing to submit a report to the Directors of the Governor's Office of Strategic Planning and Budgeting and the Joint Legislative Budget Committee by November 1, 2014 with the board's recommendations for ensuring the long-term financial stability of the certified nursing assistant program.

**Board of Examiners of Nursing Care Institution Administrators and
Assisted Living Facility Managers**

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	189,900	231,800	231,800
Employee Related Expenditures	73,400	94,500	94,600
Professional and Outside Services	29,900	27,900	27,900
Travel - In State	3,400	7,000	7,000
Travel - Out of State	1,300	4,000	4,000
Other Operating Expenditures	37,700	50,500	50,500
Equipment	1,800	4,500	4,500
AGENCY TOTAL	337,400	420,200	420,300^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	337,400	420,200	420,300
SUBTOTAL - Other Appropriated Funds	337,400	420,200	420,300
SUBTOTAL - Appropriated Funds	337,400	420,200	420,300
TOTAL - ALL SOURCES	337,400	420,200	420,300

AGENCY DESCRIPTION — The board licenses, certifies, and regulates administrators of nursing care institutions and managers of adult care homes.

Operating Budget

The budget includes \$420,300 and 6 FTE Positions from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$100 from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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

Occupational Safety and Health Review Board

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Lump Sum Appropriation	1,000	0	0
AGENCY TOTAL	1,000	0	0^{1/}
FUND SOURCES			
General Fund	1,000	0	0
SUBTOTAL - Appropriated Funds	1,000	0	0
TOTAL - ALL SOURCES	1,000	0	0

AGENCY DESCRIPTION — The board reviews cases involving violations of the state's occupational safety and health laws. The cases start with an informal conference with the Industrial Commission's Occupational Safety and Health Division Director. If the case cannot be resolved, the employer can request a hearing before an Industrial Commission Administrative Law Judge. If either the Director of the Occupational Safety and Health Division or the employer disagrees with the Administrative Law Judge's ruling, it can be appealed before the Occupational Safety and Health Review Board. The decisions of the Occupational Safety and Health Review Board can be appealed to the Court of Appeals.

Operating Budget

The budget includes no funding from the General Fund in FY 2015 for the operating budget. This amount is unchanged from FY 2014.

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 had an ending balance of \$14,000 in FY 2013.

The board uses the monies for outside legal counsel before the appeals court. The board currently has 1 case pending and estimates that 3 more cases may follow. Appealed cases may or may not be settled before reaching appeals court. Any unspent monies would be available for expenditure in FY 2015.

^{1/} Additional board expenses are paid for by the federal government as part of a grant. These monies are included in the non-appropriated budget of the Industrial Commission's Occupational Safety and Health Division.

Board of Occupational Therapy Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	87,500	92,400	92,400
Employee Related Expenditures	42,200	49,600	49,700
Travel - In State	1,300	1,400	1,400
Other Operating Expenditures	26,300	29,100	40,700
AGENCY TOTAL	157,300	172,500	184,200^{1/}

FUND SOURCES

Other Appropriated Funds

Occupational Therapy Fund	157,300	172,500	184,200
SUBTOTAL - Other Appropriated Funds	157,300	172,500	184,200
SUBTOTAL - Appropriated Funds	157,300	172,500	184,200
TOTAL - ALL SOURCES	157,300	172,500	184,200

AGENCY DESCRIPTION — The board examines and licenses occupational therapists and occupational therapy assistants, investigates complaints and holds hearings to enforce standards of practice.

Operating Budget

The budget includes \$184,200 and 1.5 FTE Positions from the Occupational Therapy Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Online Licensing and Automation

The budget includes a one-time increase of \$11,600 from the Occupational Therapy Fund in FY 2015 for a database upgrade.

Statewide Adjustments

The budget includes an increase of \$100 from the Occupational Therapy Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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

State Board of Dispensing Opticians

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	62,900	67,600	67,600
Employee Related Expenditures	26,500	27,500	27,500
Professional and Outside Services	0	500	500
Travel - In State	9,500	9,500	9,500
Other Operating Expenditures	31,100	30,700	30,700
AGENCY TOTAL	130,000	135,800	135,800^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Dispensing Opticians Fund	130,000	135,800	135,800
SUBTOTAL - Other Appropriated Funds	130,000	135,800	135,800
SUBTOTAL - Appropriated Funds	130,000	135,800	135,800
TOTAL - ALL SOURCES	130,000	135,800	135,800

AGENCY DESCRIPTION — The board licenses and regulates optical establishments and opticians. An optician fits and sells optical devices such as contact lenses and eyeglasses. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

The budget includes \$135,800 and 1 FTE Position from the Board of Dispensing Opticians Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

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

State Board of Optometry

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	118,600	121,500	121,500
Employee Related Expenditures	42,400	44,400	44,500
Professional and Outside Services	21,800	18,500	18,500
Travel - In State	700	1,500	1,500
Travel - Out of State	100	1,000	1,000
Other Operating Expenditures	12,600	19,100	19,100
AGENCY TOTAL	196,200	206,000	206,100^{1/}

FUND SOURCES

<u>Other Appropriated Funds</u>			
Board of Optometry Fund	196,200	206,000	206,100
SUBTOTAL - Other Appropriated Funds	196,200	206,000	206,100
SUBTOTAL - Appropriated Funds	196,200	206,000	206,100
TOTAL - ALL SOURCES	196,200	206,000	206,100

AGENCY DESCRIPTION — The board licenses and regulates optometrists and issues certificates authorizing the use of diagnostic pharmaceutical agents. An optometrist examines eyes, measures vision, and prescribes corrective lenses and treatments which do not require a licensed physician.

Operating Budget

The budget includes \$206,100 and 2 FTE Positions from the Board of Optometry Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$100 from the Board of Optometry Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

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

Arizona Board of Osteopathic Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.7	6.7	6.7
Personal Services	316,700	349,200	388,100
Employee Related Expenditures	120,200	135,000	143,900
Professional and Outside Services	111,000	127,000	127,000
Travel - In State	900	500	500
Travel - Out of State	2,600	6,000	6,000
Other Operating Expenditures	146,800	130,900	134,200
Equipment	3,200	26,900	2,000
AGENCY TOTAL	701,400	775,500	801,700^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Osteopathic Examiners Fund	701,400	775,500	801,700
SUBTOTAL - Other Appropriated Funds	701,400	775,500	801,700
SUBTOTAL - Appropriated Funds	701,400	775,500	801,700
TOTAL - ALL SOURCES	701,400	775,500	801,700

AGENCY DESCRIPTION — The agency licenses and regulates medical physicians who practice osteopathic medicine, a system of medical treatment that emphasizes the inter-relationship of the body's muscles, bones, and joints with other body systems as an adjunct to invasive and/or chemically-based treatment.

Operating Budget

The budget includes \$801,700 and 6.7 FTE Positions from the Board of Osteopathic Examiners Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Medical Consulting Costs

The budget includes an increase of \$50,900 from the Board of Osteopathic Examiners Fund in FY 2015 for medical consulting costs. The increase will allow the board to expand the hours of current staff or hire medical consultants using existing FTE Position authority to address a backlog of cases and an increase in complaints.

Equipment Replacement

The budget includes a decrease of \$(24,900) from the Board of Osteopathic Examiners Fund in FY 2015 for the elimination of one-time equipment.

Statewide Adjustments

The budget includes an increase of \$200 from the Board of Osteopathic Examiners Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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

Arizona Parents Commission on Drug Education and Prevention

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	3,798,900	4,747,300	4,747,300
TOTAL - ALL SOURCES	<u>3,798,900</u>	<u>4,747,300</u>	<u>4,747,300</u>

AGENCY DESCRIPTION — The commission funds programs that increase and enhance parental involvement and education regarding the serious risks and public health problems caused by the abuse of alcohol and controlled substances. The commission does not receive an appropriation from the Legislature.

Arizona State Parks Board

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	163.0	163.0	163.0 ^{1/}
Personal Services	4,077,400	4,929,000	4,929,000
Employee Related Expenditures	1,832,600	2,277,500	2,295,200
Professional and Outside Services	142,900	0	0
Travel - In State	1,100	0	0
Other Operating Expenditures	3,368,000	3,385,900	3,385,900
Equipment	479,100	0	0
OPERATING SUBTOTAL	9,901,100	10,592,400	10,610,100^{2/}
SPECIAL LINE ITEMS			
Kartchner Caverns State Park	1,681,100	2,228,700	2,232,000
Yarnell Hill Memorial	0	0	500,000
AGENCY TOTAL	11,582,200	12,821,100	13,342,100^{3/}
FUND SOURCES			
General Fund	0	0	500,000
<i>Other Appropriated Funds</i>			
Reservation Surcharge Revolving Fund	90,000	0	0
State Parks Enhancement Fund	878,500	0	0
State Parks Revenue Fund	10,613,700	12,821,100	12,842,100
SUBTOTAL - Other Appropriated Funds	11,582,200	12,821,100	12,842,100
SUBTOTAL - Appropriated Funds	11,582,200	12,821,100	13,342,100
Other Non-Appropriated Funds	30,915,100	29,657,200	29,657,200
Federal Funds	2,140,200	3,880,000	3,880,000
TOTAL - ALL SOURCES	44,637,500	46,358,300	46,879,300

AGENCY DESCRIPTION — The Arizona State Parks Board is responsible for managing the state parks system, which includes recreational parks, historical parks, and natural areas. The Parks Board consists of 7 members appointed by the Governor. Major functions of the Parks Board, through its staff, include the maintenance and development of existing parks, new parks acquisitions, statewide recreational planning, historic preservation, the administration of the Arizona State Parks Board Heritage Fund grant programs, and the administration of Growing Smarter Grants.

Operating Budget

The budget includes \$10,610,100 and 127.2 FTE Positions from the State Parks Revenue Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$17,700 from the State Parks Revenue Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Kartchner Caverns State Park

The budget includes \$2,232,000 and 35.8 FTE Positions from the State Parks Revenue Fund in FY 2015 for Kartchner Caverns State Park. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$3,300 from the State Parks Revenue Fund in FY 2015 for statewide adjustments.

^{1/} Includes 35.8 OF FTE Positions funded from Special Line Items in FY 2015.

^{2/} All Other Operating Expenditures include \$26,000 from the State Parks Revenue Fund for Fool Hollow State Park revenue sharing. If receipts to Fool Hollow exceed \$260,000 in FY 2015, an additional 10% of this increase of Fool Hollow receipts is appropriated from the State Parks Revenue Fund to meet the revenue sharing agreement with the City of Show Low and the United States Forest Service. (General Appropriation Act footnote)

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

Yarnell Hill Memorial

The budget includes \$500,000 from the General Fund in FY 2015 for the new Yarnell Hill Memorial State Park. This amount funds the following adjustments:

Establish Yarnell Hill Memorial State Park

The budget includes a one-time appropriation of \$500,000 from the General Fund in FY 2015 to establish Yarnell Hill Memorial State Park. The park is being created to honor 19 Prescott firefighters who were killed fighting a wildfire near Yarnell, Arizona.

The FY 2015 Environment Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 13) establishes Yarnell Hill Memorial State Park. The Environment BRB creates the Yarnell Hill Memorial Site Board, which will determine whether to establish the new park, in addition to allowing the board to designate a site for the park. The \$500,000 General Fund appropriation will be used for land acquisition.

Furthermore, the Environment BRB establishes the Yarnell Hill Memorial Fund, which consists of legislative appropriations and donations for the purposes of land acquisition, site maintenance and board member travel expenses. The Yarnell Hill Memorial Site Board will administer the fund until December 31, 2016, when the board's authority lapses. At that time, the State Parks Board will administer the fund.

Laws 2014, Chapter 273 contains the same language for Yarnell Memorial State Park as the FY 2015 Environment BRB, except for the \$500,000 General Fund appropriation. However, this separate legislation contains an emergency clause.

Additional Legislation

Operating Funding

As session law, the FY 2015 Environment BRB continues to allow the use of \$692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs.

Sustainable State Parks and Roads Fund

Laws 2014, Chapter 120 establishes the Sustainable State Parks and Roads Fund, which consists of voluntary tax refund contributions for ongoing capital costs associated with the operation and maintenance of state parks.

Other Issues

Status of Parks

As of June 2014, all 27 state parks are open to the public:

- Fifteen open parks plan to use only existing state fund sources (Alamo Lake, Buckskin Mountain, Catalina,

Cattail Cove, Dead Horse Ranch, Fool Hollow, Jerome, Kartchner Caverns, Lake Havasu, Lost Dutchman, Lyman Lake, Patagonia Lake, Picacho Peak, Slide Rock, and Tonto Natural Bridge).

- The remaining 12 parks will be funded through agreements between the State Parks Board and local governments or the local government will assume operational control of the park.
- Of the 12, the following 10 are scheduled to be opened year round and operated by the Parks Board through partnerships: Fort Verde, Red Rock, Riordan Mansion, Homolovi Ruins, Roper Lake, Boyce Thompson Arboretum, McFarland, Tombstone Courthouse, Tubac Presidio, Yuma Territorial Prison, and Yuma Quartermaster Depot.
- Oracle is funded through an agreement between the State Parks Board and a private entity.

State Personnel Board

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	109,000	125,000	125,000
Employee Related Expenditures	43,600	47,100	47,200
Professional and Outside Services	131,500	165,500	165,500
Travel - In State	1,700	2,400	2,400
Other Operating Expenditures	31,100	34,900	34,900
AGENCY TOTAL	316,900	374,900	375,000^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Personnel Board Subaccount of the Personnel Division Fund	316,900	374,900	375,000
SUBTOTAL - Other Appropriated Funds	316,900	374,900	375,000
SUBTOTAL - Appropriated Funds	316,900	374,900	375,000
TOTAL - ALL SOURCES	316,900	374,900	375,000

AGENCY DESCRIPTION — The State Personnel Board hears appeals for covered state employees in the State Personnel System who have been dismissed, involuntarily demoted, or suspended for more than 80 hours. The board may recommend modifying or reversing the agency decision, but the agency makes the final determination. The board also hears “whistleblower” complaints concerning reprisals against employees or former employees who disclose information to a public body. If the Personnel Board finds a reprisal occurred, the employee who committed the reprisal shall be ordered by the board to pay a civil penalty of up to \$5,000, and the board shall rescind the personnel action and order all lost pay and benefits be restored to the “whistleblower.”

Operating Budget

The budget includes \$375,000 and 3 FTE Positions from the Personnel Board Subaccount of the Personnel Division Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$100 from the Personnel Board Subaccount of the Personnel Division Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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

Office of Pest Management

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	30.0	30.0	30.0
Personal Services	759,300	845,500	845,500
Employee Related Expenditures	355,700	398,700	399,200
Travel - In State	38,100	43,100	43,100
Other Operating Expenditures	187,500	751,700	412,700
Equipment	28,200	0	0
AGENCY TOTAL	1,368,800	2,039,000	1,700,500^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Pest Management Fund	1,368,800	2,039,000	1,700,500
SUBTOTAL - Other Appropriated Funds	1,368,800	2,039,000	1,700,500
SUBTOTAL - Appropriated Funds	1,368,800	2,039,000	1,700,500
Federal Funds	96,600	113,500	113,500
TOTAL - ALL SOURCES	1,465,400	2,152,500	1,814,000

AGENCY DESCRIPTION — The agency licenses and regulates professional pest control companies and conducts examinations of applicators of structural pesticides.

Operating Budget

The budget includes \$1,700,500 and 30 FTE Positions from the Pest Management Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Fee Realignment

The budget includes a decrease of \$(339,000) from the Pest Management Fund in FY 2015 to realign spending with projected revenues. *(Please see Other Issues for more detail.)*

Statewide Adjustments

The budget includes an increase of \$500 from the Pest Management Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

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. Expenditures have decreased due to the office relocation and personnel efficiencies. The bill also temporarily transferred the Office of Pest Management's supervision from the Department of Administration Director to the Department of Agriculture Director until December 31, 2013. Chapter 20 required an appointed task force to submit findings and recommendations concerning the regulation of pest management to the Governor, the President of the Senate, and the Speaker of the House of Representatives by December 15, 2012. In November 2012, the task force recommended the permanent transfer of administrative authority of the Office of Pest Management to the Department of Agriculture. Laws 2013, Chapter 125 requires that permanent transfer and modifies related statutes for the program. The agency reports that as a result of the legislation, it is not necessary to continue the session law fee use authority for FY 2015.

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

Arizona State Board of Pharmacy

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	18.0	18.0	18.0
Personal Services	1,062,300	1,045,500	1,005,500
Employee Related Expenditures	367,600	403,900	395,600
Professional and Outside Services	80,000	160,600	160,600
Travel - In State	50,000	52,000	52,000
Travel - Out of State	800	2,000	2,000
Other Operating Expenditures	294,100	411,100	401,900
Equipment	39,000	28,600	0
OPERATING SUBTOTAL	1,893,800	2,103,700	2,017,600^{1/}
SPECIAL LINE ITEMS			
One-Time Funding Leave Payout	0	0	36,300 ^{2/}
AGENCY TOTAL	1,893,800	2,103,700	2,053,900
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona State Board of Pharmacy Fund	1,893,800	2,103,700	2,053,900
SUBTOTAL - Other Appropriated Funds	1,893,800	2,103,700	2,053,900
SUBTOTAL - Appropriated Funds	1,893,800	2,103,700	2,053,900
Other Non-Appropriated Funds	451,100	482,300	482,300
TOTAL - ALL SOURCES	2,344,900	2,586,000	2,536,200

AGENCY DESCRIPTION — The board licenses, regulates, and conducts examinations of pharmacists and issues permits to distributors of approved medications. The board also educates pharmacists and the general public on the proper distribution and use of these medications.

Operating Budget

The budget includes \$2,017,600 and 18 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Remove One-Time Funding

The budget includes an decrease of \$(86,700) from the Arizona State Board of Pharmacy Fund in FY 2015 for the elimination of one-time funding, including decreases of \$(48,900) for one-time annual leave payout for anticipated retirements and \$(37,800) for one-time purchase of video equipment to broadcast board meetings on the internet. (See *One-Time Funding Leave Payout* for details.)

Statewide Adjustments

The budget includes an increase of \$600 from the Arizona State Board of Pharmacy Fund in FY 2015 for statewide adjustments. (Please see the *Agency Detail and Allocations* section.)

One-Time Funding Leave Payout

The budget includes \$36,300 from the Arizona State Board of Pharmacy Fund in FY 2015 for a one-time annual leave payout. This amount funds the following adjustments:

One-Time Leave Payout

The budget includes an increase of \$36,300 from the Arizona State Board of Pharmacy Fund in FY 2015 to pay leave balances for anticipated retirements. The FY 2014 budget included \$48,900 in the operating budget for this purpose. None of the 4 employees who were eligible to retire in FY 2014 retired. Based on current balances, the annual leave payout for potential retirements is \$36,300. The board's \$48,900 appropriation for this purpose was reduced by \$(12,600) and the remaining \$36,300 was moved into a non-lapsing special line item only authorized for leave payout.

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

^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriation. (General Appropriation Act footnote)

Board of Physical Therapy

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.8	4.0	4.0
Personal Services	172,200	201,700	201,700
Employee Related Expenditures	78,600	88,400	88,500
Professional and Outside Services	33,800	76,500	54,200
Travel - In State	1,500	5,700	5,700
Other Operating Expenditures	48,900	57,900	57,900
Equipment	800	2,400	0
AGENCY TOTAL	335,800	432,600	408,000^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Physical Therapy Fund	335,800	432,600	408,000
SUBTOTAL - Other Appropriated Funds	335,800	432,600	408,000
SUBTOTAL - Appropriated Funds	335,800	432,600	408,000
TOTAL - ALL SOURCES	335,800	432,600	408,000

AGENCY DESCRIPTION — The board licenses and regulates physical therapists. A physical therapist treats patients by exercise, massage, mechanical energy, electrical energy, heat, light, sound, and water. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

The budget includes \$408,000 and 4 FTE Positions from the Board of Physical Therapy Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(24,700) from the Board of Physical Therapy Fund in FY 2015 to eliminate one-time funding for an electronic licensing system.

Statewide Adjustments

The budget includes an increase of \$100 from the Board of Physical Therapy Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Additional Legislation

Physical Therapists; Dry Needling

Laws 2014, Chapter 220 makes several changes affecting the Board of Physical Therapy. The provisions that may have a fiscal impact are the following:

- The board must establish standards for education and training related to the performance of dry needling for therapeutic purposes. "Dry needling" means a skilled intervention performed by a physical therapist that uses a

thin needle to penetrate the skin and stimulate underlying neural, muscular and connective tissues for the evaluation and management of neuromusculoskeletal conditions, pain and movement impairments.

- Physical therapists who were performing dry needling as a therapeutic modality before January 1, 2014 are allowed to continue performing dry needling until the board adopts the required standards. Upon the adoption of standards, all physical therapists must meet board adopted requirements and standards.
- The board is exempted from rule making for the purposes of this act for 1 year.

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

Arizona Pioneers' Home

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	106.3	106.3	106.3
Personal Services	3,159,900	3,411,700	3,411,700
Employee Related Expenditures	1,512,000	1,723,600	1,725,700
Professional and Outside Services	145,700	157,100	157,100
Travel - In State	21,500	30,000	30,000
Other Operating Expenditures	654,800	673,000	673,000
Equipment	44,500	64,000	64,000
OPERATING SUBTOTAL	5,538,400	6,059,400	6,061,500
SPECIAL LINE ITEMS			
Prescription Drugs	150,500	200,000	200,000
AGENCY TOTAL	5,688,900	6,259,400	6,261,500^{1/2/}
FUND SOURCES			
General Fund	1,135,700	1,602,800	1,603,400
<u>Other Appropriated Funds</u>			
Miners' Hospital Fund	1,501,400	2,079,400	2,080,100
State Charitable Fund	3,051,800	2,577,200	2,578,000
SUBTOTAL - Other Appropriated Funds	4,553,200	4,656,600	4,658,100
SUBTOTAL - Appropriated Funds	5,688,900	6,259,400	6,261,500
Other Non-Appropriated Funds	17,000	17,700	17,700
TOTAL - ALL SOURCES	5,705,900	6,277,100	6,279,200

AGENCY DESCRIPTION — The Arizona Pioneers' Home provides a home and long-term nursing care and medical care for Arizona pioneers, long-term residents, and disabled miners. The Home, on average, cares for 100 residents.

Operating Budget

The budget includes \$6,061,500 and 106.3 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$1,603,400
Miners' Hospital Fund	2,080,100
State Charitable Fund	2,378,000

Included in this amount is \$29,500 for the last year of a multi-year equipment upgrade project.

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$2,100 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	\$600
Miners' Hospital Fund	700
State Charitable Fund	800

(Please see the Agency Detail and Allocations section.)

Prescription Drugs

The budget includes \$200,000 from the State Charitable Fund in FY 2015 for Prescription Drugs. This amount is unchanged from FY 2014.

Monies in this line item provide funding for prescription drugs used by residents at the Arizona Pioneers' Home.

1/ Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated for the Arizona Pioneers' Home and the State Hospital for Disabled Miners in compliance with the Enabling Act and the Constitution of Arizona. (General Appropriation Act footnote)
 2/ General Appropriation Act funds are appropriated as a Operating Lump Sum with Special Line Items by Agency.

State Board of Podiatry Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	68,300	71,200	71,200
Employee Related Expenditures	20,900	23,000	23,000
Professional and Outside Services	11,200	17,600	17,600
Travel - In State	2,500	3,500	3,500
Other Operating Expenditures	27,000	32,000	32,000
AGENCY TOTAL	129,900	147,300	147,300^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Podiatry Fund	129,900	147,300	147,300
SUBTOTAL - Other Appropriated Funds	129,900	147,300	147,300
SUBTOTAL - Appropriated Funds	129,900	147,300	147,300
TOTAL - ALL SOURCES	129,900	147,300	147,300

AGENCY DESCRIPTION — The board licenses and regulates Doctors of Podiatric Medicine. A podiatrist must take specialized training, serve an internship and pass a qualifying examination prior to licensure to diagnose and treat foot ailments. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

The budget includes \$147,300 and 1 FTE Position from the Podiatry Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

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

Commission for Postsecondary Education

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0 ^{1/}
Personal Services	83,100	118,800	118,800
Employee Related Expenditures	41,300	54,300	54,400
Professional and Outside Services	6,000	0	0
Travel - In State	300	0	0
Other Operating Expenditures	31,300	11,700	11,700
Equipment	3,100	0	0
OPERATING SUBTOTAL	165,100	184,800	184,900
SPECIAL LINE ITEMS			
Arizona College and Career Guide	500	21,300	21,300 ^{2/}
Arizona Minority Educational Policy Analysis Center	19,900	100,000	100,000 ^{2/}
Leveraging Educational Assistance Partnership	2,319,500	2,319,500	2,319,500 ^{3/}
Math and Science Teacher Initiative	176,000	176,000	176,000
Twelve Plus Partnership	39,900	130,500	130,500 ^{2/}
AGENCY TOTAL	2,720,900	2,932,100	2,932,200^{4/5/}
FUND SOURCES			
General Fund	1,396,800	1,396,800	1,396,800
<u>Other Appropriated Funds</u>			
Postsecondary Education Fund	1,324,100	1,535,300	1,535,400
SUBTOTAL - Other Appropriated Funds	1,324,100	1,535,300	1,535,400
SUBTOTAL - Appropriated Funds	2,720,900	2,932,100	2,932,200
Other Non-Appropriated Funds	1,027,200	1,043,800	497,000
Federal Funds	1,263,600	1,328,200	1,228,200
TOTAL - ALL SOURCES	5,011,700	5,304,100	4,657,400

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 budget includes \$184,900 and 4.5 FTE Positions from the Postsecondary Education Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$100 from the Postsecondary Education Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

^{1/} Includes 0.5 FTE Positions funded from Special Line Items in FY 2015.

^{2/} The appropriations for the 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 2015. The appropriations shall be adjusted as necessary to reflect actual final receipts credited to the Postsecondary Education Fund. (General Appropriation Act footnote)

^{3/} Each participating institution, public or private, in order to be eligible to receive state matching funds under the Leveraging Educational Assistance Partnership for grants to students, shall provide an amount of institutional matching funds that equals the amount of funds provided by the state to the institution for the Leveraging Educational Assistance Partnership. Administrative expenses incurred by the Commission for Postsecondary Education shall be paid from institutional matching funds and may not exceed 12% of the funds in FY 2015. (General Appropriation Act footnote)

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

^{5/} Any unencumbered balance remaining in the Postsecondary Education Fund on June 30, 2014, and all grant monies and other revenues received by the Commission for Postsecondary Education, when paid into the State Treasury, are appropriated for the explicit purposes designated by line items and for additional responsibilities prescribed in A.R.S. § 15-1851 and A.R.S. § 15-1852. (General Appropriation Act footnote)

Arizona College and Career Guide

The budget includes \$21,300 from the Postsecondary Education Fund in FY 2015 for the Arizona College and Career Guide Special Line Item (SLI). This amount is unchanged from FY 2014.

The Arizona College and Career Guide is an annual publication that lists Arizona's public and private postsecondary educational institutions. The guide describes each institution's available degree and certificate programs, course lengths, and costs of attendance.

Arizona Minority Educational Policy Analysis Center

The budget includes \$100,000 and a 0.2 FTE Position from the Postsecondary Education Fund in FY 2015 for the Arizona Minority Educational Policy Analysis Center (AMEPAC) SLI. These amounts are unchanged from FY 2014.

AMEPAC promotes minority students' access to Arizona's postsecondary educational institutions.

Leveraging Educational Assistance Partnership

The budget includes \$2,319,500 for the Leveraging Educational Assistance Partnership (LEAP) in FY 2015. This amount consists of:

	FY 2015
General Fund	1,220,800
Postsecondary Education Fund	1,098,700

These amounts are unchanged from FY 2014.

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 more information.*)

Math and Science Teacher Initiative

The budget includes \$176,000 from the General Fund in FY 2015 for the Math and Science Teacher Initiative. This amount is unchanged from FY 2014.

The program, also known as the Math, Science and Special Education Teacher Loan Forgiveness Program (MSSE), 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. A.R.S. § 15-1784 allows the commission to retain up to 10% of the annual fund deposit for administration costs. The commission may also use the interest deposited into the fund for administration costs of the loan repayment portion of the program.

Twelve Plus Partnership

The budget includes \$130,500 and a 0.3 FTE Position from the Postsecondary Education Fund in FY 2015 for the Twelve Plus Partnership (TPP). These amounts are unchanged from FY 2014.

TPP is an early education awareness initiative with 3 components: Best Education Practices Conference and Awards Recognition, Think College, and College Goal Sunday. Approximately 70% of this line item funds College Goal Sunday, 25% of the monies go to Best Education Practices Conference and Awards Recognition, and the remaining 5% funds Think College. Private gifts, donations of service, and corporate sponsorships support TPP.

Other Issues

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. The program therefore now operates with state and institutional funding only. In FY 2013, awards were provided through 43 postsecondary institutions. Of the total funding distributed, 34% went to public universities, 50% to community colleges, and 16% to private institutions.

Repayment Programs

The commission currently administers repayment programs for unforgiven loans from the Private Postsecondary Education Student Financial Assistance Program (PFAP) and the Postsecondary Education Grant (PEG) program, both of which are no longer awarding new grants. In addition, the commission administers repayment programs for unforgiven loans from the MSSE, and the non-appropriated Paul Douglas Teacher Scholarship (PDTs). Loan collections are returned to their respective program fund.

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.

There have been 1,678 students awarded PFAP forgivable loans since its inception in 1996. A total of 228 borrowers are currently being tracked in the repayment program or will be placed in repayment once located.

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.

There have been 4,084 students awarded PEG forgivable loans since its inception in 2007. Of those recipients, 2,300 graduated with a baccalaureate degree and 640 are working to complete their degree. The remaining 1,144 are reported as not enrolled at an institution and are being located to determine their enrollment or graduation status.

MSSE

There have been 229 students awarded MSSE forgivable loans since its inception in FY 2007. Of those recipients, 3 have paid their loan balance in full, 16 are currently in repayment, and 210 will require tracking for up to 15 years to ensure they meet the promissory note obligations and to determine retention rates.

PDTS

There have been 254 students awarded PDTS forgivable loans. Of those recipients, 3 are in default and 1 is in deferment. All others have completed their obligation by fulfilling the teaching requirements of the program or repaying their loan in full.

Family College Savings Plan

A non-appropriated fund is now used to support the Family College Savings Program (FCSP), so the program no longer appears in the agency's standard summary table.

FCSP was established pursuant to Laws 1997, Chapter 171. It enables parents to save 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 \$15 per account. The plans are available to both residents and non-residents of the state. The commission oversees 3 FCSP providers, 2 of which have multiple investment offerings in their plans.

In 2004, A.R.S. § 15-1873 established the Family College Savings Program Trust Fund, which is a non-appropriated fund. The FCSP Trust Fund will now directly receive FCSP fee revenues instead of the FCSP fee revenues passing through to the Postsecondary Education Fund.

Special Education Grant Program

The FY 2014 K-12 Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 3) transferred all remaining monies in the Early Graduation Scholarship Fund (\$546,800) to the Commission on Postsecondary Education IGA and ISA Fund for the purpose of funding a 1-year continuation of the Special Education Grant Program that provides forgivable student loans to juniors and seniors who attend private postsecondary educational institutions in Arizona. According to the commission, they have not been able to administer the monies due to limited manpower and administrative resources.

The FY 2015 K-12 Education BRB (Laws 2014, Chapter 17) requires the commission to transfer the \$546,800 balance from the Postsecondary Education IGA and ISA Fund to the Department of Education's Technology-Based Language Development and Literacy Intervention Fund by August 1, 2014 for the purpose of funding a 2-year pilot program for K-6 technology-based language development and literacy intervention. (*See Technology-Based Language Development and Literacy Intervention Pilot narrative in the Department of Education budget for more information*).

Arizona Power Authority

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	36,429,000	36,499,100	36,499,100
TOTAL - ALL SOURCES	36,429,000	36,499,100	36,499,100

AGENCY DESCRIPTION — The Arizona Power Authority (APA) manages Arizona’s allocation of hydroelectric power from the Hoover Dam for the benefit of the state. Within the scope of that management, APA cooperates with federal, state, and non-governmental agencies to address regulatory and environmental matters that impact electric and water uses of the Colorado River. In addition, the APA serves as an informational resource for its customers on electricity utilization. APA is not subject to appropriation.

State Board for Private Postsecondary Education

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	192,200	234,500	234,500
Employee Related Expenditures	81,300	86,900	87,000
Professional and Outside Services	13,200	27,400	27,400
Travel - In State	300	2,000	2,000
Travel - Out of State	800	0	0
Other Operating Expenditures	44,100	39,000	39,000
Equipment	3,500	5,800	5,800
OPERATING SUBTOTAL	335,400	395,600	395,700
SPECIAL LINE ITEMS			
Student Tuition Recovery Fund Deposit	0	245,600	0
AGENCY TOTAL	335,400	641,200	395,700^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board for Private Postsecondary Education Fund	335,400	641,200	395,700
SUBTOTAL - Other Appropriated Funds	335,400	641,200	395,700
SUBTOTAL - Appropriated Funds	335,400	641,200	395,700
Other Non-Appropriated Funds	72,200	103,100	103,100
TOTAL - ALL SOURCES	407,600	744,300	498,800

AGENCY DESCRIPTION — The board licenses and regulates 255 private postsecondary education institutions that service approximately 711,097 students annually. The board processes license applications, determines compliance, investigates complaints and violations, and takes disciplinary action on all private postsecondary institutions that offer vocational and/or degree programs. However, the board does not have jurisdiction over cosmetology, barber, real estate, or professional driving schools. In addition to regulatory duties, the board administers the Student Tuition Recovery Fund, which provides restitution to students financially injured by private postsecondary institutional closures.

Operating Budget

The budget includes \$395,700 and 4 FTE Positions from the Board for Private Postsecondary Education Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$100 from the Private Postsecondary Education Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocation section.)

Student Tuition Recovery Fund Deposit

The budget includes no funding from the Board for Private Postsecondary Education Fund in FY 2015 for the Student Tuition Recovery Fund Deposit. These amounts fund the following adjustments:

Eliminate One-time Transfer

The budget includes a decrease of \$(245,600) from the Board for Private Postsecondary Education Fund in FY 2015 for the elimination of a one-time fund transfer to the Student Tuition Recovery Fund in FY 2014.

The Student Tuition Recovery Fund is used to compensate students who suffer financial damages as a result of an institution ceasing operations. The fund is financed from school assessments of tuition of newly enrolled students up to a maximum of \$10 per assessed student. Regionally accredited private postsecondary institutions, such as the University of Phoenix, are exempt from assessments. The board levies a new assessment on private postsecondary education institutions only when the fund's balance falls below \$500,000. The FY 2014 transfer prevented the balance from falling below \$500,000.

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

State Board of Psychologist Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	173,800	177,900	193,700
Employee Related Expenditures	79,800	81,200	88,000
Professional and Outside Services	39,800	42,500	42,500
Travel - In State	4,800	5,700	5,700
Travel - Out of State	3,400	5,000	5,000
Other Operating Expenditures	38,400	59,100	74,600
Equipment	3,200	4,100	4,100
AGENCY TOTAL	343,200	375,500	413,600^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board of Psychologist Examiners Fund	343,200	375,500	413,600
SUBTOTAL - Other Appropriated Funds	343,200	375,500	413,600
SUBTOTAL - Appropriated Funds	343,200	375,500	413,600
TOTAL - ALL SOURCES	343,200	375,500	413,600

AGENCY DESCRIPTION — The board licenses and regulates psychologists and behavior analysts.

Operating Budget

The budget includes \$413,600 and 4 FTE Positions from the Board of Psychologist Examiners Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(12,000) from the Board of Psychologist Examiners Fund in FY 2015 to eliminate one-time funding for office security enhancements.

Half-Time Vacant Position

The budget includes an increase of \$22,500 from the Board of Psychologist Examiners Fund in FY 2015 to fund a vacant half-time Administrative Assistant position.

License Application and Renewal Automation

The budget includes a one-time increase of \$23,800 from the Board of Psychologist Examiners Fund in FY 2015 to fund a License Application and Renewal management system.

Statewide Adjustments

The budget includes an increase of \$3,800 from the Board of Psychologist Examiners Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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

Department of Public Safety

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,903.7	1,904.7	1,907.7 ^{1/}
Personal Services	92,553,200	101,320,200	103,299,300
Employee Related Expenditures	55,556,000	65,234,400	71,775,500
Professional and Outside Services	1,720,600	2,089,900	2,089,900
Travel - In State	318,500	498,900	498,900
Travel - Out of State	253,200	187,600	187,600
Other Operating Expenditures	31,784,600	29,089,200	29,689,200
Equipment	13,069,700	6,495,400	6,495,400
OPERATING SUBTOTAL	195,255,800	204,915,600	214,035,800
SPECIAL LINE ITEMS			
GIITEM	20,128,300	21,304,700	21,305,900 ^{2/3/}
GIITEM Subaccount	1,230,100	2,390,000	2,390,000
Public Safety Equipment	2,016,700	2,390,000	2,890,000
Motor Vehicle Fuel	3,576,500	3,935,500	3,935,500
AGENCY TOTAL	222,207,400	234,935,800	244,557,200 ^{4/5/}
FUND SOURCES			
General Fund	43,835,800	51,560,800	89,324,900
Other Appropriated Funds			
Automated Fingerprint Identification System Fund	2,342,700	3,009,700	2,909,700
Automation Operations Fund	0	296,200	296,200
Concealed Weapons Permit Fund	0	0	1,276,400
Crime Laboratory Assessment Fund	870,400	870,600	871,300
Crime Laboratory Operations Fund	13,544,700	14,719,800	14,723,800
Criminal Justice Enhancement Fund	2,872,700	2,871,200	2,873,400
Deoxyribonucleic Acid (DNA) Identification System Fund	5,471,500	6,321,200	6,323,200
GIITEM Subaccount	1,230,100	2,390,000	2,390,000
Highway Patrol Fund	19,225,100	19,658,900	19,024,300
Highway User Revenue Fund	119,101,300	119,247,100	89,255,000
Motorcycle Safety Fund	205,000	205,000	205,000
Parity Compensation Fund	1,819,400	1,885,300	1,950,100
Public Safety Equipment Fund	2,016,700	2,390,000	2,890,000
Risk Management Revolving Fund	1,441,400	1,199,900	1,233,700
Safety Enforcement and Transportation Infrastructure Fund	1,499,400	1,566,300	1,566,300
State Aid to Indigent Defense Fund	0	0	700,000
State Highway Fund	6,731,200	6,743,800	6,743,900
SUBTOTAL - Other Appropriated Funds	178,371,600	183,375,000	155,232,300
SUBTOTAL - Appropriated Funds	222,207,400	234,935,800	244,557,200
Other Non-Appropriated Funds	34,087,200	41,656,200	38,838,300
Federal Funds	35,945,800	42,260,600	34,094,900
TOTAL - ALL SOURCES	292,240,400	318,852,600	317,490,400

AGENCY DESCRIPTION — The Department of Public Safety (DPS) is responsible for the enforcement of state criminal laws and traffic regulations. In addition to the Highway Patrol, DPS operates and maintains statewide communications systems, state crime laboratories and an automated fingerprint identification network, and performs aviation missions, special investigations, and other law enforcement activities.

Operating Budget

The budget includes \$214,035,800 and 1,770.9 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	<u>FY 2015</u>
General Fund	\$64,314,800
Automated Fingerprint Identification System (AFIS) Fund	2,909,700
Automation Operations Fund	296,200
Concealed Weapons Permit Fund	1,276,400
Crime Laboratory Assessment Fund (CLAF)	871,300
Crime Laboratory Operations Fund (CLOF)	14,723,800
Criminal Justice Enhancement Fund (CJEF)	2,873,400
Deoxyribonucleic Acid (DNA) Identification System Fund	6,323,200
Highway Patrol Fund	18,793,000
Highway User Revenue Fund (HURF)	89,255,000
Motorcycle Safety Fund	205,000
Parity Compensation Fund	1,950,100
Risk Management Revolving Fund	1,233,700
Safety Enforcement and Transportation Infrastructure Fund (SETIF)	1,566,300
State Aid to Indigent Defense Fund	700,000
State Highway Fund	6,743,900

These amounts fund the following adjustments:

ACTIC Operating Cost

The budget includes an increase of \$700,000 from the State Aid to Indigent Defense Fund in FY 2015 for the operational costs of the Arizona Counter Terrorism Information Center (ACTIC). These monies will offset a reduction in federal grant monies previously used to fund ACTIC.

The FY 2015 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 12), as session law, allows DPS to expend monies from the State Aid to Indigent Defense Fund for operating expenses.

AFIS Fund Appropriation Reduction

The budget includes a decrease of \$(100,000) from the AFIS Fund in FY 2015 to bring the appropriation in-line with available revenues.

Concealed Weapons Permit Fund

The budget includes an increase of \$1,276,400 and 14 FTE Positions from the Concealed Weapons Permit Fund and a decrease of \$(1,020,000) and (11) FTE Positions from the Highway Patrol Fund in FY 2015 to shift the costs of administering the concealed weapons permit process from the Highway Patrol Fund to the newly-created Concealed Weapons Permit Fund and to provide funding for increased staffing.

The FY 2015 Criminal Justice BRB established the Concealed Weapons Permit Fund which will be used to fund the costs associated with administering the concealed weapons permit process. The fund receives revenues from the fees associated with the application and renewal of concealed weapons permits. These fees had previously been deposited in the Highway Patrol Fund.

HURF Shift

The budget includes a decrease of \$(30,000,000) from HURF and an increase of \$30,000,000 from the General Fund in FY 2015 for a shift of funding sources. There is no impact to total department resources as a result of this shift.

The FY 2015 Criminal Justice BRB, as session law, continues to notwithstanding the statutory spending provisions for HURF, allowing DPS to spend more than the statutory cap of \$10,000,000 from the fund.

The FY 2015 Revenue BRB (Laws 2014, Chapter 9) distributes \$30,000,000 from HURF in FY 2015 and FY 2016 to local governments and increases that amount to \$60,000,000 in FY 2017. The budget provides a commensurate decrease of \$(30,000,000) from HURF in DPS to match this increase in HURF distributions. The legislative intent is to increase the General Fund

1/ Includes 136.8 GF FTE Positions funded from Special Line Items in FY 2015.

2/ Of the \$21,305,900 appropriated to GIITEM, only \$2,603,400 is deposited in the GIITEM Fund established by A.R.S. § 41-1724, and is appropriated for the purposes of that section. The \$2,603,400 is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations. This state recognizes that states have inherent authority to arrest a person for any immigration violation. (General Appropriation Act footnote, as adjusted for statewide allocations)

3/ Of the \$21,305,900 appropriated to GIITEM, \$9,328,200 must be used for 100 Department of Public Safety GIITEM personnel. The additional staff must 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.
- 4) Taking strict enforcement action.

Any change in the GIITEM mission or allocation of monies must be approved by the Joint Legislative Budget Committee. The department shall submit an expenditure plan to the Joint Legislative Budget Committee for review before expending any monies not identified in the department's previous expenditure plans. (General Appropriation Act footnote, as adjusted for statewide allocations)

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

5/ Any monies remaining in the Department of Public Safety joint account on June 30, 2015 revert to the funds from which they were appropriated. The reverted monies must be returned in direct proportion to the amounts appropriated. (General Appropriation Act footnote)

appropriation each year to offset this increased local distribution. The increased HURF resources to local governments will be distributed prior to the statutory HURF distributions. *(Please see the Other Issues section for more information.)*

Salary Increase

The budget includes an increase of \$3,300,000 from the General Fund in FY 2015 for a 2% salary increase for all DPS employees.

Retirement Increase

The budget includes an increase of \$4,942,900 in FY 2015 to offset an increase in the employer contribution rate for the Public Safety Personnel Retirement System (PSPRS). This amount consists of:

General Fund	\$4,460,600
CLAF	500
CJEF	1,300
Highway Patrol Fund	382,000
Parity Compensation Fund	64,700
Risk Management Fund	33,800

The PSPRS rate will increase from 51.99% in FY 2014 to 57.81% in FY 2015.

Statewide Adjustments

The budget includes an increase of \$20,900 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	\$2,300
CLAF	200
CLOF	4,000
CJEF	900
DNA Identification System Fund	2,000
Highway Patrol Fund	3,400
HURF	7,900
Parity Compensation Fund	100
State Highway Fund	100

(Please see the Agency Detail and Allocations section.)

Radio and Infrastructure Equipment Replacement

The budget continues \$677,300 in FY 2015 for radio and infrastructure equipment replacement. This amount consists of:

General Fund	101,500
CJEF	117,900
Highway Patrol Fund	54,200
HURF	403,700

These amounts are unchanged from FY 2014. The equipment to be replaced includes portable radios, mobile radios, base stations, and telecommunications infrastructure.

GIITEM

The budget includes \$21,305,900 and 136.8 FTE Positions from the General Fund in FY 2015 for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). These amounts fund the following adjustments:

Statewide Adjustments

The budget includes \$1,200 from the General Fund in FY 2015 for statewide adjustments.

The GIITEM Special Line Item is comprised of monies for the following GIITEM functions, including: 1) \$8,774,300 for gang enforcement, investigation, and interdiction; 2) \$9,328,200 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; and 4) \$600,000 for crime analysts associated with the state gang intelligence database (GangNet). *Table 1* identifies the various functions, as well as their corresponding allocations.

Monies deposited in the GIITEM Fund can be used for employer sanctions, smuggling, gang, and immigration enforcement. Local grants are distributed to county sheriffs and do not require further approval by the county board of supervisors. The local entity provides at least 25% of the cost of services.

Table 1	
Allocation of GIITEM Funding	
Function/Purpose	FY 2015
Gang Enforcement & Investigation	\$ 8,774,300
DPS Immigration Personnel	9,328,200
Local Immigration Enforcement Grants	2,603,400 ^{1/}
GangNet Upgrade & Crime Analysts	<u>600,000</u>
TOTAL	\$21,305,900
^{1/} DPS also has prior year non-lapsing monies available for local efforts.	

Current statute allocates the first \$1,600,000 in local immigration enforcement grant monies to a county with more than 3,000,000 people (Maricopa County) and the next \$500,000 to a county with less than 500,000 people but more than 300,000 people (Pinal County).

The remaining \$503,400 may be used for agreements with cities, counties, and other entities at a 3:1 match rate. Maricopa and Pinal County are excluded from the matching requirements.

A.R.S. § 41-1724C requires DPS to distribute the monies in the GIITEM Fund as soon after July 1 of every year as practicable. *(Please see Table 4 in the Additional Legislation section for more information on actual expenditures.)*

GIITEM Subaccount

The budget includes \$2,390,000 from the GIITEM Border Security and Law Enforcement Subaccount in FY 2015 for the GIITEM Subaccount for equipment and supplies for border security. This amount is unchanged from FY 2014. 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 2015. The monies in the GIITEM Subaccount are for border security personnel and public safety equipment. The monies are to be provided directly to county sheriffs without approval by the respective Board of Supervisors. The authorizing legislation does not specify any particular distribution by county.

The FY 2015 Criminal Justice BRB requires DPS to submit to the JLBC for review a FY 2015 expenditure plan for the GIITEM Subaccount. *(Please see Table 4 in the Additional Legislation section for more information on actual expenditures.)*

Public Safety Equipment

The budget includes \$2,890,000 from the Public Safety Equipment Fund in FY 2015 for Public Safety Equipment. This amount funds the following adjustments:

Additional Equipment

The budget includes an increase of \$500,000 from the Public Safety Equipment Fund in FY 2015 to provide additional funds to purchase safety equipment.

The Public Safety Equipment Fund receives \$4 of a \$13 criminal fee to fund its appropriated expenditures. The fund also receives the first \$1,200,000 in annual DUI fees for non-appropriated expenditures. Appropriated revenues are estimated to total \$2,240,600 in FY 2015 resulting in a 2015 estimated ending balance of \$1,633,300. *(Please see Additional Legislation for more information.)*

The Public Safety Equipment Special Line Item (SLI) monies can be used to purchase vehicles, protective armor, electronic stun devices and other safety equipment.

Motor Vehicle Fuel

The budget includes \$3,935,500 in FY 2015 for Motor Vehicle Fuel. This amount consists of:

General Fund	3,704,200
Highway Patrol Fund	231,300

These amounts are unchanged from FY 2014.

The Motor Vehicle Fuel SLI centralizes monies appropriated to DPS for motor vehicle fuel. In addition to \$3,576,500 in Motor Vehicle Fuel SLI monies expended in FY 2013, DPS expended \$708,400 GF, \$984,000 OF, and \$1,076,300 in non-appropriated monies for fuel from other parts of the DPS budget in FY 2013.

Additional Legislation

Microwave System Upgrades

The FY 2015 Capital Outlay Bill (Laws 2014, Chapter 15) appropriates \$2,000,000 from the Highway Patrol Fund in FY 2015 for Microwave System upgrades. As a result, these monies do not appear in the General Appropriation Act. DPS is currently in the process of updating the state’s microwave radio system backbone from analog to digital technology which allows state agencies to communicate with officers in the field. There are 3 loops made up of many radio towers that comprise the microwave backbone, of which, the southern loop was completed in CY 2011. These monies will help to fund upgrades of the western and northern loops.

The Capital Outlay Bill also requires DPS to submit an expenditure plan and project timeline to the Joint Committee on Capital Review regarding its plans for the microwave system upgrade prior to expenditure of any of the monies appropriated for this purpose. *(Please see the Capital section for more information.)*

Public Safety Equipment Revenues

Laws 2014, Chapter 127 redirects fees for operating a watercraft while “under the influence” from the Public Safety Equipment Fund (PSEF) to the Law Enforcement and Boating Safety Fund (LEBSF). PSEF retains the first \$1,200,000 of certain DUI fee revenues and the remainder is deposited into the General Fund. Prior to Chapter 127, PSEF received \$1,200,000 and the General Fund received \$9,179,400 in FY 2013. After shifting the \$500,000 of “under the influence” fees to LEBSF, PSEF is projected to still receive \$1,200,000. The General Fund deposit, however, will decline by \$(500,000). *(Please see the State Treasurer’s and General Fund Revenue sections for more information.)*

Victim’s Rights Enforcement Fund

Laws 2014, Chapter 158 establishes the Victim’s Rights Enforcement Fund which receives a continuous appropriation of revenues from a \$2 fee assessed on all criminal offenses, civil traffic violations, violations of motor vehicle statutes, local traffic violations, and violations of the Game and Fish statutes. Monies in the fund are to be used to provide grants to non-profit and other related entities that have provided legal and social services free of charge to crime victims for a period of at least 5 years. DPS is allowed to retain 5% of the revenues to the fund for administrative costs.

Silver Alert Notification System

Laws 2014, Chapter 232 requires DPS to establish the Silver Alert System which will serve as a means to issue and coordinate alerts following the report of a missing person who is 65 years of age or older. The bill is not estimated to have a fiscal impact.

Other Issues

HURF Expenditures

The budget includes a shift of \$(30,000,000) from HURF in DPS' operating budget in FY 2015 to the General Fund. The FY 2015 Revenue BRB distributes this \$30,000,000 in FY 2015 only to local governments. By statute, increased HURF funds are typically split evenly between local distributions and state highway construction. The FY 2015 Revenue BRB allocates the \$30,000,000 as follows: 33.231% to counties, 48.097% to cities and towns, 5.247% to cities with a population larger than 300,000 individuals, and 13.425% to counties with a population of more than 800,000 individuals. These monies are being distributed among local jurisdictions in the same proportions as the local share of regular HURF allocations. The impact of this shift is displayed in *Table 2*.

The FY 2015 Revenue BRB continues the \$30,000,000 distribution to local governments in FY 2016 and increases the level to \$60,000,000 in FY 2017. The legislative intent is that General Fund monies would offset the loss of these HURF monies in DPS.

HURF receives revenues from transportation related licenses, fees, and taxes such as the motor vehicle fuel tax, vehicle license tax, vehicle registration, and driver's licenses. A.R.S. § 28-6537 and A.R.S. § 28-6993 cap the amount of highway user revenue monies distributed to DPS at \$10,000,000 per year for both HURF and the State Highway Fund (the latter being a beneficiary of the HURF distribution formula). A series of session law provisions have notwithstanding these caps in most years since FY 2002, however, in FY 2012 this provision was eliminated for the State Highway Fund. *Table 3* reflects DPS expenditures from HURF and the State Highway Fund. (Please see ADOT Capital section for more information on the HURF distribution formula.)

Table 2
Annual Impact of HURF Shift Proposal on Beneficiaries
(\$ in millions)

Beneficiaries	\$ Increase	Revised Total
Cities	16.0 ^{1/}	371.6
Counties	10.0	231.5
Controlled Access State Highway Construction	4.0 ^{2/}	92.5
Total	30.0	708.9

^{1/} Includes \$1.6 million for Phoenix, Tucson, and Mesa.
^{2/} These monies are for distribution to Maricopa and Pima Counties.

Table 3
HURF and State Highway Fund Expenditures
(\$ in millions)

Fiscal Year	HURF	State Highway Fund	Total
2002	36.4	25.2	61.6
2003	54.4	28.3	82.7
2004	48.7	30.2	78.9
2005	52.2	32.7	84.9
2006	64.0	42.2	106.2
2007	10.0	10.0	20.0
2008	10.0	52.0	62.0
2009	84.9	41.1	126.0
2010	78.6	41.3	119.9
2011	79.2	41.5	120.7
2012	123.2	0.0	123.2
2013	119.1	6.7	125.8
2014	119.2	6.7	125.9
2015	89.3	6.7	96.0

Table 4

State Immigration Enforcement Assistance to Local Governments

DPS GIITEM Local Immigration Enforcement Grant Expenditures^{1/}

Agency	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
	Actual	Actual	Actual	Actual	Actual	Actual
Pima County Sheriff's Department	\$756,600	\$823,600	\$904,800	\$825,400	-	-
Phoenix Police Department	262,300	794,700	716,100	584,400	342,100	-
Border Detention Liaison Officers (See Chart Below)	179,700	299,500	504,800	438,800	397,000	-
Border County Officers (See Chart Below)	288,900	451,400	364,800	384,900	351,200	-
AZ Fraudulent Identification Task Force ^{2/}	284,300	368,000	194,600	-	-	-
Maricopa County Sheriff's Office	1,125,200	400,000	1,200,000	1,600,000	1,600,000	1,600,000
DPS Expenditures in Support of Local Grants	2,570,900	1,190,600	441,800	378,500	695,800	327,900
Crime Lab Transfer ^{3/}	-	5,227,400	-	-	-	-
Pinal County Sheriff's Department	-	-	-	-	500,000	500,000
TOTAL	\$5,467,900	\$9,555,200	\$4,326,900	\$4,212,000	\$3,886,100	\$2,427,900

Year of Appropriation of Funding

FY 2006	-	-	-	-	-	-
FY 2007	5,178,900	-	-	-	-	-
FY 2008	288,900	3,607,100	-	-	-	-
FY 2009	-	5,948,100	4,051,900	-	-	-
FY 2010	-	-	275,000	2,332,300	-	-
FY 2011 ^{4/}	-	-	-	1,879,700	1,517,000 ^{4/}	-
FY 2012	-	-	-	-	2,413,000	189,300
FY 2013	-	-	-	-	-	2,238,600
TOTAL	\$5,467,800	\$9,555,200	\$4,326,900	\$4,212,000	\$3,930,000	\$2,427,900

^{1/} Funded from non-lapsing \$2.6 million General Fund appropriation, which is part of a \$21.3 million total GIITEM General Fund appropriation to DPS in FY 2013. Beginning in FY 2011, statute allocated the first \$1.6 million to the Maricopa County Sheriff's Office and the next \$500,000 to the Pinal County Sheriff's Office.

^{2/} Funding for AFIT was eliminated in the FY 2010 budget. DPS was able to keep the task force operating for a time with "vacancy savings" from other initiatives but disbanded AFIT in November 2009.

^{3/} The FY 2009 Crime Lab Transfer was a one-time event to cover a budget reduction initially intended to be replaced through charges to local agencies. Local agencies did not pay the fees, and the funding was restored in FY 2010.

^{4/} Includes \$1,003,200 in other GIITEM SLI monies in FY 2011.

Table 4 (Continued)

	FY 2011		FY 2012		FY 2013		FY 2014	
	Actual		Actual		Actual		Estimate	
Detention Liaison Officer Grants^{5/}								
Cochise County Sheriff's Department	\$34,098		\$33,100		\$39,800		\$39,750	
Graham County Sheriff's Department	31,209		21,100		31,200		30,614	
Pima County Sheriff's Department	44,015		43,900		44,500		44,455	
Pinal County Sheriff's Department	56,213		46,300		58,700		44,767	
Santa Cruz County Sheriff's Department	44,139		18,600		-		40,000	
Yuma County Sheriff's Department	41,101		41,000		42,400		42,401	
Department of Corrections	188,054		237,400		180,400		377,613	
Total	\$438,829		\$441,400		\$397,000		\$619,600	
Border County Officers^{5/}								
Benson Police	\$59,147		\$63,700		\$63,000		\$63,035	
Coolidge Police	66,298		46,600		62,900		62,820	
Douglas Police	117,818		123,700		124,800		124,765	
Oro Valley Police	59,581		62,200		54,800		54,787	
Pinal County Sheriff's Department	57,649		54,500		45,700		64,993	
Yuma County Sheriff's Department	24,367		-		-		-	
Total	\$384,861		\$350,700		\$351,200		\$370,400	
Border Security and Law Enforcement Grants^{5/}								
Apache County Sheriff's Office	-		-		-		\$11,600	
Cochise County Sheriff's Office	-		-		-		20,800	
Coconino County Sheriff's Office	-		-		-		21,500	
Gila County Sheriff's Office	-		-		-		8,400	
Graham County Sheriff's Office	-		-		-		5,900	
Greenlee County Sheriff's Office	-		-		-		1,400	
La Paz County Sheriff's Office	-		-		-		3,200	
Maricopa County Sheriff's Office	-		-		-		622,100	
Mohave County Sheriff's Office	-		-		-		32,100	
Navajo County Sheriff's Office	-		-		-		16,900	
Pima County Sheriff's Department	-		-		-		156,600	
Pinal County Sheriff's Office	-		-		-		61,100	
Santa Cruz Sheriff's Office	-		-		-		7,500	
Yavapai County Sheriff's Office	-		-		-		33,600	
Yuma County Sheriff's Office	-		-		-		47,300	
Total	\$0		\$0		\$0		\$1,050,000	

^{5/} Funding for the Detention Liaison Officer Grants and the Border County Officers in FY 2011 and FY 2012 is included in the annual \$2.6 million General Fund appropriation for Local Immigration Enforcement Grants. In FY 2013 and FY 2014 the monies were allocated from the GIITEM Subaccount. Funding for the Border Security and Law Enforcement Grants is provided from the GIITEM Subaccount.

Table 4 (Continued)

GIITEM Subaccount Expenditures^{67/8/}

Agency	Actual	Actual	Actual	Actual	Actual	Estimate
Pima County Sheriff	-	-	-	\$500,000	\$500,000	\$350,000
General Fund Repayment	-	-	-	1,000,000	-	-
Border Detention Liaison Officers (See Chart Above)	-	-	-	-	397,000	619,600
Border County Officers (See Chart Above)	-	-	-	-	351,200	370,400
Border Security and Law Enforcement Grants (See Chart Above)	-	-	-	-	-	1,050,000
TOTAL	-	-	-	\$1,500,000	\$1,248,200	\$2,390,000

6/ Funded from a \$2.1 million GIITEM Fund appropriation. Laws 2011, Chapter 308 created a \$13 criminal fee, \$4 of which is to be deposited into the GIITEM Fund Border Security and Law Enforcement Subaccount. These revenues totaled \$2,298,100 in FY 2013. The monies in the GIITEM Subaccount are for border security personnel and equipment. Additionally, the bill redirected the monies normally deposited into the Arizona Criminal Justice Commission's State Aid to Indigent Defense Fund, which totaled \$659,300, to the GIITEM Fund Border Security and Law Enforcement Subaccount in FY 2012. This did not continue in FY 2013.

7/ Laws 2011, Chapter 308 required that the first \$1,000,000 in criminal fee revenue received by the GIITEM Fund Border Security and Law Enforcement Subaccount in FY 2012, be used to repay the General Fund for a commensurate appropriation to the Pinal County Sheriff's Office in FY 2012.

8/ As required by Laws 2013, 1st Special Session, Chapter 5, JLBC reviewed DPS' FY 2014 GIITEM Subaccount expenditure plan on October 29, 2013.

County Assistance^{9/}

Agency	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual
Pinal County Sheriff	-	-	-	-	\$1,000,000	-
TOTAL	-	-	-	-	\$1,000,000	-

9/ Funded from a one-time \$1 million General Fund appropriation. The monies were used to purchase and maintain a helicopter. The funding was not continued in FY 2013.

County Attorney Immigration Enforcement Distributions^{10/}

Agency	FY 2009 Actual ^{11/}	FY 2010 Actual ^{12/}	FY 2011 Actual ^{13/}	FY 2012 Actual ^{14/}	FY 2013 Actual ^{14/}	FY 2014 Approved ^{14/}
Maricopa County Attorney	\$1,430,000	\$715,000	\$1,213,200	\$200,000	\$200,000	\$200,000
Maricopa County Sheriff	-	-	-	500,000	500,000	500,000
Pima County Attorney	500,000	-	-	97,687	97,687	97,687
Pima County Sheriff	-	-	-	97,687	97,687	-
Pinal County Attorney	93,351	-	-	37,447	37,447	37,447
Pinal County Sheriff	-	-	-	37,447	37,447	37,447
Yavapai County Attorney	71,638	-	-	21,030	21,030	21,030

Table 4 (Continued)

Agency	FY 2009 Actual ^{11/}	FY 2010 Actual ^{12/}	FY 2011 Actual ^{13/}	FY 2012 Actual ^{14/}	FY 2013 Actual ^{14/}	FY 2014 Approved ^{14/}
Yavapai County Sheriff	-	-	-	21,030	21,030	-
Mohave County Attorney	66,480	-	-	19,949	19,949	19,949
Mohave County Sheriff	-	-	-	19,949	19,949	-
Yuma County Attorney	64,592	-	-	19,507	19,507	19,507
Yuma County Sheriff	-	-	-	19,507	19,507	-
Cochise County Attorney	43,999	-	-	13,089	13,089	-
Cochise County Sheriff	-	-	-	13,089	13,089	-
Cocoino County Attorney	43,033	-	-	13,396	13,396	13,396
Cocoino County Sheriff	-	-	-	13,396	13,396	13,396
Navajo County Attorney	38,365	-	-	10,708	10,708	10,708
Navajo County Sheriff	-	-	-	10,708	10,708	10,708
Apache County Attorney	24,492	-	-	7,127	7,127	7,127
Apache County Sheriff	-	-	-	7,127	7,127	-
Gila County Attorney	17,980	-	-	5,341	5,341	5,341
Gila County Sheriff	-	-	-	5,341	5,341	-
Santa Cruz County Attorney	14,836	-	-	4,726	4,726	4,726
Santa Cruz County Sheriff	-	-	-	4,726	4,726	-
Graham County Attorney	\$11,592	-	-	\$3,709	\$3,709	-
Graham County Sheriff	-	-	-	3,709	3,709	-
La Paz County Attorney	6,976	-	-	2,042	2,042	2,042
La Paz County Sheriff	-	-	-	2,042	2,042	-
Greenlee County Attorney	2,665	-	-	841	841	-
Greenlee County Sheriff	-	-	-	841	841	-
Unallocated	-	-	-	-	-	212,689
TOTAL	\$2,430,000	\$715,000	\$1,213,200	\$1,213,200	\$1,213,200	\$1,213,200

10/ Funded by a General Fund appropriation.

11/ The FY 2008 and FY 2009 budgets required the Department of Administration to distribute \$1,430,000 to the County Attorney in each county with a population greater than 1.5 million, \$500,000 to the County Attorney in each county with a population between 800,000 and 1.5 million, with the remainder being divided among the other counties in the state.

12/ Due to a budget reduction only Maricopa County received funding.

13/ The FY 2011 budget required the Department of Administration to distribute \$1,213,200 to the County Attorney in a county with a population greater than 1.5 million.

14/ The FY 2012, FY 2013, and FY 2014 budgets required the Department of Administration (ADOA) to distribute \$200,000 to the County Attorney of a county with a population of 2,000,000 or more persons and \$500,000 to the County Sheriff of a county with a population of 2,000,000 or more persons. With Joint Legislative Budget Committee (JLBC) approval, the remaining monies can be distributed to County Attorneys and County Sheriffs of counties with populations of less than 2,000,000 persons. At their April 10, 2014 meeting, the JLBC gave approval to ADOA's FY 2014 expenditure plan to distribute monies proportionate to population. ADOA's proposal did not allocate funding to any county which did not plan to expend the funds. As a result, ADOA did not distribute \$212,689 of the \$1,213,200 FY 2014 appropriation. JLBC's approval included a provision that ADOA distribute the monies if subsequently requested to do so by a county attorney or sheriff not currently scheduled to receive funds. ADOA did not seek JLBC approval of its FY 2012 or FY 2013 distribution.

Public Safety Personnel Retirement System

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
SPECIAL LINE ITEMS			
EORP Fund Deposit	0	5,000,000 ^{1/2/}	5,000,000 ^{1/2/}
Prescott Fire Employer Group Deposit	0	0	1,000,000 ^{3/}
AGENCY TOTAL	0	5,000,000	6,000,000
FUND SOURCES			
General Fund	0	5,000,000	6,000,000
SUBTOTAL - Appropriated Funds	0	5,000,000	6,000,000
Other Non-Appropriated Funds	39,250,000	39,820,300	40,398,900
TOTAL - ALL SOURCES	39,250,000	44,820,300	46,398,900

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. The EORP will be closed to new enrollees as of January 1, 2014, at which time elected officials will be enrolled in the Elected Officials' Defined Contribution Retirement System (EODC System).

EORP Fund Deposit

The budget includes \$5,000,000 from the General Fund in FY 2015 as part of the closure of the Elected Officials' Retirement Plan (EORP). This amount is unchanged from FY 2014.

Laws 2013, Chapter 217 made several changes relating to the closure of the defined benefit EORP and in creation of a new defined contribution plan, the Elected Officials Defined Contribution Retirement System (EODC System). Chapter 217 annually appropriates \$5,000,000 from the General Fund to the EORP Fund from FY 2014 through FY 2043 to supplement the normal cost and to amortize the unfunded accrued liability of the now closed EORP.

Chapter 217 made several additional changes relating to the closure of the defined benefit EORP and in creation of the new defined contribution plan, the Elected Officials Defined Contribution Retirement System (EODC), with the major changes as follows:

1. Permanently establishes a 13% employee contribution rate for members of the now closed EORP.
2. Requires from January 1, 2014 through June 30, 2044, a level 23.5% employer contribution rate for employees in elected official positions, regardless of the date of appointment or election. For existing

members of EORP, this contribution is paid entirely to the EORP Fund. For EODC System members, 6% is retained by the defined contribution system as an employer contribution, with the remaining 17.5% being paid to the EORP Fund.

3. Establishes an 8% employee contribution rate for all EODC System members, which is to be partially matched by the 6% employer contribution rate, with the funds to be deposited into the individual member's retirement account.

Chapter 217, in determining the level 23.5% employer contribution rate, and the annual EORP Fund deposit of \$5,000,000, assumed that the reduction of Permanent Benefit Increases (PBIs) would be upheld as constitutional. Due to the ruling in *Fields v. Elected Officials Retirement Plan*, these assumptions may need to be analyzed further to account for additional PBI payments. (See *Other Issues for more information.*)

Prescott Fire Employer Group Deposit

The budget includes \$1,000,000 from the General Fund in FY 2015 for deposit into the employer account of the Prescott Fire Department group. This amount funds the following adjustments:

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations.
- 2/ Laws 2013, Chapter 217 appropriated \$5,000,000 annually from the General Fund to the EORP Fund from FY 2014 through FY 2043 to supplement the normal cost plus an amount to amortize the unfunded accrued liability.
- 3/ The FY 2015 General Appropriation Act (Laws 2014, Chapter 18, Section 133) appropriates \$1,000,000 annually from the General Fund to the employer account of the Prescott Fire Department group from FY 2015 through FY 2019 to offset increased pension liability.

Increased Pension Liabilities

The budget includes an increase of \$1,000,000 from the General Fund in FY 2015 to offset an increase in pension liabilities resulting from the Yarnell Hill Fire.

In June, 2013, 19 firefighters employed by the Prescott Fire Department died in the line of duty while fighting the Yarnell Hill Fire. Of the 19, 6 were classified as permanent employees and were enrolled in PSPRS. As such, their survivors qualify to receive ongoing payments equal to 100% of the employees' average monthly wages, including overtime. The increased liability resulting from these benefit payments would be funded from the employer account of the Prescott Fire Department through an increase in employer contribution rates. In order to offset the increased pension liabilities resulting from this event, the FY 2015 budget appropriates \$1,000,000 from the General Fund for deposit into the employer account of the Prescott Fire Department from FY 2015 through FY 2019.

Additional Legislation

Long-Term Contribution Rate Estimates

The FY 2015 Budget Procedures Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 14) requires PSPRS to annually report on estimated contribution rates for the next 10 fiscal years. These estimates are required to include both aggregate rates for PSPRS and CORP, in addition to rates for each state employer group within those systems.

EODC System Amendments

Laws 2014, Chapter 131 makes various modifications to the EODC System. Among other provisions, Chapter 131 clarifies that an elected official who is or has been an active, inactive, retired, or disabled member of ASRS will maintain or resume membership within this system upon election. In addition, Chapter 131 requires a member of the EODC System to apply for disability benefits within 1 year of terminating office.

Peace Safety Officers Omnibus

Laws 2014, Chapter 190 makes various modifications to statute regarding Corrections Officers, public access to court records and the Public Safety Officers Supplemental Benefits Plan, as follows:

1. Requires the PSPRS board to administer a cancer insurance policy program for Corrections or Detention Officers and makes conforming changes. This system would be similar to the program already offered to firefighters and peace officers and is voluntary, and the costs of the program would be borne entirely by the employee.
2. Clarifies that an active member of PSPRS who has at least 5 years of service may elect to redeem up to 5 years of prior service within PSPRS or as a full-time paid Corrections Officer in another government entity.

3. Clarifies that the local board of a county, city or town may fill a CORP-designated position with an employee who is not a CORP member, if the employee has at least 5 years of ASRS service.
4. Allows a peace officer to request that public access be restricted to court records containing personal identifying information, if they believe the life or safety of the officer or another person is in danger.
5. Declares that appeals for denials of supplemental benefits for Public Safety Officers who are injured while on duty are exempt from Uniform Administrative Appeals Laws, and allows the Arizona Department of Administration (ADOA) to establish an alternative appeal hearing process.

PSPRS Contributions; County Employers

Under current statute, an employer has the option of paying a higher contribution rate than the statutory required minimum amount, in order to reduce employee contribution rates. The employer must pay the same higher level rate for all members of the group. Laws 2014, Chapter 202 clarifies that a county employer that elected to pay a higher level percentage contribution rate may eliminate that higher rate for members hired in 2015 and after. In addition, Chapter 202 makes certain sections of law retroactive in order to allow health subsidies to be excluded from retirees' income for income tax purposes.

PSPRS; Employer Liability; Death Benefits

Laws 2014, Chapter 274 would modify the methodology by which investment earnings are allocated, as well as the methodology of paying death benefits. When an officer is killed in the line of duty, their survivors qualify for benefit payments equal to 100% of that officer's average monthly wages, including overtime. Under previous law, each individual employer group was required to pay these benefits from their own accounts, which are comprised of employer and employee contributions, and a proportionate share of investment earnings allocated to them from the PSPRS. PSPRS comingles all assets from the various employer groups, invests them together, and subsequently allocates the investment earnings to each employer group based on their proportionate share of assets. Previously, when an officer was killed in the line of duty, the actuarial present value of the total death benefit was added to the liabilities of that member's employer group, which had the effect of increasing the required contribution rate for that group only.

Under Chapter 274, the actuarial present value of the death benefits will be transferred from the retirement system's total investment earnings to the employer group's account prior to PSPRS allocating investment earnings to the various employer groups. This will result in 2 impacts:

1. Each employer group would see a minimal reduction in their proportional allocation of investment earnings each year by the actuarial present value of all death benefits awarded that year.

2. The deceased member's employer group will be prevented from experiencing a contribution rate increase associated with the increased liabilities resulting from the awarded death benefit.

Other Issues

Fields v. Elected Officials Retirement Plan

Laws 2011, Chapter 357 made numerous changes to EORP, including reducing PBIs and increasing employee contribution rates. The Arizona Supreme Court, however, ruled in *Fields v. Elected Officials Retirement Plan* that Chapter 357, through the reduction of PBIs, violated Article 29 of the Arizona Constitution, which specifies that "public retirement system benefits shall not be diminished or impaired."

PSPRS has reported that the *Fields* ruling may result in a total increase of \$445,600,000 in Unfunded Actuarially Accrued Liabilities (UAAL) for all systems managed by PSPRS. This amount would be paid off over a period of 24 years through an increase in employer contribution rates. There continues to be ongoing litigation challenging

other provisions of Chapter 357, which may result in additional costs.

Membership and Actuarial Data

As of the June 30, 2013 valuation, there were 50,363 active, retired, and Deferred Retirement Option Plan (DROP) members in the 3 current 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		CORP		EORP	
	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013
Membership						
Active (working and contributing)	18,542	18,436	14,991	14,580	845	839
Retired Members and Survivor Beneficiaries	9,802	10,159	3,476	3,810	992	1,057
DROP	1,496	1,482	N/A	N/A	N/A	N/A
Funding Status (dollar values in millions) ^{1/}						
Market Value of Assets	\$5,075	\$5,557	\$1,287	\$1,417	\$297	\$313
Total Actuarial Liability	\$10,326	\$10,824	\$2,232	\$2,330	\$610	\$633
Unfunded Actuarial Liability ^{2/}	\$4,274	\$4,638	\$719	\$771	\$254	\$282
Funded Status	58.6%	57.1%	67.8%	66.9%	58.4%	55.5%
Aggregate Contribution Rates						
Employer	<u>FY 2014</u> ^{3/} 30.44%	<u>FY 2015</u> ^{4/} 32.54%	<u>FY 2014</u> ^{3/} 13.68%	<u>FY 2015</u> ^{4/} 14.46%	<u>FY 2014</u> ^{3/} 25.94% ^{5/}	<u>FY 2015</u> ^{4/} 23.50%
Employee	<u>10.35%</u>	<u>11.05%</u>	<u>8.40%</u>	<u>8.40%</u>	<u>13.00%</u>	<u>13.00%</u>
Total	40.79%	43.59%	22.08%	22.86%	38.94%	36.5%
^{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, 2012 valuation. ^{4/} Based on June 30, 2013 valuation. ^{5/} Pursuant to A.R.S. § 38-810, a fixed employer contribution rate of 23.5% begins January 1, 2014. N/A = Not Applicable						

Arizona Department of Racing

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	40.5	40.5	40.5
Personal Services	1,280,000	1,589,300	1,589,300
Employee Related Expenditures	462,800	635,700	636,700
Professional and Outside Services	295,600	358,800	358,800
Travel - In State	48,000	78,700	78,700
Travel - Out of State	10,100	7,500	7,500
Other Operating Expenditures	308,400	225,900	229,700
Equipment	160,400	0	0
OPERATING SUBTOTAL	2,565,300	2,895,900	2,900,700
SPECIAL LINE ITEMS			
Arizona Breeders' Award	250,000	250,000	250,000
County Fairs Livestock and Agricultural Promotion	1,779,500	1,779,500	1,779,500 ^{1/}
AGENCY TOTAL	4,594,800	4,925,400	4,930,200^{2/}
FUND SOURCES			
General Fund	2,029,500	2,029,500	2,029,500
<u>Other Appropriated Funds</u>			
Racing Regulation Fund	2,565,300	2,895,900	2,900,700
SUBTOTAL - Other Appropriated Funds	2,565,300	2,895,900	2,900,700
SUBTOTAL - Appropriated Funds	4,594,800	4,925,400	4,930,200
Other Non-Appropriated Funds	163,600	89,600	89,600
TOTAL - ALL SOURCES	4,758,400	5,015,000	5,019,800

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, Toughman, and nontraditional fighting contests within Arizona.

Operating Budget

The budget includes \$2,900,700 and 40.5 FTE Positions from the Racing Regulation Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$4,800 from the Racing Regulation Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations Section.)

Arizona Breeders' Award

The budget includes \$250,000 from the General Fund in FY 2015 for the Arizona Breeders' Award. This amount is unchanged from FY 2014.

Monies in this line item go to award the breeder of every winning horse or greyhound foaled or whelped in the state.

County Fairs Livestock and Agricultural Promotion

The budget includes \$1,779,500 from the General Fund in FY 2015 for County Fairs Livestock and Agricultural Promotion. This amount is unchanged from FY 2014.

Monies in this line item are deposited in the County Fairs Livestock and Agriculture 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.

^{1/} The amount appropriated to the County Fairs Livestock and Agricultural Promotion line item is for deposit in the County Fairs Livestock and Agricultural Promotion Fund administered by the Office of the Governor. (General Appropriation Act footnote)

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

Additional Legislation

Rulemaking Exemption

The Revenue Budget Reconciliation Bill (Laws 2014, Chapter 9), as session law, continues to extend the Department of Racing's exemption from the rulemaking requirements of A.R.S. Title 41, Chapter 6, for the purpose of establishing fees until July 1, 2015. The bill continues an intent clause that the fee adjustment is to raise \$260,000 in revenue.

Chapter 277; Racing Omnibus

Laws 2014, Chapter 277, as originally passed, included a transfer of \$1,200,000 apiece in FY 2015 from the Estate and Unclaimed Property Fund to both the Arizona Breeders' Award Fund as well as the County Fair Racing Fund. These transfers were line item vetoed by the Governor. By eliminating the \$2,400,000 in transfers, that amount will continue to be deposited into the General Fund.

Monies in the County Fair Racing Fund line item provide funding for the administration of county fair racing in this state.

Radiation Regulatory Agency

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	33.5	33.5	33.5 ^{1/2/}
Personal Services	891,500	917,200	917,200
Employee Related Expenditures	352,900	363,900	364,500
Professional and Outside Services	22,200	22,200	22,200
Travel - In State	4,500	4,500	4,500
Travel - Out of State	10,700	10,700	10,700
Other Operating Expenditures	266,400	270,400	270,400
Equipment	37,300	37,300	37,300
OPERATING SUBTOTAL	1,585,500	1,626,200	1,626,800
SPECIAL LINE ITEMS			
Nuclear Emergency Management Fund	675,900	695,300	695,300 ^{3/4/}
AGENCY TOTAL	2,261,400	2,321,500	2,322,100 ^{5/}
FUND SOURCES			
General Fund	1,433,800	1,468,600	1,468,900
<u>Other Appropriated Funds</u>			
Radiation Regulatory Fee Fund	575,600	579,600	579,800
State Radiologic Technologist Certification Fund	252,000	273,300	273,400
SUBTOTAL - Other Appropriated Funds	827,600	852,900	853,200
SUBTOTAL - Appropriated Funds	2,261,400	2,321,500	2,322,100
Other Non-Appropriated Funds	43,300	38,300	38,300
Federal Funds	234,000	234,000	234,000
TOTAL - ALL SOURCES	2,538,700	2,593,800	2,594,400

AGENCY DESCRIPTION - The department regulates the use, storage, and disposal of sources of radiation. This includes licensing or certifying users, inspecting x-ray equipment, developing emergency response capability, and monitoring environmental radiation.

Operating Budget

The budget includes \$1,626,800 and 29 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$773,600
Radiation Regulatory Fee Fund	579,800
State Radiologic Technologist Certification Fund	273,400

Statewide Adjustments

The budget includes an increase of \$600 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	\$300
Radiation Regulatory Fee Fund	200
State Radiologic Technologist Certification Fund	100

(Please see the Agency Detail and Allocation section.)

These amounts fund the following adjustments:

1/ Includes 4.5 FTE Positions in FY 2015 appropriated by Laws 2013, Chapter 13.

2/ Includes 4.5 FTE Positions funded from Special Line Items in FY 2015.

3/ Pursuant to A.R.S. § 26-306.02, this appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations; however, any unexpended monies must be used to reduce the assessment and appropriation in future years.

4/ Includes \$695,250 and 4.5 FTE Positions in FY 2014 and FY 2015 appropriated by Laws 2013, Chapter 13 for the Nuclear Emergency Management Fund.

5/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Nuclear Emergency Management Fund

The budget includes \$695,250 and 4.5 FTE Positions from the General Fund in FY 2015 for the Nuclear Emergency Management Fund (NEMF). These amounts are unchanged from FY 2014.

Laws 2013, Chapter 13 appropriated \$695,250 and 4.5 FTE Positions from the General Fund in FY 2014 and FY 2015. As a result, these monies do not appear in the General Appropriation Act. The Radiation Regulatory Agency, Department of Emergency and Military Affairs, and Department of Agriculture receive monies from this bill. *(See the Department of Agriculture and the Department of Emergency and Military Affairs narratives for more information.)*

The Legislature is required to biennially assess a fee against each group of public service and municipal corporations operating the Palo Verde Nuclear Generating Station. The fee is set at a level to offset the General Fund appropriation to the NEMF.

Monies in the NEMF are used for the development and maintenance of a state plan for off-site responses to an emergency caused by an accident at a commercial nuclear generating station. NEMF monies are also used to provide for the equipment, personnel, facilities, training, and testing necessary to comply with federally prescribed criteria.

Monies appropriated to the NEMF are exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations, except that monies left unexpended or unencumbered at the end of the fiscal year shall be used to offset the next year's assessment and appropriation.

Additional Legislation

Fee Authority Continuation

The FY 2015 Revenue Budget Reconciliation Bill (Laws 2014, Chapter 9) continues the fee raising authority and an exemption relating to establishing fees for the Radiation Regulatory Agency in FY 2015. The bill continues an intent clause that limits additional revenues to \$561,000.

State Real Estate Department

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	59.0	37.0	37.0
Personal Services	1,332,800	1,612,600	1,612,600
Employee Related Expenditures	536,500	656,200	657,200
Professional and Outside Services	162,300	189,300	189,300
Travel - In State	2,700	10,000	10,000
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	455,700	402,000	402,000
Equipment	171,000	116,600	116,600
AGENCY TOTAL	2,661,000	2,988,700	2,989,700^{1/}
FUND SOURCES			
General Fund	2,661,000	2,988,700	2,989,700
SUBTOTAL - Appropriated Funds	2,661,000	2,988,700	2,989,700
Other Non-Appropriated Funds	90,500	234,000	234,000
TOTAL - ALL SOURCES	2,751,500	3,222,700	3,223,700

AGENCY DESCRIPTION — The department issues licenses for real estate, cemetery, and membership campground sales. The department also regulates the real estate industry, including licensees, developers, subdividers, and real estate schools. The department collects various filing and licensing fees, which are deposited into the state General Fund. The revenues derived from these fees are required by law to be between 95% and 110% of the department's state General Fund appropriation.

Operating Budget

The budget includes \$2,989,700 and 37 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,000 from the General Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

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

Residential Utility Consumer Office

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	622,800	757,700	757,700
Employee Related Expenditures	224,600	249,200	249,700
Professional and Outside Services	1,900	2,400	2,400
Travel - In State	5,600	8,600	8,600
Travel - Out of State	6,200	7,000	7,000
Other Operating Expenditures	168,300	164,500	167,400
Equipment	8,200	0	0
OPERATING SUBTOTAL	1,037,600	1,189,400	1,192,800
SPECIAL LINE ITEMS			
Professional Witnesses	10,100	145,000	145,000 ^{1/}
AGENCY TOTAL	1,047,700	1,334,400	1,337,800^{2/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Residential Utility Consumer Office Revolving Fund	1,047,700	1,334,400	1,337,800
SUBTOTAL - Other Appropriated Funds	1,047,700	1,334,400	1,337,800
SUBTOTAL - Appropriated Funds	1,047,700	1,334,400	1,337,800
TOTAL - ALL SOURCES	1,047,700	1,334,400	1,337,800

AGENCY DESCRIPTION — The Residential Utility Consumer Office (RUCO) serves as an advocate for residential customers of public utilities in rate hearings held before the Arizona Corporation Commission. Through its technical staff and expert consultants, RUCO analyzes utility company data to determine appropriate positions to take and present on behalf of residential ratepayers. The RUCO Director is appointed by the Governor.

Operating Budget

The budget includes \$1,192,800 and 11 FTE Positions from the RUCO Revolving Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$3,400 from the RUCO Revolving Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Professional Witnesses

The budget includes \$145,000 from the RUCO Revolving Fund in FY 2015 for Professional Witnesses. This amount is unchanged from FY 2014.

Monies in this line item are used to fund expert witness testimony at utility rate hearings.

^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

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

Board of Respiratory Care Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	180,300	176,500	176,500
Employee Related Expenditures	72,200	79,100	79,200
Travel - In State	100	300	300
Travel - Out of State	1,100	1,000	1,000
Other Operating Expenditures	35,400	39,100	39,100
Equipment	700	1,100	1,100
AGENCY TOTAL	289,800	297,100	297,200^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Respiratory Care Examiners Fund	289,800	297,100	297,200
SUBTOTAL - Other Appropriated Funds	289,800	297,100	297,200
SUBTOTAL - Appropriated Funds	289,800	297,100	297,200
TOTAL - ALL SOURCES	289,800	297,100	297,200

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 budget includes \$297,200 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$100 from the Board of Respiratory Care Examiners Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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

Arizona State Retirement System

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	233.9	246.9	246.9 ^{1/}
Personal Services	12,497,500	12,703,000	12,757,000
Employee Related Expenditures	4,473,700	4,994,900	5,021,000
Professional and Outside Services	4,258,700	3,879,300	3,879,300
Travel - In State	35,400	40,000	40,000
Travel - Out of State	48,100	38,600	38,600
Other Operating Expenditures	2,116,800	2,835,800	2,684,800
Equipment	407,100	389,500	389,500
OPERATING SUBTOTAL	23,837,300	24,881,100	24,810,200
SPECIAL LINE ITEMS			
ASRS Plan Design Changes	436,300 ^{2/}	0	0
Automation Upgrades	0	1,390,000 ^{3/}	4,484,500 ^{3/}
Laws 2011, Ch. 26 Rate Change Administration Procedures	12,800 ^{2/}	0	0
Laws 2011, Ch. 357 Plan Changes	57,300 ^{2/}	0	0
Laws 2012, Ch. 362 Employer Contributions	21,600 ^{2/}	0	0
Laws 2012, Ch. 88 ASRS; Spousal Consent	55,600 ^{2/}	0	0
Laws 2013, Ch. 110 ASRS; Amendments	0	200,000 ^{2/}	0
Laws 2013, Ch. 216 Implementation Costs	0	502,400 ^{2/4/}	0 ^{4/}
AGENCY TOTAL	24,420,900	26,973,500	29,294,700^{5/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Long-Term Disability Trust Fund Administration Account	2,739,300	2,800,000	2,800,000
State Retirement System Administration Account	21,681,600	24,173,500	26,494,700
SUBTOTAL - Other Appropriated Funds	24,420,900	26,973,500	29,294,700
SUBTOTAL - Appropriated Funds	24,420,900	26,973,500	29,294,700
Other Non-Appropriated Funds	76,606,000	82,757,000	87,044,000
TOTAL - ALL SOURCES	101,026,900	109,730,500	116,338,700

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.

1/ Includes 1 OF FTE Position funded from Special Line Items in FY 2015.

2/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations.

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

4/ Laws 2013, Chapter 216 appropriated \$502,400 and 1 FTE Position from the State Retirement System Administration Account in FY 2014 for modifications regarding ineligible employees. The budget maintains 1 FTE Position and \$72,400 in the Operating Budget to continue these modifications.

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

Operating Budget

The budget includes \$24,810,200 and 246.9 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	<u>FY 2015</u>
State Retirement System Administration Account	\$22,010,200
Long-Term Disability (LTD) Trust Fund Administration Account	2,800,000

These amounts fund the following adjustments:

Data Security

The budget continues to include \$190,000 from the State Retirement System Administration Account in FY 2015 for projects to maintain the agency's information technology systems regarding data security. These monies were originally appropriated for one-time Information Technology (IT) purposes in the FY 2014 budget. On an ongoing basis, these funds will now be used for the following items:

- \$120,000 - software licensing and maintenance
- \$50,000 - an annual assessment of ASRS' internal systems by an outside vendor
- \$20,000 - staff training

Eliminate One-Time Funding

The budget includes a decrease of \$(151,000) from the State Retirement System Administration Account in FY 2015 to eliminate a one-time charge for ASRS to pay their proportionate share of costs for the replacement of the state's financial accounting system.

Ineligible Employees

The budget includes an increase of \$72,400 and 1 FTE Position from the State Retirement System Administration Account in FY 2015 to fund ongoing maintenance costs associated with Laws 2013, Chapter 216.

The FY 2014 budget included a total of \$502,400 for the Laws 2013, Chapter 216 Public Retirement Systems; Ineligible Employees line item. Of this amount, \$430,000 was designated for one-time costs for Professional and Outside Services. The FY 2015 budget includes the remaining \$72,400 and 1 FTE Position in the Operating Budget for maintenance costs. *(Please see the Laws 2013, Ch. 216 Implementation Costs section below for additional information.)*

Statewide Adjustments

The budget includes an increase of \$7,700 from the State Retirement System Administration Account in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Automation Upgrades

The budget includes \$4,484,500 from the State Retirement System Administration Account in FY 2015 for Automation Upgrades. This amount funds the following adjustments:

IT Modernization

The budget includes an increase of \$3,094,500 from the State Retirement System Administration Account in FY 2015 for the second year of a 4-year project to consolidate and upgrade an ASRS business application system with a more current Java-based Web application. The 4-year cost of the project is a total of \$10,214,500, as follows:

- Year 1: \$1,390,000
- Year 2: \$4,484,500
- Year 3: \$2,270,000
- Year 4: \$2,070,000

The project received approval through the Project Investment Justification (PIJ) process from the Arizona Strategic Enterprise Technology (ASET) Office, and from the Information Technology Authorization Committee (ITAC) in 2012. As part of this review, ASRS is required to give an annual update on the project to ITAC.

The project was originally planned to last 5 years, for a total cost of \$10,214,500. Due to an improved methodology used to implement the technology modernizations, the project is now expected to last 4 years. As a result, the FY 2015 budget shifts the funding that would have occurred in the 5th year of the project into the 2nd year of the project. The appropriation from this Special Line Item is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations.

Laws 2013, Ch. 110 ASRS; Amendments

The budget includes no funding from the State Retirement System Administration Account in FY 2015 for the Laws 2013, Chapter 110 ASRS; Amendments Special Line Item. This amount funds the following adjustments:

Eliminate One-time Funding

The budget includes a decrease of \$(200,000) from the State Retirement System Administration Account in FY 2015 to eliminate one-time implementation costs of various modifications to ASRS as authorized by Laws 2013, Chapter 110.

Laws 2013, Ch. 216 Implementation Costs

The budget includes no funding from the State Retirement System Administration Account in FY 2015 for the Laws 2013, Chapter 216 Implementation Costs Special Line Item. This amount funds the following adjustments:

Eliminate One-time Funding

The budget includes a decrease of \$(502,400) and (1) FTE Position from the State Retirement System Administration Account in FY 2015 to eliminate one-time implementation costs for information technology and legal services required to enroll state or political subdivision employees who are ineligible for ASRS or other public retirement systems into the Defined Contribution Retirement Plan operated by ASRS, as authorized by Laws 2013, Chapter 216. Remaining maintenance costs were moved into the operating budget for FY 2015.

Additional Legislation

Charter Schools; Retirement Membership

Laws 2014, Chapter 42 authorizes a charter school who obtains their charter through a university, community college, or group of community college districts to become members of ASRS retroactive to July 1, 2011.

ASRS Membership; Section 218 Requirements

Laws 2014, Chapter 44 makes various changes to the state's policy regarding 218 agreements with the federal Social Security Administration. Beginning in 1951, states could voluntarily elect social security coverage for public employees not covered under a public retirement system by entering into a Section 218 agreement with the Social Security Administration. Chapter 44 removes the eligibility requirement that an employee must be covered by the state's 218 agreement to be enrolled in ASRS, and clarifies certain persons who are ineligible for ASRS membership.

Laws 2013, Chapter 216 established a defined contribution retirement plan for those positions not covered by a 218 agreement and therefore not eligible for ASRS, nor were eligible for PSPRS because their positions did not involve hazardous duty. Chapter 44 repeals the Defined Contribution Retirement Plan established in Chapter 216, and makes various conforming changes.

Long-Term Disability Compensation

Laws 2014, Chapter 69 defines "monthly compensation" for long-term disability benefits as the amount determined by taking the 6 pay periods immediately before the date of the member's disability, disregarding the 2 highest and lowest amounts, and deriving the median of the 2 remaining periods. The previous calculation was based on the members annual salary for the fiscal year in which they became disabled.

Election; EORP Defined Contribution

Laws 2013, Chapter 217 closed the Elected Officials' Retirement Plan (EORP) and established the Elected Officials' Defined Contribution Retirement System (EODC System). Laws 2014, Chapter 131 clarifies that an elected official who is a current or former member of ASRS must maintain or resume ASRS membership upon

election. In addition, Chapter 131 includes various provisions modifying the EODC System, including:

1. Requires a member of the EODC System to apply for disability benefits within 1 year of leaving office.
2. Stipulates that EODC System disability benefit payments may be made retroactively, only to the date the PSPRS board of trustees receives the application.

Background Checks

Laws 2014, Chapter 218 allows the Director of ASRS, under the supervision of the board, to conduct criminal records checks of current and prospective employees, require current or prospective employees to submit a full set of fingerprints to DPS, and conduct credit checks of current and prospective employees.

Other Issues

ASRS Membership and Actuarial Data

As of the June 30, 2013 valuation, ASRS membership included 536,626 members. See *Table 1* for membership data detail. ASRS has approximately \$30.2 billion in assets, \$10.0 billion in unfunded liability, and approximately \$2.7 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, 2013 valuation, peak at 24.28% in FY 2018 and decrease to 10.00% in FY 2044.

Amortization Period

Laws 2013, Chapter 110 allowed the Board of Trustees to select any amortization period consistent with Generally Accepted Actuarial Standards. The board was previously required to use a rolling 30-year period, as defined in statute. In November of 2013, the Board of Trustees voted to adopt a fixed 30-year amortization period, as opposed to a rolling 30-year amortization period. With this change, ASRS estimates that the funded status would reach 100% by 2041, whereas the rolling 30-year period would result in a funded status of only 89% by 2041.

In addition, the adopted change to the amortization period has the effect of increasing ASRS contribution rates. Under the previous amortization period, the FY 2015 contribution rates would have been 11.58% for both employees and employers, whereas the new amortization period increased those rates to 11.60%.

Table 1

ASRS Valuation Data

Membership			
	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Active (working and contributing)	208,939	203,994	202,693
Inactive	208,969	210,060	213,058
Retired Members and Survivor Beneficiaries	<u>107,996</u>	<u>114,431</u>	<u>120,875</u>
Total	525,904	528,485	536,626
Funding Status (\$ in Millions)			
	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Market Value of Assets	\$28,033	\$27,569	\$30,229
Total Actuarial Liability	\$38,555	\$39,952	\$41,397
Unfunded Liability ^{1/}	\$ 9,324	\$ 9,723	\$ 9,961
Funded Status (includes System)	76%	76%	76%
Contribution Rates			
	<u>FY 2013 ^{2/}</u>	<u>FY 2014 ^{3/}</u>	<u>FY 2015 ^{4/}</u>
Retirement Plan	21.80%	22.60%	22.96%
LTD Plan	<u>.48%</u>	<u>.48%</u>	<u>.24%</u>
Total	22.28%	23.08%	23.20%
Employer	11.14%	11.54%	11.60%
Employee	11.14%	11.54%	11.60%

^{1/} Calculated on actuarial, not market value, of assets.

^{2/} Based on June 30, 2011 valuation. While previous legislation required the FY 2013 rates to be split 53/47 between employee/employer, this non-50/50 split was repealed by Laws 2012, Chapter 304.

^{3/} Based on June 30, 2012 valuation.

^{4/} Based on June 30, 2013 valuation.

Department of Revenue

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	860.3	861.8	880.8 ^{1/}
Personal Services	30,196,200	34,642,300	35,292,300
Employee Related Expenditures	12,381,600	15,385,100	15,755,900
Professional and Outside Services	4,640,100	4,592,900	4,592,900
Travel - In State	316,700	316,800	316,800
Travel - Out of State	223,800	496,400	496,400
Other Operating Expenditures	10,465,500	8,852,700	8,262,700
Equipment	1,699,900	113,300	113,300
OPERATING SUBTOTAL	59,923,800	64,399,500	64,830,300^{2/}
SPECIAL LINE ITEMS			
BRITS Operational Support	6,970,200	7,602,500	7,604,200
County Assessors	35,400	0	0
Temporary Collectors	2,665,300	0	0
Unclaimed Property Administration and Audit	1,218,500	1,770,000	1,218,500 ^{3/}
AGENCY TOTAL	70,813,200	73,772,000	73,653,000^{4/5/}
FUND SOURCES			
General Fund	44,998,100	47,025,300	48,139,400
Other Appropriated Funds			
Department of Revenue Administrative Fund	24,131,200	24,980,200	24,436,800
Liability Setoff Revolving Fund	1,007,800	1,087,200	397,300
Tobacco Tax and Health Care Fund	676,100	679,300	679,500
SUBTOTAL - Other Appropriated Funds	25,815,100	26,746,700	25,513,600
SUBTOTAL - Appropriated Funds	70,813,200	73,772,000	73,653,000
Other Non-Appropriated Funds	40,543,000	42,150,000	43,150,000
TOTAL - ALL SOURCES	111,356,200	115,922,000	116,803,000

AGENCY DESCRIPTION — The Department of Revenue (DOR) administers and enforces the collection of personal and corporate income, sales, withholding, luxury and estate taxes. The department administers state property tax laws through the 15 county assessors. The department does not collect transportation related fees and taxes, nor the insurance premium tax.

Operating Budget

The budget includes \$64,830,300 and 825.8 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$42,337,100
DOR Administrative Fund	21,416,400
Liability Setoff Revolving Fund	397,300
Tobacco Tax and Health Care Fund	679,500

These amounts fund the following adjustments:

Capital Gains Reduction Imaging

The budget includes an increase of \$100,000 from the General Fund in FY 2015 for the imaging and scanning of the second page of the individual income tax return form. Laws 2012, Chapter 343 created an income tax reduction for long-term capital gains of up to 25% of the gain amount. This information is displayed on the second page of the individual income tax return and is not currently

^{1/} Includes 38 GF and 17 OF FTE Positions funded from Special Line Items in FY 2015.

^{2/} The operating lump sum appropriation includes \$100,000 to improve the department's analysis of tax data. Before spending these monies, the department shall submit an expenditure plan for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

^{3/} If the total dollar value of properties retained by unclaimed property contract auditors exceeds \$1,218,500, the excess amount is transferred from the state General Fund to the DOR Administrative Fund and appropriated to the department for contract auditor fees. (General Appropriation Act footnote)

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

^{5/} The department shall report the department's General Fund revenue enforcement goals for FY 2015 to the Joint Legislative Budget Committee on or before September 30, 2014. 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 2015 on or before September 30, 2015. The reports must include a comparison of projected and actual General Fund revenue enforcement collections for FY 2015. (General Appropriation Act footnote)

tracked. These monies will allow DOR to image and log this information.

DOR is also allocated \$641,000 from the \$1,700,000 General Fund transfer to the Automation Projects Fund in FY 2015 for modifications to the Taxpayer Accounting System within DOR that will allow for the tracking and storage of data from the second page of the individual income tax return form. These monies do not appear in the appropriation table above. *(Please see the Department of Administration - Automation Projects Fund section for details regarding this information technology project.)*

Eliminate One-Time Funding

The budget includes a decrease of \$(690,000) from the Liability Setoff Revolving Fund in FY 2015 for the elimination of a one-time appropriation for a new debt setoff computer program.

TPT Simplification

The budget includes an increase of \$1,000,000 and 19 FTE Positions from the General Fund in FY 2015 for additional staffing for additional Transaction Privilege Tax responsibilities. Laws 2013, Chapter 255 created a unified audit and collection system under the auspices of DOR. As a result, DOR will assume the responsibility for the audit and collection of TPT taxes from all municipalities including the 18 Non-Program cities which currently administer their own TPT taxes. These monies will allow DOR to fund the additional staffing associated with the new TPT oversight responsibilities.

Statewide Adjustments

The budget includes an increase of \$20,800 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	\$13,100
DOR Administrative Fund	7,400
Liability Setoff Revolving Fund	100
Tobacco Tax and Health Care Fund	200

(Please see the Agency Detail and Allocations section.)

Business Reengineering/Integrated Tax System (BRITS) Operational Support

The budget includes \$7,604,200 and 55 FTE Positions in FY 2015 for operational support of BRITS. These amounts consist of:

General Fund	5,802,300
DOR Administrative Fund	1,801,900

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,700 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	1,000
DOR Administrative Fund	700

Monies in this line item are used for annual server and printer replacement costs, increased BRITS data storage requirements, and information technology personnel to operate and maintain the BRITS system. BRITS is the state's computer system for collecting and processing tax data.

Unclaimed Property Administration and Audit

The budget includes \$1,218,500 from the DOR Administrative Fund in FY 2015 for Unclaimed Property Administration and Audit. This amount funds the following adjustments:

Appropriation Adjustment

The budget includes a decrease of \$(551,500) from the DOR Administrative Fund in FY 2015 to bring the appropriation level in line with actual expenditures.

Monies in this line item are used for the administrative costs of unclaimed or abandoned property. Contract auditors retain 10.25% to 12.5% of the dollar value of properties they recover. This amount is currently estimated at \$1,218,500.

Other Issues

Tobacco Tax/Master Settlement Agreement

The budget includes transfers totaling \$1,436,500 from the Traditional Medicaid Services line item in AHCCCS in FY 2015 for DOR staff and a luxury tax computer system to help enforce the provisions of the Master Settlement Agreement. These monies are provided by 2 footnotes in the AHCCCS budget. The first provides \$436,500 directly to DOR to fund 6 FTE Positions that will perform luxury tax enforcement and audit duties. The FTE Position increase is not reflected in DOR's appropriation total. The second provides \$1,000,000 to the Automation Projects Fund for the development of a luxury tax processing and revenue accounting system within DOR.

In 1998, the major tobacco companies and 46 states reached a settlement in which the signatory tobacco companies would make an annual payment to compensate the states for Medicaid costs associated with tobacco use. Currently, Arizona receives an annual payment of approximately \$100,000,000 from participating manufacturers annually. As part of the agreement, the states promised to diligently enforce the provisions and collection of tobacco tax laws within their respective states. In CY 2013, an arbitration panel approved an amended settlement between participating manufacturers and 19 states, including Arizona, to resolve issues relating to tobacco tax enforcement. CY 2015 is the first year tobacco tax collections will come under diligent enforcement scrutiny under the provisions of the amended

settlement. The monies provided in this footnote will help DOR to obtain a level of enforcement consistent with the terms of the amended agreement through enhanced auditing capabilities and an automated accounting system. The new accounting system will enhance enforcement by automating the current manual data entry process, allowing delinquent returns and account information to be tracked, and logging data that DOR does not currently track for non-participating manufacturers, cigarette stamp inventory, and other tobacco sales data.

Capital Gains Reduction and Tax Credit Reporting

The budget includes FY 2015 transfers from Department funds associated with the development of improvements to the existing Taxpayer Accounting System that will allow for increased timeliness in reporting tax credit and long-term capital gains information. *(Please see the Department of Administration - Automation Projects Fund section for details regarding this information technology project.)*

School Facilities Board

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	953,600	999,100	999,100
Employee Related Expenditures	319,100	344,900	345,500
Professional and Outside Services	136,800	140,000	140,000
Travel - In State	25,500	36,000	36,000
Travel - Out of State	52,000	0	0
Other Operating Expenditures	147,300	156,500	156,500
Equipment	17,800	0	0
OPERATING SUBTOTAL	1,652,100	1,676,500	1,677,100
SPECIAL LINE ITEMS			
Building Renewal Grants	2,667,900	16,667,900	16,667,900
New School Facilities	0	672,000	858,200
New School Facilities Debt Service	169,429,700	172,719,800	170,155,200
AGENCY TOTAL	173,749,700	191,736,200	189,358,400^{1/2/}
FUND SOURCES			
General Fund	173,749,700	191,736,200	189,358,400
SUBTOTAL - Appropriated Funds	173,749,700	191,736,200	189,358,400
Other Non-Appropriated Funds	102,904,100	87,461,900	88,206,000
TOTAL - ALL SOURCES	276,653,800	279,198,100	277,564,400

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 Grant Fund, and the Emergency Deficiencies Correction Fund to provide capital funding for K-12 school districts.

Operating Budget

The budget includes \$1,677,100 and 17 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$600 from the General Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations Section.)*

Building Renewal Grants

The budget includes \$16,667,900 from the General Fund in FY 2015 for Building Renewal Grants. This amount is unchanged from FY 2014.

The Building Renewal Grant 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 distributes monies to school districts to fund “primary” building renewal projects. SFB prioritizes the projects with emphasis given to school districts that have provided routine preventative maintenance on their facility and can provide a match of monies provided by the fund. “Primary” building renewal funding is for projects required to meet the minimum school facility adequacy guidelines.

Pursuant to A.R.S. § 15-2022, SFB is required to transfer excess funds in the New School Facilities (NSF) Fund to the Emergency Deficiencies Correction (EDC) Fund to the extent that the transfer does not affect or disrupt any approved new construction projects. SFB estimates the EDC Fund to have a \$554,100 balance at the end of FY 2015. The EDC Fund is used in a similar manner as the Building Renewal Grants program, where districts apply to SFB for funding to correct facilities emergencies that pose

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

^{2/} 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 2015 must be deposited in or revert to the state General Fund. (General Appropriation Act footnote)

health or safety concerns. If there are insufficient monies in the EDC Fund for district requests, A.R.S. § 15-907 allows a district to levy an additional primary property tax to fund the repairs, with the approval of the respective County Board of Supervisors.

New School Facilities

The budget includes \$858,200 from the General Fund in FY 2015 for New School Facilities. This amount funds the following adjustments:

New School Construction

The budget includes an increase of \$186,200 from the General Fund in FY 2015 for funding associated with New School Construction. This amount is intended to allow SFB to complete construction in the Thatcher Unified School District (USD). The project will have a total cost of \$1,530,200.

Based on updated guidelines for the New School Facilities program, the only eligible project for FY 2014 was Thatcher USD. The funding for Thatcher USD was approved by SFB in April 2011, and will construct 9,720 square feet of additional space, with a capacity of 116 K-6 students. The project is estimated to cost a total of \$1,330,200 along with additional costs of \$200,000 related to site conditions.

The FY 2014 budget also included funding for a Benson USD K-4 facility. The district, however, did not have sufficient enrollment to qualify for a new school. Benson’s share of the FY 2014 funding is now being used for costs related to the Thatcher facility.

The FY 2015 budget included no funding beyond that for Thatcher USD, as no additional school districts qualified for new construction funding.

The FY 2015 Baseline assumed that one additional elementary school district may qualify for new construction funding by FY 2017, splitting the \$14,000,000 projected cost between FY 2017 and FY 2018. The enacted budget’s long-term estimates removed this funding.

To improve the methodology of projecting the cost of new school construction in the future, the FY 2015 K-12 Education Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 17) requires the Department of Education (ADE) to provide SFB with the most recent enrollment data, and requires SFB to use that data when determining eligibility under the new school construction formula. *(See Additional Legislation for more information.)*

Background – The New School Facilities Special Line Item 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 current district-wide square feet per student falls below the statutory minimum. 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). At its December 2013 meeting, JLBC approved a 0% adjustment in the cost per square foot amounts, given negative construction inflation since FY 2008. *(See Table 1 for FY 2015 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 2015 amounts. Adjusted annually for inflation.

In addition to state funding, districts can generate local funding for new school construction projects by holding a Class B bond election (A.R.S. § 15-1021). Class B bonds are designed to supplement, not supplant, funding received from SFB. Space funded with Class B bond proceeds, therefore, is generally not included in the calculation for determining if a school district qualifies for funding from the board. As of the end of FY 2013, there are \$3.9 billion Class B bonds outstanding.

New School Facilities Debt Service

The budget includes \$170,155,200 from the General Fund in FY 2015 for New School Facilities Debt Service. This amount funds the following adjustments:

Existing Lease-Purchase Payment

The budget includes a decrease of \$(209,000) from the General Fund in FY 2015 for a decreased lease-purchase payment. This is a technical adjustment made annually to reflect slight variations in year to year payments for existing lease-purchase agreements.

Refinancing Agreement

The budget includes a decrease of \$(2,355,600) as part of a refinancing agreement approved by the Joint Committee on Capital Review (JCCR). The FY 2014 K-12 Education BRB (Laws 2013, 1st Special Session, Chapter 3)

authorized SFB to enter into a refinancing agreement, provided that the agreement does the following:

- Reduce SFB lease-purchase payments by a combined total of at least \$4,000,000 in FY 2014 and FY 2015.
- Not increase or decrease SFB lease-purchase payments in any other fiscal year by more than \$100,000.

At its October 2013 meeting, the JCCR favorably reviewed a refinancing agreement that would achieve an estimated \$5,246,000 of non-recurring savings: \$1,445,200 in FY 2014 and \$3,800,800 in FY 2015. As a result, the FY 2015 budget includes a one-time ex-appropriation of \$(1,445,200) from the General Fund in FY 2014 as part of this refinancing agreement. The resulting marginal change for lease-purchase payments in FY 2015 due to the refinancing is \$(2,355,600).

The FY 2015 budget was transmitted to the Governor on April 8, 2014. At its April 10, 2014 meeting, the JCCR favorably reviewed a second refinancing agreement under the same statutory authority provided in the FY 2014 K-12 Education BRB. This second refinancing agreement is expected to achieve an estimated \$8,417,800 of non-recurring savings: \$7,922,700 in FY 2015 along with approximately \$100,000 annually between FY 2016 and FY 2020. Since the budget was transmitted before the JCCR meeting, this second refinancing agreement was not included in the FY 2015 budget. *(See Other Issues for additional information.)*

Background – In FY 2003 - FY 2005, FY 2008, FY 2009, and FY 2011, SFB entered into lease-purchase agreements to finance the costs of new school construction. For each agreement, SFB issued Certificates of Participation (COPs) that are typically repaid over a period of 15 years. At the end of FY 2015, the outstanding amount of General Fund lease-purchase principal to be paid will be \$893,316,600.

The FY 2015 budget includes \$11,187,300 for the entire debt service requirement for the Qualified School Construction Bonds (QSCB) issuance in FY 2015. 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 \$4,052,300 in FY 2015 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 \$7,135,000.

Additional Legislation

Projection of New School Construction Costs

To improve the methodology of projecting the costs of new school construction, the FY 2015 K-12 Education BRB requires ADE to provide SFB with the most recent

enrollment data, and requires SFB to use that data when determining eligibility under the new school construction formula. Chapter 17 additionally requires ADE to provide SFB with the most recent enrollment data for use when submitting their December 1 Status of Funds report, pursuant to A.R.S. § 15-2002, and expands the report to include 3 years of data, whereas the report previously included 2 years of data.

Building Renewal Grant Reimbursements

The FY 2015 K-12 Education BRB requires school districts to reimburse the School Facilities Board due to legal action associated with improper construction by a hired contractor, for deposit into the Building Renewal Grant Fund. This provision specifically addresses ongoing litigation involving Casa Grande Elementary District, and would allow the district to reimburse SFB any funds received as part of a settlement resulting from the failure of a prior state-funded contractor to repair a roof for Desert Willow Elementary School.

School Facilities Board Revisions

The FY 2014 K-12 Education BRB permanently repealed the Building Renewal formula, which had been suspended since FY 2009, having been replaced with the Building Renewal Grant program. As part of this repeal, the bill removed certain provisions relating to maintenance of a database to administer the Building Renewal formula. Laws 2014, Chapter 105 includes further clarification on the types of information SFB is to collect.

In addition, Chapter 105:

1. Authorizes SFB to update the database based on district reporting, while retaining existing school inspections that occur every 5 years;
2. Requires districts to report when square footage is converted to administrative space, or leased to another entity (such as a charter school);
3. Requires SFB to update the age of a building in the database if significant upgrades or remodeling occur.

Other Issues

K-12 Capital Bonding

A.R.S. § 15-1021 authorizes school districts to issue voter-approved bonds for long-term capital needs, such as school construction and renovation to be paid for with local property tax revenues. Article IX, Sections 8 and 8.1 of the Arizona Constitution limit non-unified and unified school district bonded indebtedness to no more than 15% or 30% of the district's assessed valuation, respectively.

However, A.R.S. § 15-1021 sets statutory limits below the constitutional limits for "Class B" bonds (for those issued after December 31, 1999). As permanent law, the FY 2014 K-12 Education BRB increased the limit on school district Class B bonding to 10% and 20% of property

values for non-unified and unified districts, respectively. The limits were previously 5% and 10%.

The proceeds from K-12 bonds may only be used for expenditures listed in A.R.S. § 15-491A3&4, which include new construction, building renovations, furniture, equipment, technology and pupil transportation vehicles. In addition, bonds issued for furniture, equipment and technology have a maximum maturity of 5 years.

As of the end of FY 2013, 102 school districts have outstanding voter approved Class B bonds. The total amount of voter-approved Class B bonds outstanding at the end of FY 2013 was approximately \$3.9 billion.

FY 2014 Ex-Appropriation

The FY 2015 budget includes a one-time ex-appropriation of \$(1,445,200) from the General Fund in FY 2014 as part of the refinancing agreement reviewed by JCCR in October 2013. *(See the New School Facilities Debt Service section above for additional information.)*

As mentioned previously, JCCR favorably reviewed a refinancing agreement that would achieve an estimated \$5,246,000 of non-recurring savings: \$1,445,200 in FY 2014 and \$3,800,800 in FY 2015.

FY 2015 Ex-Appropriation

Due to the timing of the JCCR review, the savings from the second refinancing agreement were not included in the FY 2015 enacted budget. The FY 2016 Baseline will include a proposed one-time ex-appropriation of \$(7,922,700) from the General Fund to reflect the additional FY 2015 savings from the second refinancing agreement, reviewed by JCCR on April 10, 2014. In addition, the FY 2016 through FY 2020 savings amounts will be included in the state's long-term estimates. *(See the New School Facilities Debt Service section above for additional information.)*

Department of State - Secretary of State

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	139.1	141.1	141.1 ^{1/}
Personal Services	4,828,200	5,072,900	5,072,900
Employee Related Expenditures	2,031,400	2,082,600	2,074,900
Professional and Outside Services	205,000	315,300	315,300
Travel - In State	11,800	11,900	11,900
Travel - Out of State	24,800	24,800	24,800
Other Operating Expenditures	3,016,800	2,954,100	2,954,100
Equipment	134,900	134,900	134,900
OPERATING SUBTOTAL	10,252,900	10,596,500	10,588,800^{2/}
SPECIAL LINE ITEMS			
Election Services	4,164,300	1,031,600	4,431,900 ^{3/}
Help America Vote Act (HAVA)	2,060,900	2,941,000	2,941,100 ^{4/5/}
Library Grants-in-Aid	530,000	651,400	651,400 ^{6/}
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
AGENCY TOTAL	17,105,100	15,317,500	18,710,200^{7/}
FUND SOURCES			
General Fund	14,457,400	11,635,500	15,027,800
Other Appropriated Funds			
Election Systems Improvement Fund	2,060,900	2,941,000	2,941,100
Records Services Fund	586,800	741,000	741,300
SUBTOTAL - Other Appropriated Funds	2,647,700	3,682,000	3,682,400
SUBTOTAL - Appropriated Funds	17,105,100	15,317,500	18,710,200
Other Non-Appropriated Funds			
Other Non-Appropriated Funds	976,700	830,000	655,000
Federal Funds	4,348,500	3,648,600	3,648,600
TOTAL - ALL SOURCES	22,430,300	19,796,100	23,013,800

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.

^{1/} Includes 10 GF FTE Positions funded from Special Line Items in FY 2015.

^{2/} Included in the operating lump sum appropriation of \$10,588,800 for FY 2015 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)

^{3/} Any transfer to or from the amount appropriated for the Election Services line item shall require review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

^{4/} The FY 2015 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, 2016. (General Appropriation Act footnote)

^{5/} The Secretary of State shall report to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on or before December 31, 2014 the actual amount and purpose of expenditures from the Election Systems Improvement Fund in FY 2014 and the expected amount and purpose of expenditures from the fund for FY 2015. (General Appropriation Act footnote)

^{6/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

^{7/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$10,588,800 and 131.1 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	<u>FY 2015</u>
General Fund	\$9,847,500
Record Services Fund	741,300

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(7,700) in FY 2015 for statewide adjustments. This amount consists of:

General Fund	(8,000)
Records Services Fund	300

(Please see the Agency Detail and Allocations section.)

Election Services

The budget includes \$4,431,900 and 10 FTE Positions from the General Fund in FY 2015 for Election Services. These amounts fund the following adjustments:

Election Year Funding

The budget includes an increase of \$3,400,000 from the General Fund in FY 2015 for election year funding. This adjustment brings Election Services funding to an amount similar to what was expended in FY 2013, which was the last fiscal year with a major election cycle. This change reflects the increased funds needed to conduct primary elections held in August 2014 and the general election in November 2014.

Statewide Adjustments

The budget includes an increase of \$300 from the General Fund in FY 2015 for statewide adjustments.

This line item funds election-related activities, including voter registration and the certification of candidates, voting devices and the results of statewide elections. Funding is also used to publish the publicity pamphlet on state ballot propositions.

For state elections, statute requires the Secretary of State to: 1) reimburse counties for the costs of printing, labeling, and postage for sample ballots; 2) pay the cost of any recount of votes; 3) reimburse the County Recorder for the costs of certifying petition and referendum signatures; and 4) print and mail a publicity pamphlet to every household with a registered voter for any initiative or referendum.

Help America Vote Act (HAVA)

The budget includes \$2,941,000 from the Election Systems Improvement Fund in FY 2015 for the Help America Vote Act (HAVA) (P.L. 107-252). This amount funds the following adjustments:

Statewide Adjustments

The budget includes an increase of \$100 from the Election Systems Improvement Fund in FY 2015 for statewide adjustments.

HAVA is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections. Assuming the Secretary of State spends the full appropriations in FY 2014 and FY 2015, approximately \$4,359,800 in HAVA monies would be available in FY 2016.

Library Grants-in-Aid

The budget includes \$651,400 from the General Fund in FY 2015 for Library Grants-in-Aid. This amount is unchanged from FY 2014.

Monies in this Special Line Item (SLI) are used to fund a portion of the state maintenance of effort that is required for receipt of federal dollars under the Library Services and Technology Act (LSTA). Receipt of LSTA monies is dependent on the state's ability to meet a maintenance-of-effort requirement, which is tied to the state contribution made in each of the 3 prior years.

Statewide Radio Reading Service for the Blind

The budget includes \$97,000 from the General Fund in FY 2015 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2014.

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.

State Boards' Office

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	113,300	129,600	129,600
Employee Related Expenditures	58,500	66,900	67,000
Professional and Outside Services	1,400	1,600	1,600
Other Operating Expenditures	29,800	32,900	32,900
Equipment	900	0	0
AGENCY TOTAL	203,900	231,000	231,100^{1/}

FUND SOURCES

Other Appropriated Funds

Special Services Revolving Fund	203,900	231,000	231,100
SUBTOTAL - Other Appropriated Funds	203,900	231,000	231,100
SUBTOTAL - Appropriated Funds	203,900	231,000	231,100
TOTAL - ALL SOURCES	203,900	231,000	231,100

AGENCY DESCRIPTION — The office serves to centralize services and pool resources of small regulatory boards. Examples of shared items include office space and equipment, as well as accounting, clerical, administrative, and telephone services. The office is under the Management Services Division of the Arizona Department of Administration, but is supported by transfers of appropriated funds from the participating boards.

Operating Budget

The budget includes \$231,100 and 3 FTE Positions from the Special Services Revolving Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$100 from the Special Services Revolving Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

The breakdown of the FY 2015 State Boards' Office charges by agency is reflected in *Table 1*.

<u>Board</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Acupuncture Board of Examiners	\$ 17,000	\$ 19,200	\$ 19,200
Barbers, Board of	1,400	1,600	1,600
Funeral Directors & Embalmers, State Board of	32,800	37,200	37,200
Homeopathic and Integrated Medicine Examiners, Board of	13,000	14,800	14,800
Massage Therapy, Board of	38,000	43,000	43,100
Naturopathic Physicians Medical Board	16,300	18,400	18,400
Nursing Care Inst. Admin. & Assisted Living Facility Mgrs.	23,100	26,200	26,200
Opticians, State Board of Dispensing	21,700	24,600	24,600
Optometry, State Board of	20,800	23,600	23,600
Physical Therapy, Board of	100	100	100
Podiatry Examiners, State Board of	19,700	22,300	22,300
Total	\$203,900	\$231,000	\$231,100

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

State Board of Tax Appeals

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	168,400	179,000	179,000
Employee Related Expenditures	46,900	44,500	44,600
Travel - In State	100	400	400
Other Operating Expenditures	41,100	40,800	41,600
AGENCY TOTAL	256,500	264,700	265,600^{1/}
FUND SOURCES			
General Fund	256,500	264,700	265,600
SUBTOTAL - Appropriated Funds	256,500	264,700	265,600
TOTAL - ALL SOURCES	256,500	264,700	265,600

AGENCY DESCRIPTION — The board consists of 3 members appointed by the Governor. The board provides an independent appeals process for taxpayers with disputes relating to income, sales, use, estate, and luxury tax decisions from the Department of Revenue and resolves jurisdictional disputes between municipalities regarding the imposition of transaction privilege and use taxes.

Operating Budget

The budget includes \$265,600 and 4 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$900 from the General Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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

State Board of Technical Registration

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	23.0	25.0	25.0
Personal Services	845,900	1,079,000	1,079,000
Employee Related Expenditures	334,300	442,000	442,600
Professional and Outside Services	66,400	77,500	77,500
Travel - In State	4,500	7,200	7,200
Travel - Out of State	8,200	9,300	9,300
Other Operating Expenditures	476,800	481,000	485,500
Equipment	31,000	23,500	23,500
AGENCY TOTAL	1,767,100	2,119,500	2,124,600^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Technical Registration Fund	1,767,100	2,119,500	2,124,600
SUBTOTAL - Other Appropriated Funds	1,767,100	2,119,500	2,124,600
SUBTOTAL - Appropriated Funds	1,767,100	2,119,500	2,124,600
TOTAL - ALL SOURCES	1,767,100	2,119,500	2,124,600

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of architects, assayers (assessors of mineral value), engineers, geologists, home inspectors, land surveyors, and landscape architects.

Operating Budget

The budget includes \$2,124,600 and 25 FTE Positions from the Technical Registration Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$5,100 from the Technical Registration Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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

Office of Tourism

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.0	28.0	28.0
Personal Services	1,504,500	1,773,800	1,773,800
Employee Related Expenditures	504,400	591,300	592,400
Professional and Outside Services	1,837,800	2,192,000	2,192,000
Travel - In State	16,300	19,500	19,500
Travel - Out of State	100,400	119,600	119,600
Other Operating Expenditures	2,043,100	2,404,100	2,404,100
Equipment	1,800	2,300	2,300
OPERATING SUBTOTAL	6,008,300	7,102,600	7,103,700^{1/}
SPECIAL LINE ITEMS			
Arizona Promotion	0	0	2,000,000
AGENCY TOTAL	6,008,300	7,102,600	9,103,700
FUND SOURCES			
General Fund	6,008,300	7,102,600	9,103,700
SUBTOTAL - Appropriated Funds	6,008,300	7,102,600	9,103,700
Other Non-Appropriated Funds	12,096,300	13,904,900	13,904,900
TOTAL - ALL SOURCES	18,104,600	21,007,500	23,008,600

AGENCY DESCRIPTION — The office is responsible for promoting tourism within the state, which includes planning and developing an information campaign, advertising, exhibitions, and operating a visitors' center. The agency receives a transfer from the Arizona Sports and Tourism Authority (AZSTA), a portion of tribal gaming contributions, and General Fund appropriations to the Tourism Fund.

Operating Budget

The budget includes \$7,103,700 and 28 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,100 from the General Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Promotion

The budget includes \$2,000,000 from the General Fund in FY 2015 for a new Arizona Promotion Special Line Item.

One-Time Promotional Increase

The budget includes a one-time increase of \$2,000,000 from the General Fund in FY 2015 for Arizona Promotion.

Monies in this line item will fund the promotion of the tourism industry and tourism efforts in the state.

Other Issues

Funding Sources

The Office of Tourism receives funding from 3 primary sources: 1) a General Fund appropriation to fund the agency's operating budget; 2) a transfer from AZSTA, generated from partial allocations of a bed tax and car rental tax in Maricopa County (A.R.S. § 5-835), to fund Maricopa County tourism promotion; and 3) a portion of tribal gaming contributions (A.R.S. § 5-601.02) to fund statewide tourism promotion. (For further details on agency revenues, please see Table 1.)

^{1/} General Appropriation act funds are appropriated as an Operating Lump Sum in the form of a deposit to the Tourism Fund plus a Special Line Item for Agency Promotion.

Table 1

Office of Tourism Revenues

<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
<u>General Fund Appropriation</u>				
• General Fund appropriation to be used administering the Office of Tourism and promoting tourism	General Fund	\$ 7,065,200	\$ 7,102,600	\$ 9,103,700
<u>Sports and Tourism Authority</u>				
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	6,869,900	7,213,400	7,574,100
<u>Tribal Gaming</u>				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	<u>6,115,700</u>	<u>6,442,100</u> ^{1/}	<u>6,828,600</u> ^{1/}
Total		\$20,050,800	\$20,758,100	\$23,506,400

^{1/} The Tribal Gaming amounts for FY 2014 and FY 2015 are JLBC estimates.

Department of Transportation

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,548.0	4,548.0	4,548.0 ^{1/}
Personal Services	91,749,900	104,623,200	104,623,200
Employee Related Expenditures	40,095,900	49,034,500	49,097,300
Professional and Outside Services	4,999,900	4,630,000	4,630,000
Travel - In State	660,700	681,000	681,000
Travel - Out of State	192,000	155,000	155,000
Other Operating Expenditures	53,618,200	45,328,900	45,328,900
Equipment	5,469,000	2,500,000	2,500,000
OPERATING SUBTOTAL	196,785,600	206,952,600	207,015,400
SPECIAL LINE ITEMS			
Attorney General Legal Services	2,895,600	2,895,600	2,895,600
Fraud Investigation	755,400	773,300	773,600
Highway Maintenance	131,795,400	132,716,500	136,202,000 ^{2/}
New Third Party Funding	942,700	971,100	971,500
Vehicles and Heavy Equipment	17,916,900	27,001,500	18,507,000
AGENCY TOTAL	351,091,600	371,310,600	366,365,100 ^{3/4/5/6/}
FUND SOURCES			
General Fund	50,400	50,400	50,400
<u>Other Appropriated Funds</u>			
Air Quality Fund	35,300	74,500	74,500
Driving Under the Influence Abatement Fund	152,400	153,800	153,900
Highway User Revenue Fund	644,900	651,500	651,800
Motor Vehicle Liability Insurance Enforcement Fund	1,078,700	1,086,700	1,087,100
Safety Enforcement and Transportation Infrastructure Fund	1,878,300	1,880,500	1,881,000
State Aviation Fund	1,604,300	1,624,400	1,624,900
State Highway Fund	326,270,400	337,323,200	340,869,900
Transportation Department Equipment Fund	17,916,900	27,001,500	18,507,000
Vehicle Inspection and Title Enforcement Fund	1,460,000	1,464,100	1,464,600
SUBTOTAL - Other Appropriated Funds	351,041,200	371,260,200	366,314,700
SUBTOTAL - Appropriated Funds	351,091,600	371,310,600	366,365,100
Other Non-Appropriated Funds	15,131,700	15,613,000	15,613,000
Federal Funds	3,547,900	4,744,600	4,744,600
TOTAL - ALL SOURCES	369,771,200	391,668,200	386,722,700

AGENCY DESCRIPTION — The Department of Transportation has jurisdiction over state roads, state airports, and the registration of motor vehicles and aircraft.

- ^{1/} Includes 1,188 OF FTE Positions funded from Special Line Items in FY 2015.
- ^{2/} Of the total amount appropriated, \$136,202,000 in FY 2015 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, 2015. (General Appropriation Act footnote, as adjusted for statewide allocations)
- ^{3/} It is the intent of the Legislature that the department not include any administrative overhead expenditures in duplicate driver license fees charged to the public. (General Appropriation Act footnote)
- ^{4/} Of the \$366,365,100 appropriation to the Department of Transportation, the Department of Transportation shall pay \$16,773,800 in FY 2015 from all funds to the Department of Administration for its Risk Management payment. (General Appropriation Act footnote, as adjusted for statewide allocations)
- ^{5/} 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, 2015 for FY 2015. (General Appropriation Act footnote)
- ^{6/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$207,015,400 and 3,360 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$50,400
Air Quality Fund	74,500
Driving Under the Influence Abatement Fund	153,900
Highway User Revenue Fund	396,700
Motor Vehicle Liability Insurance Enforcement Fund	882,000
Safety Enforcement and Transportation Infrastructure Fund	1,318,500
State Aviation Fund	1,624,900
State Highway Fund	201,130,700
Vehicle Inspection & Title Enforcement Fund	1,383,800

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$62,800 in FY 2015 for statewide adjustments. This amount consists of:

Driving Under the Influence Abatement Fund	100
Highway User Revenue Fund	200
Motor Vehicle Liability Insurance Enforcement Fund	300
Safety Enforcement and Transportation Infrastructure Fund	500
State Aviation Fund	500
State Highway Fund	60,700
Vehicle Inspection & Title Enforcement Fund	500

(Please see the Agency Detail and Allocations section.)

Attorney General Legal Services

The budget includes \$2,895,600 from the State Highway Fund in FY 2015 for Attorney General Legal Services. This amount is unchanged from FY 2014.

Monies in this line item reimburse the Attorney General for costs of providing legal services to the department, such as litigating cases, reviewing legal documents and proposed administrative rules, and issuing legal opinions.

Fraud Investigation

The budget includes \$773,600 and 10 FTE Positions from the State Highway Fund in FY 2015 for Fraud Investigation. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$300 from the State Highway Fund in FY 2015 for statewide adjustments.

Monies in this line item are used for investigation of fraudulent driver's licenses and motor vehicle documents.

Highway Maintenance

The budget includes \$136,202,000 and 932 FTE Positions in FY 2015 for Highway Maintenance. These amounts consist of:

Safety Enforcement and Transportation Infrastructure Fund	562,500
State Highway Fund	135,639,500

These amounts fund the following adjustments:

Highway Maintenance Workload

The budget includes an increase of \$3,461,900 from the State Highway Fund in FY 2015 to maintain and operate 259 new lane miles.

Statewide Adjustments

The budget includes an increase of \$23,600 from the State Highway Fund in FY 2015 for statewide adjustments.

In addition to the \$136,202,000 included for Highway Maintenance, the Proposition 400 Maricopa County half-cent sales tax extension makes another \$12,900,000 available in FY 2015 for landscape maintenance, trash pick-up, sweeping, and litter education from the non-appropriated Maricopa Regional Area Road Fund.

Monies in this line item are used to maintain the state highway system, including pavements, bridges, landscaping, drainage, signals, lights, fences, signs, striping, and snow removal. The monies also fund the freeway management system and the traffic operations center.

New Third Party Funding

The budget includes \$971,500 and 21 FTE Positions in FY 2015 for New Third Party Funding. These amounts consist of:

Highway User Revenue Fund	255,100
Motor Vehicle Liability Insurance Enforcement Fund	205,100
State Highway Fund	430,500
Vehicle Inspection & Title Enforcement Fund	80,800

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$400 in FY 2015 for statewide adjustments. This amount consists of:

Highway User Revenue Fund	100
Motor Vehicle Liability Insurance Enforcement Fund	100
State Highway Fund	200

Monies in this line item provide funding to review authorized third party transactions for accuracy. The funding also provides support for authorized third parties, which allow customers to receive Motor Vehicle Division services at non-ADOT locations.

Vehicles and Heavy Equipment

The budget includes \$18,507,000 and 225 FTE Positions from the Transportation Department Equipment Fund in FY 2015 for Vehicles and Heavy Equipment. These amounts fund the following adjustments:

Funding Realignment

The budget includes a decrease of \$(8,500,000) from the Transportation Department Equipment Fund in FY 2015 to realign the appropriation with anticipated revenues.

ADOT no longer charges programs a monthly recapitalization fee to replace vehicles. Instead, programs pay for new vehicles directly. The revenue in the Transportation Department Equipment Fund is from an equipment utilization rate charged to programs to recover the cost of repairing and maintaining equipment.

Statewide Adjustments

The budget includes an increase of \$5,500 from the Transportation Department Equipment Fund in FY 2015 for statewide adjustments.

Monies in this line item allow the department to maintain and replace the department's fleet and perform motor pool services for other state agencies.

Additional Legislation

Motorsports Commemorative Special Plate Fund

Laws 2014, Chapter 6 establishes the Motorsports Commemorative Special Plate Fund, provided that the \$32,000 implementation fee is paid. Of the \$25 annual fee for the special plate, \$8 is deposited in the State Highway Fund and \$17 is a donation to a foundation that is a national leader in providing resources and charitable support for children through education, medical treatment, dream experiences and volunteerism.

Identifying Information for Peace Officer Spouses

Laws 2014, Chapter 164 adds a spouse of a peace officer to the list of individuals who may request certain personal information in the public record be made confidential. ADOT currently redacts personal information from the records of peace officers. ADOT believes the legislation will require an additional 2,900 redactions for spouses of peace officers adding one-time workload costs of \$45,000 or 1 FTE Position. ADOT indicates that there will be an unknown ongoing cost as well. ADOT was not appropriated any additional resources for this legislation.

State Treasurer

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	30.4	30.4	30.4
Personal Services	1,613,200	1,684,900	1,684,900
Employee Related Expenditures	609,100	594,000	595,000
Professional and Outside Services	94,500	239,200	239,200
Travel - In State	1,400	2,000	2,000
Travel - Out of State	2,600	0	0
Other Operating Expenditures	211,900	300,800	300,800
Equipment	25,600	0	0
OPERATING SUBTOTAL	2,558,300	2,820,900	2,821,900
SPECIAL LINE ITEMS			
Justice of the Peace Salaries	1,231,900	1,205,100	1,205,100
Law Enforcement/Boating Safety Fund Grants	1,661,300	2,183,800	2,183,800
AGENCY TOTAL	5,451,500	6,209,800	6,210,800^{1/}
FUND SOURCES			
General Fund	1,231,900	1,205,100	1,205,100
<u>Other Appropriated Funds</u>			
Law Enforcement and Boating Safety Fund	1,661,300	2,183,800	2,183,800
State Treasurer Empowerment Scholarship Account Fund	0	40,000	40,000
State Treasurer's Management Fund	198,000	197,500	197,600
State Treasurer's Operating Fund	2,360,300	2,583,400	2,584,300
SUBTOTAL - Other Appropriated Funds	4,219,600	5,004,700	5,005,700
SUBTOTAL - Appropriated Funds	5,451,500	6,209,800	6,210,800
Other Non-Appropriated Funds	4,798,200	4,798,200	4,798,200
TOTAL - ALL SOURCES	10,249,700	11,008,000	11,009,000

AGENCY DESCRIPTION — The State Treasurer is an elected Constitutional Officer. The primary responsibilities of the office are to receive and keep custody over all monies belonging to the state that are not required to be kept by another entity, to pay warrants of the Arizona Department of Administration, and to keep an account of all monies received and disbursed. The office also invests state monies and operates the Local Government Investment Pool (LGIP) for the benefit of participating units of local government.

Operating Budget

The budget includes \$2,821,900 and 30.4 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

State Treasurer Empowerment Scholarship Account Fund	FY 2015 \$40,000
State Treasurer's Management Fund	197,600
State Treasurer's Operating Fund	2,584,300

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,000 in FY 2015 for statewide adjustments. This amount consists of:

State Treasurer's Management Fund	100
State Treasurer's Operating Fund	900

(Please see the Agency Detail and Allocations section.)

Justice of the Peace Salaries

The budget includes \$1,205,100 from the General Fund in FY 2015 for the Justice of the Peace (JP) Salaries Special Line Item. This amount is unchanged from FY 2014.

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

A.R.S. § 22-117 requires the state to pay 19.25% of the salary for each Justice of the Peace, with the county paying the remainder. This provision does not apply to Maricopa County, which pays 100% of its JP costs. The FY 2014 Criminal Justice Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 5) permanently limited the amount that the state can reimburse to the counties to the amount appropriated.

Justice of the Peace salaries are based on a proportion of the annual compensation for a Superior Court judge as determined by the guidelines for Judicial Productivity Credits (JPCs) outlined in statute. JPCs are calculated every 2 years and are based on the total and type of cases that a Justice of the Peace hears and whether or not the Justice receives clerical help. An annual average JPC total is compared against the salary ranges in statute to determine an individual Justice’s compensation.

Law Enforcement/Boating Safety Fund Grants

The budget includes \$2,183,800 from the Law Enforcement and Boating Safety Fund (LEBSF) in FY 2015 for the administration of the Law Enforcement and Boating Safety Fund. This amount is unchanged from FY 2014.

Laws 2011, Chapter 333 removed the requirement that grants be distributed by the Arizona Outdoor Recreation Coordinating Commission (AORCC) and required that the State Treasurer administer LEBSF monies beginning in FY 2013. The allocation determinations are made by the AORCC. The Treasurer disburses monies to county law enforcement agencies in Apache, Coconino, Gila, La Paz, Maricopa, Mohave, Navajo, and Yuma Counties in accordance with the distribution formula developed by the AORCC. The FY 2013 and FY 2014 year-to-date allocations are included in *Table 1*. The distribution is less than the appropriation due to insufficient revenues.

Laws 2014, Chapter 127 redirects fees for operating watercraft while “under the influence” from the Public Safety Equipment Fund to LEBSF and creates a new \$500 fee for individuals who refuse a sobriety test and are convicted of operating a watercraft while under the influence. These fees are deposited into LEBSF and are subject to legislative appropriation. This shift is projected to increase LEBSF revenues by approximately \$601,500 in FY 2015. (Please see the Department of Public Safety section for more information.)

Table 1

Allocation of LEBSF Grants

<u>County</u>	<u>FY 2013</u>	<u>FY 2014 Thru March 31</u>
Apache	\$ 49,600	\$ 37,000
Coconino	175,400	148,000
Gila	172,000	127,000
La Paz	296,900	216,800
Maricopa	275,400	217,500
Mohave	502,100	379,800
Navajo	46,600	40,600
Yuma	143,300	119,700
Total	\$1,661,300	\$1,286,400

Commission on Uniform State Laws

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
SPECIAL LINE ITEMS			
National Dues and Travel	0	75,000	0
AGENCY TOTAL	0	75,000	0
FUND SOURCES			
General Fund	0	75,000	0
SUBTOTAL - Appropriated Funds	0	75,000	0
TOTAL - ALL SOURCES	0	75,000	0

AGENCY DESCRIPTION — The commissioners are members of the National Uniform Laws Commission, which meets annually to discuss where uniformity among the 50 states is desirable. The commission then recommends to the Legislature proposed uniform laws promulgated by the National Commission which are deemed appropriate for Arizona.

National Dues and Travel

The budget includes no funding in FY 2015 for the National Dues and Travel Special Line Item. This amount funds the following adjustments:

Funding Elimination

The budget includes a decrease of \$(75,000) from the General Fund in FY 2015 for the National Dues and Travel Special Line Item.

Monies in this line item are used to pay annual membership dues to the National Uniform Laws Commission, in addition to travel expenses for Arizona's 6 commissioners to attend various committees throughout the year. A total of \$54,000 will be used for dues; the remaining \$21,000 will be used for travel expenses.

The FY 2007 Budget Procedures Budget Reconciliation Bill (Laws 2007, Chapter 259) eliminated the agency's statutory authority. The commission was reestablished by Executive Order on July 24, 2007 but did not receive any appropriation until FY 2014.

Arizona Board of Regents

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.9	25.9	25.9
Personal Services	1,738,300	1,544,000	1,544,000
Employee Related Expenditures	452,900	446,000	448,900
Professional and Outside Services	20,600	21,700	21,700
Other Operating Expenditures	138,800	337,900	337,900
OPERATING SUBTOTAL	2,350,600	2,349,600	2,352,500
SPECIAL LINE ITEMS			
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Performance Funding	5,000,000	5,000,000	5,000,000 ^{1/2/3/4/}
Student Financial Assistance	10,041,200	10,041,200	10,041,200
Western Interstate Commission Office	125,000	131,000	131,000
WICHE Student Subsidies	4,095,500	4,100,000	4,100,000
AGENCY TOTAL	21,916,000	21,925,500	21,928,400 ^{5/}
FUND SOURCES			
General Fund	21,916,000	21,925,500	21,928,400
SUBTOTAL - Appropriated Funds	21,916,000	21,925,500	21,928,400
Other Non-Appropriated Funds	9,558,300	13,750,600	11,720,200
Federal Funds	2,509,400	1,368,500	892,300
TOTAL - ALL SOURCES	33,983,700	37,044,600	34,540,900

AGENCY DESCRIPTION — Article 11 of the Arizona Constitution creates the Arizona Board of Regents (ABOR). ABOR governs the 3 state institutions comprising the Arizona University System: Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA). The board is legally, fiscally, and strategically responsible for the state universities.

Operating Budget

The budget includes \$2,352,500 and 25.9 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$2,900 from the General Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

- 1/ The Arizona Board of Regents shall allocate the \$5,000,000 appropriation for performance funding to the 3 universities under its jurisdiction in accordance with a performance funding model to be adopted by the board that is substantially similar to what the board used in allocating the performance funding appropriation for FY 2014. (General Appropriation Act footnote)
- 2/ It is the intent of the Legislature that the Arizona Board of Regents adopt a performance funding model and report to the Joint Legislative Budget Committee the final allocation of the \$5,000,000 performance funding lump sum appropriation on or before July 1, 2014. The formula must be consistent with board objectives previously adopted in the board's enterprise plan. The performance funding model must use select performance metrics that include, at a minimum, the increase in degrees awarded, the increase in completed student credit hours and the increase in externally generated research and public service funding. The formula may give added weight to degrees related to science, technology, engineering and mathematics, as well as other high-value degrees that are in short supply or are essential to the state's long-term economic development strategy. (General Appropriation Act footnote)
- 3/ It is further the intent of the Legislature that the Arizona Board of Regents use the adopted performance funding model in developing and submitting future budget requests for the universities under its jurisdiction, and that the Legislature use the performance funding model in the development of future fiscal year appropriations for the universities under the jurisdiction of the Arizona Board of Regents. (General Appropriation Act footnote)
- 4/ Within 10 days after the acceptance of the universities' semiannual all funds budget reports, the Arizona Board of Regents must submit an expenditure plan for review to the Joint Legislative Budget Committee. The expenditure plan must 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 must provide as much detail as the university budget requests. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Arizona Teachers Incentive Program

The budget includes \$90,000 from the General Fund in FY 2015 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2014.

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 2013, ATIP distributed \$50,000 in loans among 10 students, as well as \$40,000 to the UA College of Education for deaf and blind instructional resources.

Arizona Transfer Articulation Support System

The budget includes \$213,700 from the General Fund in FY 2015 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2014.

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 2013 and are projected to also contribute \$277,200 in both FY 2014 and FY 2015.

Performance Funding

The budget includes \$5,000,000 from the General Fund in FY 2015 for the Performance Funding Special Line Item (SLI). This amount is unchanged from FY 2014 and represents a continuation of the same \$5,000,000 that was appropriated in FY 2014.

The FY 2013 appropriation of \$5,000,000 was distributed as follows: \$2,192,000 to ASU - Tempe/Downtown Phoenix, \$156,300 to ASU - East, \$271,700 to ASU - West, \$1,035,000 to NAU, and \$1,345,000 to UA - Main. While the \$5,000,000 remains part of the ABOR FY 2013 actuals, the FY 2014 budget reallocates these monies to the individual university budgets, according to their FY 2013 allocation.

The FY 2014 appropriation of \$5,000,000 was distributed as follows: \$2,348,800 to ASU - Tempe/Downtown Phoenix, \$165,300 to ASU - East, \$190,900 to ASU - West, \$1,090,000 to NAU, and \$1,205,000 to UA - Main, but is shown in the ABOR section. These amounts remain allocated in the ABOR section of the FY 2015 budget and are not allocated to the individual universities.

In summary, the FY 2013 - FY 2015 budgets provided a total increase of \$10,000,000 from the General Fund for performance funding. Of that amount, \$5,000,000 has been allocated to individual campuses and \$5,000,000 remains in ABOR.

Background - The FY 2013 Higher Education budget Reconciliation Bill (BRB) (Laws 2012, Chapter 301) required ABOR and the universities to adopt a performance funding model by July 1, 2012. This session law was continued in the FY 2014 Higher Education BRB (Laws 2013, 1st Special Session, Chapter 7). The model is to use performance metrics that include the increase in degrees awarded, the increase in completed student credit hours, and the increase in externally generated research and public service funding. The formula may give added weight to degrees related to science, technology, engineering, mathematics, and other high-value degrees that are in short supply or that are essential to the state's long-term economic development strategy. An ongoing budget footnote requires that ABOR report the final allocation of performance funding to the JLBC by July 1 of each year.

A budget footnote requires that ABOR use the adopted performance funding model in developing and submitting future budget requests for the universities under its jurisdiction, and that the Legislature use the performance funding model in the development of future fiscal year appropriations for the universities. (*See the Other Issues section for additional information.*)

Student Financial Assistance

The budget includes \$10,041,200 from the General Fund in FY 2015 for Student Financial Assistance. This amount is unchanged from FY 2014.

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 \$69 - \$93 in FY 2014, depending on the university. All students pay roughly the same fee, except part-time students, who pay half the regular fee. The FY 2015 Higher Education BRB (Laws 2014, Chapter 16) continues to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2015.

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 2013, AFAT disbursed \$19,116,400.

Western Interstate Commission Office

The budget includes \$131,000 from the General Fund in FY 2015 for the Western Interstate Commission Office. This amount is unchanged from FY 2014.

Monies in this line item pay the state's share of administrative expenditures for the Western Interstate Commission on Higher Education (WICHE), in accordance with A.R.S. § 15-1742. The WICHE central office sets the administrative fee.

WICHE Student Subsidies

The budget includes \$4,100,000 from the General Fund in FY 2015 for WICHE student subsidies. This amount is unchanged from FY 2014.

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 2014, the board is providing subsidies to 174 Arizona students, which is (7) fewer than FY 2013. 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 100% of their subsidies, plus interest.

The WICHE central office determines subsidy amounts for each program through negotiations with participating institutions. As rough guidance, WICHE subsidies are intended to cover the difference between resident and non-resident tuition at a public university or approximately half the private university tuition rate.

Additional Legislation

University Intellectual Property

Laws 2014, Chapter 194 modifies the process for transferring technology and intellectual property from ABOR to third parties. ABOR is required to maintain intellectual property policies that allows, on a case-by-case negotiated basis, the transfer of intellectual property owned by ABOR to third parties. The transfer must either be in the best interest of the state and university system or the transfer must promote the dissemination of university research for the public benefit.

Other Issues

Parity Funding

The budget includes \$58,040,000 from the General Fund in FY 2015 to align ASU's and NAU's per pupil funding to that of the higher UA amount. The budget allocates this funding as follows: \$38,843,100 to ASU - Tempe Campus/Downtown Phoenix Campus, \$6,647,000 to ASU - East, \$12,549,900 to NAU.

The original intent of the parity funding was to add \$76,368,500 collectively to the ASU and NAU budgets in \$15,273,700 annual increments between FY 2013 and FY 2017. The FY 2013 budget added the first \$15,273,700. The FY 2014 budget added another \$15,273,700 (for a total of \$30,547,400). Rather than continue to fund a new incremental parity appropriation each year through FY 2017, the FY 2015 budget added an additional final parity appropriation of \$27,492,600 for a total of \$58,040,000. The parity funding would continue at this level without further increases.

2003 Research Infrastructure Refinancing

The budget includes a reduction of \$(5,590,900) from the General Fund in FY 2015 to amend research infrastructure lease-purchase payments to their actual debt service obligations. ABOR recently refinanced the Certificates of Participation (COPs) for the 2003 research infrastructure appropriation, resulting in total savings across all 3 universities of \$(5,590,900) in FY 2015, \$(8,112,100) in FY 2016 and \$(4,257,600) in FY 2017. Section 134 of the FY 2015 General Appropriation Act reduces individual campus appropriations by these amounts through FY 2017. In FY 2018 through the end of the financing term in FY 2031 the annual savings is less than \$1,000,000. (Please see ASU - Tempe/Downtown, NAU and UA - Main sections for additional information.)

Payment Deferral

The budget includes \$200,000,000 from the General Fund for universitywide FY 2014 payments deferred until FY 2015 and includes a universitywide FY 2015 General Fund payment deferral of \$(200,000,000) until FY 2016. The payment deferral is unchanged from FY 2011. (Please see the individual university narrative pages for more information.)

The FY 2015 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	\$ (78,929,800)
Total	\$(200,000,000)

University System Summary Tables

Table 1 summarizes the FY 2015 expenditure authority amounts for the Arizona University System. The Collections Fund amounts for each campus includes growth, as reported by the universities, due to FY 2014 increases in tuition collections. The General Fund amounts do not include additional growth.

Table 2 shows enrollment for Arizona University System students. Between fall 2012 and fall 2013, enrollment increased from 135,955 FTE to 140,144 FTE, or 3.1%. Spring enrollment is traditionally lower than the fall. Prior to the FY 2014 budget, the university system projected enrollment was calculated for the next academic year based on a weighted rolling average of the next, current, and prior academic years, with the current academic year receiving double the weight of each of the other 2 years. Enrollment information is now based on actual enrollment data.

Table 3 shows ABOR changes to resident and non-resident undergraduate tuition from FY 2014 to FY 2015. While NAU has maintained a guaranteed tuition model for incoming freshman over the previous 6 years, UA will begin a similar program beginning in FY 2015. ASU previously provided guaranteed tuition; however, for 10

years beginning in FY 2015, ASU will limit annual tuition growth to between 0% and 3%.

Table 4 shows the financial aid distribution and the sources of aid for the Arizona University System in FY 2013. Of \$1,922,384,600 total financial aid distributions in FY 2013, the state appropriated \$1,917,900, university institutional services provided \$622,781,100, and AFAT (made up of both state and institutional funds) accounted for \$19,116,400.

Table 5 displays total tuition collections for the Arizona University System, which equal an estimated \$1,656,523,700 in FY 2014 and \$1,758,326,500 in FY 2015. The FY 2015 amount reflects estimated student growth and does not reflect any tuition changes.

The universities annually project their expenditure needs for financial aid, facilities (plant fund), debt service, and the operating budget. A.R.S. § 15-1626 authorizes ABOR to then allocate collections between the appropriated operating budgets, under legislative control, and non-appropriated funds, locally retained by the universities.

Table 1

FY 2015 Summary of Spending Authority

	Appropriated Funds			Non-Appropriated Funds		Total
	General Fund	Collections Fund ^{1/}	Tech & Research Fund (TRIF)	Federal Funds	Other Funds	
ABOR	\$ 21,928,400	\$ 0	\$ 0	\$ 892,300	\$ 11,720,200	\$ 34,540,900
ASU-Tempe/DPC	290,104,300	453,068,700	0	288,448,000	837,962,800	1,869,583,800
ASU-East	25,853,400	33,691,700	2,000,000	5,850,000	18,634,300	86,029,400
ASU-West	33,328,100	39,380,300	1,600,000	13,003,900	21,683,800	108,996,100
NAU	118,281,200	120,281,100	0	74,589,800	191,057,600	504,209,700
UA-Main	209,341,200	271,507,700	0	292,794,400	881,711,000	1,655,354,300
UA-Health Sciences	69,585,300	41,117,000	0	123,682,600	215,490,800	449,875,700
Total	\$768,421,900	\$959,046,500	\$3,600,000	\$799,261,000	\$2,178,260,500	\$4,708,589,900

^{1/} Excludes FY 2015 tuition adjustments.

Table 2

Arizona University System 45th Day Enrollment ^{1/}

	Fall 2012	Spring 2013	Fall 2013	Spring 2014	Fall 2012 to Fall 2013 % Change
ASU-Tempe/ DPC	61,375	58,097	64,393	57,177	4.9%
ASU-East	5,057	5,298	5,177	11,993	2.4%
ASU-West	6,155	5,943	6,344	5,153	3.1%
NAU	23,990	22,420	24,593	23,752	2.5%
UA-Main	36,607	34,466	36,606	35,614	0.0%
UA-Health Sciences	2,772	2,885	3,031	3,054	9.3%
Total	135,955	129,109	140,144	136,743	3.1%

^{1/} Enrollment includes 271 full-time equivalent students with excess credit hours in fall 2012, 453 in spring 2013 and 355 in fall 2013.

Table 3

**Arizona University System
FY 2015 Undergraduate and Graduate Tuition ^{1/}**

	<u>Resident Undergraduate</u>		<u>Resident Graduate</u>		<u>Non-Resident Undergraduate</u>		<u>Non-Resident Graduate</u>	
	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>
ASU	\$10,157	1.5%	\$11,283	4.3%	\$24,503	3.6%	\$26,717	3.5%
NAU	\$9,989	2.6%	\$9,165	4.5%	\$22,509	1.9%	\$20,249	1.9%
UofA	\$10,957	5.4%	\$11,723	1.8%	\$29,421	8.7%	\$28,705	4.8%

^{1/} Reflects tuition rates for new students at NAU and UA and all classes at ASU. NAU and UA provide a guaranteed tuition rate for each incoming class, while ASU annual tuition growth is limited to 3% through FY 2024.

Table 4

**FY 2013 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	\$214,683.3	\$1,636.5	\$456,395.9	\$166,963.1	\$ 839,678.8
Loans	693,078.4	281.4	77.0	217,203.2	910,640.0
Employment	<u>5,757.6</u>	<u>0.0</u>	<u>166,308.2</u>	<u>0.0</u>	<u>172,065.8</u>
Total	\$913,519.3	\$1,917.9	\$622,781.1	\$384,166.3	\$1,922,384.6

^{1/} Information provided by ABOR.

^{2/} State sources of aid include revenues from the Commission for Postsecondary Education.

^{3/} Institutional sources of aid include revenues from: Local Retention, the Collegiate License Plate Fund, Foundation funds, and Financial Aid Carry Forward from previous years.

^{4/} Private/Other sources of aid include AFAT, which is a combination of both state and institutional sources of aid.

Table 5

Tuition Revenue Allocation

	<u>FY 2013 Actual</u>	<u>FY 2014 Estimate</u>	<u>FY 2015 Estimate ^{2/}</u>
<u>Appropriated</u>			
Operating Budget	\$ 912,616,200	\$ 959,046,500 ^{1/}	\$ 993,572,200
<u>Non-Appropriated</u>			
Operating Budget	\$ 126,842,900	\$ 157,293,200	\$ 189,025,700
Financial Aid	401,858,500	427,073,700	453,880,200
Plant Fund	18,502,100	23,502,100	28,502,100
Debt Service	<u>84,773,900</u>	<u>89,608,200</u>	<u>93,346,300</u>
<i>Subtotal</i>	\$ 631,977,400	\$ 697,477,200	\$ 764,754,300
Total	\$1,544,593,600	\$1,656,523,700	\$1,758,326,500

^{1/} This amount reflects appropriated tuition collections and fees as allocated by ABOR and favorably reviewed by the JLBC at its August 2013 meeting.

^{2/} The source for these non-appropriated amounts are the universities' FY 2015 budget requests from October 2013. The appropriated amount includes all FY 2015 estimated tuition collections and fees at that time, but do not reflect FY 2015 tuition adjustments approved by ABOR in spring 2014.

Arizona State University - Tempe/DPC

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6,142.9	6,142.9	6,142.9 ^{1/}
Personal Services	343,057,500	368,347,400	368,347,400
Employee Related Expenditures	105,288,800	112,609,000	112,609,000
Professional and Outside Services	31,874,900	31,800,700	31,800,700
Travel - In State	199,400	233,400	233,400
Travel - Out of State	2,949,800	3,806,300	3,806,300
Other Operating Expenditures	52,536,100	38,396,000	40,396,000
Equipment	19,676,000	21,365,700	21,365,700
OPERATING SUBTOTAL	555,582,500	576,558,500	578,558,500
SPECIAL LINE ITEMS			
Biomedical Informatics	2,132,000	1,955,200	1,955,200
Downtown Phoenix Campus	102,362,800	110,783,800	110,783,800
Parity Funding	10,222,200	20,444,400	38,843,100 ^{2/}
Research Infrastructure Lease-Purchase Payment	13,555,000	13,555,000	13,032,400 ^{3/}
AGENCY TOTAL	683,854,500	723,296,900	743,173,000 ^{4/5/6/}
FUND SOURCES			
General Fund	255,735,200	270,228,200	290,104,300 ^{7/8/9/10/}
Other Appropriated Funds			
University Collections Fund	428,119,300	453,068,700	453,068,700 ^{11/}
SUBTOTAL - Other Appropriated Funds	428,119,300	453,068,700	453,068,700
SUBTOTAL - Appropriated Funds	683,854,500	723,296,900	743,173,000
Other Non-Appropriated Funds	702,533,700	771,066,800	837,962,800
Federal Funds	266,869,100	279,165,300	288,448,000
TOTAL - ALL SOURCES	1,653,257,300	1,773,529,000	1,869,583,800

^{1/} Includes 849.2 GF FTE Positions funded from Special Line Items in FY 2015.

^{2/} It is the intent of the Legislature to appropriate funding to Arizona State University and Northern Arizona University with the goal of achieving per student funding parity between the universities under the jurisdiction of the Arizona Board of Regents no later than the beginning of FY 2017. (General Appropriation Act footnote) (See ABOR narrative for more information)

^{3/} Includes \$13,555,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects. This amount has been adjusted by \$(522,600) in Section 134 of the General Appropriation Act to reflect savings from refinancing the lease-purchase payments.

^{4/} The appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)

^{5/} The appropriated monies may not be used by the Arizona State University College of Law Legal Clinic for any lawsuits involving inmates of the State Department of Corrections in which the state is the adverse party. (General Appropriation Act footnote)

^{6/} General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{7/} The state General Fund appropriations may not be used for alumni association funding. (General Appropriation Act footnote)

^{8/} It is the intent of the Legislature that the General Fund base funding for Arizona State University - Tempe and Downtown Phoenix Campuses is \$277,071,900. This appropriation includes a deferral of \$74,760,400 from FY 2015 to FY 2016. This deferral shall be paid as required in this act. (General Appropriation Act footnote) The General Fund base funding of \$277,071,900 plus the \$13,555,000 in Laws 2003, Chapter 267 lease-purchase appropriations, less \$(522,600) in savings from the refinance of Certificates of Participation for research infrastructure, equals the FY 2015 total of \$290,104,300. The \$74,760,400 deferral amount was appropriated by Laws 2013, 1st Special Session, Chapter 1.

^{9/} The increased state General Fund appropriations may not be used for medical marijuana research. (General Appropriation Act footnote)

^{10/} The sum of \$2,000,000 in FY 2016 and the sum of \$2,000,000 in FY 2017 are appropriated from the state General Fund to Arizona State University - Tempe and Downtown Phoenix Campuses for operating expenditures. (General Appropriation Act footnote)

^{11/} Any unencumbered balances remaining in the collections account on June 30, 2014 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

AGENCY DESCRIPTION — Established in 1885, Arizona State University (ASU) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). As a primary research institution, ASU offers 285 Baccalaureate, Master’s, Doctoral and first professional degree programs, and 63 undergraduate and graduate certificate programs to 62,599 full- and part-time students at its Tempe Campus. The Downtown Phoenix Campus (DPC), budgeted as a unit of the Tempe Campus, offers 60 degree programs and 29 certificate programs to 20,263 full- and part-time students.

Operating Budget

The budget includes \$578,558,500 and 5,293.7 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$214,052,600
University Collections Fund	364,505,900

These amounts fund the following adjustments:

Operating Increase

The budget includes an increase of \$2,000,000 from the General Fund in FY 2015 to provide additional funding for university operations. This increase will continue in FY 2016 and FY 2017.

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections and the University Collections Fund amount will ultimately be adjusted to reflect these additional revenues.

Biomedical Informatics

The budget includes \$1,955,200 and 14.2 FTE Positions from the General Fund in FY 2015 for the Biomedical Informatics Department. These amounts are unchanged from FY 2014.

This multidisciplinary department incorporates computer science, biology, and engineering to organize and analyze medical data. This department moved from the Downtown Phoenix Campus to Mayo Clinic’s hospital in Phoenix last year.

Downtown Phoenix Campus

The budget includes \$110,783,800 and 790 FTE Positions in FY 2015 for programs headquartered at the Downtown Phoenix Campus (DPC). These amounts consist of:

General Fund	22,221,000
University Collections Fund	88,562,800

These amounts are unchanged from FY 2014.

The DPC offers undergraduate and graduate programs in disciplines including health, nursing, journalism, mass communication, teaching and public programs. The campus opened in 2006 with 2,700 students and had a full-time student enrollment of 12,051 in fall 2013.

Parity Funding

The budget includes \$38,843,100 and 45 FTE Positions from the General Fund in FY 2015 for the Parity Funding Special Line Item (SLI). These amounts fund the following adjustments:

Parity Funding Increase

The budget includes an increase of \$18,398,700 from the General Fund in FY 2015 to align ASU’s Tempe Campus and DPC per pupil funding to that of the higher University of Arizona amount.

Along with \$20,444,400 of appropriated funding in FY 2013 and FY 2014, this adjustment would bring total 3-year parity funding to \$38,843,100. (See ABOR narrative for more information.)

Research Infrastructure Lease-Purchase Payment

The budget includes \$13,032,400 from the General Fund in FY 2015 for the Research Infrastructure Lease-Purchase Payment Special Line Item. This amount funds the following adjustments:

Refinance Savings

The budget includes a decrease of \$(522,600) from the General Fund in FY 2015 to reflect savings from the refinance of Certificates of Participation (COPs) for research infrastructure projects.

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. Besides the FY 2015 reduction, Section 134 of the FY 2015 General Appropriation Act also reduces the ASU research infrastructure appropriation of \$13,555,000 by \$(3,045,900) in FY 2016 and \$(2,329,800) in FY 2017.

This funding does not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects. Of this amount, ASU-Tempe/DPC has issued \$187,200,000 in COPs.

Other Issues

Payment Deferral

The budget includes \$74,760,400 from the General Fund for FY 2014 payments that were deferred until FY 2015 and includes a FY 2015 General Fund payment deferral of \$(74,760,400) until FY 2016. 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 2015 General Fund budget is \$290,104,300. Of this amount:

- \$202,311,500 is included in ASU-Tempe/DPC's individual section of the FY 2015 General Appropriation Act.
- \$74,760,400 was appropriated in the FY 2014 General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) to reflect the deferral of FY 2014 monies to FY 2015.
- \$13,555,000 was appropriated in Laws 2003, Chapter 267 for a lease-purchase payment.
- \$(522,600) was reduced in Section 134 of the FY 2015 General Appropriation Act for Research Infrastructure savings.

Arizona State University - East Campus

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	425.6	425.6	425.6 ^{1/}
Personal Services	24,139,200	25,803,600	25,803,600
Employee Related Expenditures	7,449,900	8,074,500	8,074,500
Professional and Outside Services	3,774,000	4,087,200	4,087,200
Travel - In State	28,700	30,500	30,500
Travel - Out of State	279,700	267,500	267,500
Other Operating Expenditures	12,657,500	12,501,900	12,501,900
Equipment	1,208,800	1,215,900	1,215,900
OPERATING SUBTOTAL	49,537,800	51,981,100	51,981,100
SPECIAL LINE ITEMS			
Parity Funding	1,748,900	3,497,800	6,647,000 ^{2/}
Research Infrastructure Lease-Purchase Payment	917,000	917,000	917,000 ^{3/}
TRIF Lease-Purchase Payment	2,000,000	2,000,000	2,000,000
AGENCY TOTAL	54,203,700	58,395,900	61,545,100^{4/5/}
FUND SOURCES			
General Fund	20,656,200	22,704,200	25,853,400 ^{6/7/8/}
<u>Other Appropriated Funds</u>			
Technology and Research Initiative Fund	2,000,000	2,000,000	2,000,000
University Collections Fund	31,547,500	33,691,700	33,691,700 ^{2/}
SUBTOTAL - Other Appropriated Funds	33,547,500	35,691,700	35,691,700
SUBTOTAL - Appropriated Funds	54,203,700	58,395,900	61,545,100
Other Non-Appropriated Funds	10,862,900	18,273,600	18,634,300
Federal Funds	4,964,500	5,667,900	5,850,000
TOTAL - ALL SOURCES	70,031,100	82,337,400	86,029,400

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 42 professional and technical Baccalaureate, Master's, and Doctoral degree programs and 6 undergraduate certificate programs to 11,302 full- and part-time students. ASU-East is located at the 600-acre site of the former Williams Air Force Base in southeast Mesa.

- 1/ Includes 9 GF FTE Positions funded from Special Line Items in FY 2015.
- 2/ It is the intent of the Legislature to appropriate funding to Arizona State University and Northern Arizona University with the goal of achieving per student funding parity between the universities under the jurisdiction of the Arizona Board of Regents no later than the beginning of FY 2017. (General Appropriation Act footnote) (See ABOR narrative for more information.)
- 3/ Includes \$917,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects.
- 4/ The appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 6/ The state General Fund appropriations may not be used for alumni association funding. (General Appropriation Act footnote)
- 7/ It is the intent of the Legislature that the General Fund base funding for Arizona State University - East Campus is \$24,936,400. This appropriation includes a deferral of \$5,750,200 from FY 2015 to FY 2016. This deferral shall be paid as required in this act. (General Appropriation Act footnote) The General Fund base funding of \$24,936,400 plus the \$917,000 in Laws 2003, Chapter 267 lease-purchase appropriations equals the FY 2015 total of \$25,853,400. The \$5,750,200 deferral amount was appropriated by Laws 2013, 1st Special Session, Chapter 1.
- 8/ The increased state General Fund appropriations may not be used for medical marijuana research. (General Appropriation Act footnote)
- 9/ Any unencumbered balances remaining in the collections account on June 30, 2014 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

Operating Budget

The budget includes \$51,981,100 and 416.6 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	<u>FY 2015</u>
General Fund	\$18,289,400
University Collections Fund	33,691,700

These amounts are unchanged from FY 2014.

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections and the University Collections Fund amount will ultimately be adjusted to reflect these additional revenues.

Parity Funding

The budget includes \$6,647,000 and 9 FTE Positions from the General Fund in FY 2015 for the Parity Funding Special Line Item (SLI). These amounts fund the following adjustments:

Parity Funding Increase

The budget includes an increase of \$3,149,200 from the General Fund in FY 2015 to move towards aligning ASU's East Campus per pupil funding with that of the higher University of Arizona amount.

Along with \$3,497,800 of appropriated funding in FY 2013 and FY 2014, this adjustment would bring total 3-year parity funding to \$6,647,000. (*See Arizona Board of Regents (ABOR) narrative for more information.*)

Research Infrastructure Lease-Purchase Payment

The budget includes \$917,000 from the General Fund in FY 2015 for the Research Infrastructure Lease-Purchase Payment Special Line Item. Unlike the ASU - Tempe/DPC payment, this amount is unchanged from FY 2014.

Laws 2003, Chapter 267 appropriated a total of \$34,625,000 from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006. Therefore, this funding does not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in Certificates of Participation (COPs) for research infrastructure projects. Of this amount, ASU-East has issued \$19,000,000 in COPs for the Interdisciplinary Science & Technology Building II, which is now complete.

TRIF Lease-Purchase Payment

The budget includes \$2,000,000 from the Technology and Research Initiative Fund (TRIF) in FY 2015 for lease-purchase payment requirements. This amount is unchanged from FY 2014.

Laws 2000, 5th Special Session, Chapter 1 appropriated \$1,400,000 from TRIF to make the initial lease-purchase payment in FY 2002 on \$27,500,000 in infrastructure development at ASU-East. The payment schedule runs through FY 2021.

Other Issues

Payment Deferral

The budget includes \$5,750,200 from the General Fund for FY 2014 payments that were deferred until FY 2015 and includes a FY 2015 General Fund payment deferral of \$(5,750,200) until FY 2016. 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 2015 General Fund budget is \$25,853,400. Of this amount:

- \$19,186,200 is included in ASU-East's individual section of the FY 2015 General Appropriation Act.
- \$5,750,200 was appropriated in the FY 2014 General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) to reflect the deferral of FY 2014 monies to FY 2015.
- \$917,000 was appropriated in Laws 2003, Chapter 267 for a lease-purchase payment.

Arizona State University - West Campus

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	562.9	562.9	562.9
Personal Services	32,418,200	33,694,600	33,694,600
Employee Related Expenditures	10,369,400	10,588,500	10,588,500
Professional and Outside Services	2,821,000	3,449,000	3,449,000
Travel - In State	23,500	39,300	39,300
Travel - Out of State	124,200	296,900	296,900
Other Operating Expenditures	23,680,200	23,832,900	23,832,900
Equipment	751,600	807,200	807,200
OPERATING SUBTOTAL	70,188,100	72,708,400	72,708,400
SPECIAL LINE ITEMS			
TRIF Lease-Purchase Payment	1,600,000	1,600,000	1,600,000
AGENCY TOTAL	71,788,100	74,308,400	74,308,400^{1/2/}
FUND SOURCES			
General Fund	33,133,900	33,328,100	33,328,100 ^{3/4/5/}
Other Appropriated Funds			
Technology and Research Initiative Fund	1,600,000	1,600,000	1,600,000
University Collections Fund	37,054,200	39,380,300	39,380,300 ^{6/}
SUBTOTAL - Other Appropriated Funds	38,654,200	40,980,300	40,980,300
SUBTOTAL - Appropriated Funds	71,788,100	74,308,400	74,308,400
Other Non-Appropriated Funds	10,613,600	21,168,900	21,683,800
Federal Funds	11,409,500	12,587,500	13,003,900
TOTAL - ALL SOURCES	93,811,200	108,064,800	108,996,100

AGENCY DESCRIPTION — Established as a separate budget unit in 1984, Arizona State University - West Campus (ASU-West) currently offers 45 Baccalaureate, selective Master's, and Doctoral degree programs in the professional and liberal arts and 8 undergraduate certificate programs to 14,038 full- and part-time students. ASU-West is located at a 277-acre site in northwest Phoenix.

Operating Budget

The budget includes \$72,708,400 and 562.9 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$33,328,100
University Collections Fund	39,380,300

These amounts are unchanged from FY 2014.

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections and the University Collections Fund amount will ultimately be adjusted to reflect these additional revenues.

1/ The appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)

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

3/ The state General Fund appropriations may not be used for alumni association funding. (General Appropriation Act footnote)

4/ It is the intent of the Legislature that the General Fund base funding for Arizona State University - West Campus is \$33,328,100. This appropriation includes a deferral of \$10,064,800 from FY 2015 to FY 2016. This deferral may be paid as required in this act. (General Appropriation Act footnote)
The \$10,064,800 deferral amount was appropriated by Laws 2013, 1st Special Session, Chapter 1.

5/ The increased General Fund appropriations may not be used for medical marijuana research. (General Appropriation Act footnote)

6/ Any unencumbered balances remaining in the collections account on June 30, 2014 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

TRIF Lease-Purchase Payment

The budget includes \$1,600,000 from the Technology and Research Initiative Fund (TRIF) in FY 2015 for lease-purchase payment requirements. This amount is unchanged from FY 2014.

Laws 2000, 5th Special Session, Chapter 1 appropriated \$1,100,000 from TRIF to make the initial lease-purchase payment in FY 2002 on \$21,600,000 in infrastructure development at ASU-West. The payment schedule runs through FY 2021.

Other Issues

Payment Deferral

The budget includes \$10,064,800 from the General Fund for FY 2014 payments that were deferred until FY 2015 and includes a FY 2015 General Fund payment deferral of \$(10,064,800) until FY 2016. 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 2015 General Fund budget is \$33,328,100. Of this amount:

- \$23,263,300 is included in ASU-West's individual section of the FY 2015 General Appropriation Act.
- \$10,064,800 was appropriated in the FY 2014 General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) to reflect the deferral of FY 2014 monies to FY 2015.

Northern Arizona University

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,057.2	2,057.2	2,057.2 ^{1/}
Personal Services	134,943,100	145,539,400	145,539,400
Employee Related Expenditures	38,308,000	42,164,500	42,164,500
Professional and Outside Services	12,319,800	10,104,800	10,104,800
Travel - In State	422,600	460,000	460,000
Travel - Out of State	759,500	459,000	459,000
Other Operating Expenditures	11,701,600	12,983,100	13,483,100
Equipment	203,900	573,000	573,000
OPERATING SUBTOTAL	198,658,500	212,283,800	212,783,800
SPECIAL LINE ITEMS			
Biomedical Research	0	0	3,000,000 ^{2/}
Parity Funding	3,302,600	6,605,200	12,549,900 ^{3/}
NAU - Yuma	2,290,200	2,446,500	2,446,500
Research Infrastructure Lease-Purchase Payment	5,900,000	5,900,000	5,491,500 ^{4/}
Teacher Training	2,145,600	2,290,600	2,290,600 ^{5/}
AGENCY TOTAL	212,296,900	229,526,100	238,562,300 ^{6/7/}
FUND SOURCES			
General Fund	104,887,800	109,245,000	118,281,200 ^{8/9/10/11/}
Other Appropriated Funds			
University Collections Fund	107,409,100	120,281,100	120,281,100 ^{12/}
SUBTOTAL - Other Appropriated Funds	107,409,100	120,281,100	120,281,100
SUBTOTAL - Appropriated Funds	212,296,900	229,526,100	238,562,300
Other Non-Appropriated Funds	179,638,100	188,657,700	191,057,600
Federal Funds	73,120,100	73,851,500	74,589,800
TOTAL - ALL SOURCES	465,055,100	492,035,300	504,209,700

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 145 degree programs and 64 certificate programs to 26,606 students in 9 colleges/divisions through its campus in Flagstaff and its distance learning programs. Besides its online offerings, the university provides programs through 37 instructional sites, including a Yuma Branch Campus that operates in conjunction with Arizona Western College and NAU Yavapai, a partnership with Yavapai Community College.

^{1/} Includes 29.4 GF FTE Positions funded from Special Line Items in FY 2015.

^{2/} A. The sum of \$3,000,000 is appropriated annually from the state General Fund in FY 2015, FY 2016, FY 2017, FY 2018 and FY 2019 to Northern Arizona University for distribution to a nonprofit medical research foundation in this state that specializes in biotechnology and that collaborates with universities, hospitals, biotechnology and health science research centers.

B. A nonprofit foundation that receives monies pursuant to subsection A of this section shall annually submit an expenditure and performance report to Northern Arizona University. The university shall transmit the report to the Joint Legislative Budget Committee for its review on or before February 1 of each year. The report must include at least the following: 1. The type and amount of expenditures from all state sources of monies, including the amount leveraged for local, state, federal and private grants. 2. A description of each grant received as well as the percentage and locations of positions funded solely or partly by state monies and the nonprofit foundation's projects with which those positions are associated. 3. Performance measures, including: (a) Outcomes that are specifically related to the use of state monies. (b) Progress that has been made toward the achievement of each outcome, including activities, resources and other evidence of the progress. (c) Reportable inventories or discoveries related to each outcome. (d) Publications, presentations and narratives related to each outcome and how the expenditures from all state sources of monies that the nonprofit foundation receives have benefited Arizona. (General Appropriation Act footnote) (See ABOR narrative for more information)

^{3/} It is the intent of the Legislature to appropriate funding to Arizona State University and Northern Arizona University with the goal of achieving per student funding parity between the universities under the jurisdiction of the Arizona Board of Regents no later than the beginning of FY 2017. (General Appropriation Act footnote) (See ABOR narrative for more information)

^{4/} Includes \$5,900,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects. This amount has been adjusted by \$(408,500) in Section 134 of the General Appropriation Act to reflect savings from refinancing the lease-purchase payments.

Operating Budget

The budget includes \$212,783,800 and 2,027.8 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$92,502,700
University Collections Fund	120,281,100

These amounts fund the following adjustments:

Operating Increase

The budget includes an increase of \$500,000 from the General Fund in FY 2015 to provide additional funding for university operations. This increase will continue in FY 2016 and FY 2017.

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections and the University Collections Fund amount will ultimately be adjusted to reflect these additional revenues.

Biomedical Research

The budget includes \$3,000,000 from the General Fund in FY 2015 for a new Biomedical Research Special Line Item (SLI). This amount funds the following adjustments:

Biomedical Research Funding

The budget includes an increase of \$3,000,000 from the General Fund in FY 2015 for biomedical research.

Section 132 of the FY 2015 General Appropriation Act (Laws 2014, Chapter 18) appropriates \$3,000,000 annually to NAU from FY 2015 to FY 2019 for biotechnology. Funding is to be allocated to a nonprofit medical research foundation that specializes in biotechnology and that collaborates with universities, hospitals, biotechnology and health science research centers.

- 5/ The appropriated amount for the Teacher Training line item must be distributed to the Arizona K-12 Center for Program Implementation and Mentor Training for the Arizona Mentor Teacher program prescribed by the State Board of Education. (General Appropriation Act footnote)
- 6/ The appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 8/ The state General Fund appropriations may not be used for alumni association funding. (General Appropriation Act footnote)
- 9/ It is the intent of the Legislature that the General Fund base funding for Northern Arizona University is \$109,789,700. This appropriation includes a deferral of \$30,494,800 from FY 2015 to FY 2016. This deferral shall be paid as required in this act. (General Appropriation Act footnote) The General Fund base funding of \$109,789,700, plus the \$3,000,000 Biomedical Research appropriation, plus the \$5,900,000 in Laws 2003, Chapter 267 lease-purchase appropriations, less \$(408,500) in savings from the refinance of Certificates of Participation for research infrastructure, equals the FY 2015 total of \$118,281,200. The \$30,494,800 deferral amount was appropriated by Laws 2013, 1st Special Session, Chapter 1.
- 10/ The increased state General Fund appropriations may not be used for medical marijuana research. (General Appropriation Act footnote)
- 11/ The sum of \$500,000 in FY 2016 and the sum of \$500,000 in FY 2017 are appropriated from the state General Fund to Northern Arizona University for operating expenditures. (General Appropriation Act footnote)
- 12/ Any unencumbered balances remaining in the collections account on June 30, 2014 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay, and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

This appropriation contains a footnote which requires an annual expenditure and performance report. (Please see the Department of Health Services section for additional information on nonprofit medical research funding.)

Parity Funding

The budget includes \$12,549,900 from the General Fund in FY 2015 for the Parity Funding Special Line Item (SLI). This amount funds the following adjustments:

Parity Funding Increase

The budget includes an increase of \$5,944,700 from the General Fund in FY 2015 to align NAU's per pupil funding to that of the higher University of Arizona amount.

Along with the \$6,605,200 of appropriated funding in FY 2013 and FY 2014, this adjustment would bring total 3-year parity funding to \$12,549,900. (See ABOR narrative for more information.)

NAU - Yuma

The budget includes \$2,446,500 and 29.4 FTE Positions from the General Fund in FY 2015 for NAU-Yuma. These amounts are unchanged from FY 2014.

NAU operates this campus in conjunction with the Arizona Western College in Yuma.

Research Infrastructure Lease-Purchase Payment

The budget includes \$5,491,500 from the General Fund in FY 2015 for the Research Infrastructure Lease-Purchase Payment Special Line Item. This amount funds the following adjustments:

Refinance Savings

The budget includes a decrease of \$(408,500) from the General Fund in FY 2015 to reflect savings from the

refinance of Certificates of Participation (COPs) for research infrastructure projects.

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. Besides the FY 2015 reduction, Section 134 of the FY 2015 General Appropriation Act also reduces the NAU research infrastructure appropriation of \$5,900,000 by \$(406,800) in FY 2016 and \$(1,653,200) in FY 2017.

This funding does not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects. Of this amount, NAU has issued \$77,475,000 in COPs.

Teacher Training

The budget includes \$2,290,600 from the General Fund in FY 2015 for the Teacher Training Special Line Item. This amount is unchanged from FY 2014.

The Teacher Training program serves to increase the number of teachers serving as mentors under the Teacher Training (“Master Teacher”) program. The Arizona K-12 Center is affiliated with NAU and is located in downtown Phoenix.

Other Issues

Payment Deferral

The budget includes \$30,494,800 from the General Fund in FY 2014 payments that were deferred until FY 2015 and includes a FY 2015 General Fund payment deferral of \$(30,494,800) until FY 2016. These amounts constitute a portion of a \$200,000,000 university-wide payment deferral. The payment deferral is unchanged from FY 2011. *(Please see ABOR for more information.)*

The FY 2015 General Fund budget is \$118,281,200. Of this amount:

- \$79,294,900 is included in NAU’s section of the FY 2015 General Appropriation Act.
- \$30,494,800 was appropriated in the FY 2014 General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) to reflect the deferral of FY 2014 monies to FY 2015.
- \$3,000,000 was appropriated in Section 132 of the FY 2015 General Appropriation Act for Biomedical Research.
- \$5,900,000 was appropriated in Laws 2003, Chapter 267 for a lease-purchase payment.

- \$(408,500) was reduced in Section 134 of the FY 2015 General Appropriation Act for Research Infrastructure savings.

University of Arizona - Main Campus

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,365.0	5,365.0	5,393.0 ^{1/}
Personal Services	255,246,700	260,695,700	260,695,700
Employee Related Expenditures	83,993,400	86,879,800	86,879,800
Professional and Outside Services	2,539,200	2,888,500	2,888,500
Travel - In State	87,000	87,700	87,700
Travel - Out of State	462,900	70,900	70,900
Other Operating Expenditures	61,667,600	56,224,400	58,224,400
Equipment	2,011,500	1,750,000	1,750,000
OPERATING SUBTOTAL	406,008,300	408,597,000	410,597,000
SPECIAL LINE ITEMS			
Agriculture	36,957,300	37,189,100	37,189,100
Arizona Cooperative Extension	12,614,500	12,525,900	16,025,900
Freedom Center	0	500,000	500,000
Research Infrastructure Lease-Purchase Payment	14,253,000	14,253,000	9,593,200 ^{2/}
Sierra Vista Campus	5,400,100	6,943,700	6,943,700
AGENCY TOTAL	475,233,200	480,008,700	480,848,900 ^{3/4/}
FUND SOURCES			
General Fund	207,555,900	208,501,000	209,341,200 ^{5/6/7/8/}
Other Appropriated Funds			
University Collections Fund	267,677,300	271,507,700	271,507,700 ^{9/}
SUBTOTAL - Other Appropriated Funds	267,677,300	271,507,700	271,507,700
SUBTOTAL - Appropriated Funds	475,233,200	480,008,700	480,848,900
Other Non-Appropriated Funds	854,266,300	879,757,800	881,711,000
Federal Funds	278,807,800	290,399,200	292,794,400
TOTAL - ALL SOURCES	1,608,307,300	1,650,165,700	1,655,354,300

1/ Includes 768.9 GF FTE Positions funded from Special Line Items in FY 2015.

2/ Includes \$14,253,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects. This amount has been adjusted by \$(4,659,800) in Section 132 of the General Appropriation Act to reflect savings from refinancing the lease-purchase payments.

3/ The appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)

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

5/ The state General Fund appropriations may not be used for alumni association funding. (General Appropriation Act footnote)

6/ It is the intent of the Legislature that the General Fund base funding for University of Arizona - Main Campus is \$199,748,000. This appropriation includes a deferral of \$62,153,100 from FY 2015 to FY 2016. This deferral may be paid as required in this act. (General Appropriation Act footnote). The General Fund base funding of \$199,748,000 plus the \$14,253,000 in Laws 2003, Chapter 267, lease-purchase appropriations, less \$(4,659,800) in savings from the refinance of Certificates of Participation for research infrastructure, equals the FY 2015 total of \$209,341,200. The \$62,153,100 deferral amount was appropriated by Laws 2013, 1st Special Session, Chapter 1.

7/ The increased state General Fund appropriations may not be used for medical marijuana research. (General Appropriation Act footnote)

8/ The sum of \$2,000,000 in FY 2016 and the sum of \$2,000,000 in FY 2017 are appropriated from the state General Fund to University of Arizona - Main Campus for operating expenditures. (General Appropriation Act footnote)

9/ Any unencumbered balances remaining in the collections account on June 30, 2014 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

AGENCY DESCRIPTION — Established in 1885, 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 356 degree-programs to approximately 40,621 full- and part-time students in 39 colleges and schools at its Main Campus in Tucson, UA - South and Phoenix campuses, in addition to 11 other locations. 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 budget includes \$410,597,000 and 4,624.1 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	<u>FY 2015</u>
General Fund	\$153,189,300
University Collections Fund	257,407,700

These amounts fund the following adjustments:

Operating Increase

The budget includes an increase of \$2,000,000 and 2 FTE Positions from the General Fund in FY 2015 to provide additional funding for university operations. This increase will continue in FY 2016 and FY 2017.

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections and the University Collections Fund amount will ultimately be adjusted to reflect these additional revenues.

Agriculture

The budget includes \$37,189,100 and 515.1 FTE Positions in FY 2015 for the Agriculture Programs. These amounts consist of:

General Fund	28,962,300
University Collections Fund	8,226,800

These amounts are unchanged from FY 2014.

This line item supports agricultural academic programs in Animal Systems; Environment and Natural Resources; Family, Youth, and Community; Human Nutrition, Food Safety and Health; Marketing, Trade, and Economics; and Plant Systems.

Arizona Cooperative Extension

The budget includes \$16,025,900 and 181.1 FTE Positions in FY 2015 for the Arizona Cooperative Extension. These amounts consist of:

General Fund	14,326,100
University Collections Fund	1,699,800

These amounts fund the following adjustments:

Cooperative Extension Increase

The budget includes an increase of \$3,500,000 and 26 FTE Positions from the General Fund in FY 2015 to provide additional youth programming and agricultural education throughout the state

This line item supports Agriculture Experiment Stations and Cooperative Extension services that provide non-credit community outreach seminars and youth programs throughout the state.

Freedom Center

The budget includes \$500,000 from the General Fund in FY 2015 for the Freedom Center. This amount is unchanged from FY 2014.

This line item supports the Freedom Center, which is within the UA College of Social and Behavioral Sciences. The Freedom Center's functions include: published research, undergraduate education, graduate education, and community outreach.

Research Infrastructure Lease-Purchase Payment

The budget includes \$9,593,200 from the General Fund in FY 2015 for the Research Infrastructure Lease-Purchase Payment Special Line Item. This amount funds the following adjustments:

Refinance Savings

The budget includes a decrease of \$(4,659,800) from the General Fund in FY 2015 to reflect savings from the refinance of Certificates of Participation (COPs) for research infrastructure projects.

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. Besides the FY 2015 reduction, Section 134 of the FY 2015 General Appropriation Act also reduces the UA research infrastructure appropriation of \$14,253,000 by \$(4,659,400) in FY 2016 and \$(274,600) in FY 2017.

This funding does not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects.

Sierra Vista Campus

The budget includes \$6,943,700 and 72.7 FTE Positions in FY 2015 for the Sierra Vista Campus. These amounts consist of:

General Fund	2,770,300
University Collections Fund	4,173,400

These amounts are unchanged from FY 2014.

UA-South offers upper-division undergraduate programs in 16 disciplines for community college transfer students. While ABOR authorized this UA branch campus for Sierra Vista in 1995, the Legislature has not formally established the campus in statute.

Other Issues

Payment Deferral

The budget includes \$62,153,100 from the General Fund for FY 2014 payments that were deferred until FY 2015 and would include a FY 2015 General Fund payment deferral of \$(62,153,100) until FY 2016. 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 2015 General Fund budget is \$209,341,200. Of this amount:

- \$137,594,900 is included in UA - Main individual section of the FY 2015 General Appropriation Act.
- \$62,153,100 was appropriated in the FY 2014 General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) to reflect the deferral of FY 2014 monies to FY 2015.
- \$14,253,000 was appropriated in Laws 2003, Chapter 267 for a lease-purchase payment.
- \$(4,659,800) was reduced in Section 134 of the FY 2015 General Appropriation Act for Research Infrastructure savings.

University of Arizona - Health Sciences Center

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,009.1	1,054.1	1,054.1 ^{1/}
Personal Services	50,679,400	50,523,800	50,523,800
Employee Related Expenditures	15,550,300	15,093,100	15,093,100
Professional and Outside Services	116,400	120,300	120,300
Travel - In State	26,700	41,200	41,200
Travel - Out of State	174,200	7,700	7,700
Other Operating Expenditures	4,425,900	4,180,700	4,180,700
Equipment	410,400	186,800	186,800
OPERATING SUBTOTAL	71,383,300	70,153,600	70,153,600
SPECIAL LINE ITEMS			
Clinical Rural Rotation	360,300	353,400	353,400
Clinical Teaching Support	8,587,000	8,587,000	8,587,000
Liver Research Institute	442,200	430,100	430,100
Phoenix Medical Campus	19,553,700	29,344,300	29,344,300
Telemedicine Network	1,833,900	1,833,900	1,833,900
AGENCY TOTAL	102,160,400	110,702,300	110,702,300 ^{2/3/}
FUND SOURCES			
General Fund	61,351,600	69,585,300	69,585,300 ^{4/5/6/}
Other Appropriated Funds			
University Collections Fund	40,808,800	41,117,000	41,117,000 ^{7/}
SUBTOTAL - Other Appropriated Funds	40,808,800	41,117,000	41,117,000
SUBTOTAL - Appropriated Funds	102,160,400	110,702,300	110,702,300
Other Non-Appropriated Funds	176,849,300	203,419,700	215,490,800
Federal Funds	100,898,400	115,341,100	123,682,600
TOTAL - ALL SOURCES	379,908,100	429,463,100	449,875,700

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 4,942 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 325 medical and Master of Public Health students.

- 1/ Includes 424.9 GF FTE Positions funded from Special Line Items in FY 2015, including 212 FTE Positions filled by students and associated with the Clinical Teaching Support Special Line Item.
- 2/ The appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 4/ The state General Fund appropriations may not be used for alumni association funding. (General Appropriation Act footnote)
- 5/ It is the intent of the Legislature that the General Fund base funding for University of Arizona - Health Sciences Center is \$69,585,300. This appropriation includes a deferral of \$16,776,700 from FY 2015 to FY 2016. This deferral may be paid as required in this act. (General Appropriation Act footnote) The \$16,776,700 deferral amount was appropriated by Laws 2013, 1st Special Session, Chapter 1.
- 6/ The increased state General Fund appropriations may not be used for medical marijuana research. (General Appropriation Act footnote)
- 7/ Any unencumbered balances remaining in the collections account on June 30, 2014 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

Operating Budget

The budget includes \$70,153,600 and 629.2 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	<u>FY 2015</u>
General Fund	\$34,920,700
University Collections Fund	35,232,900

These amounts are unchanged from FY 2014.

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections and the University Collections Fund amount will ultimately be adjusted to reflect these additional revenues.

Clinical Rural Rotation

The budget includes \$353,400 and 6.1 FTE Positions from the General Fund in FY 2015 for the Clinical Rural Rotation program. These amounts are unchanged from FY 2014.

This line item funds the Rural Health Professions Program, which enables nurse practitioner, medical, and pharmacy students to plan and complete clinical practice rotations in rural and medically under-served sites throughout the state.

Clinical Teaching Support

The budget includes \$8,587,000 and 212 FTE Positions from the General Fund in FY 2015 for Clinical Teaching Support. These amounts are unchanged from FY 2014.

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 \$430,100 and 6.5 FTE Positions from the General Fund in FY 2015 for the Liver Research Institute. These amounts are unchanged from FY 2014.

The Liver Research Institute conducts clinical studies on all liver diseases, focusing on chemical and natural agents that may offer a cure for such ailments. The line item also supports a research development program that actively pursues outside grants and donations.

Phoenix Medical Campus

The budget includes \$29,344,300 and 185.4 FTE Positions in FY 2015 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	23,460,200
University Collections Fund	5,884,100

These amounts are unchanged from FY 2014.

The Phoenix Biomedical Campus currently has 278 medical students and 47 Master of Public Health 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 included \$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. Bonds for the first phase totaling \$121,126,000 were issued by UA in June 2010 and construction was completed in spring 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, the Joint Committee on Capital Review (JCCR) review was not required. This project was completed in spring 2012.

In December 2012, the JCCR favorably reviewed UA's planned system revenue bond issuance of \$73,200,000 to fund a portion of the UA Cancer Center on the Phoenix Biomedical Campus. The bond was issued in February 2013 and the debt service will be paid with university system revenues, rather than lottery revenues.

In April 2013, the JCCR favorably reviewed UA's planned SPEED bond issuance of \$9,800,000 to build out shell space of the Health Sciences Education Building on the Phoenix Biomedical Campus. The bond was issued in May 2013 and the debt service will be paid with 80% from Lottery revenues and 20% from university system revenues.

According to ABOR, of the \$376,000,000 for the Phoenix Biomedical Campus, \$230,115,000 remains unallocated.

Telemedicine Network

The budget includes \$1,833,900 and 14.9 FTE Positions from the General Fund in FY 2015 for the Telemedicine Network. These amounts are unchanged from FY 2014.

Telemedicine is the use of computers, video imaging, broadband Internet channels, and other telecommunication technologies to diagnose and treat patients in rural communities and state penitentiaries.

Other Issues

Payment Deferral

The budget includes \$16,776,700 from the General Fund for FY 2014 payments that were deferred until FY 2015 and includes a FY 2015 General Fund payment deferral of \$(16,776,700) until FY 2016. 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 2015 General Fund budget is \$69,585,300. Of this amount:

- \$52,808,600 is included in UA-HSC's individual section of the FY 2015 General Appropriation Act.
- \$16,776,700 was appropriated in the FY 2014 General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) to reflect the deferral of FY 2014 monies to FY 2015.

Department of Veterans' Services

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	500.3	500.3	500.3 ^{1/}
Personal Services	1,629,700	1,875,200	1,875,200
Employee Related Expenditures	622,300	648,400	659,100
Professional and Outside Services	50,800	42,900	42,900
Travel - In State	24,300	25,900	25,900
Travel - Out of State	11,400	12,100	12,100
Other Operating Expenditures	379,900	496,200	496,200
Equipment	15,600	118,200	118,200
OPERATING SUBTOTAL	2,734,000	3,218,900	3,229,600
SPECIAL LINE ITEMS			
Arizona State Veterans' Homes	23,274,400	30,305,000	31,086,600
Southern Arizona Cemetery	274,800	275,600	275,600
Veterans' Benefit Counseling	2,703,700	2,848,100	2,848,100
AGENCY TOTAL	28,986,900	36,647,600	37,439,900 ^{2/}
FUND SOURCES			
General Fund	5,215,000	5,436,300	5,438,300
Other Appropriated Funds			
State Home for Veterans' Trust Fund	23,274,400	30,305,000	31,095,000
Veterans' Conservatorship Fund	497,500	906,300	906,600
SUBTOTAL - Other Appropriated Funds	23,771,900	31,211,300	32,001,600
SUBTOTAL - Appropriated Funds	28,986,900	36,647,600	37,439,900
Other Non-Appropriated Funds			
Federal Funds	4,453,300	3,514,700	8,775,100
	458,900	392,600	392,600
TOTAL - ALL SOURCES	33,899,100	40,554,900	46,607,600

AGENCY DESCRIPTION — The agency supervises and operates 2 skilled nursing homes for Arizona veterans in Phoenix and Tucson, assists veterans in developing and filing claims for federal entitlements, acts as a guardian or conservator for incapacitated veterans or their families, and operates the Southern Arizona Veterans' Memorial Cemetery.

Operating Budget

The budget includes \$3,229,600 and 62.8 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$2,323,000
Veterans' Conservatorship Fund	906,600

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$10,700 in FY 2015 for statewide adjustments. This amount consist of:

General Fund	2,000
State Home for Veterans' Trust Fund	8,400
Veteran's Conservatorship Fund	300

(Please see the Agency Detail and Allocations section.)

Arizona State Veterans' Homes

The budget includes \$31,086,600 and 380 FTE Positions from the State Home for Veterans' Trust Fund in FY 2015 for the Arizona State Veterans' Homes. These amounts fund the following adjustments:

Increased Costs at Tucson Home

The budget includes an increase of \$781,600 from the State Home for Veterans' Trust Fund in FY 2015 for increased operating costs at the Tucson Veterans' Home.

^{1/} Includes 57.5 GF and 380 OF FTE Positions funded from Special Line Items in FY 2015.

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

The Home opened in January 2012. By June 2013, it was 56% occupied, and the department estimates this will increase to 98% during FY 2015. This increase would allow for greater occupancy as well as 3.4% annual inflation. The FY 2015 amount also continues an FY 2014 supplemental increase of \$2,436,800 from the General Fund for the same purpose.

The monies in this line item are used for expenses related to the Arizona State Veterans' Homes in Phoenix and Tucson. *(See Other Issues regarding a new Yuma facility.)* Monies in this line item are from fees and reimbursements received from residents, the Department of Veterans' Affairs, Medicaid, Medicare, and private insurance carriers.

Southern Arizona Cemetery

The budget includes \$275,600 and 0.5 FTE Positions from the General Fund in FY 2015 for the Southern Arizona Cemetery. These amounts are unchanged from FY 2014.

Monies in this line item are used to partially offset the operating costs at the Southern Arizona Cemetery in Sierra Vista *(see Other Issues for additional details on additional cemetery projects)*.

Veterans' Benefit Counseling

The budget includes \$2,848,100 and 57 FTE Positions from the General Fund in FY 2015 for Veterans' Benefit Counseling. These amounts are unchanged from FY 2014.

The monies in this line item are used to assist Arizona veterans with questions about benefit eligibility, completion and filing of U.S. Department of Veterans' Affairs claims, and in obtaining earned benefits.

Other Issues

Cemetery Projects

The federal government has approved 3 cemetery projects: an expansion of the Sierra Vista cemetery and the construction of new cemeteries in Flagstaff and Marana. The federal government typically pays most of the construction cost, but the state is responsible for the ongoing operational cost.

The expansion of the Sierra Vista cemetery was completed in October 2013 and cost \$1,718,600. It was 100% federally funded. The department estimates that the expansion will result in annual operational expenses of \$1,250 which will be paid for from the non-appropriated Southern Arizona Veterans' Cemetery Trust Fund. This amount is in addition to the existing \$275,700 General Fund appropriation and the estimated \$183,600 expenditure from the Southern Arizona Veterans' Cemetery Trust Fund, for a total of \$459,300 annually.

The construction of the Flagstaff cemetery is estimated to cost \$6,834,000, and the construction of the Marana cemetery is expected to cost \$7,600,000. Both of these projects are 100% federally funded. Construction for the Flagstaff cemetery began in March 2014 and the department projects that construction will conclude by September of 2015. The Marana cemetery is estimated to begin in August 2014 and conclude by February 2016. The department estimates that each cemetery will require an annual appropriation of \$472,700 to pay for ongoing operational costs beginning in FY 2016.

In addition to the cemetery projects, the department has applied for but did not receive federal monies for 2 veterans' cemeteries (Yuma and Kingman).

Yuma Veterans' Home Capital Appropriation

The budget includes \$9,200,000 from the General Fund in FY 2015 for the construction and establishment of a veterans' home facility in Yuma. The amount appropriated reflects 35% of the estimated cost; the federal government will pay the other 65%. *(Please see the Capital Outlay section.)*

Arizona State Veterinary Medical Examining Board

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.5	5.5	6.0
Personal Services	215,000	265,100	318,300
Employee Related Expenditures	69,900	98,000	120,200
Professional and Outside Services	20,800	36,700	36,700
Travel - In State	5,400	5,800	5,800
Travel - Out of State	1,100	1,500	1,500
Other Operating Expenditures	89,300	72,100	94,800
Equipment	23,100	4,200	0
AGENCY TOTAL	424,600	483,400	577,300^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Veterinary Medical Examining Board Fund	424,600	483,400	577,300
SUBTOTAL - Other Appropriated Funds	424,600	483,400	577,300
SUBTOTAL - Appropriated Funds	424,600	483,400	577,300
TOTAL - ALL SOURCES	424,600	483,400	577,300

AGENCY DESCRIPTION — The board licenses and regulates veterinarians, veterinary technicians, and veterinary premises.

Operating Budget

The budget includes \$577,300 and 6 FTE Positions from the Veterinary Medical Examining Board Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(14,000) from the Veterinary Medical Examining Board Fund in FY 2015 to eliminate one-time funding for the first phase of a set of technology updates. In this phase, the board replaced an obsolete database in order to improve automated transactions with customers.

IT Automation Updates

The budget includes a one-time increase of \$30,500 from the Veterinary Medical Examining Board Fund in FY 2015 to complete the final phase of a set of technology updates. In this phase, the board will implement a new online license renewal system. The board will also add software to manage license data, and implement a new document imaging system.

Veterinary Compliance Specialist

The budget includes an increase of \$77,200 and a 0.5 FTE Position from the Veterinary Medical Examining Board Fund in FY 2015 to add a Veterinary Compliance Specialist. The new employee will be able to conduct approximately 150 more random site inspections of veterinary facilities statewide. This will allow the agency to accomplish its goal of inspecting each facility every 4 to 5 years. The agency will fill a vacant 0.5 FTE Position and add a new 0.5 FTE Position. This will also require using additional office space to accommodate the new employee.

Statewide Adjustments

The budget includes an increase of \$200 from the Veterinary Medical Examining Board Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

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

Department of Water Resources

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	90.0	90.0	96.0 ^{1/}
Personal Services	2,936,800	3,555,800	3,555,800
Employee Related Expenditures	1,124,400	1,495,100	1,497,100
Professional and Outside Services	661,600	347,000	347,000
Travel - In State	60,300	79,400	79,400
Travel - Out of State	21,100	33,000	33,000
Other Operating Expenditures	1,863,700	1,648,800	2,648,800
Equipment	183,000	340,000	340,000
OPERATING SUBTOTAL	6,850,900	7,499,100	8,501,100
SPECIAL LINE ITEMS			
Adjudication Support	1,164,600	1,256,700	1,257,200 ^{2/}
Assured and Adequate Water Supply Administration	1,397,400	1,989,500	1,990,300 ^{3/}
Automated Groundwater Monitoring	343,800	410,200	410,300
Conservation and Drought Program	383,500	410,000	410,200
Lower Colorado River Litigation Expenses	0	500,000	500,000 ^{4/5/}
Rural Water Studies	996,500	1,167,700	1,168,100 ^{6/}
AGENCY TOTAL	11,136,700	13,233,200	14,237,200^{1/}
FUND SOURCES			
General Fund	11,126,500	12,326,400	13,330,300
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	8,000	266,400	266,500
Water Resources Fund	2,200	640,400	640,400
SUBTOTAL - Other Appropriated Funds	10,200	906,800	906,900
SUBTOTAL - Appropriated Funds	11,136,700	13,233,200	14,237,200
Other Non-Appropriated Funds	7,454,800	10,215,800	10,215,800
Federal Funds	256,500	277,300	277,300
TOTAL - ALL SOURCES	18,848,000	23,726,300	24,730,300

AGENCY DESCRIPTION — The Department of Water Resources administers and enforces Arizona's groundwater and surface water law, as well as legally representing the state's water rights. The department also participates in surveying water level and quality and planning flood control.

1/ Includes 52 GF FTE Positions funded from Special Line Items in FY 2015.

2/ Monies in the Adjudication Support line item may be used only for the exclusive purposes prescribed in A.R.S. § 45-256 and A.R.S. § 45-257B4. The Department of Water Resources may not transfer any monies into or out of the Adjudication Support line item. (General Appropriation Act footnote)

3/ Monies in the Assured and Adequate Water Supply Administration line item may be used only for the exclusive purposes prescribed in A.R.S. § 45-108 and A.R.S. § 45-576 through A.R.S. § 45-579. The Department of Water Resources may not transfer any monies into or out of the Assured and Adequate Water Supply Administration line item. (General Appropriation Act footnote)

4/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

5/ The Department of Water Resources may not transfer any monies from the Lower Colorado River Litigation Expenses line item without the prior review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

6/ It is the intent of the Legislature that monies in the Rural Water Studies line item be spent only to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state's AMAs and not be made available for other department operating expenditures. (General Appropriation Act footnote)

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

Operating Budget

The budget includes \$8,501,100 and 44 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$8,360,700
Water Resources Fund	140,400

These amounts fund the following adjustments:

Additional Staff

The budget includes an increase of \$1,000,000 and 6 FTE Positions from the General Fund in FY 2015 for additional staff to address the following issues: Colorado River management, statewide water supply planning, adjudication assistance, and compliance/enforcement.

Statewide Adjustments

The budget includes an increase of \$2,000 from the General Fund in FY 2015 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Adjudication Support

The budget includes \$1,257,200 and 14.5 FTE Positions from the General Fund in FY 2015 for Adjudication Support. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$500 from the General Fund in FY 2015 for statewide adjustments.

A.R.S. § 45-256 requires the Department of Water Resources to provide technical and administrative support to judicial proceedings involving water rights claims in the Gila River and Little Colorado River watersheds, which include approximately two-thirds of the land within the state. In 1952, Congress passed the McCarran Amendment, which waived the sovereign immunity of the United States to the adjudication of its federal reserved water right claims in state court on behalf of itself and Indian tribes. Due to the ongoing state court proceedings, the federal court has declined to exercise its jurisdiction over the federal reserved water right claims of the United States and Indian Tribes. Absent a state court proceeding, the federal court could exercise jurisdiction over these federal reserved water rights claims. *(Please see the Lower Colorado River Litigation Expenses section.)*

Assured and Adequate Water Supply Administration

The budget includes \$1,990,300 and 19.8 FTE Positions in FY 2015 for the Assured and Adequate Water Supply (AAWS) Program. These amounts consist of:

General Fund	1,723,800
AAWS Administration Fund	266,500

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$800 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	700
AAWS Fund	100

All new subdivisions within the state's 5 Active Management Areas (AMAs) must either obtain a Certificate of Assured Water Supply from the Department of Water Resources or obtain a commitment of water service from a municipal provider designated as having an Assured Water Supply. An applicant for a Certificate of Assured Water Supply or a Designation of Assured Water Supply must demonstrate the availability of water for the next 100 years.

New developers outside the 5 AMAs may obtain a commitment of water service from a municipal water provider designated as having an Adequate Water Supply or developers must obtain from the department a report of the water available to the new subdivision for 100 years before any lots may be sold. In most areas outside the AMAs, if the water supply report determined the water supply to be inadequate, lots may still be sold, but buyers must be notified of the determination. In certain areas outside the AMAs, lots may not be sold unless the water supply is determined to be adequate for 100 years.

Automated Groundwater Monitoring

The budget includes \$410,300 and 2 FTE Positions from the General Fund in FY 2015 for Automated Groundwater Monitoring. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$100 from the General Fund in FY 2015 for statewide adjustments.

Monies in this Special Line Item (SLI) are to provide for automated measuring instruments, which provide daily measurements of groundwater levels. This information is used to support the administration of all the water management programs that the Department of Water Resources is responsible for, including but not limited to, determining assured and adequate water supply, implementation and evaluation of recharge activities, rural water budgets, and water supply studies.

Conservation and Drought Program

The budget includes \$410,200 and 4.7 FTE Positions from the General Fund in FY 2015 for the Conservation and Drought Program. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$200 from the General Fund in FY 2015 for statewide adjustments.

Monies in this SLI are used to assist local communities to assess conservation needs and assist rural communities in the development of conservation programs, promote water education throughout the state, create guidelines for more efficient use of water, and provide suggestions for funding and implementing conservation programs. Monies in this SLI are also used by the Department of Water Resources to administer the requirements of the Community Water System program, including but not limited to annual water use reporting (mailings, electronic notification and submittals), improvements to increase efficiencies of reporting and data collection, data analysis and compliance.

Lower Colorado River Litigation Expenses

The budget includes \$500,000 from the Water Resources Fund in FY 2015 for Lower Colorado River Litigation Expenses. This amount is unchanged from FY 2014.

Monies in this SLI are used to pay the litigation costs associated with the *Navajo Nation v. United States Department of the Interior* case, in which the Department of Water Resources is an intervening defendant. This case involves the Navajo Nation's claims to water from the Lower Colorado River and challenges operations that were put in place after the initial lawsuit was filed in 2003. The Navajo Nation filed an amended complaint on June 3, 2013 to begin litigating the case. The United States and the state interveners filed motions to dismiss in August 2013. The court will not issue a decision on the motions to dismiss until early 2014.

Rural Water Studies

The budget includes \$1,168,100 and 11 FTE Positions from the General Fund in FY 2015 for Rural Water Studies. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$400 from the General Fund in FY 2015 for statewide adjustments.

Monies in this SLI are used to support the department's administration, data collection and evaluation of rural

water studies. The monies are also used to provide assistance to local communities 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, in most cases, through partnerships with local resource agency officials and stakeholders. Partnerships generally require local entities to provide some resources to match General Fund receipts, although if a community has a significant need the department can waive this requirement. The studies are primarily conducted by the local entity, with the department providing technical advice and financial assistance. The department is currently involved in 9 studies.

Additional Legislation

Central Arizona Water Conservation District

The FY 2015 Revenue Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 9) allows, as permanent law, a subdivider to pay the first half of the Activation Fee charged by the Central Arizona Water Conservation District prior to issuance of a public report. The bill requires the subdivider to pay the second half of the Activation Fee no later than 1 year after the public report is issued. This provision has a delayed effective date of January 1, 2015.

Water Protection Fund Administrative Costs

The FY 2015 Environment BRB (Laws 2014, Chapter 13) continues to allow the Arizona Water Protection Fund Commission to grant up to \$336,000 of the unobligated balance in the Arizona Water Protection Fund to the Department of Water Resources to pay for the cost of administering the Water Protection Fund in FY 2015.

Fee Revenue

The FY 2015 Environment BRB continues to allow the Director to increase fees for services in FY 2015. The bill specifies that the fee revenue be deposited in the Water Resources Fund with the intent that the fee increase not exceed \$100,200.

Water Infrastructure Finance Authority

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
SPECIAL LINE ITEMS			
Water Supply Development Revolving Fund Deposit	0	0	1,000,000
AGENCY TOTAL	0	0	1,000,000
FUND SOURCES			
General Fund	0	0	1,000,000
SUBTOTAL - Appropriated Funds	0	0	1,000,000
Other Non-Appropriated Funds	97,881,300	181,566,100	181,566,100
Federal Funds	54,461,500	43,489,100	22,837,100
TOTAL - ALL SOURCES	152,342,800	225,055,200	205,403,200

AGENCY DESCRIPTION — The Water Infrastructure Finance Authority (WIFA) finances the construction, rehabilitation, and/or improvement of drinking water, waste water, waste water reclamation, and other water quality facilities/projects. The agency also provides general administrative support to the Greater Arizona Development Authority (GADA). The Chairman of the WIFA board is the Director of the Arizona Department of Environmental Quality (ADEQ) or the Director's representative. The non-appropriated funds were previously displayed within the ADEQ budget narrative.

Water Supply Development Revolving Fund Deposit

The budget includes \$1,000,000 from the General Fund in FY 2015 for deposit into the non-appropriated Water Supply Development Revolving Fund. This amount funds the following adjustments:

Water Supply Development One-time Deposit

The budget includes an increase of \$1,000,000 from the General Fund in FY 2015 for a one-time deposit to the Water Supply Development Revolving Fund.

Laws 2007, Chapter 226 established the Water Supply Development Revolving Fund, but money has not been previously appropriated for the purpose of community lending. Monies in the fund are to be used to provide financial assistance to construct water supply projects to water providers in Arizona, particularly in rural areas, lacking sufficient water supplies to meet their long-term water demands. Financial assistance for water supply development projects as defined in statute includes support for the planning or design of projects, direct loans for projects, or using funds as security for bonded projects.

Additional Legislation

Water Supply Development Projects

Laws 2014, Chapter 212 expands the definitions of water provider and water supply development used by WIFA, changes the maximum loan repayment term for the Water Supply Development Revolving Fund from 30 to 40 years, adds subdivided lands located outside of active management areas certified by the Director of Water Resources to the entities able to receive financial

assistance from the Water Supply Development Revolving Fund, and includes watershed management or protection as a factor to consider when prioritizing projects.

Chapter 212 establishes the Rural Water Supply Development and Contamination Prevention Study Committee for the purposes of considering the possible effects of waste treatment, storage and disposal facilities on the development of long-term water supplies for rural areas under consideration for funding from the Water Supply Development Revolving Fund. The committee is to report its findings to legislative leadership and the Governor by November 1, 2014, and will dissolve from and after December 31, 2014.

Department of Weights and Measures

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
PROGRAM BUDGET			
General Services	1,815,800	1,655,800	1,805,800
Oxygenated Fuel	772,200	810,600	789,800
Vapor Recovery	594,800	653,200	653,400
AGENCY TOTAL	3,182,800	3,119,600	3,249,000
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	36.4	36.4	38.4
Personal Services	1,386,000	1,475,900	1,545,900
Employee Related Expenditures	627,300	665,300	698,700
Professional and Outside Services	170,400	196,500	212,500
Travel - In State	165,700	165,700	185,000
Travel - Out of State	16,400	16,400	16,400
Other Operating Expenditures	460,100	419,700	463,200
Equipment	356,900	180,100	127,300
AGENCY TOTAL	3,182,800	3,119,600	3,249,000^{1/}
FUND SOURCES			
General Fund	1,489,800	1,325,800	1,475,700
<u>Other Appropriated Funds</u>			
Air Quality Fund	1,367,000	1,463,800	1,443,200
Motor Vehicle Liability Insurance Enforcement Fund	326,000	330,000	330,100
SUBTOTAL - Other Appropriated Funds	1,693,000	1,793,800	1,773,300
SUBTOTAL - Appropriated Funds	3,182,800	3,119,600	3,249,000
TOTAL - ALL SOURCES	3,182,800	3,119,600	3,249,000

AGENCY DESCRIPTION — The department regulates the determination and representation of weight and measurement in the marketplace and also maintains 2 environmentally related gasoline inspection programs. All programs investigate consumer complaints.

Operating Budget

The budget includes \$3,249,000 and 38.4 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$1,475,700
Air Quality Fund	1,443,200
Motor Vehicle Liability Insurance Enforcement Fund	330,100

These amounts fund the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(86,500) from the General Fund in FY 2015 to eliminate one-time funding of replacement equipment at the State Metrology Lab.

Eliminate One-Time Funding

The budget includes a decrease of \$(20,900) from the Air Quality Fund in FY 2015 to eliminate one-time funding of 2 motor fuel analyzer devices used to field-test fuel samples.

One-Time Metrology Department Equipment

The budget includes an increase of \$36,000 from the General Fund in FY 2015 for one-time funding to replace a forklift used by the State Metrology Department.

Vehicle for Hire Program Expansion

The budget includes an increase of \$200,000 and 2 FTE Positions from the General Fund in FY 2015 to hire 2 new staff for the Vehicle for Hire Program. The program regulates vehicles for hire (i.e., taxi, limousine, and livery) through inspections, administration, licensing, street patrol, cooperation with law enforcement, background checks, and ensuring that all licensees are drug tested. Of this

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

appropriation, \$32,000 is a one-time expenditure for equipment.

Statewide Adjustments

The budget includes an increase of \$800 in FY 2015 for statewide adjustments. This amount consists of:

General Fund	400
Air Quality Fund	300
Motor Vehicle Liability Insurance Enforcement Fund	100

(Please see the Agency Detail and Allocations section.)

CAPITAL OUTLAY

Capital Outlay
Summary

FY 2015
APPROVED

BUILDING RENEWAL

ADOA Building System	26,561,700
ADOT Building System	3,396,800
ABOR Building System	3,000,000
SUBTOTAL	32,958,500

INDIVIDUAL PROJECTS

ADOA Building System	13,700,000
ADOT Building System	234,191,300
ABOR Building System	0
SUBTOTAL	247,891,300

LEASE-PURCHASE PAYMENTS

Lease-Purchase Obligations ^{1/}	104,572,700
--	-------------

TOTALS

ADOA Building System	144,834,400
ADOT Building System	237,588,100
ABOR Building System	3,000,000
TOTAL - ALL PROJECTS	385,422,500

FUND SOURCES

General Fund	128,772,700
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	9,000,000
Department of Corrections Building Renewal Fund	5,464,300
Arizona Exposition and State Fair Fund	1,000,000
Arizona Highway Patrol Fund	2,000,000
State Parks Revenue Fund	1,500,000
State Aviation Fund	20,217,200
State Highway Fund	217,370,900
State Lottery Fund	97,400
SUBTOTAL - Other Appropriated Funds	256,649,800
SUBTOTAL - Appropriated Funds	385,422,500
Other Non-Appropriated Funds	564,857,000
Federal Funds	669,949,000
TOTAL - ALL SOURCES	1,620,228,500

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:

is from Other Appropriated Funds. The budget consists of 3 main categories: 1) Building Renewal, 2) Individual Projects, and 3) Lease-Purchase Payments.

Capital Outlay

The budget includes a total of \$385,422,500 from Appropriated Funds in FY 2015. Of the total, \$128,772,700 is from the General Fund and \$256,649,800

^{1/} This amount was appropriated by the FY 2015 General Appropriation Act (Laws 2014, Chapter 18, Section 136 and Section 137). All other appropriations appear in the FY 2015 Capital Outlay Bill (Laws 2014, Chapter 15).

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.

The budget includes total funding of \$32,958,500 in FY 2015 for Building Renewal, which consists of \$15,000,000 from the General Fund and \$17,958,500 from Other Appropriated Funds. These amounts include:

Arizona Department of Administration	\$18,000,000
General Fund/Capital Outlay	
Stabilization Fund	
@ 53.0% (non-ADC buildings)	
Department of Corrections	
General Fund/ADC Building	8,464,300
Renewal Fund @ 51.6% (ADC-only	
buildings)	
State Lottery Fund @ 100%	<u>97,400</u>
Subtotal - ADOA	\$26,561,700
Arizona Department of Transportation	
State Highway Fund @ 28.5%	\$ 3,191,900
State Aviation Fund @ 100%	<u>204,900</u>
Subtotal - ADOT	\$ 3,396,800
Arizona Board of Regents	
General Fund @ 2.8%	<u>3,000,000</u>
Subtotal - ABOR	\$ 3,000,000

(See the individual building systems' write-ups for more information.)

Individual Projects

The budget includes total funding of \$247,891,300 in FY 2015 for individual capital projects, which consists of \$9,200,000 from the General Fund and \$238,691,300 from Other Appropriated Funds. *(See the individual building systems' write-ups for more information.)*

Lease-Purchase Payments

The budget includes \$104,572,700 from the General Fund in FY 2015 for payments related to prior year lease-purchase agreements to resolve budget shortfalls and the state's share of the long term financing for the Phoenix Convention Center. *(See the Debt and Lease-Purchase Financing write-up for more information.)*

Capital Outlay

Arizona Department of Administration Building System

FY 2015
APPROVED

BUILDING RENEWAL	
Department of Administration ^{1/}	18,000,000
Arizona Lottery Commission	97,400
Department of Corrections ^{2/}	8,464,300
SUBTOTAL ^{3/}	26,561,700
INDIVIDUAL PROJECTS ^{4/}	
Arizona Exposition and State Fair Board	
Capital Improvements	1,000,000
Arizona State Parks Board	
Capital Improvements	1,500,000
Department of Public Safety	
Microwave Communications System Upgrade ^{5/}	2,000,000
Department of Veterans' Services	
Yuma Veterans' Home Construction ^{6/7/}	9,200,000
SUBTOTAL	13,700,000
TOTAL – ALL PROJECTS	40,261,700
FUND SOURCES	
General Fund	21,200,000
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	9,000,000
Department of Corrections Building Renewal Fund	5,464,300
Arizona Exposition and State Fair Fund	1,000,000
Arizona Highway Patrol Fund	2,000,000
State Lottery Fund	97,400
State Parks Revenue Fund	1,500,000
SUBTOTAL - Other Appropriated Funds	19,061,700
SUBTOTAL - Appropriated Funds	40,261,700
TOTAL - ALL SOURCES ^{8/9/10/11/}	40,261,700

DESCRIPTION — The Arizona Department of Administration (ADOA) Building System is comprised of all state agencies except the Arizona Board of Regents and the Arizona Department of Transportation. Capital appropriations may be made directly to an agency within the system, to ADOA on behalf of an agency, or to ADOA for the entire system. The following amounts for FY 2015 are for projects within the ADOA Building System. Appropriations for ADOA Building System projects may be from the General Fund or Other Appropriated Funds.

- ^{1/} The Department of Administration shall allocate the monies to state agencies for necessary building renewal. If monies in the Capital Outlay Stabilization Fund established by A.R.S. § 41-792.01 are insufficient to fund the appropriation to the Department of Administration for building renewal, the appropriation to the Department of Administration is reduced by the difference between the amount appropriated to the Department of Administration from the Capital Outlay Stabilization Fund and the balance in the Capital Outlay Stabilization Fund. (Capital Outlay Appropriation Act footnote)
- ^{2/} The State Department of Corrections shall report monthly to the Joint Legislative Budget Committee Staff on the status of the projects funded under this section. The department may not spend any of this appropriation on Personal Services or overhead expenses related to the management of the funded projects. (Capital Outlay Appropriation Act footnote)
- ^{3/} Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2015 to 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 may 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 2015 that are unexpended or unencumbered on June 30, 2016 revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- ^{4/} Pursuant to A.R.S. § 41-1252, the Joint Committee on Capital Review shall review the scope, purpose, and estimated cost of a new capital project that has an estimated cost of more than \$250,000. (Capital Outlay Appropriation Act footnote)
- ^{5/} The Department of Public Safety shall submit an expenditure plan and project timeline to the Joint Committee on Capital Review for its review before expending any monies appropriated for the microwave communications system upgrade. (Capital Outlay Appropriation Act footnote)

Unless otherwise specified, funding for capital projects is appropriated by Laws 2014, Chapter 15 (FY 2015 Capital Outlay Bill).

Building Renewal

The budget includes \$26,561,700 from the General Fund and Other Appropriated Funds in FY 2015 for Building Renewal within the ADOA Building System. This amount consists of:

- \$18,000,000 to ADOA, which consists of \$9,000,000 from the General Fund and \$9,000,000 from the Capital Outlay Stabilization Fund (COSF). This represents 53.0% of the non-Department of Corrections (ADC) building renewal formula. The FY 2014 allocation had represented 32.1% of the non-ADC formula.
- \$97,400 from the State Lottery Fund to the Arizona State Lottery Commission, which continues to fund 100% of the building renewal formula. The FY 2014 budget included \$90,300 from the State Lottery Fund, which also represented 100% of the agency's building renewal formula.
- \$8,464,300 to ADC for building renewal and preventative maintenance projects, which consists of \$3,000,000 from the General Fund and \$5,464,300 from the ADC Building Renewal Fund. This amount funds 51.6% of the ADC-only building renewal formula. The FY 2014 budget included \$5,000,000, which represented 33.3% of the ADC-only formula.

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The budget continues the footnote that allows up to \$275,000 and up to 5 FTE Positions be allocated 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, 2016.

Individual Projects

Arizona Exposition and State Fair Board

Capital Improvements

The budget includes \$1,000,000 from the Arizona Exposition and State Fair Fund in FY 2015 for capital improvements.

Arizona State Parks Board

Capital Improvements

The budget includes \$1,500,000 from the State Parks Revenue Fund in FY 2015 for capital improvements in the State Park system.

Department of Public Safety

Microwave Communications System Upgrade

The budget includes \$2,000,000 from the Arizona Highway Patrol Fund in FY 2015 for the design, construction and implementation of the state microwave communications system upgrade.

DPS is currently in the process of updating the state's microwave radio system backbone from analog to digital technology which allows state agencies to communicate with officers in the field. There are 3 loops made up of many radio towers that comprise the microwave backbone, of which, the southern loop was completed in CY 2011. These monies will help to fund upgrades of the western and northern loops. The remaining cost for the completion of the western and northern loops is estimated at \$20,650,100.

The FY 2015 Capital Outlay Bill also requires DPS to submit an expenditure plan and project timeline to the Joint Committee on Capital Review regarding its plans for the microwave system upgrade prior to expenditure of any of the monies appropriated for this purpose.

Department of Veterans' Services

Yuma Veterans' Home Construction

The budget includes \$9,200,000 from the General Fund in FY 2015 for the construction of a new State Veterans' Home in Yuma.

^{6/} The amount appropriated is intended to be this state's share of the costs, and is not subject to expenditure for any purpose unless the Department of Veterans' Services has irrevocable commitments from the United States government for funding at least sixty-five per cent of the total costs. (Capital Outlay Appropriation Act footnote)

^{7/} This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations. (Capital Outlay Appropriation Act footnote)

^{8/} Unless otherwise specified, the monies appropriated in this act may not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)

^{9/} Unless otherwise specified, the appropriations made in this act do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance. (Capital Outlay Appropriation Act footnote)

^{10/} The Department of Administration shall report on the status of project-specific FTE Positions for capital projects in its annual capital budget request. (Capital Outlay Appropriation Act footnote)

^{11/} The Department of Administration may allocate FTE Positions authorized for specific projects to other projects in this act if the 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 on or before December 31, 2014. (Capital Outlay Appropriation Act footnote)

The monies will be used to provide a 35% match for a U.S. Department of Veterans' Affairs construction grant. The FY 2015 Capital Bill mandates that expenditure of the funding is contingent on the receipt of Federal Funds which will cover the remaining 65% of the total project cost. Each year the federal government develops a construction grant priority list and once a state can fully supply 35% of funding, that state is placed on the construction grant list. The list is renewed each October, as the annual federal funding cycle runs from October 1 to September 30. The appropriated amount will allow the Arizona Yuma Veteran's Home to secure a higher priority spot on the federal construction grant list.

The Yuma home will be a 120-bed facility as outlined in federal law, which requires capacity to be based on a 10-year projection of demand for nursing home and domiciliary care by veterans in the state who are 65 years of age or older. In determining the projected demand, the Arizona Department of Veterans' Services must take into account travel distances for veterans and their families.

Other Issues

Building Demolition

The Budget Procedures BRB (Laws 2014, Chapter 14) allows ADOA to use monies appropriated for Building Renewal in FY 2015 for building demolition.

Other Issues

COSF Rental Rate Change & Payment Adjustments

The budget includes \$(188,600) net General Fund decrease in all lease-purchase and rental charges. In total funds, the net decrease is \$(334,900). The lease-purchase and rent changes include the following adjustments:

	<u>General Fund</u>	<u>Total Funds</u>
• Lease-Purchase	\$ 1,700,900	\$ 2,612,600
• PLTO	(1,889,500)	(2,951,200)
• Rent		
Adjustments	<u>0</u>	<u>3,700</u>
	\$ (188,600)	\$ (334,900)

Lease-Purchase

In FY 2015, lease-purchase payments will increase by \$2,612,600, of which \$1,700,900 is from the General Fund and \$911,700 from Other Appropriated Funds. This is largely the result of the recently refinanced Department of Health Services building being classified as lease-purchase, while it was previously financed under a privatized lease-to-own (PLTO) agreement. However, the overall net payment for the building will decline from the FY 2014 budgeted amount.

Privatized-Lease-to-Own

In FY 2015, PLTO payments will decrease by \$(2,951,200), of which \$(1,889,500) is from the General

Fund, \$(1,093,200) is from Other Appropriated Funds, and \$31,500 is from Non-Appropriated Funds. This is largely the result of the recently refinanced Department of Health Services building being classified as lease-purchase, while it was previously financed under a PLTO agreement. However, the overall net payment for the building will decline from the FY 2014 budgeted amount.

Rent Adjustments

The budget funds an FY 2015 rent adjustment for the State Board of Psychologist Examiners, which received a partial rent exemption for FY 2014 in the amount of \$3,700.

In addition, the budget includes an updated Summary of Rent Charges, which reflects updated space utilization amounts when applying the current rental rates (Office - \$13.08 per sq. ft./Storage - \$4.74 per sq. ft.). Any change in rental charges beyond the State Board of Psychologist Examiners adjustment would be funded from existing agency appropriations and would have no corresponding change in agency funding levels. (Please see Summary of Rent Charges for additional information.)

FY 2015 CHANGE IN LEASE-PURCHASE AND RENT PAYMENTS - DETAIL BY AGENCY

Agency	Lease-Purchase 1/				PLTO 1/				Rent 2/				Total Adjustments			
	GF	OF	NA	Total	GF	OF	NA	Total	GF	OF	NA	Total	GF	OF	NA	Total
Accountancy, State Board of					0	2,700	0	2,700					0	2,700	0	2,700
Administration, AZ Dept. of 3/	3,900			3,900	20,400	52,600	5,500	78,500					24,300	52,600	5,500	82,400
Corrections, Arizona Department of	(95,200)	0	0	(95,200)									(95,200)	0	0	(95,200)
Criminal Justice Commission, Arizona					0	300	4,300	4,600					0	300	4,300	4,600
Deaf and Hard of Hearing, Commission for the					0	5,200	0	5,200					0	5,200	0	5,200
Environmental Quality, Department of					0	98,400	0	98,400					0	98,400	0	98,400
Environmental Quality, Department of - WIFA					0	0	2,800	2,800					0	0	2,800	2,800
Equalization, State Board of					2,100	0	0	2,100					2,100	0	0	2,100
Fire, Building and Life Safety, Dept. of					3,600	0	1,300	4,900					3,600	0	1,300	4,900
Forester, State					2,700	0	0	2,700					2,700	0	0	2,700
Gaming, Dept. of					0	15,200	0	15,200					0	15,200	0	15,200
Health Services, Dept. of	1,792,200	911,700	0	2,703,900	(1,919,100)	(1,279,500)	0	(3,198,600)					(126,900)	(367,800)	0	(494,700)
Housing, Dept. of					0	700	11,600	12,300					0	700	11,600	12,300
Insurance, Dept. of					0	0	1,400	1,400					0	0	1,400	1,400
Psychologist Examiners, State Board of										3,700		3,700	0	3,700	0	3,700
Racing, AZ Dept. of					0	3,800	0	3,800					0	3,800	0	3,800
Residential Utility Consumer Office					0	2,900	0	2,900					0	2,900	0	2,900
Tax Appeals, State Board of					800	0	0	800					800	0	0	800
Technical Registration, State Board of					0	4,500	0	4,500					0	4,500	0	4,500
Tourism, Office of					0	0	4,600	4,600					0	0	4,600	4,600
TOTAL	\$1,700,900	\$911,700	\$0	\$2,612,600	(\$1,889,500)	(\$1,093,200)	\$31,500	(\$2,951,200)	\$0	\$3,700	\$0	\$3,700	(\$188,600)	(\$177,800)	\$31,500	(\$334,900)

1/ Under a traditional lease-purchase agreement, the state issues certificates of participation (COPs) to generate proceeds to finance capital projects. Subject to annual legislative and continuing appropriations, the state pays off the lease-purchase over a period of time. Under a privatized lease-to-own (PLTO) agreement, a private entity constructs a building and leases it to the state. At the end of the term, the state takes possession of the building.

2/ The budget includes a change in rent funding for the State Board of Psychologist Examiners, which received a partial rent exemption for FY 2014 in the amount of \$3,700, as recommended by JCCR at its October 2013 meeting. In addition, the budget includes an updated Summary of Rent Charges, which reflects the most recent space utilization report from ADOA when applying the current rental rates (Office - \$13.08 per sq. ft./Storage - \$4.74 per sq. ft.) Any change in rental charges beyond those displayed above would be funded from existing agency appropriations and would have no corresponding change in agency funding levels.

3/ The Department of Administration lease-purchase adjustment reflects the existing payment schedule for the state building sale/leaseback agreement. As such, this change would not be reflected in the ADOA operating budget.

Capital Outlay
Arizona Department of Transportation Building System

FY 2015
 APPROVED

BUILDING RENEWAL	
ADOT Building Renewal ^{1/}	3,396,800
SUBTOTAL	3,396,800
INDIVIDUAL PROJECTS ^{2/}	
De-Icer Buildings ^{3/}	2,280,000
Vehicle Wash Systems ^{4/}	3,000,000
Airport Planning and Development ^{5/}	20,012,300
Statewide Highway Construction ^{6/7/}	208,899,000
SUBTOTAL	234,191,300
TOTAL - ALL PROJECTS ^{8/9/10/11/}	237,588,100
FUND SOURCES	
<u>Other Appropriated Funds</u>	
State Aviation Fund	20,217,200
State Highway Fund	217,370,900
SUBTOTAL - Other Appropriated Funds	237,588,100
SUBTOTAL - Appropriated Funds	237,588,100
Other Non-Appropriated Funds	564,857,000
Federal Funds	669,949,000
TOTAL - ALL SOURCES	1,472,394,100

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.

- ^{1/} Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2015 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 2015 that are unexpended or unencumbered on June 30, 2016 revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- ^{2/} Pursuant to A.R.S. § 41-1252, the Joint Committee on Capital Review shall review the scope, purpose and estimated cost of a new capital project that has an estimated cost of more than \$250,000. (Capital Outlay Appropriation Act footnote)
- ^{3/} The amount is appropriated from the State Highway Fund for 5 de-icer buildings. (Capital Outlay Appropriation Act footnote)
- ^{4/} The amount is appropriated from the State Highway Fund for 6 vehicle wash systems. (Capital Outlay Appropriation Act footnote)
- ^{5/} The amount is appropriated from the State Aviation Fund established by A.R.S. § 28-8202 for the planning, construction, development and improvement of state, county, city or town airports as determined by the State Transportation Board. Any balances and collections in the State Aviation Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the Department of Transportation for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
- ^{6/} The amount appropriated for highway construction is from the State Highway Fund established by A.R.S. § 28-6991 for the planning and construction of state highways, including the national system of interstate highways within this state, the state primary or secondary system, the county primary or secondary system and urban rural routes, the acquisition of rights-of-way, the cost of contracted field administration and field engineering on construction projects and debt service payments on bonds issued for highway construction. Any balances and collections in the State Highway Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the department for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
- ^{7/} The Department of Transportation shall report on or before November 1, 2014 to the Joint Committee on Capital Review on its actual prior year, estimated current year and upcoming budget year highway construction expenses from all fund sources, including appropriated monies, federal monies, local agency monies, state highway monies, bond proceeds and regional area road monies. The report must be in the same format as in the prior year unless modifications have been approved by the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. (Capital Outlay Appropriation Act footnote)
- ^{8/} Unless otherwise specified, the monies appropriated in this act may not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the Inmate Construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)

Unless otherwise specified, funding for capital projects is appropriated by Laws 2014, Chapter 15 (FY 2015 Capital Outlay Bill).

Building Renewal

The budget includes \$3,396,800 in FY 2015 for Building Renewal within ADOT's Building System. This amount consists of \$3,191,900 from the State Highway Fund (SHF) and \$204,900 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 28.5% funding of the revised highways building renewal formula and 100% funding of the aviation building renewal formula.

Individual Projects

De-Icer Buildings

The budget includes \$2,280,000 from SHF in FY 2015 for ADOT to construct 5 new buildings that will house de-icer chemicals, bulk sand, and cinders, used during winter months to de-ice highways after the snow has been plowed. They will be located at different areas throughout the state and will replace existing deteriorated facilities and outside storage. These facilities will help ADOT incorporate environmental enhancements requested by the Arizona Department of Administration, Risk Management Division, minimizing the potential for environmental incidents. Each de-icer building will cost an estimated \$456,000. ADOT was appropriated \$2,280,000 in FY 2014 for 6 de-icer buildings, but the appropriation was only sufficient to construct 5 buildings.

Vehicle Wash Systems

The budget includes \$3,000,000 from SHF in FY 2015 for ADOT to construct new vehicle wash systems at 6 highway maintenance sites statewide. Each vehicle wash system costs \$500,000. A wash system includes a 1,200 square foot metal building, a rack frame for handling de-icer material spreaders, and equipment to contain contaminants such as road tar, lubricants and de-icer salts. The wash systems will help ADOT meet wastewater environmental regulations to protect surface and ground

water. ADOT plans to construct additional new vehicle wash systems in future years. ADOT was also appropriated \$3,000,000 in FY 2014 for 6 vehicle wash buildings.

Airport Planning and Development

The budget includes \$20,012,300 from the State Aviation Fund (SAF) in FY 2015 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. A footnote in the FY 2015 Capital Outlay Bill appropriates any additional monies in SAF above the appropriation to ADOT for aviation construction. (*Please see Footnote 5.*)

Statewide Highway Construction

The budget includes \$208,899,000 from SHF in FY 2015 for controlled access, debt service on bonds, and new construction. A footnote in the FY 2015 Capital Outlay Bill appropriates any additional monies in SHF above the appropriation to ADOT for highway construction. (*Please see Footnote 6.*)

Controlled Access Highways

The budget includes an estimated urban freeway controlled access funding level of \$84,426,000 from SHF in FY 2015. Please see *Table 6* for the HURF distribution analysis, which shows that after implementing statewide adjustments \$84,425,000 of net SHF monies will be available for controlled access in FY 2015 rather than \$84,426,000. The Maricopa Association of Governments (MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%.

Debt Service

The budget includes \$111,075,000 from SHF in FY 2015 for the appropriated portion of the debt service on bonds. ADOT has approximately \$2,614,680,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2015 debt service payments. (*Please see Table 4 for more information on debt service.*)

New Construction

The budget includes \$13,398,000 from SHF in FY 2015 for highway construction. Highway construction monies represent the amount that is available for the discretionary

9/ Unless otherwise specified, the appropriations made in this act do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance. (Capital Outlay Appropriation Act footnote)

10/ On or before November 1, 2014, the Department of Transportation shall report the department's estimated outstanding debt principal balance at the end of FY 2016 and the estimated debt service payment amount for FY 2016 to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. This report must include State Highway Fund statewide construction bonds, Arizona Highway User Revenue Fund, Maricopa Association of Governments and Pima Association of Governments controlled access bonds, Maricopa Regional Area Road Fund bonds and Grant Anticipation Notes and is intended to be comparable to the information in the *FY 2015 Appropriations Report*. (Capital Outlay Appropriation Act footnote)

11/ On or before November 1, 2014, the Department of Transportation shall report capital outlay information for FY 2014, FY 2015 and FY 2016 to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. This information shall appear in the same format as tables 2, 3 and 6, as found in the *FY 2014 Appropriations Report*. (Capital Outlay Appropriation Act footnote)

SHF to fund the State Transportation Board's 5-year plan after all other allocations have been made. *Table 6* displays the HURF distribution analysis, which shows that after implementing statewide adjustments, \$13,310,000 of net SHF monies will be available for statewide highway construction in FY 2015 rather than \$13,398,000. (Please see the *Summary of Highway Construction* section and *Table 6* for additional information.)

Table 1 shows the allocation of the budget related to highway construction.

Table 1	
FY 2015 Highway Construction & Debt Service	
	<u>Capital Outlay Bill</u>
Controlled Access	\$ 84,426,000
Debt Service	111,075,000
Highway Construction	<u>13,398,000</u>
Total	\$208,899,000

As noted in the HURF distribution table (please see *Table 6*), an additional amount of \$284,831,000 from unspent FY 2014 State Highway Fund monies and the Statewide Transportation Acceleration Needs Account (STAN) will also be available in FY 2015.

Summary of Non-Appropriated Capital Funds

Table 2 provides a summary of non-appropriated capital expenditures. Further background information regarding the funds is contained in the ADOT Summary of Funds in the ADOT operating section of the *FY 2015 Baseline Book*. The ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in *Table 2*.

Table 2			
Non-Appropriated Capital Fund Expenditures			
(\$ in Thousands)			
	FY 2013	FY 2014	FY 2015
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Aviation Federal Funds	\$ 404	\$ 1,275	\$ 1,600
Federal Grants	<u>685,310</u>	<u>668,349</u>	<u>668,349</u>
Subtotal - Federal Funds	\$685,714	\$ 669,624	\$ 669,949
Economic Strength Project Fund	\$ 1,000	\$ 1,000	\$ 1,000
Highway Expansion and Extension Loan Program Fund	0	6,250	43,750
Local Agency Deposits Fund	104,913	100,000	100,000
Maricopa Regional Area Road Fund	216,729	542,463	420,107
Subtotal - Other Non-Appropriated Funds	\$ 322,642	\$ 649,713	\$ 564,857
Total	\$1,008,356	\$1,319,337	\$1,234,806

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 25, 2013 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 \$1,044,722,000 for FY 2015. (Please see *Table 3* for additional details.)

Total Highway Construction Funding

Only a small portion of the state's total highway construction funding is appropriated. The budget provides \$208,899,000 for highway construction, including \$13,398,000 of net SHF monies for statewide highway construction. In *Table 6*, this amount is adjusted to \$13,310,000 due to statewide adjustments.

Table 4 summarizes expenditures for highway construction that are planned in the future and currently underway from FY 2013 through FY 2015, on a cash flow basis as provided by ADOT. *Table 3*, which shows the highway construction program adopted by the State Transportation Board, presents a different view since it only shows the total dollar cost of highway projects scheduled to begin in FY 2015 by category of construction. *Table 4* also includes monies from the Local Agency Deposits Fund, while *Table 3* does not.

Table 3	
Highway Construction Projects Beginning in FY 2015	
(\$ in Thousands)	
	FY 2015 ^{1/}
Construction	\$ 97,625
Urban Controlled Access ^{2/}	606,475
Pavement Preservation Maintenance	271,756
Other ^{3/}	<u>68,866</u>
Total	\$1,044,722

^{1/} Data from ADOT's 2014-2018 5-Year Transportation Facilities Construction Program.
^{2/} Includes expenditures from HURF for controlled access, PAG, and the Maricopa Regional Area Road Fund (MRARF).
^{3/} Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.

For FY 2013, *Table 4* shows that total cash highway construction expenditures were \$1,018,500,000, while \$286,000,000 was spent on debt service. In FY 2014, total estimated cash highway construction expenditures are \$1,393,900,000 with total debt service of \$305,400,000. In FY 2015, total estimated cash highway construction expenditures are \$1,404,300,000 with total debt service of \$307,500,000. The major sources of highway construction funding are SHF, Federal Aid, the half-cent sales tax in Maricopa County (MRARF), bond proceeds, and the Local Agency Deposits Fund. The Local Agency Deposits Fund

Table 4

Highway Construction and Debt Service Expenditures by Fund Source
(\$ in Millions)

<u>Sources</u>	<u>FY 2013</u> <u>Actual</u>	<u>FY 2014</u> <u>Estimate</u>	<u>FY 2015</u> <u>Estimate</u>
State Highway Fund (SHF)			
<i>Appropriated</i>			
HURF - Statewide Debt Service	\$ 102.5	\$ 112.3	\$ 111.1
HURF - MAG Debt Service	25.2	26.7	27.9
MAG/PAG 15.2% Controlled Access - Construction Expenditures	30.8	33.5	129.8
Net SHF Funds Available for Statewide Highway Construction Expenditures	0.9	12.3	13.3
Total SHF - Appropriated	\$ 159.4	\$ 184.8	\$ 282.1
<i>Non-Appropriated</i>			
SHF Highway Construction <u>1/</u>	\$ -	\$ 3.4	\$ 31.3
Total SHF - Non-Appropriated	\$ -	\$ 3.4	\$ 31.3
Total SHF Highway Construction Expenditures	\$ 159.4	\$ 188.2	\$ 313.4
Federal Aid			
Total Federal Aid Highway Construction Expenditures	\$ 826.3	\$ 823.0	\$ 823.0
Maricopa Regional Area Road Fund			
Highway Construction Expenditures	\$ 13.6	\$ 373.4	\$ 239.3
MRARF Debt Service	103.2	103.6	103.6
Total Maricopa Regional Area Road Fund Highway Construction Expenditures	\$ 116.8	\$ 477.0	\$ 342.9
Bond Proceeds			
HURF - Highway Construction Expenditures	\$ 25.8	\$ 62.7	\$ 218.8
MRARF - Highway Construction Expenditures	117.9	98.6	11.7
GAN - Highway Construction Expenditures	55.9	47.8	-
Total Bond Proceeds Highway Construction Expenditures	\$ 199.6	\$ 209.1	\$ 230.5
Local Agency Deposits Fund			
Local Agency Deposits Fund Highway Construction Expenditures (Non-Federal)	\$ 2.4	\$ 2.0	\$ 2.0
Total Local Agency Deposits Fund Highway Construction Expenditures	\$ 2.4	\$ 2.0	\$ 2.0
Total Highway Construction Expenditures	\$ 1,304.5	\$ 1,699.3	\$ 1,711.8
Total Debt Service			
SHF	\$ 127.7	\$ 139.0	\$ 139.0
Federal Aid	55.1	62.8	64.9
MRARF	103.2	103.6	103.6
Total Debt Service	\$ 286.0	\$ 305.4	\$ 307.5 <u>2/</u>
Total Cash Highway Construction Expenditures			
SHF	\$ 31.7	\$ 49.2	\$ 174.4
Federal Aid	771.2	760.2	758.1
MRARF	13.6	373.4	239.3
Bond Proceeds	199.6	209.1	230.5
Local Agency Deposits Fund	2.4	2.0	2.0
Total Cash Highway Construction Expenditures	\$ 1,018.5	\$ 1,393.9	\$ 1,404.3
Total Highway Construction Expenditures	\$ 1,304.5	\$ 1,699.3	\$ 1,711.8

1/ Includes funding from STAN.

2/ Information provided by the department. Includes \$138,978,000 for HURF bonds (\$111,075,000 for statewide program and \$27,903,000 MAG program); \$64,895,000 for Grant Anticipation Notes; and \$103,593,000 for MRARF bonds as of June 30, 2013.

receives monies from the federal government and local agencies for the payment of local agency sponsored county secondary road construction projects.

Table 4 does not include highway maintenance spending of \$141,830,000 in FY 2013, \$146,800,000 in FY 2014, and \$144,900,000 in FY 2015. Of the \$307,500,000 total debt service amount in Table 4, only \$111,075,000 is appropriated.

Highway User Revenue Fund Analysis

HURF consists of monies received in the state from transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax (VLT), vehicle registration, driver’s license, and others. Table 5 explains the formula distribution of HURF monies between state and local governments. Table 6 presents the overall HURF distribution for FY 2013 through FY 2015. The line in Table 6 showing Net SHF Available for Statewide Highway Construction, which totals \$13,310,000 for FY 2015, 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 2013 HURF collections of \$1,210,024,000 were (0.1)% below FY 2012. HURF collections have been \$1.2 billion for the past 3 fiscal years. As of April 2014, HURF year-to-date collections were 2.8% higher than the prior year. The Baseline projections used in Table 6, however, assume a 1.0% increase in total HURF revenue collections in both FY 2014 and FY 2015. Based on the FY 2014 year-to-date trend, HURF collections in FY 2014 and FY 2015 will be \$21.8 million and \$44.4 million above the Baseline estimates, respectively.

Decreased HURF collections in FY 2013 were due to revenue loss in all major HURF revenue categories with the exception of VLT. VLT revenue increased 1.7% from FY 2012 because of growth in the number of brand new car and new-to-state vehicle purchase registrations. Gas tax collections declined (0.2)% over the prior fiscal year, while registration revenues decreased (0.2)%. Decreased commercial trucking, due to a lowered demand for goods, led to declines of (1.7)% and (0.1)% in the use fuel tax (diesel) and the motor carrier fee, respectively.

The FY 2015 Revenue Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 9) requires, as session law, \$30 million of HURF revenues in both FY 2015 and FY 2016 and \$60 million of HURF revenues in FY 2017 to be allocated directly to counties cities and towns in percentages reflecting the current non-state distribution of HURF revenues. The language specifies that these HURF revenues may only be spent on direct construction/repair and right-of-way expenditures. These additional HURF monies are due to a reduction of an equal amount of HURF

in the Department of Public Safety (DPS) budget; the General Fund replaced the reduced HURF funding in the DPS budget. (Please see Table 6 for the amounts of HURF revenue distributed to local governments under this provision.)

Due to Laws 2013, Chapter 244, \$9,974,900 from the Underground Storage Tank (UST) Tax has been deposited in SHF as of May for FY 2014. The FY 2015 Budget Procedures BRB (Laws 2014, Chapter 14) eliminates the deposit of UST Tax collection in SHF effective January 1, 2015. After that date, revenues will again be deposited into the Department of Environmental Quality’s Regulated Substance Fund.

In FY 2013, UST Tax collections were \$29.0 million. Assuming similar collections in FY 2015, SHF would receive the UST Tax collections for half of FY 2015 equaling \$14.5 million. (Please see the Department of Environmental Quality’s narrative for more details.)

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% displayed in the table above). The controlled access monies are divided: 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

Table 6

Highway User Revenue Fund (HURF) Distribution
(\$ in Thousands)

	FY 2013 <u>Actual</u>	FY 2014 <u>Estimate</u>	FY 2015 <u>Estimate</u>
Total HURF Collections	\$1,210,024	\$1,222,124	\$1,234,345
Less: Economic Strength Fund ^{1/}	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program ^{2/}	625	652	652
Reversion from MVD Operations ^{3/}	(765)	0	0
Automation Projects Fund	0	5	0
Dept. of Public Safety Transfer from HURF ^{4/}	119,873	119,247	89,255
Cities ^{5/}	0	0	16,003
Counties ^{5/}	0	0	9,969
Controlled Access ^{5/}	0	0	4,028
Net HURF Collections	\$1,089,291	\$1,101,220	\$1,113,438
Less: Cities ^{6/}	332,234	335,872	339,599
Counties ^{6/}	206,965	209,232	211,553
VLT Transfer to Parity Compensation Fund ^{7/}	2,447	2,561	2,657
VLT Transfer to General Fund (5-Year VLT) ^{8/}	1,048	1,000	1,000
VLT Transfer to General Fund (Abandoned Vehicle) ^{9/}	3,155	3,200	3,200
Controlled Access ^{10/}	82,603	83,502	84,425
Net SHF (Discretionary)	\$ 460,839	\$ 465,853	\$ 471,004
Plus: Other Income ^{11/}	32,091	31,144	31,161
Less: Operating Budget ^{12/}	335,809	337,323	340,870
Dept of Public Safety Transfer from Highway Fund ^{13/}	6,780	6,744	6,744
Operating Carryovers, Adjustments and Transfers ^{14/}	5	5	5
Capital Outlay and Building Renewal	793	8,280	8,472
Motor Vehicle Third Party Payments ^{15/}	19,696	20,152	21,689
Debt Service ^{16/}	110,223	112,237	111,075
Net SHF Available for Statewide Highway Construction (5-Year Plan) ^{17/}	\$ 19,624	\$ 12,256	\$ 13,310
SHF Adjustments			
Plus: Controlled Access SHF Beginning Balance	196,340	223,176	249,654
STAN Account Beginning Balance	37,995	38,266	35,177
Total SHF Available for Statewide Highway Construction ^{18/}	\$ 253,959	\$ 273,698	\$ 298,141

^{1/} Provides monies for economic strength highway projects recommended by the Commerce Authority and approved by the State Transportation Board.

^{2/} The FY 2014 General Appropriation Act (GAA) amount of \$651,500 includes \$(400) for statewide adjustments and \$26,300 for the retention payment. The FY 2015 GAA amount of \$651,800 includes \$300 for statewide adjustments.

^{3/} The FY 2012 GAA shifted the funding for the Motor Vehicle Division (MVD) from SHF to HURF. The FY 2013 GAA shifted the funding for MVD back to SHF.

^{4/} The FY 2014 GAA amount of \$119,247,100 includes \$719,800 for statewide adjustments and \$5,900 for the retention payment. The FY 2015 GAA amount of \$89,255,000 includes \$7,900 for statewide adjustments.

^{5/} The Revenue Budget Reconciliation Bill (Laws 2014, Chapter 9) requires, as session law, \$30 million of HURF revenues in both FY 2015 and FY 2016 and \$60 million of HURF revenues in FY 2017 to be allocated directly to counties and cities and towns in percentages reflecting current non-state distribution of HURF revenues. The legislation also specifies that those revenues may only be spent on direct construction/repair and right-of-way expenditures. These additional HURF monies are due to a reduction in those funds in the Department of Public Safety budget.

^{6/} A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways. (See also footnote 5.)

^{7/} Laws 2005, Chapter 306 transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.

^{8/} A.R.S. § 28-5808E transfers the 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/} A.R.S. § 28-5808D also transfers the SHF share of the HURF VLT to the state General Fund that is equal to 90% of the fees collected under A.R.S. § 28-4802A and 60% of the fees collected under A.R.S. § 28-4802B to the state General Fund.

^{10/} 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.

^{11/} Includes interest and rental income, transfers from the Public Roads Fund, revenue from 4 formerly non-appropriated funds, and miscellaneous sales and other income. The FY 2013 amount of \$32,091,000 includes \$31,466,000 in miscellaneous revenue and \$625,000 for the Registration Compliance program. The FY 2014 estimate of \$31,143,500 includes \$30,492,000 in miscellaneous revenue and \$651,500 for the Registration Compliance program. The FY 2015 estimate of \$31,160,800 includes \$30,509,000 in miscellaneous revenue and \$651,800 for the Registration Compliance program.

^{12/} The FY 2014 GAA amount of \$337,323,200 includes \$(295,400) in statewide adjustments, \$5,410,800 for the retention payment. The FY 2015 GAA amount of \$340,869,900 includes \$3,461,900 for new lane miles and \$84,800 for statewide adjustments.

^{13/} The FY 2014 GAA amount of \$6,743,800 includes \$(36,200) in statewide adjustments. The FY 2015 GAA amount of \$6,743,900 includes \$100 for statewide adjustments.

^{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.

^{18/} Numbers may not add due to rounding.

Capital Outlay
Arizona Board of Regents Building Systems

FY 2015
 APPROVED

BUILDING RENEWAL

Arizona Board of Regents
TOTAL

3,000,000^{1/}
3,000,000

FUND SOURCES

General Fund
TOTAL - ALL SOURCES

3,000,000
3,000,000

DESCRIPTION — The Arizona Board of Regents (ABOR) Building System is comprised of buildings controlled by the Universities.

Building Renewal

The budget includes \$3,000,000 from the General Fund in FY 2015 for Building Renewal within the ABOR Building System. This amount funds 2.8% of the building renewal formula. ABOR is responsible for allocating the monies to the 3 state universities.

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on support of a formula determined by the Joint Committee on Capital Review (JCCR). The formula takes into account the replacement value, age, and life cycle of a building. .

Lease-Purchase Projects

In FY 2015, ABOR is projected to have \$757,552,000 in outstanding lease-purchase balances, with an overall debt service payment of \$76,509,800. The General Fund share of the debt service is \$29,073,500. The General Fund share receives an annual appropriation of \$34,625,000, but the actual debt service will be \$(5,590,900) below this amount in FY 2015 due to refinancing Certificates of Participation. (See the ABOR operating section for additional information on universitywide refinance savings.) According to ABOR, savings from this refinancing is estimated to result in excess appropriations of \$(25,984,500), of which a significant portion will occur in FY 2015 - FY 2017. (See Capital Outlay - Debt and Lease-Purchase Financing for more information.)

Bonding

In FY 2015, ABOR is projected to have \$2,143,740,000 in outstanding bond balances, including both system revenue and Lottery bonds. The projected debt service is \$171,118,200. (See Capital Outlay - Debt and Lease-Purchase Financing for more information.)

University Lottery Bonds

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 facilities. The bonds are to be paid with 80% Lottery monies and 20% university system revenues.

Of the \$800,000,000, 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. ABOR also decided to allocate \$16,000,000 to Arizona State University's (ASU) School of Construction. With the Phoenix Biomedical Campus and School of Construction set-asides, \$408,000,000 remained to be allocated. ABOR then initially split this amount evenly to each of the 3 universities (\$136,000,000 each) for building renewal, deferred maintenance, and new construction projects.

\$408,000,000 Allocation

In terms of the \$408,000,000 allocation, JCCR favorably reviewed:

- \$167,700,000 for building renewal bond projects in November 2008 and February 2009, which were issued in April, June, and August 2010, as well as in May 2011. To date, \$163,430,000 of the favorably reviewed \$167,700,000 has been issued.
- The Committee favorably reviewed \$32,388,000 in September 2011 for ASU building renewal projects, of which \$30,915,000 was issued in November 2011.
- In October and December 2012, the Committee favorably reviewed \$38,000,000 for ASU building

^{1/} The Arizona Board of Regents shall require each university to establish a major maintenance and repair account for deposit of amounts allocated by the board to the university from the appropriation made in this subsection. Amounts deposited in this account may be used only for the purposes provided in Subsection A of this section. (Capital Outlay Appropriation Act footnote)

renewal projects, of which \$35,000,000 was issued in January 2013, with the remaining \$3,000,000 issued in May 2014.

- The Committee favorably reviewed \$66,500,000 for the University of Arizona (UA) new construction projects in December 2012, which was issued in April 2013.
- In April 2013, the Committee favorably reviewed \$71,215,000 for Northern Arizona University (NAU) for a new construction project at its Flagstaff campus, which was partially paid in cash, and issued in June 2013.

Additionally, in August 2013, the Committee favorably reviewed \$33,265,000 for ASU building renewal projects, which were issued May 2014.

As a result of these actions, the 407,400,000 has been favorably reviewed by JCCR. Of this amount, \$394,850,000 has been issued.

Phoenix Biomedical Campus

The Committee also favorably reviewed \$172,940,000 for Phase I of the Phoenix Biomedical Campus in March 2010, which represents a portion of the \$376,000,000 requirement and was to be collaboration between the 3 universities. Subsequent to the March 2010 JCCR meeting, ASU withdrew its partnership altogether from the Phoenix Biomedical Campus. As a result, ASU's \$43,235,000 portion of the \$172,940,000 will not be issued. UA issued \$122,245,000 in June 2010. NAU planned to issue \$7,685,000 in late spring 2011 but decided in March 2011 to pay for its \$7,685,000 portion in cash. If any of the ASU and NAU portions are not being spent for their originally reviewed purposes, the new uses of those monies would need further JCCR review before issuance.

All of the NAU and UA bonds and 73% of the ASU bonds that were issued prior to December 2010 were issued as Build America Bonds (BABs). BABs, which expired December 2010, were taxable bonds which entitled the issuing entity to a 35% interest subsidy from the federal government. This left the issuing entity paying the remaining 65% of interest costs, together with principal, associated with the lease-purchase agreement.

School of Construction

The Committee also favorably reviewed \$16,000,000 for the ASU School of Construction in October 2012, which represents the total \$16,000,000 allocation for that portion of bonding authority. The entire \$16,000,000 was issued in April 2013.

Summary

Between the Phoenix Biomedical Campus, the ASU School of Construction and other projects, \$563,545,000 of the Chapter 287 authority has been reviewed (*see Table 1*). Of that amount, \$524,615,000 has been issued. An

additional \$24,555,000 has been reviewed by the Committee and is planned to be issued by the end of FY 2015. At this time, a total of \$250,830,000 in remaining authority is available for university lottery bonding projects, including \$237,680,000 for Phoenix Biomedical Campus expansion. (*See Table 1 for the statutory distribution amounts, the reviewed and planned 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 up to 80% Lottery revenues and at least 20% state university system revenues, as required by Chapter 287. The \$524,615,000 of total issuances will result in a total debt service payment of \$24,359,600 in FY 2015.

After all Lottery revenue beneficiaries receive their statutory distributions, the UCI Fund receives its distribution before any remaining monies are deposited to the General Fund. The Joint Legislative Budget Committee (JLBC) Staff estimates that the UCI Fund could receive as much as \$44,924,100 in FY 2015. Since the maximum 80% Lottery portion of the debt service is expected to be only \$19,487,700 in FY 2015, the remaining \$25,436,400 will be deposited to the General Fund. The 20% share of the university payment, which will be paid for with university system revenues, is \$4,871,900 in FY 2015.

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, ASU School of Construction and building renewal projects if the maximum of 80% of the debt service was paid from Lottery funds.

University Issuances						
Purpose	University	Statutory Distribution	Reviewed Issuance	Actual Issuance	Remaining Authority	Planned Issuance ^{1/}
Phoenix Biomedical Campus	UA	\$360,960,000	\$132,045,000	\$130,845,000	\$230,115,000	\$ 0
	NAU	15,040,000	8,100,000	7,475,000	7,565,000	0
ASU's School of Construction	ASU	16,000,000	16,000,000	16,000,000	0	0
Building Renewal/ New Construction	ASU	136,000,000	136,000,000	111,445,000	0	24,555,000
	NAU	136,000,000	136,000,000	132,500,000	3,500,000	0
	UA	<u>136,000,000</u>	<u>135,400,000</u>	<u>126,350,000</u>	<u>9,650,000</u>	<u>0</u>
<i>Subtotal</i>		<i>408,000,000</i>	<i>407,400,000</i>	<i>370,295,000</i>	<i>13,150,000</i>	<i>0</i>
TOTAL		\$800,000,000	\$563,545,000	\$524,615,000	\$250,830,000	\$ 24,555,000

^{1/} Planned issuances by end of FY 2015.

University Lottery Bonding Projects ^{1/}						
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Projected Lottery Revenue to UCI Fund ^{2/}		\$28,268,400	\$34,167,500	\$44,924,100	\$54,186,000	\$63,909,200
Building Renewal Projects						
Lottery Debt Service	80%	\$ 6,484,900	\$ 13,645,000	\$14,241,500	\$24,528,500	\$24,639,500
University Debt Service	20%	<u>1,621,300</u>	<u>3,411,300</u>	<u>3,560,400</u>	<u>6,132,200</u>	<u>6,159,900</u>
Total Debt Service for \$370.3 M ^{3/}		\$ 8,106,200	\$17,056,300	\$17,801,900	\$30,660,700	\$30,799,400
Phoenix Biomedical Campus						
Lottery Debt Service	80%	\$ 4,120,600	\$ 4,725,900	\$ 4,637,000	\$ 6,703,100	\$ 6,636,100
University Debt Service	20%	<u>1,030,100</u>	<u>1,181,500</u>	<u>1,159,300</u>	<u>1,675,800</u>	<u>1,659,000</u>
Total Debt Service for \$138.3 M ^{4/5/}		\$ 5,150,700	\$ 5,907,400	\$ 5,796,300	\$ 8,378,900	\$ 8,295,100
ASU School of Construction						
Lottery Debt Service	80%		\$ 388,900	\$ 609,200	\$ 817,500	\$ 782,700
University Debt Service	20%		<u>97,200</u>	<u>152,200</u>	<u>204,400</u>	<u>195,700</u>
Total Debt Service for \$16.0 M			\$ 486,100	\$ 761,400	\$ 1,021,900	\$ 978,400
Total Lottery Share at 80% ^{6/}		\$10,605,500	\$18,759,800	\$19,487,700	\$32,049,100	\$32,058,300
Projected University Cost ^{7/}		\$ 2,651,400	\$ 4,690,000	\$ 4,871,900	\$ 8,012,400	\$ 8,014,600

^{1/} Represents JCCR reviewed projects and planned FY 2014 and FY 2015 issuances not yet reviewed by JCCR.
^{2/} Revenue estimates are based on a 5% annual increase in Lottery revenues. Represents that maximum amount of revenue available to the UCI Fund. UCI Fund revenues would not exceed the actual total lottery share of debt service in a given year. See Total Lottery share at 80% line.
^{3/} In FY 2015, includes \$12,818,100 in debt service for projects that have been reviewed by JCCR through 2013.
^{4/} UA has already issued its \$122,245,000 share, NAU will be paying cash for its \$7,685,000 share, and ASU's \$43,235,000 share will not be issued as a result of the withdrawal of their partnership from the Phoenix Biomedical Campus.
^{5/} In FY 2015, includes \$4,871,900 in debt service for projects that have been reviewed by JCCR through 2013.
^{6/} The sum of Total Lottery Share at 80% and Projected University Cost represents the total debt service for the bond issuances. See the Capital Debt and Lease-Purchase section for more information.
^{7/} Represents the 20% university share.

Capital Outlay
Debt and Lease-Purchase Financing

FY 2015
 APPROVED

LEASE-PURCHASE PAYMENTS*

Arizona Department of Administration - 2010 Leaseback Financing	84,123,700
Phoenix Convention Center	20,449,000
TOTAL - ALL PROJECTS	104,572,700

* 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	104,572,700
TOTAL - ALL SOURCES	104,572,700

DESCRIPTION — This section summarizes the state’s debt and lease-purchase obligations.

Debt Financed Projects

2010 Leaseback Financing

The budget includes \$84,123,700 from the General Fund in FY 2015 for lease-purchase payments related to the \$1,035,419,300 state building sale/lease-back agreements.

The FY 2010 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2009, 3rd Special Session, Chapter 6) and Laws 2010, 6th Special Session, Chapter 4 authorized the Arizona Department of Administration (ADOA) to enter into sale/lease-back agreements in FY 2010 for existing state-owned facilities, requiring the funds to be deposited to the General Fund to subsidize state operating expenses. ADOA sold the issuances in 2 series (January 2010 and June 2010) at an average tax-exempt interest rate ranging from 4.37% to 4.57%, with an effective yield of approximately 4%. These issuances range up to 20 years in period of time, however, optional prepayment by the state is prohibited by the agreements until FY 2020. (Please see the Debt and Lease-Purchase Financing narrative pages in the FY 2013 Appropriations Report for more information.)

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 agree to either of the following requirements:

- Working Capital Surplus Limitation – Limits the state’s total cash reserve to the lesser of the following amounts: 1) A calculation of cash reserves for a fixed 3-year period before the issuance occurred; or 2) 5% of General Fund spending for that fiscal year. The state’s cash reserve is defined as: the General Fund, the Budget Stabilization Fund (BSF), and monies in certain Department of Revenue clearing accounts. During FY 2012 – FY 2014 excess cash balances were to be used

to purchase tax-exempt securities on a temporary basis. Beginning with the FY 2015 balance, excess cash balances would be used for mandatory retirement of the tax-exempt financing, which would occur in FY 2017. The mandatory repayment requirements would have superseded the existing FY 2020 prepayment restriction contained in the financing agreements.

- Investment Yield Restriction – Limits the investment return on the state’s operating balance to the interest rate paid on the outstanding tax-exempt financing (approximately 4%). The state would be required to restrict the yield on investments with a value equal to the current level of outstanding financing – which at the end of FY 2015 is expected to be \$1.26 billion. The yield restriction exists for the entire term of the operating financing.

When the financing was originally issued, the state agreed to the Working Capital Surplus limitation. A.R.S. § 41-707 requires ADOA to annually submit to JLBC by December 31 of each year a Working Capital Surplus Report associated with meeting this requirement. In January 2014, ADOA reported that the state ended FY 2013 with a working capital surplus of \$995.4 million. As discussed previously, this surplus was invested in tax-exempt securities during FY 2014.

Given concerns about the potential for the mandatory repayment requirements, which would be determined by ending balances in FY 2015 and each year thereafter, in May 2014 the Executive opted to covert to the Investment Yield Restriction. The selection of this limitation is irrevocable for the duration of the financing.

Because the state is no longer subject to the mandatory repayment requirements of the Working Capital Surplus Limitation, the operating financing is not subject to prepayment by the state until FY 2020.

Phoenix Convention Center

The budget includes \$20,449,000 from the General Fund in FY 2015 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 2015 payment amount reflects this new payment schedule.

Statute requires the Auditor General to conduct or contract for an economic and fiscal impact analysis of the expansion project. The study will be conducted in 2014 and will estimate how amounts of General Fund revenues resulting from the expansion compare to debt service payments made by the state since the project’s 2009 completion. If the study finds that debt service payments exceeded General Fund revenues, the state will reduce its debt service payments to the City of Phoenix by the shortfall amount. Each year thereafter, the Auditor General is required to update the study’s estimate.

State Debt Rating

With both major credit rating agencies, Arizona has the fourth highest rating out of 10 possible levels (Standard & Poor’s: AA- and Moody’s: Aa3). In comparison to other states, only New Jersey, California and Illinois have a lower Standard & Poor’s (S&P) credit rating, while 2 states share a similar S&P credit rating as Arizona (Kentucky and Michigan). Along with an overall rating, credit agencies also provide an outlook in terms of the future direction of rating changes. As of December 2013, both major agencies have a positive outlook for Arizona.

In adopting their credit ratings for Arizona, the major agencies have listed some of the following concerns: 1) reduced financial flexibility due to restrictions enacted by Proposition 105 and Proposition 108; 2) continued economic weakness; and 3) concerns about the disposition of current short-term budget surpluses. While noting these challenges, the agencies also indicated Arizona’s comparably moderate debt levels and stabilized financial position as positive trends.

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 currently has PLTO agreements with private entities for 2 office buildings on the Capitol Mall. The 2 buildings house ADOA and the Department of

Environmental Quality. *Table 1* provides information on current lease-to-own agreements.

<u>Fund Type</u>	<u>FY 2015 Payment</u>	<u>Lease Completion</u>
General Fund	\$1,194,300	FY 2028
Other Approp.	7,488,700	FY 2028
Non-Approp.	<u>1,266,700</u>	FY 2028
Total	\$9,949,700	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 K-12 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 for more information.*)

The FY 2014 K-12 Education BRB (Laws 2013, 1st Special Session, Chapter 3) authorized SFB to enter into a refinancing agreement, provided that the agreement must: 1) reduce SFB lease-purchase payments by a combined total of at least \$4,000,000 in FY 2014 and FY 2015; and 2) not increase or decrease SFB lease-purchase payments in any other fiscal year by more than \$100,000.

SFB’s first proposed refinance under the authority in Chapter 3 received a favorable review from JCCR in October 2013 and reduces SFB’s lease-purchase payments by \$(1,445,200) in FY 2014 and \$(3,800,800) in FY 2015.

At its April 10, 2014 meeting, JCCR favorably reviewed a second refinancing agreement under the same statutory authority, which is estimated to produce non-recurring savings of \$(7,922,700) in FY 2015. Since the enacted budget was transmitted before the JCCR meeting, the savings from this second agreement were not included in the FY 2015 enacted budget and are not included in *Table 2* below. The FY 2016 Baseline will include a one-time ex-appropriation of these savings for FY 2015.

In addition, all other lease-purchase payments and PLTO payments that are made from the General Fund are budgeted to decrease by \$(188,600) from the General Fund in FY 2015. (Please see the Capital Outlay ADOA Building System narrative for more information.)

Table 2 provides information related to current state lease-purchase agreements.

Bonding Summary

The Arizona Board of Regents, on behalf of the universities; the Arizona Department of Transportation; and SFB have issued bonds to renovate, acquire, and construct facilities, as well as to purchase equipment.

SFB has also issued Qualified Zone Academy Bonds (QZABs). The QZAB program, enacted through federal legislation, allows state and local agencies to issue QZABs at low interest rates by providing federal tax credits to bond holders. SFB issued a total of \$26,350,000 in QZABs through 2 issuances in FY 2001 and FY 2003.

The debt service on QZABs is paid from Proposition 301 sales tax revenues and Permanent State School Fund revenues.

Laws 2010, 6th Special Session, Chapter 4 authorized ADOA to issue a 20-year, \$450,000,000 Lottery revenue bond by December 31, 2010 to be deposited into the General Fund. Payments started in FY 2011 and have been made from the Lottery revenues that would have otherwise been deposited into the General Fund. The FY 2015 bond payment will be \$37,499,000. This results in the General Fund receiving \$(37,499,000) less in Lottery revenues in FY 2015.

The federal requirements pertaining to operating financing 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.)

Lease-Purchase Summary	Overall		Overall		FY 15		Retirement FY
	Balance	^{1/}	FY 15 Payment	^{2/}	GF Payment	^{2/}	
<u>ADOA Building System</u>							
2008A Issuance							
ADC 4000 Prison Beds, Water, and Wastewater	\$ 158,660,000	\$ 158,660,000	\$ 16,713,400	\$ 16,713,400			FY 23, FY 28
DHS Forensic Hospital	20,685,000	20,685,000	3,108,900	3,108,900			FY 23
<i>Subtotal</i>	\$ 179,345,000	\$ 179,345,000	\$ 19,822,300	\$ 19,822,300			
2010 A/B Issuance							
Sale/Leaseback	\$ 886,415,000	\$ 886,415,000	\$ 84,123,700	\$ 84,123,700			FY 30
2013 A Issuance							
PLTO Refinance - DHS Building	\$ 22,345,000	\$ -	\$ 1,790,300	\$ -			FY 29
2013 B Issuance							
Refinance - 2002A Health Lab	\$ 13,420,000	-	\$ 2,031,300	-			FY 23
Refinance - 2004B Prisons	\$ 11,140,000	\$ 11,140,000	\$ 3,074,600	\$ 3,074,600			FY 19
<i>Subtotal - ADOA</i>	\$ 1,112,665,000	\$ 1,076,900,000	\$ 110,842,200	\$ 107,020,600			
<u>School Facilities Board</u>							
New School Construction - FY 2003 - FY 2005	\$ 273,535,000	\$ 273,535,000	\$ 82,721,100	\$ 82,721,100			FY 20
New School Construction - FY 2008 - FY 2009	419,360,000	419,360,000	58,644,400	58,644,400			FY 24
Federal Bonds	74,201,600	74,201,600	11,187,300 ^{3/}	11,187,300 ^{3/}			FY 28
2011 Refinance	58,785,000	58,785,000	2,449,800	2,449,800			FY 20
2013 Refinance	67,435,000	67,435,000	15,152,600	15,152,600			FY 20
<i>Subtotal - SFB</i>	\$ 893,316,600	\$ 893,316,600	\$ 170,155,200	\$ 170,155,200			
<u>ABOR Building System</u>							
Arizona State University	\$ 301,602,000	\$ 156,055,000	\$ 31,423,000	\$ 13,989,000			FY 34
Northern Arizona University	59,960,000	59,960,000	5,695,800	5,491,500			FY 31
University of Arizona	395,990,000	154,075,000	39,391,000	9,593,000			FY 72
<i>Subtotal - ABOR</i>	\$ 757,552,000	\$ 370,090,000	\$ 76,509,800	\$ 29,073,500			
Phoenix Convention Center ^{4/5/}	\$ 260,124,300	\$ 260,124,300	\$ 20,449,000	\$ 20,449,000			FY 44
<i>TOTAL - Lease-Purchase</i>	\$ 3,023,657,900	\$ 2,600,430,900	\$ 377,956,200	\$ 326,698,300			(Continued)

Table 2 (Continued)

	Overall Balance	^{1/}	GF Balance	^{1/}	Overall FY 15 Payment	^{2/}	FY 15 GF Payment	^{2/}	Retirement FY
Bonding Summary									
School Facilities Board									
Deficiencies Correction:									
Proposition 301	\$ 316,650,400		\$ -		\$ 65,732,300		\$ -		FY 20
State Land Trust - FY 2004	63,500,000		\$ -		23,291,000		-		FY 18
<i>Subtotal - SFB</i>	\$ 380,150,400		\$ -		\$ 89,023,300		-		
Department of Transportation ^{6/}	\$ 1,808,500,000		\$ -		\$ 203,873,000	^{7/}	\$ -		FY 14 - 38
ABOR Building System									
Arizona State University	815,530,000		-		79,781,800		-		FY 44
Northern Arizona University	268,640,000		-		22,002,800		-		FY 41
University of Arizona	510,400,000		-		44,974,000		-		FY 48
University Lottery Bond (SPEED)	524,615,000	^{8/}	-		24,359,600		-		FY 48
<i>Subtotal - ABOR</i>	\$ 2,119,185,000		\$ -		\$ 171,118,200		\$ -		
Lottery Revenue Bond ^{4/}	\$ 372,880,000		\$ 372,880,000		\$ 37,499,000		\$ 37,499,000		FY 29
<i>TOTAL - Bonding</i>	\$ 4,680,715,400		\$ 372,880,000		\$ 501,513,500		\$ 37,499,000		
TOTAL - Lease-Purchase & Bonding	\$ 7,704,373,300		\$ 2,973,310,900		\$ 879,469,700		\$ 364,197,300		

^{1/} Represents principal balances as of June 30, 2015. 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 15 GF Payment" column.

^{3/} This type of financing originally entitled the state to a federal interest rate subsidy of 4.86% (out of the 6% due on the bonds), shortly after each payment. Taking into account recent federal budget reductions, in FY 2015 this subsidy is expected to be \$4,052,300 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 the city to pay this portion of the lease-purchase payment. The FY 2015 payment amount reflects the changes to the payment schedule enacted by Laws 2011, Chapter 28.

^{6/} Includes \$1,613,830,000 for Highway User Revenue Fund bonds and \$194,670,000 for Grant Anticipation Notes.

^{7/} Future debt service schedule is: FY 2016 - \$202,886,000; FY 2017 - \$165,145,000; FY 2018 - \$165,146,000.

^{8/} Represents outstanding balance as of the end of FY 2015 from projects counted under the \$800,000,000 University Lottery bonding authority, otherwise known as SPEED. SPEED was originally authorized by Laws 2008, Chapter 287. (Please see the Capital Outlay Arizona Board of Regents Building System narrative for more information.)

SUMMARY OF RENT CHARGES I/ 2/

	Fiscal Year 2015 - Appropriations Report			
	General Fund	Other Fund	Non-Approp	Total
BUDGET UNITS				
Acupuncture Board of Examiners				
1400 W Washington	0	4,500	0	4,500
Administration, AZ Department of				
1400 W Washington	8,300	7,800	0	16,100
1510 W Adams	0	353,600	0	353,600
1520 W Adams	0	147,900	0	147,900
1522 W Jackson	0	41,900	0	41,900
1537 W Jackson	0	89,100	0	89,100
1616 W Adams	0	77,300	0	77,300
1802 W Jackson	0	24,900	61,900	86,800
1840 W Jackson	0	63,600	0	63,600
1850 W Jackson	0	44,500	0	44,500
1700 W Washington	25,400	61,300	0	86,700
1789 W Jefferson (DES West)	0	16,400	0	16,400
1937 W Jefferson/CDC	0	114,600	0	114,600
1801 W Madison	0	21,500	0	21,500
1805 W Madison	0	24,700	0	24,700
400 W Congress, Tucson	0	53,500	0	53,500
402 W Congress, Tucson	0	56,200	0	56,200
416 W Congress, Tucson	0	2,700	0	2,700
Subtotal - AZ Dept of Administration	\$33,700	\$1,201,500	\$61,900	\$1,297,100
Administrative Hearings, Office of				
1400 W Washington	71,000	900	131,500	203,400
400 W Congress, Tucson	0	11,400	0	11,400
Subtotal - Office of Administrative Hearings	\$71,000	\$12,300	\$131,500	\$214,800
Agriculture, AZ Department of				
1520 W Adams	106,400	0	0	106,400
1688 W Adams	197,700	0	222,800	420,500
400 W Congress, Tucson	32,100	0	4,700	36,800
Subtotal - AZ Dept of Agriculture	\$336,200	\$0	\$227,500	\$563,700
Appraisal, State Board of				
15 S 15th Ave	0	32,700	0	32,700
AZ Health Care Cost Containment System				
Kingman Building	6,800	0	6,600	13,400
Arts, AZ Commission on the				
417 W Roosevelt	0	0	49,700	49,700
Attorney General - Department of Law				
1275 W Washington	550,300	315,500	320,200	1,186,000
400 W Congress, Tucson	32,600	25,600	19,100	77,300
402 W Congress, Tucson	137,700	107,900	79,900	325,500
Capitol Center	967,700	340,000	0	1,307,700
Subtotal - Attorney General - Dept of Law	\$1,688,300	\$789,000	\$419,200	\$2,896,500
Automobile Theft Authority				
1400 W Washington	0	34,800	0	34,800
Barbers, Board of				
1400 W Washington	0	12,500	0	12,500
Charter Schools, State Board for				
1616 W Adams	70,500	0	0	70,500
1700 W Washington	24,700	0	0	24,700
Subtotal - State Board for Charter Schools	\$95,200	\$0	\$0	\$95,200
Citizens Clean Election Commission				
1616 W Adams	0	0	54,300	54,300
Contractors, Registrar of				
400 W Congress, Tucson	0	38,000	0	38,000
1700 W Washington	0	448,800	0	448,800
Subtotal - Registrar of Contractors	\$0	\$486,800	\$0	\$486,800

Fiscal Year 2015 - Appropriations Report

	General Fund	Other Fund	Non-Approp	Total
Corporation Commission				
1200 W Washington	0	527,800	0	527,800
1300 W Washington	0	382,400	0	382,400
1400 W Washington	0	154,200	0	154,200
400 W Congress, Tucson	5,500	47,900	3,100	56,500
Subtotal - Corporation Commission	\$5,500	\$1,112,300	\$3,100	\$1,120,900
Corrections, State Department of				
1601 W Jefferson	749,800	0	0	749,800
1645 W Jefferson	671,000	0	0	671,000
1831 W Jefferson	266,300	0	0	266,300
Subtotal - State Dept of Corrections	\$1,687,100	\$0	\$0	\$1,687,100
Deaf and the Hard of Hearing, Commission for the				
1400 W Washington	0	8,400	0	8,400
Economic Security, Department of				
1400 W Washington	0	0	100,400	100,400
1624 W Adams	64,100	29,200	23,400	116,700
1700 W Washington	15,500	7,100	5,700	28,300
1789 W Jefferson (DES West)	1,430,600	356,500	472,900	2,260,000
Kingman Building	50,700	104,000	69,900	224,600
400 W Congress, Tucson	211,900	199,600	96,000	507,500
DES Group Homes	139,200	200,100	0	339,300
Capitol Center	195,700	54,400	112,300	362,400
Subtotal - Department of Economic Security	\$2,107,700	\$950,900	\$880,600	\$3,939,200
Education, Department of				
1535 W Jefferson	310,900	106,300	578,800	996,100
400 W Congress, Tucson	0	12,000	42,500	54,500
416 W Congress, Tucson	0	900	21,100	22,000
Subtotal - Department of Education	\$310,900	\$119,200	\$642,400	\$1,072,600
Environmental Quality, Department of				
400 W Congress, Tucson	0	96,800	0	96,800
Equal Opportunity, Governor's Office of				
1700 W Washington	13,000	0	0	13,000
Equalization, State Board of				
416 W Congress, Tucson	1,400	0	0	1,400
Executive Clemency, Board of				
1645 W Jefferson	83,700	0	0	83,700
Financial Institutions, Department of				
2910 N 44th Street	166,000	32,400	0	198,400
Fire, Building, and Life Safety, Department of				
400 W Congress, Tucson	12,300	0	7,500	19,800
Funeral Directors & Embalmers, State Board of				
1400 W Washington	0	15,000	0	15,000
Gaming, Department of				
400 W Congress, Tucson	0	14,000	0	14,000
Geological Survey, AZ				
402 W Congress, Tucson	17,500	0	0	17,500
416 W Congress, Tucson	147,700	0	0	147,700
1520 W Adams	48,100	0	0	48,100
Subtotal - AZ Geological Survey	\$213,300	\$0	\$0	\$213,300
Governor, Office of the				
1645 W Jefferson	0	0	0	0
1700 W Washington	552,700	0	130,100	682,800
400 W Congress, Tucson	30,000	0	0	30,000
Subtotal - Office of the Governor	\$582,700	\$0	\$130,100	\$712,800
Gov's Ofc of Strategic Planning & Budgeting				
1700 W Washington	131,100	0	0	131,100
Health Services, Department of				
1740 W Adams	0	1,013,500	0	1,013,500
1818 W Adams	209,600	0	0	209,600

Fiscal Year 2015 - Appropriations Report

	General Fund	Other Fund	Non-Approp	Total
400 W Congress, Tucson	84,100	50,300	0	134,400
402 W Congress, Tucson	0	3,300	0	3,300
416 W Congress, Tucson	0	56,400	0	56,400
Subtotal - Department of Health Services	\$293,700	\$1,123,500	\$0	\$1,417,200
Historical Society, Arizona				
1502 W Washington	360,700	0	0	360,700
Homeland Security, AZ Dept of				
1700 W Washington	0	0	131,300	131,300
Homeopathic & Integrated Medicine Examiners, State Board of				
1400 W Washington	0	4,900	0	4,900
Independent Redistricting Commission				
1100 W Washington	24,200	0	0	24,200
Indian Affairs, AZ Commission of				
1700 W Washington	10,100	0	0	10,100
Insurance, Department of				
2910 N 44th Street	323,400	0	107,800	431,200
Judiciary - Court of Appeals				
400 W Congress, Tucson	380,700	0	0	380,700
Judiciary - Supreme Court				
1501 W Washington	2,859,800	0	0	2,859,800
400 W Congress, Tucson	83,800	0	0	83,800
Subtotal - Supreme Court	\$2,943,600	\$0	\$0	\$2,943,600
Subtotal - Judiciary	\$3,324,300	\$0	\$0	\$3,324,300
Juvenile Corrections, Department of				
1624 W Adams	364,700	0	0	364,700
Land Department, State				
1616 W Adams	0	779,700	0	779,700
Legislature - Auditor General				
2910 N 44th Street	342,200	0	0	342,200
Liquor Licenses and Control, Department of				
400 W Congress, Tucson	0	21,700	0	21,700
Medical Board, AZ				
9500 Doubletree Rd.	0	200,100	0	200,100
Massage Therapy Board				
1400 W Washington	0	9,900	0	9,900
Mine Inspector, State				
1700 W Washington	84,200	0	0	84,200
Naturopathic Physicians Medical Board				
1400 W Washington	0	22,900	0	22,900
Navigable Stream Adjudication Commission, AZ				
1700 W Washington	10,100	0	0	10,100
Nursing Care Inst. Admin. & Asstd. Living Fac. Mgrs.				
1400 W Washington	0	23,000	0	23,000
Opticians, State Board of Dispensing				
1400 W Washington	0	5,200	0	5,200
Optometry, State Board of				
1400 W Washington	0	9,100	0	9,100
Osteopathic Examiners, AZ Board of				
9500 Doubletree Rd.	0	34,200	0	34,200
Parks Board, AZ State				
1300 W Washington	0	61,300	249,000	310,300
1616 W Adams	0	0	51,500	51,500
Subtotal - AZ State Parks Board	\$0	\$61,300	\$300,500	\$361,800
Personnel Board				
1400 W Washington	0	24,800	0	24,800
Pest Management, Office of				
1688 W Adams	0	46,300	0	46,300
400 W Congress, Tucson	0	3,900	0	3,900

Fiscal Year 2015 - Appropriations Report

	General Fund	Other Fund	Non-Approp	Total
Subtotal - Office of Pest Management	\$0	\$50,200	\$0	\$50,200
Pharmacy, AZ State Board of 1616 W Adams	0	117,800	0	117,800
Podiatry Examiners, State Board of 1400 W Washington	0	4,400	0	4,400
Private Postsecondary Education, State Board for 1400 W Washington	0	13,600	3,300	16,900
Psychologist Examiners, State Board of 1400 W Washington	0	20,600	0	20,600
Public Safety, Department of 14 N 18th Avenue	20,100	5,300	5,600	31,000
1700 W Washington	50,900	13,300	14,000	78,200
1937 W Jefferson/Wayland	14,600	3,900	4,200	22,700
400 W Congress, Tucson	10,900	2,800	2,900	16,600
Subtotal - Department of Public Safety	\$96,500	\$25,300	\$26,700	\$148,500
Real Estate Department, State 2910 N 44th Street	235,900	0	0	235,900
400 W Congress, Tucson	0	0	0	0
Subtotal - State Real Estate Department	\$235,900	\$0	\$0	\$235,900
Respiratory Care Examiners, Board of 1400 W Washington	0	19,800	0	19,800
Revenue, Department of 402 W Congress, Tucson	116,900	59,500	0	176,400
416 W Congress, Tucson	74,900	38,200	0	113,100
1600 W Monroe	1,377,200	709,400	0	2,086,600
Subtotal - Department of Revenue	\$1,569,000	\$807,100	\$0	\$2,376,100
Rio Nuevo Board 400 W Congress, Tucson	0	0	11,200	11,200
School Facilities Board 1700 W Washington	79,900	0	32,800	112,700
Secretary of State - Dept of State 1100 W Washington	23,500	0	0	23,500
1700 W Washington	193,400	0	0	193,400
400 W Congress, Tucson	6,000	0	0	6,000
Records Management Addition	303,400	0	0	303,400
Polly Rosenbaum Building	1,593,000	0	0	1,593,000
Subtotal - Secretary of State - Dept of State	\$2,119,300	\$0	\$0	\$2,119,300
State Boards' Office 1400 W Washington	0	19,300	0	19,300
Transportation, Department of 1275 W Washington ^{3/}	0	127,500	0	127,500
Treasurer, State 1700 W Washington	0	140,900	0	140,900
Veterinary Medical Examining Board, AZ State 9500 Doubletree Rd.	0	23,300	0	23,300
GRAND TOTAL	\$16,784,100	\$8,613,200	\$3,228,000	\$28,625,400

^{1/} Continues to reflect the FY 2015 rental rates enacted by Laws 2014, Chapter 14, Section 7, with an office square footage rental rate of \$13.08 and storage square footage rental rate of \$4.74.

^{2/} 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 or the pro rata share based on actual occupancy.

^{3/} Represents funding for space occupied by the Attorney General - Department of Law for provision of legal services to the Department of Transportation.

**LEASE-PURCHASE APPROPRIATIONS 1/
Department of Administration Building System**

	Fiscal Year 2015 - Appropriations Report			Total
	General Fund	Other Fund	Non-Approp	
<u>BUDGET UNITS</u>				
Administration, AZ Department of Sale/Lease-Back	84,123,700			84,123,700
Corrections, Arizona Department of 1,000 Public Prison Beds <u>2/</u>	0			0
4,000 Public Prison Beds	16,064,400			16,064,400
Water and Wastewater Projects	657,500			657,500
1,000 Public Prison Beds - Refinance <u>2/</u>	3,074,600			3,074,600
Subtotal - AZ Department of Corrections	<u>\$19,796,500</u>	\$0	\$0	<u>\$19,796,500</u>
Health Services, Department of Health Services Building - Refinance <u>3/</u>	1,793,900	1,196,200		2,990,100
Health Lab <u>2/</u>		0		0
Health Lab - Refinance <u>2/</u>	0	2,031,300		2,031,300
Arizona State Hospital Forensic Unit	3,110,500			3,110,500
Subtotal - Department of Health Services	<u>\$4,904,400</u>	<u>\$3,227,500</u>	\$0	<u>\$8,131,900</u>
GRAND TOTAL	<u><u>\$108,824,600</u></u>	<u><u>\$3,227,500</u></u>	<u><u>\$0</u></u>	<u><u>\$112,052,100</u></u>

1/ Pursuant to A.R.S. § 41-792.01, state agencies occupying buildings being lease-purchased by the Arizona Department of Administration (ADOA) shall pay the higher of the billed amount reported [herein] by the Joint Legislative Budget Committee Staff or the pro rata share of the lease-purchase based on actual occupancy.

2/ As reviewed by JCCR in October 2012, ADOA refinanced the existing ADC 1,000 prison bed lease-purchase agreement (2004B) and DHS health lab lease-purchase agreement (2002A).

3/ As reviewed by JCCR in October 2012, ADOA refinanced the existing DHS building PLTO into a traditional lease-purchase agreement. The DHS building will now be under a lease-purchase agreement, as opposed to being owned by a developer, and then leased to the state. While a PLTO usually requires a private entity to maintain the building until the life of the agreement is complete, the conversion of this agreement into a traditional lease-purchase has been accompanied by an agreement with a private entity that will continue to be responsible for the maintenance of the DHS building through the end of the issuance in 2029.

PRIVATIZED LEASE-TO-OWN APPROPRIATIONS ^{1/}

	Fiscal Year 2015 - Appropriations Report			
	General Fund	Other Fund	Non-Approp	Total
<u>Arizona Department of Administration Building</u>				
Accountancy, State Board of	0	110,400	0	110,400
Administration, Arizona Department of	819,800	2,112,500	220,700	3,153,000
Deaf and Hard of Hearing, Commission for the	0	211,900	0	211,900
Equalization, State Board of	86,400	0	0	86,400
Tax Appeals, State Board of	33,200	0	0	33,200
Subtotal - ADOA Building	939,400	2,434,800	220,700	3,594,900
 <u>Arizona Department of Environmental Quality Building</u>				
Criminal Justice Commission, Arizona	0	11,200	173,600	184,800
Environmental Quality, Department of	0	3,953,700	0	3,953,700
Environmental Quality, Department of - WIFA	0	0	111,200	111,200
Fire, Building and Life Safety, Department of	144,700	0	53,400	198,100
Forester, State	110,200	0	0	110,200
Gaming, Department of	0	607,800	0	607,800
Housing, Department of	0	29,600	464,200	493,800
Insurance, Department of	0	0	56,300	56,300
Racing, Arizona Department of	0	151,800	0	151,800
Residential Utility Consumer Office	0	117,900	0	117,900
Technical Registration, State Board of	0	181,900	0	181,900
Tourism, Office of	0	0	187,300	187,300
Subtotal - ADEQ Building	\$254,900	\$5,053,900	\$1,046,000	\$6,354,800
 <u>Arizona Department of Health Services Building</u>				
Health Services, Department of ^{2/}	0	0	0	0
 GRAND TOTAL	\$1,194,300	\$7,488,700	\$1,266,700	\$9,949,700

^{1/} Pursuant to Laws 2001, Chapter 317, the Arizona Department of Administration (ADOA) entered into 3 privatized lease-to-own (PLTO) agreements with private entities for the construction of 3 office buildings on the Capitol Mall. At the end of the lease period, the state will take possession of these buildings. The state currently has 2 outstanding PLTO agreements, as the original DHS Building PLTO has been converted to a traditional lease-purchase agreement. (*See Footnote 2 for additional information.*)

^{2/} As reviewed by JCCR in October 2012, ADOA refinanced the existing DHS building PLTO into a traditional lease-purchase agreement. The DHS building will now be under a lease-purchase agreement, as opposed to being owned by a developer, and then leased to the state. While a PLTO agreement usually requires a private entity to maintain the building until the life of the agreement is complete, the conversion of this agreement into a traditional lease-purchase has been accompanied by an agreement with a private entity that will continue to be responsible for the maintenance of the DHS building through the end of the issuance in 2029.

ECONOMIC AND REVENUE FORECAST

GENERAL FUND REVENUE

Summary of General Fund Forecast

The enacted April 2014 budget for FY 2015 assumes total net General Fund revenues of \$9.40 billion. This amount is a decrease of (0.6)% compared to enacted FY 2014 General Fund revenues.

Base revenues represent ongoing General Fund revenues, exclusive of tax law and revenue changes, one-time revenue adjustments, and any balance forward from the previous fiscal year. For FY 2015, base revenues are projected to increase 5.3% when compared to forecasted FY 2014 revenues. The detailed enacted budget revenue forecasts appear at the end of this section. *Table 10* compares the enacted FY 2015 forecast to the enacted FY 2014 forecast.

General Fund Base Revenue Forecast

FY 2014

The original FY 2014 budget was based on total net revenues of \$9.05 billion. This amount was (3.4)% below FY 2013, primarily due to the expiration of the 3-year 1¢ sales tax in FY 2013.

In the original FY 2014 budget, base revenues were projected to be \$8.92 billion in FY 2014, or 4.9% above the prior fiscal year. In January 2014, the JLBC Baseline reduced the FY 2014 base revenue forecast downward to 4.3%. Despite the lower percentage increase, the ongoing base revenue in the January Baseline was \$107 million higher than in the June 2013 enacted budget. The reason for this is that the actual FY 2013 base revenue was higher than the estimate used in the June 2013 enacted budget.

In its April 2014 revisions to the FY 2014 budget, the Legislature adopted the January 2014 JLBC Baseline base revenue forecast of 4.3% growth. In terms of total revenue, the revised FY 2014 budgeted amount was \$9.46 billion, or (1.1)% below FY 2013.

The April “four-sector” consensus forecast base revenue growth of 3.8% for FY 2014 (*see FY 2015 section for more information on the 4-sector consensus process*). However, based on year-to-date revenue growth through March of 4.3%, the April 2014 enacted budget assumed the January consensus growth rate of 4.3% for FY 2014. *Table 1* includes consensus estimates from January 2014 and updated estimates from April 2014.

Table 1

4-Sector Estimates FY 2014 Forecast Percentages Base Revenue ^{1/}

	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax					
January	6.2%	4.4%	6.2%	6.5%	5.8%
April	5.5%	5.1%	5.8%	5.9%	5.6%
Individual Income Tax					
January	6.3%	3.0%	4.7%	4.5%	4.6%
April	4.7%	3.2%	3.8%	4.7%	4.1%
Corporate Income Tax					
January	(9.7)%	0.9%	1.9%	(7.0)%	(3.5)%
April	(7.8)%	(4.1)%	(4.1)%	(7.0)%	(5.8)%
Overall ^{2/}					
January	4.9%	3.5%	5.2%	4.5%	4.3%
April	4.0%	3.5%	4.1%	4.3%	3.8%

^{1/} Prior to any tax law or other revenue changes.

^{2/} Includes JLBC Staff estimates for other revenue categories. The enacted April 2014 budget revisions for FY 2014 utilized the January 4-Sector estimates.

FY 2015

The January FY 2015 JLBC Baseline forecasted total net revenues of \$9.36 billion for FY 2015. Excluding one-time revenues, Urban Revenue Sharing and statutory changes, the ongoing base revenues were projected at \$9.45 billion. This amount reflected a base revenue increase of 5.3% compared to FY 2014. The JLBC’s FY 2015 estimated growth rates for the “Big 3” revenue categories (sales tax, individual income tax, and corporate income tax) were initially developed and revised using a 4-sector consensus process. This process is based on averaging the results of the following 4 forecasts:

- The Finance Advisory Committee (FAC) panel forecast. This independent panel consists of 14 public and private sector economists that meet 3 times a year to provide the Legislature with guidance on the status of the Arizona economy.
- The University of Arizona Economic and Business Research (EBR) General Fund base model. The model is a simultaneous-equation model consisting of over 100 equations that are updated on an ongoing basis to accommodate changes in the economy. The model uses over 200 variables related to Arizona’s economy and is updated quarterly.
- EBR’s conservative forecast model, and
- JLBC Staff projections.

The growth rates for the Big 3 categories used in the development of the JLBC revenue estimates from each sector of the forecast are detailed in *Table 2* below. As with the FY 2014 table in the prior section, *Table 2* includes consensus estimates from January 2014 and updated estimates from April 2014.

	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax					
January	6.1%	2.7%	6.6%	6.0%	5.4%
April	5.8%	2.2%	6.2%	5.7%	5.0%
Individual Income Tax					
January	6.0%	2.3%	5.3%	6.3%	5.0%
April	5.9%	1.6%	4.8%	6.1%	4.6%
Corporate Income Tax					
January	(0.4)%	0.2%	8.4%	11.9%	5.0%
April	(1.1)%	4.1	7.9%	6.0%	4.3%
Overall ^{2/}					
January	5.6%	2.3%	6.2%	6.6%	5.3%
April	6.3%	2.1%	5.7%	5.9%	5.0%

^{1/} Prior to any tax law or other revenue changes.
^{2/} Includes JLBC Staff estimates for other revenue categories. The enacted April 2014 budget for FY 2015 utilized the January 4-Sector estimates.

The FY 2015 estimate for the remaining revenue categories, which constitute about 8% of the total, was based on JLBC Staff estimates.

The enacted FY 2015 budget adopted the January 2014 JLBC Baseline revenue forecast of 5.3% compared to FY 2014, as shown in *Table 2*. Total FY 2015 revenues are projected to be \$9.40 billion, or (0.6)% below FY 2014.

Table 3 below summarizes the changing revenue picture for FY 2014 and FY 2015 through the phases of budget development. The growth rates in the table reflect ongoing base revenues.

	<u>% Change</u>
<u>FY 2014</u>	
Adopted FY 2014 Budget (June 2013) (compared to forecasted FY 13 revenues)	4.9%
JLBC Baseline (January 2014)	4.3%
4-Sector Consensus (April 2014)	3.8%
Enacted FY 2015 Budget (April 2014)	4.3%
<u>FY 2015</u>	
4-Sector Consensus (January 2014)	5.3%
4-Sector Consensus (April 2014)	5.0%
Enacted FY 2015 Budget (April 2014)	5.3%

Revenue Adjustments

Table 4 below provides an overview of base revenue growth rates for FY 2014 and FY 2015 with budget legislation changes (which include a number of tax law changes and revenue adjustments described in more detail in *Table 5 through Table 7*) and one-time financing sources. The table shows the base and adjusted revenue growth rates based on the enacted FY 2015 budget.

	<u>FY 2014</u>	<u>%</u>	<u>FY 2015</u>	<u>%</u>
Base Revenue	\$8,993.8 ^{1/}	4.3%	\$9,471.0	5.3%
Previously Enacted Changes	N/A		(127.3)	
Newly Enacted Tax Law Changes	N/A		18.6	
Urban Revenue Sharing	(561.0)		(608.9)	
One-Time Financing Sources:				
Balance Forward	895.5		595.5	
Previously Enacted Changes	(24.8)		(1.8)	
Newly Enacted Tax Law Changes	0.0		0.0	
Fund Transfers	<u>153.6</u>		<u>53.9</u>	
Subtotal	1,024.3		647.6	
Adjusted Revenue	<u>\$9,457.1</u>	(1.1)%	<u>\$9,401.0</u>	(0.6)%

^{1/} \$(37.0) million in tax law and revenue changes are included in the FY 2014 base. The FY 2014 increase of 4.3% shown above excludes these changes.

Ongoing Budget Legislation

Each year there are statutory tax law and other revenue changes that impact the state's revenue collection base. These may include tax rate or tax exemption changes, conformity to federal tax law changes, or the implementation of programs that affect revenue collections.

FY 2014

For FY 2014, ongoing budget legislation is expected to reduce General Fund revenues by \$(37.0) million. *Table 5* provides a summary of previously enacted budget legislation changes with ongoing revenue impacts in FY 2014. As noted above, the FY 2014 base revenue growth of 4.3% excludes these changes. Previously enacted legislation with a one-time revenue impact in FY 2014 is shown in *Table 8* at the end of this section.

Pre-2013 Tax Law Changes

A number of tax law changes enacted in 2011 and 2012 will have an impact on FY 2014 revenue collections, as described below.

1) Job Tax Credit – Laws 2011, 2nd Special Session, Chapter 1 provides a \$3,000 annual individual and corporate income tax credit for each net new qualifying job added by an employer in the state. To qualify for the 3-year credit, the new employment position must: (1) be full-time, (2) pay at least the county median wage, and (3) include health insurance paid by the employer. In addition, a business cannot claim the credit unless it meets certain minimum job creation and capital investment requirements. Laws 2012, Chapter 343 removed the 400 maximum job tax credit claims per employer established by Chapter 1. The job tax credit is estimated to reduce revenues by \$(4.0) million in FY 2014. *(For the revenue impact after FY 2014, see page 351.)*

2) Reduction of Long Term Capital Gains – Laws 2012, Chapter 343 reduces the individual income taxation of long term capital gains on assets acquired after TY 2011 by 25% over 3 years, beginning in TY 2013. This provision is estimated to reduce individual income tax collections by \$(10.2) million in FY 2014. *(For the revenue impact after FY 2014, see page 351.)*

3) Qualified Facility Tax Credit – Laws 2012, Chapter 343 created a new individual and corporate income tax credit for businesses that expand or locate qualified facilities in the state, beginning in TY 2013. The credit is 10% of the lesser of (1) the capital investment in the facility or (2) \$200,000 for each net new employee hired at the facility. To qualify for the credit, a company is required to devote at least 80% of its property and payroll at the facility to manufacturing, research, or a national or regional headquarter. There are also certain minimum requirements with respect to wage and health insurance coverage for new employees at the facility. The credit is refundable but no single taxpayer can claim more than \$30 million per calendar year. The credit must be taken in equal installments over 5 years. The qualified facility credit is subject to an annual aggregate cap of \$70 million, which it shares with the renewable energy credit enacted in 2009. This provision is estimated to reduce revenues by \$(4.0) million in FY 2014. *(For the revenue impact after FY 2014, see page 351.)*

2013 Tax Law Changes

In the 2013 Legislative Session, the Legislature enacted the following ongoing tax law and revenue changes.

4) Prior FBLS Fee Increase – A.R.S. § 41-2144 and § 41-2146 authorized the Department of Fire, Building, and Life Safety (FBLS) to establish fees to support the State Fire Marshal and manufactured housing programs. A 2011 Auditor General performance audit found that the non-

Table 5	
Budget Legislation Changes with Ongoing Revenue Impact in FY 2014 (\$ in Millions)	
<u>Pre-2013 Tax Law Changes (Year Enacted)</u>	
1) Job Tax Credit (2011)	\$ (4.0)
2) Reduction of Long-Term Capital Gains (2012)	(10.2)
3) Qualified Facility Credit (2012)	<u>(4.0)</u>
Subtotal	\$ (18.2)
<u>2013 Tax Law and Revenue Changes</u>	
4) Prior FBLS Fee Increase	\$ 0.3
5) IRC Conformity	9.1
6) Data Center TPT Exemption	(4.2)
7) Foster Care Credit	(0.9)
8) Interlock Device TPT Exemption	(0.6)
9) Increased 529 College Savings Plan Deductions	(4.0)
10) Expanded Working Poor Credit	(18.0)
11) EZ Credit Certification Exemption	<u>(0.5)</u>
Subtotal	\$ (18.8)
Total – FY 2014 Revenue Impact	\$ (37.0)

appropriated Mobile Home Relocation Fund was being charged more than its proportionate share to support the agency’s operating budget. To reduce the Relocation Fund’s share of administrative costs, the State Fire Marshal and manufactured housing programs raised fees in FY 2013. The Board of Manufactured Housing increased fees effective July 2012, and the State Fire Safety Committee increased fees effective September 2012. In total, ongoing revenue gain in FY 2014, the first full year that the fees are in effect, is estimated to be \$270,000. These fees, however, are deposited into the General Fund. The department’s budget includes an increase of \$270,000 from the General Fund in FY 2014 for operation of the State Fire Marshal and manufactured housing programs. The increased appropriation is equivalent to the level of increased fees.

5) Internal Revenue Code Conformity – Laws 2013, Chapter 65 conformed Arizona tax statutes to the Internal Revenue Code (IRC) as of January 3, 2013 and established a tax credit for TY 2013 in lieu of conforming to the retroactive provision of the Federal Aviation Administration (FAA) Modernization and Reform Act relating to rollover of amounts received in airline carrier bankruptcy. Chapter 65 is estimated to increase General Fund revenue by \$9.1 million in FY 2014.

6) Data Center TPT Exemption – Laws 2013, 1st Special Session, Chapter 9 provides, effective September 1, 2013, Transaction Privilege Tax (TPT) and Use Tax exemptions, for equipment purchased by owners, operators, or co-location tenants of computer data centers certified by the Arizona Commerce Authority (ACA). To qualify for the exemption, newly constructed data centers located in Maricopa and Pima Counties must make a minimum investment of \$50 million over 5 years. The corresponding minimum requirement in other counties is \$25 million.

Existing data centers, which made an investment of at least \$250 million during the 6 years immediately preceding the act's effective date, are eligible for the same exemption with respect to future equipment purchases. The exemptions are expected to reduce General Fund revenues by \$(4.2) million in FY 2014. (*For the revenue impact after FY 2014, see page 351.*)

7) Foster Care Tax Credit – Laws 2013, 1st Special Session, Chapter 9 expanded (retroactive to January 1, 2013) the existing working poor credit to include qualifying foster care charitable organizations. The maximum credit for cash contributions to qualifying foster care organizations is \$400 for individuals filing as single or head of household and \$800 for married couples filing joint returns. The foster care credit is estimated to result in an annual individual income tax reduction of \$(850,000), beginning in FY 2014.

8) Interlock Device TPT Exemption – Laws 2013, Chapter 236 exempts the leasing or renting of certified interlock devices from state and municipal TPT, retroactive to September 1, 2004. This provision is estimated to result in an annual General Fund revenue reduction of \$(600,000), beginning in FY 2014.

9) Increased 529 College Savings Plan Deductions – Laws 2013, Chapter 236 increases the 529 college savings plan contributions that are deductible from state income tax from \$1,500 to \$4,000 for married couples filing joint returns and from \$750 to \$2,000 for all other filers. This provision, which is retroactive to January 1, 2013, is estimated to reduce individual income tax collections by \$(4.0) million, beginning in FY 2014.

10) Expanded Working Poor Credit – Laws 2013, Chapter 236 removed the requirement that an individual income tax filer itemizes deductions in order to claim the working poor tax credit. This provision is estimated to reduce individual income tax collections by \$(18.0) million annually, beginning in FY 2014.

11) Enterprise Zone Credit Certification Exemption – Laws 2013, Chapter 236 provides that businesses, which were certified by ACA and then claimed first year credits under the now repealed Enterprise Zone (EZ) credit program, be exempt from the requirement to file for certification in order to claim second or third year credits. This provision, which is retroactive to July 1, 2011, is estimated to reduce General Fund revenues by \$(500,000) in FY 2014. (*For the revenue impact after FY 2014, see page 351.*)

FY 2015 – FY 2017

As shown in *Table 6* on *page 351*, ongoing budget legislation enacted prior to the 2014 regular session is estimated to reduce General Fund revenues by \$(127.3) million in FY 2015, followed by an additional reduction of \$(115.6) million in FY 2016, and \$(108.7) million in FY

2017. Thus, relative to FY 2014, previously enacted tax law changes will reduce FY 2015 - FY 2017 baseline revenue by a total of \$(351.6) million. Below is a description of each of the previously enacted provisions included in *Table 6*. The table lists both original and revised (or current) revenue estimates. (For more background on the revision of estimates, see page 429 of the *FY 2015 Baseline Book*.)

Table 7 lists budget legislation enacted during the 2014 regular session with ongoing revenue impact in FY 2015 through FY 2017. As shown in *Table 7*, ongoing legislation enacted in 2014 is estimated to add \$18.6 million to General Fund revenues in FY 2015 (relative to FY 2014), followed by a reduction of \$(12.7) million in FY 2016, and an additional reduction of \$(0.5) million in FY 2017. Each of the current year tax law changes is described in more detail below. (Current year legislation with a one-time impact is shown in *Table 8*.)

Pre-2014 Statutory Changes

12) Elimination of Small Business Capital Gains – Laws 2011, 2nd Special Session, Chapter 1 eliminates capital gains on income derived from small businesses certified by ACA to receive credit-eligible angel investments, beginning in TY 2014. This provision was originally estimated to reduce individual income tax collections by \$(11.6) million in FY 2015. However, as a result of updated capital gains data, the estimated revenue reduction in FY 2015 has since been revised to \$(8.6) million. Under the current estimate, the provision is estimated to reduce revenue by an additional \$(0.4) million in FY 2016 and \$(0.8) million in FY 2017.

13) Phase-Down of Corporate Income Tax Rate – Laws 2011, 2nd Special Session, Chapter 1 reduces the corporate income tax rate from 6.968% to 4.9% over 4 years, beginning in TY 2014. This rate reduction was originally estimated to reduce corporate income tax collections by \$(53.8) million in FY 2015. However, based on an updated forecast for corporate income tax, this estimate has since been revised to \$(50.4) million. Under the current estimate, the phase-down of the corporate tax rate is estimated to result in an additional revenue loss of \$(60.7) million in FY 2016 and \$(61.7) million in FY 2017.

14) Phase-In of Single Corporate Sales Factor – Laws 2011, 2nd Special Session, Chapter 1 increases the optional sales factor, which is used to calculate the apportionment of taxable income for multi-state corporations, from 80% to 100% over 4 years, beginning in TY 2014. This provision was originally estimated to reduce corporate income tax collections by \$(24.6) million in FY 2015. However, based on newer information provided by the Department of Revenue, this estimate has since been revised to \$(39.3) million. Under the current estimate, the phase-in of a single sales factor is estimated to reduce

corporate income tax collections by an additional \$(37.9) million in FY 2016 and \$(31.7) million in FY 2017.

15) Job Tax Credit – Laws 2011, 2nd Special Session, Chapter 1. (For a detailed description of this provision, see 1) on page 348.) The job tax credit was originally estimated to reduce corporate and individual income tax collections by \$(19.7) million in FY 2015 relative to FY 2014. However, based on actual credit usage to date, the FY 2015 estimate has been revised to \$(4.2) million. Under the current estimate, the job tax credit is expected to reduce revenue by an additional \$(4.2) million in FY 2016 and \$(3.1) million in FY 2017.

16) Expansion of Angel Investment Credit – Laws 2011, 2nd Special Session, Chapter 1 provided certain changes to the State’s Angel Investment Tax Credit program, beginning in FY 2012. Under this program, qualified “angel” investors are eligible to receive up to a 35% credit over 3 years on investments in small businesses certified by ACA. The credit program is capped at \$20 million. Chapter 1 extended the credit authorization by 4 years, through the end of FY 2016. Additionally, Chapter 1 also increased the asset cap of small businesses qualified to receive credit-eligible angel investments from \$2 million to \$10 million, beginning in FY 2012. This provision is estimated to reduce individual income tax revenue by \$(0.5) million in FY 2015, after which time the \$20 million in allowable credit authorization is assumed to be exhausted. The original estimate of this provision has not been revised.

17) Corporate Sales Factor for Service Providers – Laws 2012, Chapter 2 allows multi-state service-providing companies to reduce their Arizona corporate income tax liability through a change in the calculation of the sales factor. To be eligible for the change, a company is required to derive at least 85% of its sales of services from out-of-state customers. The change in the calculation of the sales factor is phased in over 4 years, beginning in TY 2014. This provision was originally estimated to reduce corporate income tax collections by \$(3.0) million in FY 2014. As a result of further review of the legislation, however, it has been determined that the first-year impact of \$(3.0) million will not occur until FY 2015. Under the revised estimate, the provision is expected to reduce revenue by an additional \$(0.5) million in FY 2016 and \$(0.4) million in FY 2017.

18) Reduction of Long Term Capital Gains – Laws 2012, Chapter 343. (For a detailed description of this provision, see 2) on page 348.) The reduction of long term capital gains subject to individual income taxes was originally estimated to reduce tax revenues by \$(23.0) million in FY 2015 relative to FY 2014. As a result of updated capital gains data, however, the FY 2015 estimate has been revised to \$(15.7) million. Under the current estimate, individual income tax collections are estimated to decline by an additional \$(12.1) million in FY 2016 and \$(7.0) million in FY 2017.

19) Qualified Facility Credit – Laws 2012, Chapter 343. (For a detailed description of this provision, see 3) on page 348.) This credit is estimated to reduce individual and corporate income tax collections by \$(4.0) million over and above the reduction in the prior year in each year from FY 2015 through FY 2017. The original estimate of this provision has not been revised.

20) Enterprise Zone Credit Certification Exemption – Laws 2013, Chapter 236. (For a detailed description of this provision, see 11) on page 349.) This provision was originally estimated to reduce corporate income tax collections by \$(500,000) in FY 2014 and \$(300,000) in FY 2015. Thus, relative to the FY 2014 base, this provision results in a savings of \$200,000 in FY 2015. The FY 2016 savings relative to the FY 2015 base is \$300,000. The original estimate of this provision has not been revised.

21) TPT Simplification – Laws 2013, Chapter 255 makes numerous changes to the state and municipal TPT with respect to administration, collections, and auditing. In addition, effective from January 1, 2015, Chapter 255 exempts service and trade contractors from state and municipal contracting tax whenever they work directly for the property owners and such work is limited to maintenance, repair, or replacement of existing property. Instead, the materials purchased by such contractors will be subject to retail TPT. The changes under Chapter 255 are estimated to result in a General Fund revenue increase of \$1.3 million, beginning in FY 2016. The original estimate of this provision has not been revised.

22) Data Center TPT Exemption – Laws 2013, 1st Special Session, Chapter 9. (For a detailed description of this provision, see 6) on page 348.) This exemption is estimated to reduce General Fund revenue by \$(1.8) million in FY 2015 and an additional \$(1.9) million in FY 2016. The original estimate of this provision has not been revised.

2014 Statutory Changes

23) Electricity and Natural Gas TPT Exemption – Laws 2014, Chapter 7 exempts the gross proceeds from sales of electricity and natural gas to businesses that are principally engaged in manufacturing or smelting operations from the state TPT and use tax. The exemption is estimated to reduce General Fund revenue collections by \$(14.6) million in FY 2015 and an additional \$(3.6) million in FY 2016.

24) Renewable Energy Facility Credit – Laws 2014, Chapter 8 creates a new individual and corporate income tax credit for any company that makes an investment of at least \$300 million in a new renewable energy facility that produces energy that is primarily used in the company’s own manufacturing processes. The credit has an aggregate

Table 6

Prior Year Budget Legislation with Ongoing Revenue Impact in FY 2015 through FY 2017
 (\$ Millions) ^{1/}

<u>Bill/Description of Provision</u>	<u>Prior Estimates</u>			<u>Current Estimates</u>		
	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>
<u>Laws 2011, 2nd SS, Ch. 1</u>						
12) Eliminates capital gains on income derived from small businesses.	\$(11.6)	\$(0.7)	\$(0.6)	\$(8.6)	\$(0.4)	\$(0.8)
13) Phases down corporate tax rate from 6.968% to 4.9% over 4 years, beginning in FY 2015.	(53.8)	(62.2)	(67.5)	(50.4)	(60.7)	(61.7)
14) Phases in corporate sales factor from 80% to 100% over 4 years, beginning in FY 2015.	(24.6)	(22.7)	(20.5)	(39.3)	(37.9)	(31.7)
15) Creates a \$3,000 new job tax credit claimed annually for 3 years. ^{2/}	(19.7)	(6.8)	(1.0)	(4.2)	(4.2)	(3.1)
16) Increases small business eligibility for 30% "angel" investment tax credit from \$2 million to \$10 million in assets through FY 2016.	(0.5)	4.5	0.0	(0.5)	4.5	0.0
<u>Laws 2012, Ch. 2</u>						
17) Provides a change in the calculation of the corporate sales factor for service companies. ^{3/}	(0.5)	(0.4)	(0.5)	(3.0)	(0.5)	(0.4)
<u>Laws 2012, Ch. 343</u>						
18) Phases in (over 3 years) a 25% reduction of long term capital gains on assets purchased after 2011. ^{4/}	(23.0)	(16.0)	(4.9)	(15.7)	(12.1)	(7.0)
19) Creates an income tax credit for capital investments in new/expanded manufacturing/ research facilities and commercial headquarters. ^{4/}	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
<u>Laws 2013, Ch. 236</u>						
20) Exempts certain Enterprise Zone income tax credit certification requirements. ^{4/}	0.2	0.3	0.0	0.2	0.3	0.0
<u>Laws 2013, Ch. 255</u>						
21) Exempts trade/service contractors from prime contracting tax. Instead, materials taxed as retail.	0.0	1.3	0.0	0.0	1.3	0.0
<u>Laws 2013, 1st SS, Ch. 9</u>						
22) Exempts data center equipment from TPT. ^{4/}	(1.8)	(1.9)	0.0	(1.8)	(1.9)	0.0
Revenue Impact Over Prior Year	\$(139.3)	\$(108.6)	\$(99.0)	\$(127.3)	\$(115.6)	\$(108.7)

^{1/} Represents marginal pricing: All impacts are stated relative to the prior year. See Table 5 for first FY 2014 tax law changes. Impact excludes property tax changes, which affect Department of Education spending rather than General Fund revenues.

^{2/} Includes impact of Laws 2012, Chapter 343 provision, which eliminated individual company cap of 400 eligible employees. Impact of Chapter 343 began in FY 2014.

^{3/} Original estimate assumed that the first-year impact would occur in FY 2014. Based on subsequent examination of the provision, however, it has been determined that the first-year impact will not occur until FY 2015.

^{4/} Impact began in FY 2014.

individual income and corporate income tax cap of \$10 million a year. The credit is estimated to reduce General Fund revenues by \$(10) million, beginning in FY 2016. (Although the credit can be taken in FY 2015, the initial impact is not assumed to occur until FY 2016.)

25) Long-Term Care System Fund – Laws 2014, Chapter 11 (Health and Welfare Budget Reconciliation Bill) requires all monies in the Long-Term Care System Fund accrued from capitation payments for developmental disability services that are unexpended and unencumbered at the end of the fiscal year to revert to the General Fund. The transfer amount may be adjusted for reported but unpaid claims as well as estimated incurred but unreported claims, subject to approval by the Arizona Health Care Cost Containment System (AHCCCS). Chapter 11 is expected to increase General Fund revenues by \$35 million annually, beginning in FY 2015.

26) Social Security Number (SSN) Requirement – Laws 2014, Chapter 68 requires individual taxpayers to provide the Department of Revenue a valid SSN to claim the Proposition 301 Sales Tax Credit, otherwise known as the Increased Excise Taxes Paid Credit (IETC). An individual income tax filer can claim a \$25 credit to offset the 0.6% sales tax increase resulting from Proposition 301 passed in November 2000. For taxpayers filing as single or as married person filing separately, the income requirement for claiming the credit is \$12,500 or less. Individual taxpayers had previously been able to also claim this credit using a federally-issued individual taxpayer identification number. The SSN requirement is effective January 1, 2015 and is projected to reduce the use of the credit, thereby increasing income tax collections by \$1.5 million annually, beginning in FY 2016.

27) Watercraft Fine Revenue Shift – Laws 2014, Chapter 127 redirects certain fines for operating a watercraft while under the influence from the Public Safety Equipment Fund (PSEF) to the Law Enforcement and Boating Safety Fund (LEBSF). PSEF retains the first \$1,200,000 of certain DUI fee revenues and the remainder is deposited into the General Fund. Prior to Chapter 127, PSEF received \$1,200,000 and the General Fund received \$9,179,400 in FY 2013. After shifting the \$500,000 of under the influence fees to LEBSF, PSEF is projected to still receive \$1,200,000. The General Fund deposit, however, will decline by \$(500,000) beginning in FY 2015.

28) Job Tax Credit – Laws 2014, Chapter 168 changes the requirement for the new Job Tax Credit program by providing that second and third year credits can be claimed irrespective of whether the same employee remains employed as long as the employer replaces the vacant position with another qualified employee within 90 days. The provision, which is effective retroactively from January 1, 2014, is estimated to reduce income tax collections by \$(882,000) in FY 2015, followed by an

additional \$(405,000) in FY 2016, and \$(381,000) in FY 2017.

29) Mixed Waste Processing Facility TPT Exemption – Laws 2014, Chapter 228 exempts the gross proceeds from building a mixed waste processing facility from the prime contracting tax. To qualify for the TPT exemption, the facility must be located on a municipal landfill and constructed for the purpose of recycling solid waste or producing renewable energy from landfill waste. Chapter 228 is estimated to decrease General Fund revenue by \$(183,600) in FY 2015. Relative to FY 2015, Chapter 228 is estimated to add \$127,100 to General Fund revenue in FY 2016, followed by an offsetting reduction of \$(127,100) in FY 2017.

30) TPT Exemption for Meals Sold to SNAP Recipients – Laws 2014, Chapter 263 exempts the sales of food and drinks to the elderly, disabled, or homeless by restaurants that contract with the Department of Economic Security (DES) and are approved under the federal Supplemental Nutrition Assistance Program (SNAP). Without this exemption, restaurants would be required to impose the sales tax on such meals. To qualify for the exemption, the meals must be paid with the benefits issued to SNAP recipients. The fiscal impact of this provision cannot be determined.

31) Valuation of Renewable Energy Equipment – Laws 2014, Chapter 264 modifies the calculation of depreciated cost for the purpose of determining the value of renewable energy equipment. Additionally, Chapter 264 also limits the assessed value of land with abandoned renewable energy equipment. Since the state does not levy a property tax, Chapter 264 will have no impact on General Fund revenues. Instead, the reduction in property values resulting from the legislation will increase General Fund expenditures for the Arizona Department of Education (ADE) by an estimated \$300,000, beginning in FY 2016.

32) Health Sciences Institution TPT Exemption – Laws 2014, Chapter 276 exempts personal property that is sold to a qualified health sciences educational institution from state and municipal retail, publication, and job printing TPT and use tax. Chapter 276 is estimated to reduce General Fund revenue by \$(196,400) in FY 2015, and an additional \$(275,000) in FY 2016.

Temporary 1-Cent TPT Increase

At the May 2010 Special Election, voters approved a 1-cent increase of the TPT (more commonly referred to as sales tax) for 3 years, effective from June 1, 2010 through May 31, 2013. The 1-cent sales tax generated additional General Fund revenues of \$962.2 million in FY 2013, the third and final year of the temporary tax. The May 31, 2013 expiration of the 1-cent sales tax had the effect of reducing FY 2014 General Fund revenues by \$(962.2) million relative to FY 2013.

Table 7

Current Year Budget Legislation with Ongoing Revenue Impact in FY 2015 through FY 2017
 (\$ Millions)^{1/}

<u>Bill/Description of Provision</u>	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>
<u>Laws 2014, Ch. 7</u> 23) Exempts electricity and natural gas purchased by manufacturing and smelting facilities from TPT.	\$(14.6)	\$(3.6)	\$0.0
<u>Laws 2014, Ch. 8</u> 24) Creates a tax credit for investment in new facilities that produce energy for self-consumption using renewable energy sources if the power is used primarily in manufacturing.	0.0	(10.0)	0.0
<u>Laws 2014, Ch. 11</u> 25) Requires all monies in the Long-Term Care System Fund accrued from capitation payments for developmental disability that are unexpended to be reverted to the General Fund.	35.0	0.0	0.0
<u>Laws 2014, Ch. 68</u> 26) Requires individual taxpayers claiming an amount for the Proposition 301 \$25 Tax Credit to provide a valid social security number.	0.0	1.5	0.0
<u>Laws 2014, Ch. 127</u> 27) Shifts fine revenues for operating watercraft while intoxicated from the General Fund to the Law Enforcement and Boating Safety Fund.	(0.5)	0.0	0.0
<u>Laws 2014, Ch. 168</u> 28) Provides that if an employee in a newly created job leaves his position, the employer can still claim the new job tax credit as long as the vacant position is filled within 90 days.	(0.9)	(0.4)	(0.4)
<u>Laws 2014, Ch. 228</u> 29) Exempts the construction of mixed waste processing facilities located on a municipal landfill and built for the purpose of recycling waste or producing renewable energy from TPT.	(0.2)	0.1	(0.1)
<u>Laws 2014, Ch. 263</u> 30) Exempts restaurants that contract with the Department of Economic Security and are approved under the federal Supplemental Nutrition Assistance Program (SNAP) from TPT for the sale of food and drinks to elderly, disabled, or homeless persons.	Unknown	Unknown	Unknown
<u>Laws 2014, Ch. 264</u> 31) Modifies the calculation of depreciated cost for renewable energy equipment as well as limits the assessed value of land with abandoned renewable energy equipment. ^{2/}	0.0	^{2/}	^{2/}
<u>Laws 2014, Ch. 276</u> 32) Exempts personal property sold to a qualified health sciences educational institution under the retail, publication, and job printing classifications from TPT.	(0.2)	(0.3)	0.0
Total	\$18.6	\$(12.7)	\$(0.5)

^{1/} Represents marginal pricing: All impacts are stated relative to the prior year.

^{2/} Since the state does not levy a property tax, this provision has no revenue impact. Instead, the provision increases the General Fund cost for the K-12 school funding formula by \$300,000, beginning in FY 2016.

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 10*, total URS distributions will increase from \$561.0 million in FY 2014 to \$608.9 million in FY 2015, \$620.5 million in FY 2016, and \$651.4 million in FY 2017. The URS increase will result in a General Fund revenue loss of \$(47.9) million in FY 2015 relative to FY 2014. The corresponding General Fund revenue loss in FY 2016 (relative to FY 2015) and FY 2017 (relative to FY 2016) is an estimated \$(11.5) million and \$(31.0) million, respectively.

One-Time Financing

As shown in *Table 8*, one-time financing sources are available in FY 2014, FY 2015, and FY 2016. In FY 2017, however, one-time revenue will no longer be available to support spending. Instead, FY 2017 is projected to begin with a negative General Fund balance (deficit). The following is a discussion of the one-time financing sources. *Table 8* provides the one-time detail.

FY 2014

The \$1,024.3 million in one-time financing sources for FY 2014 includes:

Budget Legislation – Laws 2013, Chapter 256 removed the \$25,000 cap on deductions from state income tax for qualified business equipment purchases under Section 179 of the Internal Revenue Code (IRC). Section 179 allows individual and corporate taxpayers to deduct 100% of their qualified equipment purchases up to a stipulated amount in the year that the equipment was purchased rather than in smaller installments over several years based on a federal depreciation schedule. The \$25,000 deduction cap was instituted in 2004 as a result of the Legislature’s decision (Laws 2004, Chapter 196) at that time not to conform to the higher Section 179 deduction allowances provided under the federal Jobs and Growth Tax Relief Reconciliation Act of 2003.

Chapter 256 effectively conforms state tax statutes to Section 179 of IRC for qualified equipment acquired in TY 2013. Under the American Taxpayer Relief Act of 2012, a business was allowed to fully deduct up to \$500,000 in qualified equipment purchases made in TY 2013. Laws 2014, Chapter 223 (“conformity bill”), which was signed into law on April 24, 2014, requires that the starting point for computing Arizona income taxes in TY 2014 be the federal tax code (IRC) as of January 1, 2014. Since no “tax extender” bill had been enacted by the U.S. Congress as of April 24, 2014, Chapter 223 effectively reset the business expensing allowance from \$500,000 to \$25,000 in

TY 2014. As a result of the TY 2013 federal business expensing allowance of \$500,000 not being extended into TY 2014, Chapter 256 resulted in a one-time individual and corporate income tax loss of \$(24.8) million in FY 2014.

Fund Transfers – The FY 2014 budget includes a total of \$153.6 million in fund transfers. This amount includes:

- \$6.0 million of the second year of Judiciary transfers.
- \$68.0 million from the State Employee Health Insurance Trust Fund.
- \$10.0 million from the Department of Education’s Structured English Immersion Fund.
- \$(7.1) million of General Fund monies transferred to the Automation Projects Fund.
- Proceeds of \$50.0 million from the National Mortgage Settlement. The FY 2013 General Appropriation Act required the Attorney General to distribute \$50.0 million from the National Mortgage Settlement proceeds to the General Fund. These monies were placed on hold in FY 2013, however, due to ongoing litigation. The court case, which was finally resolved in September 2013, resulted in the transfer of \$50.0 million from the Attorney General to the General Fund in October 2013.
- “Reconciliation payments” of \$19.2 million from AHCCCS health care plans, which occur when the plans’ profits exceed the statutory limit of 3%.
- Unbudgeted savings of \$7.5 million related to unexpended proceeds of several state building lease-purchase agreements.

Balance Forward – The FY 2013 General Fund ending balance carried forward into FY 2014 was \$895.5 million.

FY 2015

The \$647.6 million in one-time financing sources for FY 2015 includes:

Budget Legislation – Laws 2012, Chapter 343 allows an Arizona individual income tax deduction equal to 10% of the bonus depreciation claimed on federal tax returns for assets placed in service after December 31, 2012. The 10% deduction can first be claimed on state tax returns for TY 2014. Under the American Taxpayer Relief Act of 2012, businesses were provided an additional first-year 50% depreciation allowance (“bonus depreciation”) for qualified property acquired in TY 2013. For the same reason as outlined above, since no “tax extender” bill had been enacted at the federal level as of April 24, 2014, this year’s “conformity bill” (Laws 2014, Chapter 223) effectively removed the 50% bonus depreciation allowance in TY 2014.

As a result of the TY 2013 50% federal bonus depreciation allowance not being extended into TY 2014, Chapter 343 resulted in a one-time individual income tax loss of \$(1.8) million in FY 2015. This provision was originally

Table 8

**FY 2014 through FY 2017 One-Time Financing Sources
(\$ in Millions)**

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Balance Forward	\$ 895.5	\$595.5	\$129.5	\$(236.8)
Budget Legislation				
Business Expensing	(24.8)	0.0	0.0	0.0
Bonus Depreciation	0.0	(1.8)	0.0	0.0
Tax Bracket Adjustment	<u>0.0</u>	<u>0.0</u>	<u>(6.1)</u>	<u>0.0</u>
Subtotal	(24.8)	(1.8)	(6.1)	0.0
Fund Transfers	<u>153.6</u>	<u>53.9</u>	<u>0.0</u>	<u>0.0</u>
Total One-Time Financing	<u>\$1,024.3</u>	<u>\$647.6</u>	<u>\$123.4</u>	<u>\$(236.8)</u>

estimated to result in a one-time revenue reduction of \$(4.2) million in FY 2014. A later review of the original legislation indicated that the initial revenue impact would not occur until FY 2015. Additionally, as a result of updated estimates by the federal Joint Committee on Taxation, the revenue impact was revised from \$(4.2) million to \$(1.8) million.

Fund Transfers – The FY 2015 General Appropriation Act (Laws 2014, Chapter 18) transfers \$53.9 million from the Special Employee Health Insurance Trust Fund (HITF) to the General Fund for the purpose of providing adequate support and maintenance for state agencies.

Balance Forward – The budgeted FY 2014 General Fund ending balance carried forward into FY 2015 is estimated to be \$595.5 million. Compared to the \$895.5 million FY 2014 beginning balance, the projected FY 2015 beginning balance reflects a loss of \$(300.0) million.

FY 2016

The \$123.4 million in one-time financing sources for FY 2016 includes:

Budget Legislation – Laws 2014, Chapter 10 provides a one-time increase (in the form of an inflation adjustment) of the individual income tax rate brackets in TY 2015. This rate bracket adjustment results in an estimated one-time revenue loss of \$(6.1) million in FY 2016.

Balance Forward – The FY 2015 General Fund ending balance carried forward into FY 2016 is estimated to be \$129.5 million.

FY 2017

FY 2016 is currently projected to end with a negative General Fund balance (deficit) of \$(236.8) million. Thus, unless the FY 2016 deficit is resolved, FY 2017 will have a negative beginning balance of \$(236.8) million.

Long-Term Projections

The FY 2015 budget also incorporated revenue planning estimates for FY 2016 and FY 2017. The January 2014 and April 2014 4-sector consensus estimates are shown in *Table 9*.

The January 4-sector forecast was the basis for the JLBC Baseline. Under the January 4-sector consensus estimate, base revenue would increase by 5.2% in FY 2016 and 5.6% in FY 2017.

Table 9

**4-Sector Estimates
Forecast Percentages
Base Revenue ^{1/}**

	<u>FY 2016</u>					<u>FY 2017</u>				
	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax										
January	5.8%	4.7%	7.2%	6.1%	6.0%	5.5%	5.6%	7.1%	6.2%	6.1%
April	5.5%	5.0%	7.4%	5.9%	6.0%	5.7%	5.6%	7.3%	5.8%	6.1%
Individual Income										
Tax	5.5%	3.0%	5.4%	5.9%	5.0%	5.4%	5.2%	5.9%	6.2%	5.7%
January	5.2%	3.5%	5.8%	6.2%	5.2%	5.3%	5.0%	5.9%	6.1%	5.6%
Corporate Income										
Tax	5.6%	1.9%	8.1%	4.1%	5.0%	5.8%	2.4%	4.7%	5.5%	4.6%
January	1.8%	4.7%	9.9%	4.1%	5.3%	4.5%	0.3%	7.2%	5.5%	4.4%
Overall ^{2/}										
January	5.6%	3.8%	6.5%	5.9%	5.2%	5.5%	5.3%	6.4%	6.2%	5.6%
April	5.2%	4.3%	6.9%	5.9%	5.3%	5.5%	5.0%	6.7%	5.9%	5.6%

^{1/} Prior to any tax law or other revenue changes.

^{2/} Includes JLBC Staff estimates for other revenue categories.

Table 10

GENERAL FUND REVENUE - FY 2013-FY 2015

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2013	% CHANGE PRIOR YR	FORECAST FY 2014	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2015	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	3,778,863.7	3.5%	3,993,710.2	5.7%	214,846.5	4,207,622.7	5.4%	213,912.5
Income - Individual	3,397,545.1	10.1%	3,522,281.6	3.7%	124,736.5	3,696,671.0	5.0%	174,389.4
- Corporate	662,026.4	2.8%	638,879.6	-3.5%	(23,146.8)	670,846.1	5.0%	31,966.5
Property	13,202.5	-16.9%	16,000.0	21.2%	2,797.5	16,000.0	0.0%	0.0
Luxury - Tobacco	24,530.4	-1.6%	24,765.2	1.0%	234.8	24,300.2	-1.9%	(465.0)
- Liquor	31,654.2	0.7%	32,434.7	2.5%	780.5	33,234.4	2.5%	799.7
Insurance Premium	386,776.1	-1.8%	400,000.0	3.4%	13,223.9	438,681.0	9.7%	38,681.0
Other Taxes	1,567.3	-12.1%	1,600.0	2.1%	32.7	1,625.0	1.6%	25.0
Sub-Total - Taxes	8,296,165.8	5.7%	8,629,671.3	4.0%	333,505.5	9,088,980.3	5.3%	459,309.0
Other Non-Tax Revenues:								
Lottery	79,260.8	-3.3%	77,548.0	-2.2%	(1,712.8)	87,577.4	12.9%	10,029.4
Licenses, Fees and Permits	29,421.2	5.5%	30,599.9	4.0%	1,178.7	31,437.9	2.7%	838.0
Interest	12,019.0	18.1%	10,000.0	-16.8%	(2,019.0)	10,000.0	0.0%	0.0
Sales and Services	36,894.3	3.3%	38,000.0	3.0%	1,105.7	39,140.0	3.0%	1,140.0
Other Miscellaneous	94,387.8	7.3%	100,000.0	5.9%	5,612.2	104,000.0	4.0%	4,000.0
Transfers and Reimbursements	31,079.2	32.4%	31,970.0	2.9%	890.8	33,009.2	3.3%	1,039.2
Disproportionate Share Revenue	78,204.6	-18.3%	76,020.7	-2.8%	(2,183.9)	76,821.9	1.1%	801.2
Sub-Total - Other Non-Tax	361,266.9	-0.4%	364,138.6	0.8%	2,871.7	381,986.4	4.9%	17,847.8
Subtotal On-Going Revenue	8,657,432.7	5.4% ^{1/}	8,993,809.8	3.9% ^{2/}	336,377.2	9,470,966.7	5.3%	477,156.9
Previously Enacted Tax Law Changes	0.0	N/A	0.0	N/A	0.0	(127,300.0)	N/A	(127,300.0)
Newly Enacted Changes	0.0	N/A	0.0	N/A	0.0	18,638.0	N/A	18,638.0
3-Year 1¢ TPT Increase	962,172.0	5.1%	0.0	-100.0%	(962,172.0)	0.0	N/A	0.0
Subtotal w/Tax Law Changes	9,619,604.7	5.4%	8,993,809.8	-6.5%	(625,794.8)	9,362,304.7	4.1%	368,494.9
Urban Revenue Sharing (URS)	(513,584.0)	21.0%	(561,001.2)	9.2%	(47,417.1)	(608,935.7)	8.5%	(47,934.5)
Subtotal w/Tax Law Changes/URS	9,106,020.6	4.6%	8,432,808.7	-7.4%	(673,212.0)	8,753,369.0	3.8%	320,560.3
One-Time Financing Sources:								
Fund Transfers	46,000.0	-85.0%	153,591.6	233.9%	107,591.6	53,900.0	-64.9%	(99,691.6)
Previously Enacted Changes	0.0	N/A	(24,800.0)	N/A	(24,800.0)	(1,800.0)	-92.7%	23,000.0
Newly Enacted Changes	0.0	N/A	0.0	N/A	0.0	0.0	N/A	0.0
DEQ Settlement	10,500.0	N/A	0.0	-100.0%	(10,500.0)	0.0	N/A	0.0
Sub-Total - One-Time Financing Sources	56,500.0	-84.3%	128,791.6	127.9%	72,291.6	52,100.0	-59.5%	(76,691.6)
Subtotal - Revenues	9,162,520.6	1.1%	8,561,600.3	-6.6%	(600,920.4)	8,805,469.0	2.8%	243,868.7
Balance Forward	396,960.0	12140.5%	895,475.0	N/A	498,515.0	595,520.6	-33.5%	(299,954.4)
Total - Resources	9,559,480.6	5.4%	9,457,075.3	-1.1%	(102,405.4)	9,400,989.6	-0.6%	(56,085.7)

1/ The 5.4% FY 2013 increase includes \$(85.3) million in tax law and other revenue changes. Adjusting for these changes, the base FY 2013 increase was 6.4%.

2/ The 3.9% FY 2014 increase includes \$(37.0) million in tax law and other revenue changes. Adjusting for these changes, the base FY 2014 increase is 4.3%.

Table 10

GENERAL FUND REVENUE - FY 2016-FY 2017

FORECAST REVENUE GROWTH						
(\$ in Thousands)						
	FORECAST FY 2016	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2017	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	4,441,416.2	5.6%	233,793.5	4,710,094.8	6.0%	268,678.6
Income - Individual	3,849,201.5	4.1%	152,530.6	4,055,320.2	5.4%	206,118.7
- Corporate	601,830.4	-10.3%	(69,015.7)	511,321.5	-15.0%	(90,508.9)
Property	16,320.0	2.0%	320.0	16,646.4	2.0%	326.4
Luxury - Tobacco	23,935.7	-1.5%	(364.5)	23,576.7	-1.5%	(359.0)
- Liquor	34,231.4	3.0%	997.1	35,258.4	3.0%	1,026.9
Insurance Premium	453,015.4	3.3%	14,334.4	465,513.9	2.8%	12,498.5
Other Taxes	1,673.8	3.0%	48.8	1,724.0	3.0%	50.2
Sub-Total - Taxes	9,421,624.4	3.7%	332,644.1	9,819,455.9	4.2%	397,831.4
Other Non-Tax Revenues:						
Lottery	84,275.0	-3.8%	(3,302.4)	93,989.5	11.5%	9,714.5
Licenses, Fees and Permits	31,931.7	1.6%	493.8	32,904.7	3.0%	973.0
Interest	10,300.0	3.0%	300.0	10,609.0	3.0%	309.0
Sales and Services	40,314.2	3.0%	1,174.2	41,523.6	3.0%	1,209.4
Other Miscellaneous	108,160.0	4.0%	4,160.0	112,486.4	4.0%	4,326.4
Transfers and Reimbursements	68,948.7	108.9%	35,939.5	69,966.9	1.5%	1,018.2
Disproportionate Share Revenue	76,821.9	0.0%	0.0	76,821.9	0.0%	0.0
Sub-Total - Other Non-Tax	420,751.5	10.1%	38,765.1	438,302.0	4.2%	17,550.4
Subtotal On-Going Revenue	9,842,375.9	3.9% ^{3/}	371,409.2	10,257,757.8	4.2% ^{4/}	415,381.9
Previously Enacted Tax Law Changes	(115,600.0)	-9.2%	11,700.0	(108,700.0)	-6.0%	6,900.0
Newly Enacted Changes	(12,652.9)	-167.9%	(31,290.9)	(508.1)	-96.0%	12,144.8
3-Year 1¢ TPT Increase	0.0	N/A	0.0	0.0	N/A	0.0
Subtotal w/Tax Law Changes	9,714,123.0	3.8%	351,818.3	10,148,549.7	4.5%	434,426.7
Urban Revenue Sharing (URS)	(620,454.2)	1.9%	(11,518.5)	(651,407.6)	5.0%	(30,953.4)
Subtotal w/Tax Law Changes/URS	9,093,668.8	3.9%	340,299.8	9,497,142.1	4.4%	403,473.3
One-Time Financing Sources:						
Fund Transfers	0.0	-100.0%	(53,900.0)	0.0	N/A	0.0
Previously Enacted Changes	0.0	-100.0%	1,800.0	0.0	N/A	0.0
Newly Enacted Changes	(6,100.0)	N/A	(6,100.0)	0.0	-100.0%	6,100.0
DEQ Settlement	0.0	N/A	0.0	0.0	N/A	0.0
Sub-Total - One-Time Financing Sources	(6,100.0)	-111.7%	(58,200.0)	0.0	-100.0%	6,100.0
Subtotal - Revenues	9,087,568.8	3.2%	282,099.8	9,497,142.1	4.5%	409,573.3
Balance Forward	129,528.4	-78.2%	(465,992.2)	(236,754.9)	-282.8%	(366,283.3)
Total - Resources	9,217,097.2	-2.0%	(183,892.4)	9,260,387.2	0.5%	43,290.0

^{3/} The 3.9% FY 2016 increase includes \$(127.3) million in previously enacted tax law and other revenue changes, \$18.6 million in newly enacted changes, and other adjustments. Adjusting for these changes, the base FY 2016 increase is 5.2%.

^{4/} The 4.2% FY 2017 increase includes \$(115.6) million in previously enacted tax law and other revenue changes, and \$(12.7) million in newly enacted changes. Adjusting for these changes, the base FY 2017 increase is 5.6%.

BUDGET STABILIZATION FUND

Background

The Budget Stabilization Fund (BSF) for Arizona was enacted in 1990 (A.R.S. § 35-144). The fund is administered by the State Treasurer, who is responsible for transferring General Fund money into and out of the BSF as required by law. The BSF is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth. The BSF is also known as the “Rainy Day Fund.”

The Formula

There is a statutory formula to calculate the amount to be appropriated to (deposit) or transferred out (withdrawal) of the BSF. The formula is based on total annual Arizona personal income (excluding transfer payments) adjusted for inflation.

The January budget documents of the JLBC and the Governor are to include estimates of the amounts to be appropriated to or transferred from the BSF for the upcoming budget year. The final determination of the amount to be appropriated or transferred is based on calculations from the Arizona Economic Estimates Commission (EEC). This final calculation is not made until June 1 of the budget year. The EEC determines the annual growth rate of real adjusted state personal income, its 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 rarely 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 real adjusted Arizona Personal Income (AZPI) for the calendar year ending in the fiscal year to its 7-year trend growth rate.
- Real adjusted personal income in the BSF formula is defined as Arizona personal income less transfer payments, adjusted by the gross domestic product price deflator index.
- Trend growth rate is defined as the average annual growth rate of real adjusted personal income for the most recent 7 calendar years.
- 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 real adjusted 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 (A.R.S. § 35-314.02).

Deposits/Withdrawals

FY 2013

In CY 2012, Arizona real adjusted personal income grew by 1.99%, with a trend growth rate of 0.32%. Since the CY 2012 “excess” growth rate was 1.67%, the formula recommended a BSF deposit of \$145.6 million in FY 2013. This amount was less than the \$200.0 million BSF deposit authorized by Laws 2012, Chapter 294.

FY 2014

In CY 2013, Arizona real adjusted personal income grew by 0.85%, with a trend growth rate of (0.38)%. Since the “excess” growth rate in CY 2013 was 1.23%, the formula recommended a BSF deposit of \$112.2 million in FY 2014. The Legislature, however, did not authorize such deposit.

Laws 2013, 1st Special Session, Chapter 9 deposited \$1.0 million in BSF interest earnings into the Arts Fund (administered by the Arizona Commission on the Arts) in FY 2014. In addition, Chapter 9 authorized the transfer of \$1.0 million in interest earnings into the Arizona State Park's Board's State Parks Revenue Fund in FY 2014.

FY 2015

The University of Arizona's Economic and Business Research Center (EBR) estimates that Arizona real adjusted personal income will increase by 2.76% in CY 2014. Since this is 3.05% above the estimated trend growth rate of (0.29)%, the formula is expected to recommend a BSF deposit of \$257.2 million in FY 2015. The full deposit of \$257.2 million could not be made,

Table 1

Budget Stabilization Fund ^{1/}
(\$ in Thousands)

<u>General Fund Revenues</u>	Actual FY 2012	Actual FY 2013	Estimate FY 2014	Estimate FY 2015
Adjusted Revenues	\$8,704,595.1	\$9,106,020.7	\$8,432,808.7	\$8,753,369.0
Statutory Limit of Revenues	7.0%	7.0%	7.0%	7.0%
Maximum Balance	609,321.7	637,421.4	590,296.6	612,735.8
<u>Arizona Personal Income in Prior CY</u>				
Real Adjusted Annual Income Growth	3.42%	1.99%	0.85%	2.76%
7-Year Average Income Growth	<u>1.35%</u>	<u>0.32%</u>	<u>(0.38)%</u>	<u>(0.29)%</u>
Annual Difference	2.07%	1.67%	1.23%	3.05%
<u>BSF Transactions</u>				
Beginning BSF Balance	0.0	250,062.8	453,414.4	455,574.4
BSF Formula Recommendation	167,370.4	145,576.6	112,163.1	257,200.7
<u>Actual Transfer In</u>				
Actual Appropriation – L'12, Ch. 294 ^{2/}	250,000.0	200,000.0	0.0	0.0
<u>Actual Transfer Out</u>				
Transfer of BSF Interest Income – L'13, 1 st SS, Ch. 9 ^{3/}	0.0	0.0	(2,000.0)	0.0
Transfer of BSF Interest Income – L'14, Ch. 9 ^{4/}	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>(1,000.0)</u>
SUBTOTAL	0.0	0.0	(2,000.0)	(1,000.0)
Balance	250,000.0	450,062.8	451,414.4	454,574.4
Interest Earnings & Equity Gains/Losses ^{5/}	62.8	3,351.6	4,160.0	4,160.0
Ending BSF Balance	\$ 250,062.8	\$ 453,414.4	\$ 455,574.4	\$ 458,734.4
Percent of Revenues	2.9%	5.0%	5.4%	5.2%

^{1/} BSF history prior to FY 2012 can be found on the JLBC website.

^{2/} Laws 2012, Chapter 294 authorized the transfer of \$250.0 million in FY 2012 and \$200.0 million in FY 2013 from the General Fund to the BSF.

^{3/} Laws 2013, 1st Special Session, Chapter 9 authorized a total transfer of \$2.0 million in BSF interest earnings in FY 2014. Of this amount, \$1.0 million was appropriated for deposit in the Arts Fund administered by the Arizona Commission on the Arts and \$1.0 million to the State Parks Revenue Fund administered by the Arizona State Parks Board.

^{4/} Laws 2014, Chapter 9 appropriates \$1.0 million from BSF interest earnings to the Arizona Commission on the Arts for FY 2015.

^{5/} Estimated interest earnings for FY 2014 and FY 2015 were provided by the State Treasurer's Office.

however, since this would result in a BSF balance that would exceed the 7% cap in FY 2015 by \$103.2 million. The enacted FY 2015 budget includes no deposit into the BSF.

Laws 2014, Chapter 9 appropriates \$1.0 million in interest earnings from the BSF to the Arizona Commission on the Arts in FY 2015.

**GENERAL PROVISIONS OF THE
GENERAL APPROPRIATION ACT
AND OTHER OVERALL ISSUES**

General Appropriation Act Budget General Provisions

<u>Provision</u>	<u>Section</u>
<i>FY 2014 Expenditure Changes</i>	
ADOA Risk Management - Federal Payment	105
AHCCCS Appropriation Reduction	106
AHCCCS/Department of Health Services Supplemental Transfer	107
Board of Athletic Training Employee Related Expenditures	108
Attorney General Federal Grant Backfill	109
Arizona Department of Education (ADE) Basic State Aid	110
Exposition and State Fair Board Power Meter	111
Department of Health Services (DHS) Supplemental	112
Land Department CAP User Fee Rate Adjustment	113
Naturopathic Physicians Hearing Expenses	114
State Board of Nursing Certified Nursing Assistant Program	115
School Facilities Board Refinancing Appropriation Reduction	116
Veterans' Services Veterans Home Operating Expenditures	117
<i>Fund Transfers</i>	
ADOA Health Insurance Trust Fund	139
Statewide Automation Projects Fund Specific Projects	138
<i>FY 2015 Adjustments</i>	
ADOA Child Safety & Family Services Establishment/Data Center Relocation	118, 3*
ADOA Information Technology Study (Line-Item Vetoed)	119
ADOA Southwest Defense Contracts	120
ADOA Counties Payments	121
ADOA County Backfill for Manufacturing Exemptions (Line-Item Vetoed)	122
ADOA Automation Projects Fund	123
Arizona Commerce Authority Withholding Tax Revenue	124
Arizona Commerce Authority Mexico City Trade Office	125
Department of Economic Security (DES) Rural Long Term Care Assisted Living	126
DES Homeless Capital Grant	127
DHS Genomics-Based Medical Research	128
DHS Middle and High School Prevention Education Program	129
Independent Redistricting Commission	130
Judiciary Drug Treatment Alternative and Family Drug Court Programs	131
Northern Arizona University Nonprofit Medical Research Foundation	132
Public Safety Personnel Retirement System City of Prescott Pension Liability	133
Universities Lease-Purchase Refinancing Appropriation Reductions	134
Water Infrastructure Financing Agency Water Supply Development Fund	135
Debt Service Payments	136, 137
<i>Statewide Adjustments</i>	
Attorney General Counsel Charges	145
Lease-Purchase/Rent	144
Retirement (non-Department of Corrections and Department of Public Safety)	144
<i>Payment Deferrals/Rollovers</i>	
DES	140, 4*
ADE	141
DHS Non-Lapsing FY 2014 Electronic Medical Records Funding	143
Universities	142
<i>Reports/Intent</i>	
Budget Format - Continued Use	146
Transfer of Spending Authority	149
FTE Reporting	147, 148
Revenue and Ending Balance Reports	150
Definitions	151-153

* Refers to Laws 2014, 2nd Special Session, Chapter 2.

GENERAL PROVISIONS OF THE GENERAL APPROPRIATION ACT AND OTHER OVERALL ISSUES

In addition to the specific appropriations to agencies, departments and institutions, the General Appropriation Act (Laws 2014, Chapter 18) provides direction with regard to several general provisions.

General Provisions

Statewide Adjustments — Each individual agency narrative refers to the allocation of statewide adjustments. The *Agency Detail and Allocations* section includes the specific adjustments for each agency. The adjustments are as follows:

Section 144 of the General Appropriation Act makes statewide adjustments totaling \$216,600 from the General Fund and \$853,100 from Other Appropriated Funds in FY 2015 for changes in 2 areas:

- **State Lease-Purchase and Rental Rates:** \$(192,500) General Fund and \$(177,800) Other Appropriated Funds for adjustments in agency lease-purchase and privatized-lease-to-own charges. (*Please see the Capital Outlay section for more details on lease-purchase and rent charges.*)
- **Annual Retirement Contribution Rates:** \$409,100 General Fund and \$1,030,900 Other Appropriated Funds for adjustments in retirement rates. (*Please see State Retirement Systems discussion below for more details.*)

Expenditure Reporting — Section 146 continues to state that it is the intent of the Legislature that all budget units receiving appropriations continue to report actual, estimated and requested expenditures by budget programs and classes in a format similar to the one used for budgetary purposes in prior years. The purpose of this section is to ensure stability and consistency in expenditure reporting regardless of yearly changes in appropriation formats. A different format may be used if agreed to by the Director of the JLBC and incorporated into the budget instructions issued by the Governor's Office of Strategic Planning and Budgeting.

FTE Position Reporting — Section 147 continues to state that the Full Time Equivalent (FTE) Positions contained in the General Appropriation Act are subject to appropriation. The section directs the Director of ADOA to account for the utilization of all appropriated and non-appropriated FTE Positions, excluding FTE Positions in the Department of Economic Security (DES), Universities, and Department of Environmental Quality (DEQ). The Director shall submit the FY 2015 report by October 1, 2015 to the Director of the JLBC.

The reports shall compare the level of FTE Position usage in each fiscal year to the appropriated level. This section defines FTE Positions as the total number of hours worked, including both regular and overtime hours as well as hours taken as leave, divided by the number of hours in a work year. The ADOA Director shall notify the director of each budget unit if the budget unit has exceeded its number of appropriated FTE Positions. DES, the Universities, and DEQ shall report to the Director of the JLBC in a manner comparable to the ADOA report.

Filled FTE Position Reporting — Section 148 continues to state that by October 1, 2014 each agency, including the Judiciary and the Universities, shall submit a report to the JLBC Director on the number of filled, appropriated and non-appropriated FTE Positions by fund source. The report shall reflect the number of filled, appropriated FTE Positions as of September 1, 2014.

Transfer Authority — Section 149 continues to require ADOA to provide a monthly report to the JLBC Staff on agency transfers of spending authority from one expenditure class to another or between programs.

Interim Reporting Requirements — Section 150 continues to require the Executive Branch to provide to the JLBC a preliminary estimate of the FY 2014 General Fund ending balance by September 15, 2014. Based on this information, JLBC Staff shall report to JLBC by October 15, 2014 as to whether FY 2015's revenues and ending balance are expected to change by more than \$50,000,000 from the budgeted projections. Excluding the beginning balance and including one-time revenues, Section 150 states the revenues are forecasted to be \$9,457,000 for FY 2014 and \$9,363,000,000 for FY 2015.

Section 150 also provides revenue and expenditure estimates for FY 2015 and FY 2016 pursuant to A.R.S. § 35-125, which requires the General Appropriation Act to delineate the revenue and expenditure estimates for the budget year and the following 2 years based on existing statutory funding requirements. (*Please see the Budget Highlights section for more details on FY 2016 and FY 2017 estimates.*)

Expenditure Authority — Section 152 continues to state that for purposes of the General Appropriation Act, "expenditure authority" means that the fund sources are continuously appropriated monies that are included in the individual line items of appropriations.

JLBC Review — Section 153 continues to state that for purposes of the General Appropriation Act, "review by the Joint Legislative Budget Committee" means a review by a vote of a majority of a quorum of the members.

Table 1		
Health Insurance State Employee and Employer Monthly Contributions Calendar Year 2014		
	<u>State Employee Contribution</u>	<u>Employer Contribution</u>
<u>Exclusive Provider Organization (EPO)</u>		
Employee	\$ 40.00	\$ 550.00
Employee Plus One Adult	119.00	1,113.00
Employee Plus One Child	101.00	1,078.00
Family	221.00	1,405.00
<u>Preferred Provider Organization (PPO)</u>		
Employee	155.00	741.00
Employee Plus One Adult	350.00	1,506.00
Employee Plus One Child	331.00	1,447.00
Family	486.00	1,929.00
<u>Health Spending Account (HSA) Option</u>		
Employee	26.00	563.00 <u>1/</u>
Employee Plus One Adult	102.00	1,130.00 <u>1/</u>
Employee Plus One Child	81.00	1,097.00 <u>1/</u>
Family	193.00	1,385.00 <u>1/</u>

1/ Includes deposit of \$60 into Single Employee account and \$120 into all other Employee accounts.

Statewide Standard Changes

In addition to the adjustments to agency budgets and general provisions outlined previously, the FY 2015 budget reflects the adoption of technical assumptions. These technical assumptions are incorporated into each agency's individual appropriation in the FY 2015 General Appropriation Act. Statewide adjustment amounts are mentioned in any relevant agency narrative, but do not have additional discussion.

Employee Related Expenditures

Health Insurance — The state continues to self-insure state employee health benefits. Under self-insurance, the state assumes the risk of providing health coverage to state employees and pays health claims directly. Therefore, if the costs of employee health coverage exceed estimates, the state will be responsible for those losses. Similarly, if the costs are less than estimated, the state will retain the savings.

Employees have a choice between an Exclusive Provider Organization (EPO, which is the self-insured equivalent of an HMO), a Preferred Provider Organization (PPO) and a Health Savings Account (HSA) Option. Contracts for CY 2015, which begins on January 1, 2015, have not yet been signed. Additional information on the current plan design can be found on page 481 of the *FY 2010 Appropriations Report*.

Estimated FY 2014 health and dental costs are shown in *Table 1* above. The FY 2015 budget assumed employer

premiums for the plan year starting January 1, 2015 would remain the same; however, rates for the upcoming plan year have not yet been released.

Dental Insurance — Employees have a choice between one Dental PPO plan and one Dental HMO plan. Beginning in CY 2013, ADOA switched to a self-funded PPO plan and changed dental insurance premiums from a 3-tiered structure to a 4-tiered structure. Employee and employer premiums based on the CY 2014 plan year are shown in *Table 2*. Rates for the upcoming plan year have not yet been released.

(Please see the Health Insurance Trust Fund section in the ADOA narrative for more details on overall HITF balances.)

Table 2		
Dental Insurance State Employee and Employer Monthly Contributions Calendar Year 2014		
	<u>State Employee Contribution</u>	<u>Employer Contribution</u>
<u>DHMO</u>		
Employee	\$4.03	\$4.96
Employee + 1 Adult	7.59	9.92
Employee + 1 Child	8.06	9.92
Family	13.27	13.70
<u>PPO</u>		
Employee	30.98	4.96
Employee + 1 Adult	50.56	9.92
Employee + 1 Child	65.71	9.92
Family	104.56	13.70

In addition to health and dental insurance, the following items are components of an agency's Employee Related Expenditures.

Employer Contribution Rates — *Table 3* provides a list of budgeted state employer contribution rates for state employee benefits during FY 2015. These rates may be different from actual funded charges (e.g., the Social Security FICA maximum may increase.) Except for life insurance, rates are calculated as a percent of Personal Services. Except as noted, the budget does not include funding for the changes in rates.

Life Insurance - \$23.40 per employee per year, unchanged from the budgeted FY 2014 rate.

Unemployment Insurance - 0.10% of Personal Services for each agency, a decrease of (0.05)% from the FY 2014 rate of 0.15%. The FY 2015 budget does not adjust agency budgets for this change.

Personnel Division Pro Rata - 0.86% of Personal Services for each agency in the State Personnel System, unchanged from the FY 2014 rate. Of this amount, 0.83% is used to fund the ADOA Human Resources Division while the other 0.03% is used to fund the State Personnel Board.

The following agencies are not incorporated into state personnel system oversight and are therefore exempt from paying the pro rata charge:

- Arizona State Schools for the Deaf and the Blind
- Legislative agencies (House of Representatives, Senate, Legislative Council, Auditor General, Joint Legislative Budget Committee)
- Judiciary (Supreme Court, Court of Appeals, Superior Court)
- Department of Public Safety
- Universities (including Arizona Board of Regents)

Disability Insurance - For Arizona State Retirement Systems (ASRS) employees the employer pays 0.12% of Personal Services for disability insurance, a decrease from the FY 2014 rate of 0.24%. The employee rate will also decline to 0.12%.

For non-ASRS employees the rate is 0.25% of Personal Services, unchanged from the FY 2014 rate.

Information Technology Planning - 0.20% of Personal Services for each agency, unchanged from the FY 2014 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 2014 rate. The Retiree Accumulated Sick Leave Fund is funded from an assessment on the payroll of all state agencies.

<u>Category</u>	<u>Rate</u>		
Life Insurance (per FTE Position)	\$23.40		
Unemployment Insurance	0.10%		
Personnel Division Pro Rata	0.86%		
Disability (Arizona State Retirement System)	0.12%		
Disability (Non-State Retirement System)	0.25%		
Information Technology Planning	0.20%		
Retiree Accumulated Sick Leave	0.40%		
Workers' Compensation	Varies		
<u>Federal Insurance Contributions Act (FICA)</u>			
Social Security (salary max \$117,000)	6.20%		
Medicare (no salary cap)	1.45%		
<u>Retirement System</u>			
	<u>Employer</u>	<u>Employee</u>	
	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2015</u> ^{1/}
<i>Arizona State Retirement System</i>	11.30	11.48	11.48
<u>Correctional Officers Ret. Plan</u>			
Correctional Officers - ADC	13.45	14.47	8.41
Correctional Officers - DJC	15.39	17.00	8.41
DPS Dispatchers ^{2/}	12.99	13.92	7.96
Probation Officers	15.58	16.20	8.41
<i>Elected Official Retirement Plan</i> ^{3/}	25.94	23.50	13.00
<i>University Optional Public Safety Personnel Retirement</i>	7.00	7.00	7.00
Liquor License Investigators	44.34	51.10	11.05
Department of Public Safety ^{4/}	56.99	62.81	6.05
Northern Arizona University Police	40.83	38.79	11.05
University of Arizona Police	26.64	27.79	11.05
Arizona State University Police	27.43	29.75	11.05
Game and Fish Department	60.53	66.78	11.05
Attorney General Investigators	111.67	105.19	11.05
DEMA Firefighters	23.07	23.39	11.05
Parks Police	30.75	32.90	11.05
^{1/}	University Optional Plan, Elected Officials Retirement Plan, and DPS Dispatcher employee contributions are unchanged from FY 2014. Arizona State Retirement System employee rates increased from 11.30%, Correctional Officers Retirement Plan rates increased from 8.40%, and Public Safety Personnel Retirement Plan rates from 10.35% (5.35% for DPS).		
^{2/}	Dispatchers hired after November 24, 2009 are ASRS members.		
^{3/}	The state's employer rate shown reflects rate after being lowered as a result of the deposit of certain court fines.		
^{4/}	The displayed rates reflect that 5% of the DPS member contribution is paid by the state.		

The Fund is used to make payments to state employees who retire with 500 or more hours of sick leave. Employees' payments depend on the number of hours of sick leave and their salary, with the payment capped at 50% of 1,500 hours of sick leave, or \$30,000 maximum.

Attorney General Pro Rata - Section 145 outlines \$1,809,500 in charges to selected state agencies for Attorney General services. The charges continue to replace the Attorney General Pro Rata charge of 0.675% of certain agencies' overall payroll eliminated by the FY

2013 Criminal Justice BRB (Laws 2012, Chapter 302). (Please see the Attorney General narrative for details.)

Workers' Compensation - The rates calculated by ADOA vary by individual agency and are unchanged from the FY 2014 workers' compensation rates. ADOA estimates the average statewide rate is 1.00% in FY 2015. Monies are deposited into the Risk Management Fund for payment of costs associated with Workers' Compensation losses.

Federal Insurance Contributions Act (FICA) - Social Security taxes are paid at a rate of 6.20% up to \$117,000 of an employee's salary beginning January 1, 2014, an increase from the current maximum of \$113,700; the rate is unchanged from FY 2014. The FY 2015 budget does not adjust agency budgets for this change.

In addition, Medicare taxes are applied at a rate of 1.45% on the full level of an employee's salary. This rate is unchanged from FY 2014. Effective January 1, 2013, the federal Affordable Care Act imposed an additional 0.9% Medicare withholding on employees for the amount of salaries above \$200,000. Employees will continue to be withheld at 1.45% for salaries below \$200,000. This additional 0.9% withholding does not apply to the employer-paid portion of the Medicare tax.

State Retirement Systems - There are 4 state employee retirement systems -- ASRS, the Public Safety Personnel Retirement System (PSPRS), the Corrections Officers Retirement Plan (CORP), and the Elected Officials Retirement Plan (EORP). In addition, the Universities operate their own defined contribution plan. For ASRS,

the total contribution for employees and employers combined will increase from 22.60% in FY 2014 to 22.96% in FY 2015. Employee contribution rates for EORP and the Public Safety Personnel Retirement Plan also changed pursuant to changes set in statute.

The FY 2015 budget adds a total of \$9,929,500 in appropriated funding to adjust agency budgets for increased cost in employer retirement contributions, consisting of 3 parts:

- \$3,546,600 for the Arizona Department of Corrections (ADC), appropriated within the ADC budget
- \$4,942,900 for the Department of Public Safety (DPS), appropriated within the DPS budget
- \$1,440,000 for all other agencies, appropriated in Section 144 of the General Appropriation Act

(Please see the ADC and DPS narratives for more detail.)

Table 4 lists ASRS contribution rates since FY 1983.

Other Operating Expenditures

The following items are included in agency's Other Operating Expenditures.

Building Payments — The Other Operating Expenditures line of individual agency budgets includes rental charges, lease-purchase, and privatized lease-to-own (PLTO) payments for certain buildings.

Rent charges in state-owned office space will remain at \$13.08/square foot, with the charge for state-owned storage space remaining at \$4.74/square foot.

Funding is also included in budgets for all agencies housed in buildings acquired by lease-purchase or PLTO, including changes to those payments. (Please see the Statewide Adjustments discussion above and the Rent, Lease-Purchase, and PLTO schedules in the Capital Outlay section for more details.)

Risk Management — Individual agency budgets' Other Operating Expenditures include the Risk Management charges to be billed by the ADOA Risk Management Program. The billings vary by individual agency and are unchanged from the budgeted FY 2014 rates. (Please see the Risk Management Charges table following this section for more details.)

Monies are deposited into an ADOA fund for payment of costs associated with Risk Management losses. The state self-insures for Risk Management services by assessing agencies charges based on actuarial projections and paying claims against the state.

Section 105 of the General Appropriation Act includes a FY 2014 supplemental appropriation of \$10,742,000 from the Risk Management Fund to refund a portion of certain

Table 4
ASRS Contribution Rates
(excludes Disability)

<u>Fiscal Year</u>	<u>Rate</u> ^{1/}	<u>Fiscal Year</u>	<u>Rate</u> ^{1/}
FY 1983	7.00	FY 2000	2.17
FY 1984	7.00	FY 2001	2.17
FY 1985	6.27	FY 2002	2.00
FY 1986	5.67	FY 2003	2.00
FY 1987	5.53	FY 2004	5.20
FY 1988	4.00	FY 2005	5.20
FY 1989 ^{2/}	4.78	FY 2006	6.90
FY 1990 ^{2/}	1.29	FY 2007	8.60
FY 1991 ^{2/}	3.37	FY 2008	9.10
FY 1992 ^{2/}	3.17	FY 2009	8.95
FY 1993 ^{2/}	3.10	FY 2010	9.00
FY 1994 ^{2/}	2.65	FY 2011	9.60
FY 1995 ^{2/}	3.26	FY 2012	10.50
FY 1996	3.36	FY 2013	10.90
FY 1997	3.20	FY 2014	11.30
FY 1998	3.05	FY 2015	11.48
FY 1999	2.85		

^{1/} Employee and employer each pay this rate except for FY 2012, when employers paid 9.87% and employees 11.13%. This non-50/50 split was repealed by Laws 2012, Chapter 304, which refunded excess contributions to employees.

^{2/} Long Term Disability not broken out of the contribution rate from FY 1989 - FY 1995. Rates for these years reflect amounts estimated to be attributable solely to retirement component.

fund balances to the federal government. In prior fiscal years, the state had transferred the balances of certain funds to the General Fund. If federal monies had been deposited into these funds, the federal government requires that they receive their own proportional share of fund transfers. The \$10,742,000 is intended to cover the state's obligation for transfers associated with Attorney General Legal Services, Government Information Technology Agency and other transfers made prior to FY 2014. *(Please see the ADOA narrative for more details.)*

Other Budget Issues

Administrative Adjustments — The budget assumes that state agencies will have expenditures totaling \$51,480,700 in FY 2015 for FY 2014 expenditures. Agencies are permitted to make administrative adjustments for expenditures obligated in FY 2014 but for which the state was unbilled until FY 2015. An agency's administrative adjustments cannot exceed its prior year reversionment, or unused appropriation authority. The \$51,480,700 is a decrease of \$(11,499,500) from the estimated FY 2014 total of \$62,980,200. The FY 2015 amount is 73% of prior-year reversionments, slightly higher than the historical average of around 65%. Administrative adjustments as a percentage of prior year's reversionments vary widely from year to year, however, from below 30% to above 70%.

The FY 2014 estimate of \$62,980,200 is a \$25,380,200 increase from the originally-budgeted administrative adjustment total of \$37,600,000 for FY 2014. This amount is based on an analysis of individual agency spending reports and extrapolating final administrative adjustments based on those agencies' historical trends.

Reversionments — The budget assumes that state agencies will revert \$(116,000,000) of FY 2015 appropriations back to the General Fund because the agencies will not spend their entire appropriation. This amount is an increase of \$45,400,000 from the FY 2014 total of \$(70,600,000). The FY 2014 amount reflects 1.25% of total spending, a percentage based on historical averages. Of the \$(116,000,000), \$(7,000,000) reflects anticipated reversionments from refinancing School Facilities Board new school facilities bonds.

The FY 2014 estimate of \$(70,600,000) is a decrease of \$83,200,000 below the originally-budgeted FY 2013 reversionment total of \$(153,800,000). This amount is approximately 0.8% of FY 2014 estimated spending. The decrease is primarily due to \$73.4 million of anticipated AHCCCS surpluses being ex-appropriated from AHCCCS' FY 2014 budget, thereby reducing reversionment estimates by an equivalent amount.

Budget Format — The format governs how an agency's appropriation appears in the General Appropriation Act. A less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use formal

processes for redirecting appropriated funds. Among the choices are the following:

Lump Sum — The appropriation for each fiscal year consists of a single dollar amount, thereby allowing the agency to shift funds among line items, programs and subprograms without further Legislative or Executive Branch review.

Lump Sum with Special Line Items — The appropriation for each fiscal year consists of a dollar amount for an operating budget and dollar amounts for individual special line items. Special line items are particular programs for which the Legislature has a specific policy interest. These line items may or may not include FTE Positions. Agencies are permitted to shift funds among line items, programs and subprograms without further Legislative or Executive Branch review, though footnotes may place additional restrictions or notifications upon the agency prior to or associated with transfers between special line items or to or from the operating budget.

90/10 Agencies — The following 30 regulatory agencies are called "90/10" agencies for the fact that these agencies retain 90% of their revenues and deposit the other 10% into the General Fund:

Arizona State Board of Accountancy
Acupuncture Board of Examiners
State Board of Appraisal
Board of Athletic Training
Board of Barbers
Board of Behavioral Health Examiners
State Board of Chiropractic Examiners
Registrar of Contractors
Board of Cosmetology
State Board of Dental Examiners
State Board of Funeral Directors and Embalmers
Board of Homeopathic and Integrated Medicine Examiners
Board of Massage Therapy
Arizona Medical Board
Naturopathic Physicians Medical Board
State Board of Nursing
Board of Examiners of Nursing Care Institution
Administrators and Assisted Living Facility Managers
Board of Occupational Therapy Examiners
State Board of Dispensing Opticians
State Board of Optometry
Arizona Board of Osteopathic Examiners
Office of Pest Management
Arizona State Board of Pharmacy
Board of Physical Therapy
State Board of Podiatry Examiners
State Board for Private Postsecondary Education
State Board of Psychologist Examiners
Board of Respiratory Care Examiners
State Board of Technical Registration
Arizona State Veterinary Medical Examining Board

SALARY ADJUSTMENTS FOR STATE EMPLOYEES SINCE FY 2005
(Shown in Nominal General Fund Dollars)

Fiscal Year	General Salary Adjustments					Additional Increases for Selected Classes		
	Dollars Appropriated	Effective Date	Annual Cost	% Salary Adjustment	% Performance Adjustment	Dollars Appropriated	Effective Date	Annual Cost
FY 2005	\$42,136,200	July 1	\$42,136,200	\$1,000/FTE <u>1/</u>	-0-	\$1,878,700	July 1	\$1,878,700 <u>2/</u>
FY 2006	\$26,992,200	July 2	\$26,992,200	1.7%	-0-	\$15,633,100	July 2	\$15,633,100 <u>3/4/</u>
FY 2007	\$129,686,700 <u>5/</u>	July 1	\$129,686,700 <u>6/</u>	\$1,650/FTE <u>7/</u>	2.50%	\$31,761,600	July 1	\$31,761,600 <u>8/9/</u>
FY 2008	\$68,755,000	July 1	\$68,755,000 <u>10/</u>	3.0%	0.25%	\$9,149,200	July 1	\$9,149,200 <u>11/</u>
FY 2009	\$0	NA	\$0	-0-	-0-	\$0	NA	\$0
FY 2010	\$0	NA	\$0	-0-	-0-	\$0	NA	\$0
FY 2011	\$(33,464,400) <u>12/</u>	July 1	\$(33,464,400)	-2.30% <u>13/</u>	-2.75% <u>13/</u>	\$0	NA	\$0
FY 2012	\$(3,390,700) <u>14/</u>	July 1	\$(3,390,700)	-0- <u>14/</u>	-0-	\$0	NA	\$0
FY 2013	\$16,633,400 <u>15/</u>	Sept 29	\$23,500,000	5.00% <u>15/</u>	-0-	\$0	NA	\$0
FY 2014	\$0	NA	\$0	0.00%	-0-	\$0	NA	\$0
FY 2015	\$0	NA	\$0	0.00%	-0-	\$3,300,000	July 1	3,300,000 <u>16/</u>

- 1/ Equates to approximately 2.6%. Universities may determine how to delineate salary funding, there is no \$1,000 guarantee.
- 2/ Funds additional adjustments above \$1,000 for state-employed nurses and for sworn officers in the Arizona Department of Public Safety (DPS).
- 3/ Funds additional adjustments above 1.7% for sworn officers in DPS and Assistant Attorneys General.
- 4/ Funds \$1,410 adjustment for correctional officers in the Arizona Department of Corrections (ADC) and the Arizona Department of Juvenile Corrections (DJC) in lieu of the 1.7% general salary adjustment.
- 5/ Salary Adjustment went into effect on March 11, 2006. \$39,854,000 was appropriated for the FY 2006 adjustments.
- 6/ Laws 2006, Chapter 1 originally appropriated \$130,241,800 for the salary adjustments. Laws 2006, Chapter 261 reduced the appropriation by \$(555,100).
- 7/ Equates to approximately 3.8%.
- 8/ Funds additional adjustments above the \$1,650 per FTE and 2.5% performance adjustment for the Auditor General's Office, state-employed nurses and corrections officers in ADC and DJC.
- 9/ Includes \$17 million that was reallocated from the ADC's Overtime Special Line Item for Salary Adjustments.
- 10/ Provides funding for the equivalent of a 3.0% adjustment to the Personal Services Base in the FY 2008 JLBC Baseline.
- 11/ Funds additional adjustments above the 3.0% pay adjustment and 0.25% performance adjustment for the General Accounting Office, Assistant Attorney Generals, supervisor correctional officers at ADC, security officers at the Arizona State Hospital, officers at DJC, and sworn officers at DPS.
- 12/ Represents General Fund savings from the pay reduction that were budgeted in FY 2011, along with uncaptured furlough savings realized in FY 2011 during the FY 2012 budget process.
- 13/ Represents 6 furlough days (2.3%) except for certain exempted positions and a (2.75%) pay reduction. Where possible, the (2.75%) reduction was intended to eliminate the FY 2007 and FY 2008 Performance Adjustments. The furlough was originally authorized for FY 2011 and FY 2012 only, while the salary reduction was permanent.
- 14/ Represents General Fund savings from the prior enacted mandatory 6 day furlough, less additional funding to restore the furlough for several smaller agencies. The FY 2011 General Appropriation Act assumed a fixed level of General Fund savings associated with the furlough - savings were actually \$3.5 million greater and were reflected in the FY 2012 budget. Laws 2011, Chapter 26 eliminated one of the 6 mandatory furlough days in FY 2011 and all furlough days in FY 2012, but the budget did not restore any of the associated funding except for \$158,800 from the General Fund to several smaller agencies in FY 2012.
- 15/ Originally represented a one-time critical retention payment to state employees in FY 2013. The payments were made to non-university state employees who were uncovered on the effective date of September 29, 2012, and were equal to 5% of an employee's annual salary level prorated for the remainder of the fiscal year, increasing an employee's annual salary by an effective rate of 3.75%. This adjustment included payments to employees who converted from covered to uncovered status as a result of the 2012 omnibus personnel bill (Laws 2012, Chapter 321). The FY 2014 budget subsequently made the 5% adjustment permanent.
- 16/ Funds a 2.0% pay increase for all employees at the Arizona Department of Public Safety (DPS).

STATE OF ARIZONA
ELECTED OFFICIALS' SALARIES

	Jan. 1, 2001	Jan. 1, 2002	Jan. 1, 2007 *	Jan. 1, 2009 *
Governor	\$ 95,000	\$ 95,000	\$ 95,000	\$ 95,000
Secretary of State	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Treasurer	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Attorney General	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000
Superintendent of Public Instruction	\$ 85,000	\$ 85,000	\$ 85,000	\$ 85,000
Corporation Commissioners	\$ 79,500	\$ 79,500	\$ 79,500	\$ 79,500
Mine Inspector	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Supreme Court Chief Justice	\$ 129,150	\$ 129,150	\$ 145,294	\$ 160,000
Other Supreme Court Justices	\$ 126,525	\$ 126,525	\$ 142,341	\$ 155,000
Appellate Judges	\$ 123,900	\$ 123,900	\$ 139,388	\$ 150,000
Superior Court Judges	\$ 120,750	\$ 120,750	\$ 135,844	\$ 145,000
Legislators	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000

* There were no changes in elected officials' salaries between January 1, 2002 and January 1, 2007, January 1, 2007 and January 1, 2009, or January 1, 2009 and the present.

BUDGET CYCLE

Under A.R.S. § 35-113, the state has a “bifurcated” budget system in which most state agencies submit a biennial budget request each odd-numbered year, requesting a separate appropriation for each of the next 2 fiscal years. Larger state agencies make an annual budget request. These “annual budget units” are:

- Arizona Department of Administration (ADOA)
- Arizona Health Care Cost Containment System (AHCCCS)
- Arizona Community Colleges
- Department of Child Safety (DCS)
- Department of Corrections (ADC)
- Department of Economic Security (DES)
- Arizona Department of Education (ADE)
- Department of Health Services (DHS)
- Judiciary
- Department of Juvenile Corrections (DJC)

- School Facilities Board (SFB)
- Arizona Department of Transportation (ADOT)
- Universities, including:
 - Arizona Board of Regents
 - Arizona State University - Tempe/DPC, East, and West
 - University of Arizona
 - Northern Arizona University

In addition to these agencies, the FY 2014 General Appropriation Act appropriated annual budgets to all other agencies. As a result, all agencies also received FY 2015 budgets in the 2014 legislative session.

The table below provides additional detail on how the budget cycle has changed for state agencies since FY 2008. See the *FY 2010 Appropriations Report* for the history since FY 1992.

<u>Biennium</u>	<u>Changes in Biennial Budgeting</u>
FY 2008 - FY 2009	No changes in statutorily-mandated annual agencies from previous biennium. In addition to statutory annual budgets, the Department of Financial Institutions, State Mine Inspector, Arizona Navigable Streams Adjudication Commission, Department of Public Safety, and the State Treasurer received an annual budget. All other agencies received biennial budgets for FY 2008 and FY 2009.
FY 2010 - FY 2011	No changes in statutorily-mandated annual agencies from previous biennium. All agencies received an annual budget for FY 2010 in 2009 and an annual budget for FY 2011 in 2010.
FY 2012 - FY 2013	No changes in statutorily-mandated annual agencies from previous biennium. All agencies received an annual budget.
FY 2014 - FY 2015	Laws 2014, 2 nd Special Session, Chapter 1 established the Department of Child Safety as an annual agency. No other changes in statutorily-mandated annual agencies from previous biennium. All agencies received an annual budget.

AGENCY DETAIL AND ALLOCATIONS

DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

	FY 2014 GF Baseline	FY 2014 Changes to Baseline	FY 2014 GF Revised	FY 15 Baseline 1/ Above FY 14	FY 2015 Changes to Baseline	FY 2015 GF Enacted Budget
OPERATING SPENDING CHANGES						
DOA - Arizona Department of Administration	11,694,300		11,887,900			11,193,000
DOA - Statewide Adjustments					23,400	
DOA - Sunset Public Safety Communications Advisory Commission					(549,700)	
DOA - Southwest Defense Alliance					25,000	
DOA - Named Claimants (Laws 2014, Chapter 39)		193,600				
DOA - TPT Electricity Exemption County Backfill						
APF - Automation Projects Fund/ADOA	18,400,000		18,400,000			35,500,000
APF - ADE and DOR Automation (Technical Revision)				7,100,000		
APF - DCS CHILDS					5,000,000	
APF - DES - Data Center						
APF - DOR - Tobacco Tax System					AHCCCS	
APF - Additional AELAS					5,000,000	
DOA/DCS - New Department of Child Safety/ADOA	0		0			25,000,000
DOA/DCS - New Department of Child Safety					25,000,000	
OAH - Office of Administrative Hearings	862,200		862,200			862,500
OAH - Statewide Adjustments					300	
OAH - Cost Allocation						
OAH - Additional Administrative Law Judge						
AAM - Commission of African-American Affairs	0		0			125,000
AAM - Create Commission					125,000	
AGR - Department of Agriculture	8,320,200		8,320,200			8,323,000
AGR - Statewide Adjustments					2,800	
AXS - AHCCCS	1,334,933,400		1,261,493,800			1,274,403,200
AXS - Statewide Adjustments					9,700	
AXS - Formula Adjustments		(73,439,600)		(49,883,900)	(12,904,100)	
AXS - Office of the Inspector General Staff (5 FTEs)					(351,900)	
AXS - Higher Federal Administrative Match					(3,200,000)	
AXS - Skilled Nursing Facility Rates					3,000,000	
AXS - Partial Chiropractic Restoration						
AXS - Critical AHCCCS Hospitals					2,800,000	
ATT - Attorney General	22,464,600		22,464,600			23,465,100
ATT - Statewide Adjustments					500	
ATT - DCS Attorneys					1,000,000	
CHA - State Board for Charter Schools	822,400		822,400			994,700
CHA - Statewide Adjustments					300	
CHA - Charter School Quality					172,000	
DCS - Department of Child Safety	0		240,838,400			361,005,400
DCS - Shift Funding from Department of Economic Security		240,838,400			281,316,500	
DCS - Backlog Action Determination					246,500	
DCS - Backlog Investigation					4,218,500	
DCS - Backlog Out-of-Home Care Placement					6,815,900	
DCS - Backlog Out-of-Home Care Services					7,620,300	
DCS - Backlog In-Home Care Services					4,173,100	
DCS - CPS Caseworkers (332 FTEs)					21,502,900	
DCS - Caseworker Retention					1,707,000	
DCS - ASU Joint Training					150,000	
DCS - Internet Crimes Against Children					350,000	
DCS - OWCI (93 FTEs)					7,082,500	
DCS - Inspections Bureau					2,193,800	
DCS - Internal Legal Counsel					157,300	
DCS - Emergency and Residential Care Backfill					6,450,000	
DCS - Partial Payment Deferral Payoff					3,000,000	
DCS - Records Retention Staff (5 FTEs)					500,000	
DCS - Children Support Services					5,557,000	
DCS - Intensive Family Services					3,500,000	
DCS - Adoption Services Caseload Growth					5,964,100	
DCS - Contingency Reduction					(1,500,000)	
DCS - New Department of Child Safety					See ADOA/DCS	
DCS - CHILDS Replacement					See ADOA/APF	
ACA - Arizona Commerce Authority	31,500,000		31,500,000			31,800,000
ACA - Mexico City Trade Office					300,000	
CCO - Arizona Community Colleges	69,508,700		69,508,700			71,906,400
CCO - Formula Adjustments				(4,110,500)		
CCO - Rural County Allocation Adjustment					(72,900)	
CCO - STEM Formula Funding (Includes \$2 M for Maricopa/Pima)					6,156,100	

	FY 2014 GF Baseline	FY 2014 Changes to Baseline	FY 2014 GF Revised	FY 15 Baseline 1/ Above FY 14	FY 2015 Changes to Baseline	FY 2015 GF Enacted Budget
CCO - Apache/Greenlee Out of County Reimbursement					425,000	
COR - Corporation Commission	609,700		609,700			610,500
COR - Statewide Adjustments					200	
COR - Named Claimants for Sprint Payment (Laws 2014, Chapter 39)					600	
ADC - Department of Corrections	971,743,900		971,743,900			996,845,600
ADC - Statewide Adjustments					(66,600)	
ADC - 500 Maximum Security Beds				9,830,800	(150,100)	
ADC - Population Growth/Other				2,961,400	(2,961,400)	
ADC - Medium Security Beds				11,941,000		
ADC - CORP Retirement Contribution Rate Increase					3,546,600	
ADC - Private Prison Per Diem						
CF - County Funding	7,150,500		7,150,500			7,650,500
CF - Graham County Assistance					500,000	
SDB - AZ State Schools for the Deaf and the Blind	21,795,300		21,795,300			22,497,900
SDB - Statewide Adjustments					6,800	
SDB - Replacement of Network Core Infrastructure (One-time)					695,800	
SDB - Internal Shift to Admin					yes	
DES - Department of Economic Security	690,112,900		460,072,500			479,290,300
DES - Shift Funding to New Department of Child Safety		(240,838,400)			(281,316,500)	
DES - Statewide Adjustments					61,700	
DES - DD Formula Changes				9,636,300	(3,000,000)	
DES - Long Term Care System Fund and TANF Backfill				35,500,000	23,195,900	
DES - CPS Caseworkers (192 FTEs)		5,748,000				
DES - Emergency and Residential Care Supplemental		5,050,000				
DES - Rural Autism/Parenting Skills					300,000	
DES - Long Term Care/Assisted Living					300,000	
DES - Adult Protective Services Growth (37 FTEs)					3,000,000	
DES - AZ Early Intervention Program Caseload Growth					1,000,000	
DES - Data Center					See ADOA	
DES - Homeless Capital Grant Program (back of bill)					500,000	
ADE - Arizona Department of Education	3,620,831,200		3,667,831,200			3,808,392,700
ADE - Statewide Adjustments					4,600	
ADE - Formula Changes		47,000,000		166,687,900		
ADE - Student Success Funding					20,000,000	
ADE - Teach for America						
ADE - JTED Performance Funding					500,000	
ADE - Rural JTED Soft Capital/Equipment						
ADE - Fund Maricopa/Pima JTEDs @ 100%					1,500,000	
ADE - Testing Cost					8,000,000	
ADE - K-12 Broadband					Report	
ADE - IT Certifications					1,000,000	
ADE - AZELLA Administration					2,500,000	
ADE - Structured English Immersion Fund Adjustment					(3,831,000)	
ADE - Charter Conversion Rollback to FY 13					(8,800,000)	
ADE - Other						
EMA - Department of Emergency & Military Affairs	10,312,400		10,312,400			13,044,400
EMA - Statewide Adjustments					1,200	
EMA - Nuclear Emergency Mgmt Fund Increase (enacted)				115,600		
EMA - Mental Health Therapists (2 FTEs)					115,200	
EMA - Military Installation Fund One-time Appropriation					2,500,000	
DEQ - Department of Environmental Quality	7,000,000		7,000,000			7,000,000
OEO - Governor's Office of Equal Opportunity	188,500		188,500			188,600
OEO - Statewide Adjustments					100	
EQU - State Board of Equalization	639,500		639,500			641,800
EQU - Statewide Adjustments					2,300	
EXE - Board of Executive Clemency	838,400		838,400			958,600
EXE - Statewide Adjustments					200	
EXE - Executive Director and Support Staff					120,000	
DFI - Dept of Financial Institutions	3,019,100		3,019,100			3,020,200
DFI - Statewide Adjustments					1,100	
BFS - Department of Fire, Building & Life Safety	2,026,000		2,026,000			2,205,300
BFS - Mesa Fire School					175,000	
BSF - Statewide Adjustments					4,300	
FOR - State Forester	7,336,400		7,336,400			9,103,800
FOR - Statewide Adjustments					3,900	
FOR - Remove One-time Funding				(100,000)		
FOR - Wildland Firefighting Training (1 FTE)					147,200	

	FY 2014 GF Baseline	FY 2014 Changes to Baseline	FY 2014 GF Revised	FY 15 Baseline 1/ Above FY 14	FY 2015 Changes to Baseline	FY 2015 GF Enacted Budget
FOR - Removing Hazardous Vegetation					1,350,000	
FOR - Dispatch Center Dispatchers (2 FTEs)					135,600	
FOR - Environmental County Grants					100,000	
FOR - Tucson District Fire Engine					57,000	
FOR - Operating Expenses for Satellite Offices					73,700	
GEO - Arizona Geological Survey	941,400		941,400			941,700
GEO - Statewide Adjustments					300	
GOV - Office of the Governor	6,926,000		6,926,000			6,920,100
GOV - Statewide Adjustments					(5,900)	
OSP - Gov's Ofc of Strategic Planning & Budgeting	1,993,200		1,993,200			1,994,000
OSP - Statewide Adjustments					800	
DHS - Department of Health Services	550,646,400		568,284,900			613,362,100
DHS - Statewide Adjustments					(101,000)	
DHS - Formula Changes		17,638,500		64,905,200	(3,338,500)	
DHS - TGen Funding (\$3M for 5 yrs)				0	See NAU	
DHS - La Paz Shift to CAH					(300,000)	
DHS - Alzheimer's Research					1,250,000	
DHS - Multidisciplinary Mental Health Grants					300,000	
AZH - Arizona Historical Society	3,155,000		3,155,000			3,156,000
AZH - Statewide Adjustments					1,000	
PAZ - Prescott Historical Society	826,000		826,000			826,300
PAZ - Statewide Adjustments					300	
IND - Independent Redistricting Commission	1,115,100		2,577,800			1,115,300
IND - Statewide Adjustments					200	
IND - Funding				(1,115,100)	1,115,100	
IND - Supplemental (Laws 2014, Chapter 3)		1,462,700				
CIA - Arizona Commission of Indian Affairs	56,900		56,900			56,900
INS - Department of Insurance	5,364,900		5,364,900			5,366,700
INS - Statewide Adjustments					1,800	
SPA - Judiciary - Supreme Court	16,020,000		16,020,000			16,012,900
SPA - Statewide Adjustments					(7,100)	
SPA - Foster Care Review Board (3 FTEs)					Absorb Cost	
COA - Judiciary - Court of Appeals	14,186,700		14,186,700			14,380,200
COA - Statewide Adjustments					(36,100)	
COA - Additional Funding					229,600	
SUP - Judiciary - Superior Court	79,634,300		79,634,300			80,102,500
SUP - Statewide Adjustments					(67,800)	
SUP - Elimination of One-time Report				(90,000)		
SUP - Gila River Water Master				126,000		
SUP - Drug Treatment Alternative to Prison (back of bill)					250,000	
SUP - Court-Ordered Counseling (back of bill)					250,000	
DJC - Department of Juvenile Corrections	43,822,700		43,822,700			44,165,900
DJC - Statewide Adjustments					343,200	
LAN - State Land Department	12,345,400		12,473,700			12,509,800
LAN - Statewide Adjustments					4,100	
LAN - CAP Rate Increase		128,300		160,300		
Legislature						
AUD - Auditor General	17,989,700		17,989,700			18,246,400
AUD - Statewide Adjustments					6,700	
AUD - One-time DCS Audit					250,000	
HOU - House of Representatives	13,372,200		13,422,200			13,372,200
HOU - Statewide Adjustments						
HOU - Legal Expenses (Laws 2014, Chapter 1)		50,000				
JLBC - Joint Legislative Budget Committee	2,492,000		2,492,000			2,493,000
JLBC - Statewide Adjustments					1,000	
LEG - Legislative Council	8,046,500		8,046,500			8,248,900
LEG - Statewide Adjustments					2,400	
LEG - CPS Ombudsman					200,000	
SEN - Senate	8,283,800		8,333,800			8,283,800
SEN - Statewide Adjustments						
SEN - Legal Expenses (Laws 2014, Chapter 1)		50,000				

	FY 2014 GF Baseline	FY 2014 Changes to Baseline	FY 2014 GF Revised	FY 15 Baseline 1/ Above FY 14	FY 2015 Changes to Baseline	FY 2015 GF Enacted Budget
MIN - State Mine Inspector	1,223,300		1,223,300			1,215,600
MIN - Statewide Adjustments					(7,700)	
NAV - AZ Navigable Steam Adjudication Comm.	129,200		279,200			129,200
NAV - Legal Expenses (Laws 2014, Chapter 2)		150,000				
NUR - State Board of Nursing	0		150,000			150,000
NUR - Nursing Assistant Program		150,000			150,000	
OSH - Occupational Safety and Health Review Board	0		0			0
OSH - One-time Funding				15,000	(15,000)	
SPB - Arizona State Parks Board	0		0			500,000
SPB - Yarnell Hill Memorial (Environment BRB)					500,000	
PIO - Arizona Pioneers' Home	1,602,800		1,602,800			1,603,400
PIO - Statewide Adjustments					600	
POS - Commission for Postsecondary Education	1,396,800		1,396,800			1,396,800
DPS - Department of Public Safety	51,560,800		51,560,800			89,324,900
DPS - Statewide Adjustments					3,500	
DPS - Remove One-time Funding				(750,000)		
DPS - Reduce Shift of Highway Patrol to HURF					30,000,000	
DPS - Continue ACTIC Funding					750,000	
DPS - 2% Salary Increase for All Employees					3,300,000	
DPS - Employer Retirement Contribution Rate Increase					4,460,600	
PSP - Public Safety Personnel Retirement System	5,000,000		5,000,000			6,000,000
PSP - Prescott Fire Dept. PSPRS Liabilities					1,000,000	
RAC - Arizona Department of Racing	2,029,500		2,029,500			2,029,500
RAD - Radiation Regulatory Agency	1,468,600		1,468,600			1,468,900
RAD - Statewide Adjustments					300	
REA - State Real Estate Department	2,988,700		2,988,700			2,989,700
REA - Statewide Adjustments					1,000	
REV - Department of Revenue	47,025,300		47,025,300			48,139,400
REV - Statewide Adjustments					14,100	
REV - Tobacco Tax/MSA/Audit (8 FTEs)					AHCCCS	
REV - TPT Simplification/Implementation of HB 2111 (19 FTEs)					1,000,000	
REV - Capital Gains Analysis					100,000	
SFB - School Facilities Board	193,181,400		191,736,200			189,358,400
SFB - Statewide Adjustments					600	
SFB - New School Construction				186,200		
SFB - Lease-Purchase/Debt Service		(1,445,200)		(4,009,800)		
SOS - Secretary of State	11,635,500		11,635,500			15,027,800
SOS - Statewide Adjustments					(7,700)	
SOS - Election Year Funding				3,900,000	(500,000)	
TAX - State Board of Tax Appeals	264,700		264,700			265,600
TAX - Statewide Adjustments					900	
TOU - Office of Tourism	7,102,600		7,102,600			9,103,700
TOU - Statewide Adjustments					1,100	
TOU - Arizona Promotion					2,000,000	
DOT - Department of Transportation	50,400		50,400			50,400
TRE - State Treasurer	1,205,100		1,205,100			1,205,100
USL - Uniform State Laws Commission	75,000		75,000			0
USL - Eliminate Uniform State Laws Funding					(75,000)	
UNI - Universities						
UNI - Arizona Board of Regents	21,925,500		21,925,500			21,928,400
UNI - Statewide Adjustments					2,900	
UNI - ASU - Tempe/DPC	270,228,200		270,228,200			290,104,300
UNI - Parity Funding Increase				10,222,200	8,176,500	
UNI - Research Infrastructure Payment Adjustment					(522,600)	
UNI - Operating Appropriation					2,000,000	
UNI - ASU - East Campus	22,704,200		22,704,200			25,853,400
UNI - Parity Funding Increase				1,748,900	1,400,300	
UNI - ASU - West Campus	33,328,100		33,328,100			33,328,100

	FY 2014 GF Baseline	FY 2014 Changes to Baseline	FY 2014 GF Revised	FY 15 Baseline 1/ Above FY 14	FY 2015 Changes to Baseline	FY 2015 GF Enacted Budget
UNI - Northern Arizona University	109,245,000		109,245,000			118,281,200
UNI - Parity Funding Increase				3,302,600	2,642,100	
UNI - Research Infrastructure Payment Adjustment					(408,500)	
UNI - Operating Appropriation					500,000	
UNI - TGen Funding (\$3M for 5 yrs)					3,000,000	
UNI - UA - Main Campus	208,501,000		208,501,000			209,341,200
UNI - Cooperative Extension					3,500,000	
UNI - Research Infrastructure Payment Adjustment					(4,659,800)	
UNI - Operating Appropriation					2,000,000	
UNI - TGen Funding					See DHS	
UNI - UA - Health Sciences Center	69,585,300		69,585,300			69,585,300
VSC - Department of Veterans' Services	5,436,300		5,436,300			5,438,300
VSC - Statewide Adjustments					2,000	
VSC - Veterans' Home Construction					See Capital	
WIFA - Water Infrastructure Finance Authority	0		0			1,000,000
WIFA - Water Supply Funding					1,000,000	
WAT - Department of Water Resources	12,326,400		12,326,400			13,330,300
WAT - Statewide Adjustments					3,900	
WAT - Additional Staff (6 FTEs)					1,000,000	
WAT - Rent						
WEI - Department of Weights & Measures	1,325,800		1,325,800			1,475,700
WEI - Statewide Adjustments					400	
WEI - Remove One-time Lab Equipment Funding				(86,500)		
WEI - Forklift for Metrology Department					36,000	
WEI - Vehicle for Hire Program Expansion (2 FTEs)					200,000	
OTH - Other						
OTH - FY 14 Supplemental/Ex-Appropriation	(1,166,900)	1,166,900	0	1,166,900		0
OTH - Debt Service Payments	84,119,800		84,119,800	3,900		84,123,700
OTH - Civic Center Debt Service	20,449,000		20,449,000			20,449,000
OTH - Lease-Purchase/Rent Adjustments (All Allocated)	0		0	(192,500)	192,500	0
OTH - Unallocated Risk Management Adjustments	5,400		5,400	(5,400)		0
OTH - Unallocated Employee Retention Payments	119,200		119,200	(119,200)		0
OTH - Unallocated HR Prorata Adjustment	(71,300)		(71,300)	71,300		0
OTH - Administrative Adjustments	22,380,200	40,600,000	62,980,200	29,100,500		51,480,700
OTH - Reversions	(85,801,100)	15,201,100	(70,600,000)	(14,198,900)	(16,000,000)	(116,000,000)
TOTAL - OPERATING SPENDING CHANGES	8,751,907,600	59,704,300	8,811,611,900	284,020,200	211,333,400	9,247,261,200
CAPITAL SPENDING						
ADOA - 500 Maximum Security ADC Beds (Enacted)	48,942,800		48,942,800	(48,942,800)		0
ASDB Tucson Dorm Renovations	1,000,000		1,000,000	(1,000,000)		0
ADOA Building Renewal	0		0	0	9,000,000	9,000,000
ABOR Building Renewal	0		0	0	3,000,000	3,000,000
DOC Building Renewal	0		0	0	3,000,000	3,000,000
Veterans' Services - Yuma Facility	0		0	0	9,200,000	9,200,000
TOTAL - CAPITAL SPENDING	49,942,800	0	49,942,800	(49,942,800)	24,200,000	24,200,000
TOTAL - ALL SPENDING	8,801,850,400	59,704,300	8,861,554,700	234,077,400	235,533,400	9,271,461,200
REVENUE CHANGES						
REV - Ongoing Revenue	8,408,008,700	24,800,000	8,432,808,700	300,122,300	26,600,000	8,734,731,000
REV - One-Time Revenue	153,591,600	(24,800,000)	128,791,600	(153,591,600)	(1,800,000)	(1,800,000)
REV - Beginning Balance	895,475,000		895,475,000	(240,250,100)	(59,704,300)	595,520,600
REV - Long Term Care System Fund Transfer	0		0		35,000,000	35,000,000
REV - Electricity Sales TPT Exemption					(14,600,000)	(14,600,000)
REV - New Job Tax Credit Adjustment					(882,000)	(882,000)
REV - Watercraft Fines					(500,000)	(500,000)
REV - Health Sciences TPT Exemption					(196,400)	(196,400)
REV - Prime Contracting Waste Facility TPT Exemption					(183,600)	(183,600)
REV - DOA Health Insurance Trust Transfer In	0		0		53,900,000	53,900,000
TOTAL - REVENUE CHANGES (INCL. FUND TRANSFERS) 2/	9,457,075,300	0	9,457,075,300	(93,719,400)	37,633,700	9,400,989,600
ENDING BALANCE	655,224,900	(59,704,300)	595,520,600	(327,796,800)	(197,899,700)	129,528,400

1/ Represents FY 2015 Baseline cost above FY 2014 Baseline estimate.

2/ Represents all revenue changes, including fund transfers.

DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

	FY 2014 OF 1/ Baseline	FY 2014 Changes to Baseline	FY 2014 OF Revised	FY 15 Baseline 2/ Above FY 14	FY 2015 Changes to Baseline	FY 2015 OF Enacted Budget
OPERATING SPENDING CHANGES						
SBA - State Board of Accountancy	1,933,700		1,933,700			1,936,800
SBA - Statewide Adjustments					3,100	
ACU - Acupuncture Board of Examiners	150,200		150,200			154,700
ACU - Statewide Adjustments					100	
ACU - Remove One-time Funding				(5,000)		
ACU - Continue Rule Making Funding					5,000	
ACU - Board Member Compensation					4,400	
DOA - Arizona Department of Administration	172,264,200		183,006,200			171,242,200
DOA - Statewide Adjustments					68,000	
DOA - Supplemental Appropriation - Federal Claims		10,742,000				
DOA - Adjust Insurance Claims Related Expenditures (Risk Mgmt)					(1,090,000)	
APF - Automation Projects Fund/ADOA	66,738,000		66,738,000			70,034,700
APF - Statewide Adjustments					1,700	
APF - AFIS Replacement				(2,105,000)		
APF - ASET Initiatives				(5,400,000)		
APF - ADOA Data Center					2,900,000	
APF - DOR IT Projects				(4,900,000)		
APF - DOR Tobacco Tax System					1,000,000	
APF - DEQ, E-Licensing					1,800,000	
APF - ADE, AELAS					5,000,000	
APF - DCS, CHILDS					5,000,000	
APF - Corp Comm, Database Upgrade					See Corp Comm	
APF - Corp Comm, Service Agreement					See Corp Comm	
OAH - Office of Administrative Hearings	12,300		12,300			12,300
AXS - AHCCCS	187,260,500		204,108,500			141,450,400
AXS - Statewide Adjustments					500	
AXS - Formula Changes		16,848,000		(23,869,900)		
AXS - Expiration of Program (CHIP)				(20,924,000)		
AXS - Discontinue Healthcare Group				(1,097,200)		
AXS - Statutory Adjustment (BNCF)				80,500		
APP - State Board of Appraisal	851,600		851,600			861,800
APP - Statewide Adjustments					200	
APP - Remove One-time Funding (Software Upgrade)				(30,000)		
APP - Continue Software Upgrade					40,000	
ART - Arizona Commission on the Arts	1,000,000		1,000,000			1,000,000
ART - Remove One-time Funding				(1,000,000)		
ART - \$1M BSF Transfer					1,000,000	
BAT - Board of Athletic Training	105,200		118,200			118,200
BAT - Supplemental Appropriation - Health Insurance		13,000				
BAT - ERE Adjustment				13,000		
ATT - Attorney General	38,688,400		39,288,400			43,358,900
ATT - Statewide Adjustments					9,900	
ATT - Supplemental Appropriation - Backfill		600,000				
ATT - Remove One-time Funding (Victims Rights)				(239,400)		
ATT - Increase CERF Appropriation					1,500,000	
ATT - Increase Appropriation for Tobacco MSA Defense (CPCF Fund)					600,000	
ATT - Permanently Backfill Elimination of Federal Grant (CPCF Fund)					1,200,000	
ATT - Interagency Authority (11 FTEs)					1,300,000	
ATT - Increase Capital Case Postconviction Litigation					300,000	
ATA - Automobile Theft Authority	5,297,600		5,297,600			5,297,800
ATA - Statewide Adjustments					200	
BAR - Board of Barbers	333,800		333,800			333,900
BAR - Statewide Adjustments					100	
BHE - Board of Behavioral Health Examiners	1,758,100		1,758,100			1,758,600
BHE - Statewide Adjustments					500	
DCS - Department of Child Safety	0		159,646,100			160,667,200
DCS - Shift Funding From Department of Economic Security		159,646,100			160,667,200	
BCE - State Board of Chiropractic Examiners	469,400		469,400			450,600
BCE - Statewide Adjustments					200	
BCE - Resource Reallocation				(19,000)		
ROC - Registrar of Contractors	14,893,300		14,893,300			12,196,700
ROC - Statewide Adjustments					3,400	
ROC - Remove One-time Funding				(2,700,000)		

	FY 2014 OF 1/ Baseline	FY 2014 Changes to Baseline	FY 2014 OF Revised	FY 15 Baseline 2/ Above FY 14	FY 2015 Changes to Baseline	FY 2015 OF Enacted Budget
COR - Corporation Commission	26,282,500		26,282,500			27,179,000
COR - Statewide Adjustments					(8,500)	
COR - Database Upgrade					750,000	
COR - Service Agreement					100,000	
COR - Microfilming Backlog (Public Access Fund)					55,000	
ADC - Department of Corrections	44,911,800		44,911,800			44,911,900
ADC - Statewide Adjustments					100	
ADC - Transition Services Appropriation Shift (Transition Prog. Fund)					(1,185,000)	
ADC - Transition Services Appropriation Shift (PCOF)					1,185,000	
COS - Board of Cosmetology	1,784,500		1,784,500			1,785,000
COS - Statewide Adjustments					500	
JUS - Arizona Criminal Justice Commission	5,954,200		5,954,200			5,955,100
JUS - Statewide Adjustments					900	
SDB - AZ State Schools for the Deaf and the Blind	13,585,500		13,585,500			12,590,200
SDB - Statewide Adjustments					4,700	
SDB - Voucher Adjustment				(1,000,000)		
HEA - Comm for the Deaf & the Hard of Hearing	3,776,400		3,776,400			4,021,200
HEA - Statewide Adjustments					5,800	
HEA - Modernization of Agency Business Systems					239,000	
DEN - Board of Dental Examiners	1,214,800		1,214,800			1,215,100
DEN - Statewide Adjustments					300	
DES - Department of Economic Security	521,555,200		361,909,100			302,942,400
DES - Statewide Adjustments					70,200	
DES - Shift Funding to Department of Child Safety		(159,646,100)			(160,667,200)	
DES - Long Term Care System Fund and TANF Backfill				(35,500,000)	(23,195,900)	
DES - Formula Adjustments (LTCFS)				680,100		
ADE - Arizona Department of Education	56,035,200		56,035,200			77,836,100
ADE - Statewide Adjustments					900	
ADE - Student Success Funding					21,500,000	
ADE - Technology Based Learning					300,000	
EMA - Department of Emergency & Military Affairs	132,700		132,700			132,700
DEQ - Department of Environmental Quality	67,334,000		67,334,000			69,241,800
DEQ - Statewide Adjustments					107,800	
DEQ - Safe Drinking Water Funding (VEI Fund)					1,800,000	
COL - Arizona Exposition and State Fair Board	11,423,500		11,693,500			11,620,800
COL - Statewide Adjustments					2,000	
COL - Supplemental Appropriation		270,000				
COL - Capital Improvement					See Capital	
COL - Provide Health Insurance to Employees					195,300	
DFI - Dept of Financial Institutions	936,700		936,700			1,247,400
DFI - Statewide Adjustments					300	
DFI - Department of Financial Institutions Staff (2 FTEs) (FS Fund)					310,400	
EMB - Board of Funeral Directors and Embalmers	353,600		353,600			353,700
EMB - Statewide Adjustments					100	
FIS - Arizona Game and Fish Department	39,681,900		39,681,900			40,474,200
FIS - Statewide Adjustments					372,300	
FIS - Waterfowl Conservation Fund Elimination				(80,000)		
FIS - Equipment (G&F Fund)					500,000	
GAM - Department of Gaming	13,497,000		13,497,000			13,516,200
GAM - Statewide Adjustments					19,200	
DHS - Department of Health Services	92,553,400		92,553,400			87,851,000
DHS - Statewide Adjustments					(360,900)	
DHS - Remove One-time Funding (ASH & ICF)				(3,850,000)		
DHS - Nursing Care Study Appropriation				(40,000)		
DHS - Annualize County SVP Contribution (ASH)				(1,800,000)		
DHS - Community Treatment Adjustment (ASH)				(1,130,700)		
DHS - Surveyor & Program Manager Salary Increase (CCDF & HSLF)					479,200	
DHS - TGen Funding					2,000,000	
HOM - Board of Homeopathic & Integrated Medicine Examiners	102,100		102,100			102,100
DOH - Department of Housing	313,800		313,800			314,600
DOH - Statewide Adjustments					800	
IND - Industrial Commission	19,989,500		19,989,500			19,994,800
IND - Statewide Adjustments					5,300	

	FY 2014 OF 1/ Baseline	FY 2014 Changes to Baseline	FY 2014 OF Revised	FY 15 Baseline 2/ Above FY 14	FY 2015 Changes to Baseline	FY 2015 OF Enacted Budget
SPA - Judiciary - Supreme Court	27,574,400		27,574,400			27,575,800
SPA - Statewide Adjustments					1,400	
SUP - Judiciary - Superior Court	13,531,400		13,531,400			13,531,600
SUP - Statewide Adjustments					200	
DJC - Department of Juvenile Corrections	3,925,400		3,925,400			3,942,900
DJC - Statewide Adjustments					17,500	
LAN - State Land Department	3,934,500		3,934,500			5,622,500
LAN - Land Exchange Program (4 FTEs)					488,000	
LAN - Scanning & Digitizing Land Trust Records (1 FTE)					1,200,000	
LIQ - Department of Liquor Licenses & Control	2,932,300		2,932,300			3,589,200
LIQ - Statewide Adjustments					23,400	
LIQ - Rent Increase					6,800	
LIQ - Licensing Replacement System					626,700	
LOT - Arizona State Lottery Commission	99,427,100		99,427,100			104,042,800
LOT - Statewide Adjustments					2,900	
LOT - Tab Ticket Increase				40,500		
LOT - Instant Ticket Sales Increase				1,371,600		
LOT - On-Line Vendor Fees Increase				235,900		
LOT - Retailer Commissions Increase				2,966,300		
MAS - Board of Massage Therapy	457,200		457,200			438,700
MAS - Statewide Adjustments					(18,500)	
MED - Arizona Medical Board	5,738,700		6,593,700			5,740,300
MED - Statewide Adjustments					1,600	
MED - Credentials Verification (Laws 2014, Chapter 251)		855,000				
MIN - State Mine Inspector	112,500		112,500			112,500
NAT - Naturopathic Physicians Medical Board	158,900		174,700			177,600
NAT - Statewide Adjustments					18,700	
NAT - Supplemental Appropriation - Hearing Expenses		15,800				
NUR - State Board of Nursing	4,275,600		4,275,600			4,272,100
NUR - Statewide Adjustments					1,300	
NUR - Remove One-time Funding				(4,800)		
NCI - Nursing Care Inst. Administrators Board	420,200		420,200			420,300
NCI - Statewide Adjustments					100	
OCC - Board of Occupational Therapy Examiners	172,500		172,500			184,200
OCC - Statewide Adjustments					100	
OCC - Online Licensing and Automation					11,600	
DIS - State Board of Dispensing Opticians	135,800		135,800			135,800
OPT - State Board of Optometry	206,000		206,000			206,100
OPT - Statewide Adjustments					100	
OST - Arizona Board of Osteopathic Examiners	775,500		775,500			801,700
OST - Statewide Adjustments					200	
OST - Medical Consulting Costs					50,900	
OST - Equipment Replacement				(24,900)		
SPB - Arizona State Parks Board	12,821,100		12,821,100			12,842,100
SPB - Statewide Adjustments					21,000	
PER - Personnel Board	374,900		374,900			375,000
PER - Statewide Adjustments					100	
PES - Office of Pest Management	2,039,000		2,039,000			1,700,500
PES - Statewide Adjustments					500	
PES - Fee Realignment				(339,000)		
PHA - Arizona State Board of Pharmacy	2,103,700		2,103,700			2,053,900
PHA - Statewide Adjustments					600	
PHA - Remove One-time Funding - Equipment				(37,800)		
PHA - Remove One-time Funding - Leave Payout				(48,900)	36,300	
PHY - Board of Physical Therapy Examiners	432,600		432,600			408,000
PHY - Statewide Adjustments					100	
PHY - Electronic Licensing System				(24,700)		
PIO - Arizona Pioneers' Home	4,656,600		4,656,600			4,658,100
PIO - Statewide Adjustments					1,500	
POD - State Board of Podiatry Examiners	147,300		147,300			147,300

	FY 2014 OF 1/ Baseline	FY 2014 Changes to Baseline	FY 2014 OF Revised	FY 15 Baseline 2/ Above FY 14	FY 2015 Changes to Baseline	FY 2015 OF Enacted Budget
POS - Commission for Postsecondary Education	1,535,300		1,535,300			1,535,400
POS - Statewide Adjustments					100	
PRI - Board for Private Postsecondary Education	641,200		641,200			395,700
PRI - Statewide Adjustments					100	
PRI - Eliminate One-time Transfer				(245,600)		
PSY - State Board of Psychologist Examiners	375,500		375,500			413,600
PSY - Statewide Adjustments					3,800	
PSY - Remove One-time Office Security Enhancement Funding				(12,000)		
PSY - Funding Half-time Vacant Position					22,500	
PSY - License Application and Renewal Automation					23,800	
DPS - Department of Public Safety	183,375,000		183,375,000			155,232,300
DPS - Statewide Adjustments					18,600	
DPS - Concealed Carry Weapons Workload (3 FTEs) (AHPF) - separate fund					256,400	
DPS - Creation of CCW Fund					yes	
DPS - Reduce Shift of Highway Patrol to HURF					(30,000,000)	
DPS - Public Safety Equipment					500,000	
DPS - ACTIC Funding (Indigent Defense Fund)					700,000	
DPS - Employer Retirement Contribution Rate Increase					482,300	
DPS - Auto Fingerprint					(100,000)	
RAC - Arizona Department of Racing	2,895,900		2,895,900			2,900,700
RAC - Statewide Adjustments					4,800	
RAD - Radiation Regulatory Agency	852,900		852,900			853,200
RAD - Statewide Adjustments					300	
RUC - Residential Utility Consumer Office	1,334,400		1,334,400			1,337,800
RUC - Statewide Adjustments					3,400	
RES - Board of Respiratory Care Examiners	297,100		297,100			297,200
RES - Statewide Adjustments					100	
RET - Arizona State Retirement System	26,973,500		26,973,500			29,294,700
RET - Statewide Adjustments					7,700	
RET - IT Modernization (ASRS Admn)				525,000	2,569,500	
RET - Elimination of One-time Costs (ASRS Admn)				(630,000)		
RET - One-time Statewide Information Technology Funding in FY 14					(151,000)	
REV - Department of Revenue	26,746,700		26,746,700			25,513,600
REV - Statewide Adjustments					8,400	
REV - Remove One-time Funding (DOR Admn)				(551,500)		
REV - Remove One-time Funding (Liability Setoff Fund)					(690,000)	
SOS - Secretary of State	3,682,000		3,682,000			3,682,400
SOS - Statewide Adjustments					400	
SBO - State Boards' Office	231,000		231,000			231,100
SBO - Statewide Adjustments					100	
TEC - State Board of Technical Registration	2,119,500		2,119,500			2,124,600
TEC - Statewide Adjustments					5,100	
DOT - Department of Transportation	371,260,200		371,260,200			366,314,700
DOT - Statewide Adjustments					92,600	
DOT - Highway Maintenance Workload (SHF)				3,461,900		
DOT - Funding Realignment (TDEF)				(8,500,000)		
TRE - State Treasurer	5,004,700		5,004,700			5,005,700
TRE - Statewide Adjustments					1,000	
UNI - Universities						
UNI - ASU - Tempe/DPC	453,068,700		453,068,700			453,068,700
UNI - ASU - East Campus	35,691,700		35,691,700			35,691,700
UNI - ASU - West Campus	40,980,300		40,980,300			40,980,300
UNI - Northern Arizona University	120,281,100		120,281,100			120,281,100
UNI - UA - Main Campus	271,507,700		271,507,700			271,507,700
UNI - UA - Health Sciences Center	41,117,000		41,117,000			41,117,000
VSC - Department of Veterans' Services	28,774,500		31,211,300			32,001,600
VSC - Statewide Adjustments					8,700	
VSC - Increased Costs at Tucson Home		2,436,800		3,218,400		
VME - Veterinary Medical Examining Board	483,400		483,400			577,300
VME - Statewide Adjustments					200	

	FY 2014 OF 1/ Baseline	FY 2014 Changes to Baseline	FY 2014 OF Revised	FY 15 Baseline 2/ Above FY 14	FY 2015 Changes to Baseline	FY 2015 OF Enacted Budget
VME - IT Automation Updates					30,500	
VME - Funding Vacant Position (0.5 FTE)					77,200	
VME - Remove One-time Funding				(14,000)		
WAT - Department of Water Resources	906,800		906,800			906,900
WAT - Statewide Adjustments					100	
WEI - Department of Weights & Measures	1,793,800		1,793,800			1,773,300
WEI - Statewide Adjustments					400	
WEI - Remove One-time Field Equipment Funding (Air Quality)				(20,900)		
OTH - Other						
OTH - Unallocated One-time Employee Retention Payments	900,700		900,700	(900,700)		0
OTH - Unallocated Risk Management Adjustments	(720,100)		(720,100)	720,100		0
OTH - Unallocated HR Pro Rata Adjustments	(445,200)		(445,200)	445,200		0
OTH - FY 14 Supplemental/Ex-Appropriation	13,000	(13,000)	0	(13,000)		0
OTH - Unallocated ASRS Retirement Adjustment	0		0		314,700	314,700
OTH - Lease-Purchase/Rent Adjustments	0		0	(177,800)	177,800	0
TOTAL - OPERATING SPENDING CHANGES	\$3,221,206,100	31,767,600	\$3,252,973,700	(\$103,478,800)	\$2,764,800	\$3,120,492,100
CAPITAL SPENDING CHANGES						
Building Renewal						
Arizona Department of Administration	9,000,000		9,000,000			9,000,000
ADC Building Renewal and Preventative Maintenance	5,000,000		5,000,000	464,300		5,464,300
Game & Fish Department	547,600		547,600	(547,600)		0
Arizona Lottery Commission	90,300		90,300	7,100		97,400
Arizona Department of Transportation	3,188,200		3,188,200	208,600		3,396,800
New Projects			0			0
ADOA - Building Security (COSF)	2,000,000		2,000,000	(2,000,000)		0
ADC Yuma Building	8,000,000		8,000,000	(8,000,000)		0
ADOT '14/'15 Statewide Highway Construction	19,608,000		19,608,000	(930,000)	(5,280,000)	13,398,000
ADOT '14/'15 Controlled Access Highways	84,259,000		84,259,000	167,000		84,426,000
ADOT '14/'15 Debt Service	116,426,000		116,426,000	(5,351,000)		111,075,000
ADOT '14/'15 Airport Planning & Development	21,123,700		21,123,700	(667,100)	(444,300)	20,012,300
ADOT '14/'15 De-Icer Storage	2,280,000		2,280,000	(2,280,000)	2,280,000	2,280,000
ADOT '14/'15 Vehicle Wash Systems	3,000,000		3,000,000	(3,000,000)	3,000,000	3,000,000
Arizona Exposition and State Fair Board Capital Projects	0		0		1,000,000	1,000,000
Game & Fish '14 Black Canyon Dam	327,200		327,200	(327,200)		0
Parks - Capital Projects	1,000,000		1,000,000	(1,000,000)	1,500,000	1,500,000
DPS - Microwave	0		0		2,000,000	2,000,000
TOTAL - CAPITAL SPENDING CHANGES	\$275,850,000	0	\$275,850,000	(\$23,255,900)	\$4,055,700	\$256,649,800
TOTAL - OPERATING & CAPITAL SPENDING	\$3,497,056,100	31,767,600	\$3,528,823,700	(\$126,734,700)	\$6,820,500	\$3,377,141,900
FUND TRANSFERS						
APF/DOA - Automation Projects Fund/ Arizona Department of Administration						
APF/DOA - Other Fund Charges	17,013,600		17,013,600	(17,013,600)	0	0
APF/DOA - Automation Operations from DOA	8,130,000		8,130,000	(1,972,700)	2,900,000	9,057,300
APF/DOA - State Web Portal from DOA	4,000,000		4,000,000	(4,000,000)	0	0
APF/DOA - IT Fund from DOA	345,000		345,000	(345,000)	0	0
APF/DOA - AHCCCS Traditional Medicaid Services					1,000,000	1,000,000
APF/DOA - Education Learning & Accountability Fund	1,600,000		1,600,000		0	1,600,000
APF/DOA - Emission Fund from DEQ	5,000,000		5,000,000			5,000,000
APF/DOA - Inmate Store Proceeds Fund from ADC	5,500,000		5,500,000	(5,500,000)	0	0
APF/DOA - Revolving Fund from ADC	2,500,000		2,500,000	(2,500,000)	0	0
APF/DOA - Prison Construction & Operation Fund from ADC	0		0	5,500,000	0	5,500,000
APF/DOA - Corrections Fund from ADC	0		0	2,500,000	0	2,500,000
DOC - Department of Corrections						
DOC - Corrections Fund to Building Renewal	750,000		750,000	(750,000)	0	0
DOC - Prison Construction & Operations to Building Renewal	6,000,000		6,000,000	(6,000,000)	0	0
DOC - State Charitable to Building Renewal	1,250,000		1,250,000	(1,250,000)	0	0
TOTAL - FUND TRANSFERS	\$52,088,600	0	\$52,088,600	(\$31,331,300)	\$3,900,000	\$24,657,300

1/ Represents original FY 2014 appropriations adjusted for technical revisions.

2/ Represents FY 2015 Baseline cost above FY 2014 Baseline estimate.

**CROSSWALK OF GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
GENERAL FUND - FY 2015 1/**

General Appropriation Act - Individual Agency	Governor's Line-Item Vetoes 2/	Total General Appropriations Act Individual Agency 3/	Lease-Purchase/ Rental Rate Adjustment 4/	Annual Retirement Contribution Adjustment 5/	FY 2015 Additional Appropriations 6/	Prior Year Statutory Appropriations 7/	FY 2015 Approp Rpt Total
<u>BUDGET UNITS</u>							
Administration, AZ Department of	\$12,469,600 8/	(1,300,000)	\$11,169,600	\$20,400	\$3,000		\$11,193,000
Administration, AZ Department of - Automation Projects Fund	17,100,000		17,100,000	0	0	\$18,400,000 9/	35,500,000
Administration, AZ Department of - Department of Child Safety	25,000,000 10/		25,000,000	0	0		25,000,000
Administrative Hearings, Office of	862,200		862,200	0	300		862,500
African-American Affairs, Arizona Commission of	125,000		125,000	0	0		125,000
Agriculture, AZ Department of	8,121,800		8,121,800	0	2,800	198,400	8,323,000
AHCCCS	1,274,393,500		1,274,393,500	0	9,700		1,274,403,200
Attorney General - Department of Law	23,879,600	(500,000)	23,379,600	0	500	85,000	23,465,100
Charter Schools, State Board for	994,400		994,400	0	300		994,700
Child Safety, Department of	347,005,400 11/		347,005,400	0	0	14,000,000	361,005,400
Commerce Authority, Arizona	31,800,000 12/		31,800,000	0	0		31,800,000
Community Colleges, Arizona	66,085,900		66,085,900	0	0	5,820,500 13/	71,906,400
Corporation Commission	609,700		609,700	0	200	600	610,500
Corrections, State Department of	996,912,200		996,912,200	(95,200)	28,600		996,845,600
County Funding	7,650,500 14/		7,650,500	0	0		7,650,500
Deaf and the Blind, Schools for the	22,491,100		22,491,100	0	6,800		22,497,900
Economic Security, Department of	458,228,600 11/15/		458,228,600	0	61,700	21,000,000	479,290,300
Education, Department of	2,879,160,400	(1,500,000)	2,877,660,400	0	4,600	930,727,700	3,808,392,700
Emergency & Military Affairs, Dept of	7,577,800		7,577,800	0	1,200	5,465,400	13,044,400
Environmental Quality, Department of	0		0	0	0	7,000,000	7,000,000
Equal Opportunity, Governor's Office of	188,500		188,500	0	100		188,600
Equalization, State Board of	639,500		639,500	2,100	200		641,800
Executive Clemency, Board of	958,400		958,400	0	200		958,600
Financial Institutions, State Department of	3,019,100		3,019,100	0	1,100		3,020,200
Fire, Building and Life Safety, Department of	2,201,000		2,201,000	3,600	700		2,205,300
Forester, State	6,099,900		6,099,900	2,700	1,200	3,000,000	9,103,800
Geological Survey, Arizona	941,400		941,400	0	300		941,700
Governor, Office of the	6,926,000		6,926,000	0	(5,900)		6,920,100
Gov's Ofc of Strategic Planning & Budgeting	1,993,200		1,993,200	0	800		1,994,000
Health Services, Department of	613,463,100 16/		613,463,100	(126,900)	25,900		613,362,100
Historical Society, Arizona	3,155,000		3,155,000	0	1,000		3,156,000
Historical Society, Prescott	826,000		826,000	0	300		826,300
Independent Redistricting Commission	1,115,100 17/		1,115,100	0	200		1,115,300
Indian Affairs, AZ Commission of	56,900		56,900	0	0		56,900
Insurance, Department of	5,364,900		5,364,900	0	1,800		5,366,700
Judiciary							
Supreme Court	16,020,000		16,020,000	0	(7,100)		16,012,900
Court of Appeals	14,416,300		14,416,300	0	(36,100)		14,380,200
Superior Court	80,170,300 18/		80,170,300	0	(67,800)		80,102,500
SUBTOTAL - Judiciary	110,606,600	0	110,606,600	0	(111,000)	0	110,495,600
Juvenile Corrections, Department of	43,822,700		43,822,700	0	343,200		44,165,900
Land Department, State	12,515,700	(10,000)	12,505,700	0	4,100		12,509,800
Legislature							

	Appropriation Act - Individual Agency	Governor's Line-Item Vetoes	2/ Agency	3/ Agency	Lease-Purchase/ Rental Rate Adjustment	4/ Adjustment	Retirement Contribution Adjustment	5/ Adjustment	FY 2015 Additional Appropriations	6/ Appropriations	Prior Year Statutory Appropriations	7/ Appropriations	FY 2015 Approp Rpt Total
Auditor General	18,239,700	19/		18,239,700	0		6,700						18,246,400
House of Representatives	13,372,200			13,372,200	0		0						13,372,200
Joint Legislative Budget Committee	2,492,000			2,492,000	0		1,000						2,493,000
Legislative Council	8,246,500	20/	0	8,246,500	0		2,400						8,248,900
Senate	8,283,800			8,283,800	0		0						8,283,800
SUBTOTAL - Legislature	50,634,200		0	50,634,200	0		10,100		0		0		50,644,300
Mine Inspector, State	1,223,300			1,223,300			(7,700)						1,215,600
Navigable Stream Adjudication Commission	129,200			129,200	0		0						129,200
Nursing, State Board of	150,000	21/		150,000	0		0						150,000
Occupational Safety & Health Review Board	0			0	0		0						0
Parks Board, Arizona State	0			0	0		0		500,000	22/			500,000
Pioneers' Home, AZ	1,602,800			1,602,800	0		600						1,603,400
Postsecondary Education, Commission for	1,396,800			1,396,800	0		0						1,396,800
Public Safety, Department of	89,321,400			89,321,400	0		3,500						89,324,900
Public Safety Personnel Retirement System	1,000,000	23/		1,000,000	0		0				5,000,000		6,000,000
Racing, Arizona Department of	2,029,500			2,029,500	0		0						2,029,500
Radiation Regulatory Agency	773,300			773,300	0		300				695,300		1,468,900
Real Estate Department, State	2,988,700			2,988,700	0		1,000						2,989,700
Revenue, Department of	48,125,300			48,125,300	0		14,100						48,139,400
School Facilities Board	189,357,800			189,357,800	0		600						189,358,400
Secretary of State	15,035,500			15,035,500	0		(7,700)						15,027,800
Tax Appeals, State Board of	264,700			264,700	800		100						265,600
Tourism, Office of	9,102,600			9,102,600	0		1,100						9,103,700
Transportation, Department of	50,400			50,400	0		0						50,400
Treasurer, State	1,205,100			1,205,100	0		0						1,205,100
Uniform State Laws, Commission on	0			0	0		0						0
Universities													
Arizona State University - Tempe/DPC	201,788,900	24/		201,788,900	0		0				88,315,400		290,104,300
Arizona State University - East Campus	19,186,200			19,186,200	0		0				6,667,200		25,853,400
Arizona State University - West Campus	23,263,300			23,263,300	0		0				10,064,800		33,328,100
Northern Arizona University	81,886,400	25/		81,886,400	0		0				36,394,800		118,281,200
Board of Regents	21,925,500			21,925,500	0		2,900						21,928,400
University of Arizona - Main Campus	132,935,100	26/		132,935,100	0		0				76,406,100		209,341,200
University of Arizona - Health Sciences Center	52,808,600			52,808,600	0		0				16,776,700		69,585,300
SUBTOTAL - Universities	533,794,000		0	533,794,000	0		2,900		0		234,625,000		768,421,900
Veterans' Services, Department of	5,436,300			5,436,300	0		2,000						5,438,300
Water Infrastructure Finance Authority	1,000,000	27/		1,000,000	0		0						1,000,000
Water Resources, Department of	13,326,400			13,326,400	0		3,900						13,330,300
Weights and Measures, Department of	1,475,300			1,475,300	0		400						1,475,700
OPERATING BUDGET TOTAL	7,963,783,300		(\$3,310,000)	\$7,960,473,300	(\$192,500)		\$409,100		500,600		\$1,246,017,300		\$9,207,207,800
ASRS Retirement Adjustment	409,100			409,100	0		(409,100)		0		0		0
Lease-Purchase/Rent Adjustments	(192,500)			(192,500)	192,500		0		0		0		0
Capital Outlay Projects	24,200,000			24,200,000	0		0		0		0		24,200,000
Debt Service Payments	84,123,700	28/		84,123,700	0		0		0		0		84,123,700
Civic Center Debt Service	20,449,000	29/		20,449,000	0		0		0		0		20,449,000
Administrative Adjustments	51,480,700			51,480,700	0		0		0		0		51,480,700
Revertments	(116,000,000)			(116,000,000)	0		0		0		0		(116,000,000)
GRAND TOTAL	\$8,028,253,300		(\$3,310,000)	\$8,024,943,300	\$0		\$0		500,600		\$1,246,017,300		\$9,271,461,200

Appropriation Act - Individual Agency	Governor's Line-Item Vetoes	2/	Appropriations Act Individual Agency	3/	Lease-Purchase/ Rental Rate Adjustment	4/	Retirement Contribution Adjustment	5/	FY 2015 Additional Appropriations	6/	Prior Year Statutory Appropriations	7/	FY 2015 Approp Rpt Total
---	--------------------------------	----	--	----	--	----	--	----	---	----	---	----	--------------------------------

- 1/ This chart provides a crosswalk between an agency's appropriation in the General Appropriation Act (Laws 2014, Chapter 18) and the individual agency amount as it appears in the Appropriations Report.
- 2/ Includes the Governor's line item vetoes. *Please see the Summary of Fiscal-Related Vetoes section for detail.*
- 3/ Represents individual agency section of General Appropriation Act.
- 4/ Section 144 of the General Appropriation Act (Laws 2014, Chapter 18) ex-appropriates (reduces) \$(192,500) from the General Fund and \$(177,800) from Other Appropriated Funds in FY 2015 for reducing state lease-purchase and rental rate adjustments. Section 144 requires JLBC Staff to determine the agency-by-agency distribution of these funds.
- 5/ Section 144 of the General Appropriation Act (Laws 2014, Chapter 18) appropriates \$409,100 from the General Fund and \$1,030,000 from Other Appropriated Funds for the Annual Retirement Contribution Rate. Section 144 requires JLBC Staff to determine the agency-by-agency distribution of these funds.
- 6/ Appropriations separate from the General Appropriation Act (Laws 2014, Chapter 18). Individual bill detail appears in the "Budget Detail" section.
- 7/ Represents ongoing statutory appropriations or appropriations enacted prior to the 2nd Regular Session.
- 8/ Includes \$1,300,000 from Section 119 and \$25,000 from Section 120.
- 9/ Section 1 of the General Appropriation Act (Laws 2013, 1st Special Session, Section 1) decreased the amounts appropriated in Laws 2012, Chapter 294, Section 124 from the General Fund to the Automation Projects Fund by \$(1,600,000) in FY 2015 - from \$20,000,000 to \$18,400,000 for the replacement of the state's accounting and financial system, known as AFIS.
- 10/ Laws 2014, 2nd Special Session, Chapter 2 amends the General Appropriation Act (Laws 2014, Chapter 18) by appropriating \$25,000,000 instead of \$20,000,000 to the Department of Administration for costs associated with the establishment of the Department of Child Safety and the relocation of the Department of Economic Security (DES) Data Center.
- 11/ Laws 2014, 2nd Special Session, Chapter 2, Section 6 removes the Child Safety and Family Services Division out of the Department of Economic Security and creates a new Department of Child Safety.
- 12/ Includes \$31,500,000 from Section 124 and \$300,000 from Section 125.
- 13/ Includes \$3,195,500 for rural county reimbursement, which represents an estimated cost.
- 14/ Includes \$7,150,500 and \$500,000 from Section 121.
- 15/ Includes \$300,000 from Section 126 and \$500,000 from Section 127 of the General Appropriation Act. Laws 2014, 2nd Special Session, Chapter 2 repeals Section 26 of the General Appropriation Act (Department of Economic Security's appropriation) and, instead, adds the Department of Economic Security's appropriation in Section 7.
- 16/ Includes \$300,000 from Section 129.
- 17/ Section 130.
- 18/ Includes \$500,000 from Section 131.
- 19/ Section 9 from Laws 2014, 2nd Special Session, Chapter 2 appropriates \$250,000 to the Auditor General for an independent consultant.
- 20/ The General Appropriation Act (Laws 2014, Chapter 18), as originally passed, included \$828,500 from the General Fund in FY 2015 for the Ombudsman-Citizens Aide Office Special Line Item. This amount was line-item vetoed by the Governor. Laws 2014, 2nd Special Session, Chapter 2 restored the \$828,500.
- 21/ Includes \$150,000 from Section 115.
- 22/ Includes \$500,000 from Section 10 of the FY 2015 Environment Budget Reconciliation Bill (Laws 2014, Chapter 13).
- 23/ Section 133.
- 24/ Includes a reduction of \$(522,600) from Section 134.
- 25/ Includes a reduction of \$(408,500) from Section 134 and an appropriation of \$3,000,000 from Section 132.
- 26/ Includes a reduction of \$(4,659,800) from Section 134.
- 27/ Section 135.
- 28/ Section 136.
- 29/ Section 137.

**CROSSWALK OF GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
OTHER FUNDS - FY 2015 1/**

General Appropriation Act - Individual Agency	Governor's Line-Item Vetoes 2/	Total General Appropriations Act Individual Agency 3/	Lease-Purchase/ Rental Rate Adjustment 4/	Annual Retirement Contribution Adjustment 5/	FY 2015 Additional Appropriations 6/	Prior Year Statutory Appropriations 7/	FY 2015 Approp Rpt Total
BUDGET UNITS							
Accountancy, State Board of							
Board of Accountancy Fund		\$1,933,700	\$2,700	\$400			\$1,936,800
Acupuncture Board of Examiners							
Acupuncture Board of Examiners Fund		154,600	0	100			154,700
Administration, AZ Department of							
Air Quality Fund		927,100	0	0			927,100
Automation Operations Fund	(500,000)	19,108,000	8,700	4,000			19,120,700
Capital Outlay Stabilization Fund		18,070,700	7,700	2,000			18,080,400
Corrections Fund		572,900	1,000	200			574,100
Federal Surplus Materials Revolving Fund		464,100	0	0			464,100
Information Technology Fund		3,232,300	4,900	900			3,238,100
Motor Vehicle Pool Revolving Fund		10,155,800	0	300			10,156,100
Personnel Division Fund		12,898,700	11,600	3,700			12,914,000
Risk Management Revolving Fund		91,982,200	10,800	2,400			91,995,400
Special Employee Health Insurance Trust Fund		5,259,200	7,000	1,200			5,267,400
State Surplus Materials Revolving Fund		2,399,600	0	200			2,399,800
State Web Portal Fund		4,250,000	0	0			4,250,000
Telecommunications Fund		1,853,600	900	500			1,855,000
Total - AZ Department of Administration	(500,000)	171,174,200	52,600	15,400	0	0	171,242,200
Administration, AZ Department of -							
Automation Projects Fund		43,500,000	0	1,700		26,533,000	70,034,700
Administrative Hearings, Office of							
Healthcare Group Fund		12,300	0	0			12,300
AHCCCS							
Budget Neutrality Compliance Fund		3,384,400	0	0			3,384,400
Children's Health Insurance Program Fund		6,649,300	0	500			6,649,800
Healthcare Group Fund		0	0	0			0
Prescription Drug Rebate Fund - State		79,035,000	0	0			79,035,000
Tobacco Products Tax Fund							
Emergency Health Services Account		18,202,400	0	0			18,202,400
Tobacco Tax and Health Care Fund							
Medically Needy Account		34,178,800	0	0			34,178,800
Total - AHCCCS	0	141,449,900	0	500	0	0	141,450,400
Appraisal, State Board of							
Board of Appraisal Fund		861,600	0	200			861,800
Arts, Arizona Commission on the							
Budget Stabilization Fund		0	0	0	1,000,000		1,000,000
Athletic Training, Board of							
Athletic Training Fund		118,200	0	0			118,200
Attorney General - Department of Law							
Antitrust Enforcement Revolving Fund		244,200	0	100			244,300
Attorney Gen'l Legal Svcs Cost Allocation Fund		2,087,500	0	100			2,087,600
Collection Enforcement Revolving Fund		6,887,800	0	400			6,888,200
Consumer Protection-Consumer Fraud Rev. Fund		5,306,200	0	600			5,306,800
Interagency Service Agreements Fund		14,825,400	0	4,900			14,830,300
Risk Management Revolving Fund		9,439,500	0	3,500			9,443,000
State Aid to Indigent Defense Fund		800,000	0	100			800,100
Victims' Rights Fund		3,758,400	0	200			3,758,600
Total - Attorney General - Department of Law	0	43,349,000	0	9,900	0	0	43,358,900
Automobile Theft Authority							

	Appropriation Act - Individual Agency	Governor's Line-Item Vetoes	2/ Appropriations Act Individual Agency	3/ Lease-Purchase/ Rental Rate Adjustment	4/ Retirement Contribution Adjustment	5/ FY 2015 Additional Appropriations	6/ Prior Year Statutory Appropriations	7/ FY 2015 Approp Rpt Total
Automobile Theft Authority Fund	5,297,600		5,297,600	0	200			5,297,800
Barbers, Board of								
Board of Barbers Fund	333,800		333,800	0	100			333,900
Behavioral Health Examiners, Board of								
Board of Behavioral Health Examiners Fund	1,758,100		1,758,100	0	500			1,758,600
Child Safety, Department of								
Child Abuse Prevention Fund	1,459,100		1,459,100	0	0			1,459,100
Children and Family Services Training Program Fund	207,700		207,700	0	0			207,700
Federal Child Care and Development Fund								
Block Grant	27,000,000		27,000,000	0	0			27,000,000
Federal Temporary Assistance for Needy Families Block Grant	132,000,400		132,000,400	0	0			132,000,400
Long Term Care System Fund	0		0	0	0			0
Total - Department of Child Safety	160,667,200	8/ 0	160,667,200	0	0	0	0	160,667,200
Chiropractic Examiners, State Board of								
Board of Chiropractic Examiners Fund	450,400		450,400	0	200			450,600
Contractors, Registrar of								
Registrar of Contractors Fund	12,193,300		12,193,300	0	3,400			12,196,700
Corporation Commission								
Arizona Arts Trust Fund	50,100		50,100	0	0			50,100
Investment Management Regulatory and Enforcement Fund	715,400		715,400	0	300			715,700
Public Access Fund	6,623,800		6,623,800	0	(1,600)			6,622,200
Securities Regulatory and Enforcement Fund	5,570,800		5,570,800	0	(1,600)			5,569,200
Utility Regulation Revolving Fund	14,227,400		14,227,400	0	(5,600)			14,221,800
Total - Corporation Commission	27,187,500	0	27,187,500	0	(8,500)	0	0	27,179,000
Corrections, State Department of								
Alcohol Abuse Treatment Fund	554,400		554,400	0	0			554,400
Corrections Fund	27,517,600		27,517,600	0	0			27,517,600
Penitentiary Land Fund	979,200		979,200	0	0			979,200
Prison Construction and Operations Fund	13,684,400		13,684,400	0	0			13,684,400
State Charitable, Penal and Reformatory Institutions Land Fund	360,000		360,000	0	0			360,000
State Education Fund for Correctional Education	516,200		516,200	0	100			516,300
Transition Program Fund	1,300,000		1,300,000	0	0			1,300,000
Total - State Department of Corrections	44,911,800	0	44,911,800	0	100	0	0	44,911,900
Cosmetology, Board of								
Board of Cosmetology Fund	1,784,500		1,784,500	0	500			1,785,000
Criminal Justice Commission, Arizona								
Criminal Justice Enhancement Fund	649,200		649,200	300	600			650,100
Drug and Gang Prevention Resource Center Fund	238,900		238,900	0	0			238,900
State Aid to County Attorneys Fund	973,600		973,600	0	0			973,600
Victim Compensation and Assistance Fund	4,092,500		4,092,500	0	0			4,092,500
Total - Arizona Criminal Justice Commission	5,954,200	0	5,954,200	300	600	0	0	5,955,100
Deaf and the Blind, AZ Schools for the								
Schools for the Deaf and the Blind Fund	12,585,500		12,585,500	0	4,700			12,590,200
Deaf and the Hard of Hearing, Comm. for the Telecommunication Fund for the Deaf	4,015,400		4,015,400	5,200	600			4,021,200
Dental Examiners, State Board of								
Dental Board Fund	1,214,800		1,214,800	0	300			1,215,100
Economic Security, Department of								
Child Abuse Prevention Fund	0		0	0	0			0
Child Support Enforcement Administration Fund	16,787,400		16,787,400	0	14,800			16,802,200
Children and Family Services Training Program Fund	0		0	0	0			0
Domestic Violence Shelter Fund	2,220,000		2,220,000	0	0			2,220,000

	Appropriation Act - Individual Agency	Governor's Line-Item Vetoes ^{2/}	Appropriations Act Individual Agency ^{3/}	Lease-Purchase/ Rental Rate Adjustment ^{4/}	Retirement Contribution Adjustment ^{5/}	FY 2015 Additional Appropriations ^{6/}	Prior Year Statutory Appropriations ^{7/}	FY 2015 Approp Rpt Total
Federal Child Care and Development Fund								
Block Grant	103,769,700		103,769,700	0	3,900			103,773,600
Federal Temporary Assistance for Needy Families Block Grant	86,705,000		86,705,000	0	22,700			86,727,700
Long Term Care System Fund	31,198,500		31,198,500	0	26,900			31,225,400
Public Assistance Collections Fund	427,000		427,000	0	200			427,200
Special Administration Fund	2,829,900		2,829,900	0	700			2,830,600
Spinal and Head Injuries Trust Fund	1,874,700		1,874,700	0	200			1,874,900
Statewide Cost Allocation Plan Fund	1,000,000		1,000,000	0	0			1,000,000
Workforce Investment Act Grant	56,060,000		56,060,000	0	800			56,060,800
Total - Department of Economic Security	302,872,200 ^{9/}	0	302,872,200	0	70,200	0	0	302,942,400
Education, Department of								
Department of Education Empowerment								
Scholarship Account Fund	200,000		200,000	0	100			200,100
Permanent State School Fund	46,475,500		46,475,500	0	0			46,475,500
Proposition 301 Fund	7,000,000		7,000,000	0	0			7,000,000
Student Success Fund	21,500,000		21,500,000	0	0			21,500,000
Technology-Based Language Development and Literacy Intervention Fund	0		0	0	0	300,000 ^{10/}		300,000
Teacher Certification Fund	2,359,700		2,359,700	0	800			2,360,500
Total - Department of Education	77,535,200	0	77,535,200	0	900	300,000	0	77,836,100
Emergency & Military Affairs, Dept of								
Emergency Response Fund	132,700		132,700	0	0			132,700
Environmental Quality, Department of								
Air Permits Administration Fund	7,143,900		7,143,900	0	1,400			7,145,300
Air Quality Fund	5,376,400		5,376,400	0	800			5,377,200
Emissions Inspection Fund	28,392,300		28,392,300	0	600			28,392,900
Hazardous Waste Management Fund	1,742,700		1,742,700	0	300			1,743,000
Indirect Cost Recovery Fund	13,308,500		13,308,500	98,400	3,200			13,410,100
Recycling Fund	1,359,400		1,359,400	0	300			1,359,700
Solid Waste Fee Fund	1,242,700		1,242,700	0	300			1,243,000
Underground Storage Tank Fund Revolving Fund	22,000		22,000	0	0			22,000
Water Quality Fee Fund	10,546,100		10,546,100	0	2,500			10,548,600
Total - Department of Environmental Quality	69,134,000	0	69,134,000	98,400	9,400	0	0	69,241,800
Exposition and State Fair Board, AZ								
Arizona Exposition and State Fair Fund	11,618,800		11,618,800	0	2,000			11,620,800
Financial Institutions, Department of								
Financial Services Fund	1,247,100		1,247,100	0	300			1,247,400
Funeral Directors and Embalmers, Board of								
Board of Funeral Directors' & Embalmers' Fund	353,600		353,600	0	100			353,700
Game and Fish Department, AZ								
Capital Improvement Fund	999,700		999,700	0	0			999,700
Game and Fish Fund	34,184,100		34,184,100	0	361,800			34,545,900
Game, Nongame, Fish and Endangered Species Fund	346,300		346,300	0	500			346,800
Watercraft Licensing Fund	4,555,800		4,555,800	0	10,000			4,565,800
Wildlife Endowment Fund	16,000		16,000	0	0			16,000
Total - AZ Game and Fish Department	40,101,900	0	40,101,900	0	372,300	0	0	40,474,200
Gaming, Department of								
Tribal-State Compact Fund	2,104,000		2,104,000	0	900			2,104,900
State Lottery Fund	300,000		300,000	0	0			300,000
Arizona Benefits Fund	11,093,000		11,093,000	15,200	3,100			11,111,300
Total - Department of Gaming	13,497,000	0	13,497,000	15,200	4,000	0	0	13,516,200
Health Services, Department of								
Arizona State Hospital Fund	9,587,800		9,587,800	0	800			9,588,600
ASH Land Earnings Fund	650,000		650,000	0	0			650,000
Capital Outlay Stabilization Fund	1,559,800		1,559,800	0	0			1,559,800
Child Fatality Review Fund	94,800		94,800	0	0			94,800
Emergency Medical Services Operating Fund	5,121,400		5,121,400	0	1,000			5,122,400

	Appropriation Act - Individual Agency	Governor's Line-Item Vetoes	2/ Agency	Appropriations Act Individual Agency	3/ Agency	Lease-Purchase/ Rental Rate Adjustment	4/ Adjustment	Retirement Contribution Adjustment	5/ Adjustment	FY 2015 Additional Appropriations	6/ Appropriations	Prior Year Statutory Appropriations	7/ Appropriations	FY 2015 Approp Rpt Total
Environmental Laboratory Licensure														
Revolving Fund	926,900			926,900		0		200						927,100
Federal Child Care and Development Fund														
Block Grant	879,400			879,400		0		0						879,400
Health Services Licensing Fund	9,272,600			9,272,600		0		2,500						9,275,100
Indirect Cost Fund	8,940,400			8,940,400		(367,800)		900						8,573,500
Newborn Screening Program Fund	6,738,900			6,738,900		0		700						6,739,600
Nursing Care Institution Resident Protection														
Revolving Fund	88,200			88,200		0		0						88,200
Substance Abuse Services Fund	2,250,000			2,250,000		0		0						2,250,000
Tobacco Tax and Health Care Fund														
Health Research Account	3,000,000	11/		3,000,000		0		0						3,000,000
Tobacco Tax and Health Care Fund														
Medically Needy Account	35,467,000			35,467,000		0		0						35,467,000
Vital Records Electronic Systems Fund	3,634,700			3,634,700		0		800						3,635,500
Total - Department of Health Services	88,211,900	0		88,211,900		(367,800)		6,900		0		0		87,851,000
Homeopathic & Integrated Medicine Examiners, Bd of														
Bd of Homeopathic & Integrated Medicine Exmnr's Fund	102,100			102,100		0		0						102,100
Housing, Department of														
Housing Trust Fund	313,800			313,800		700		100						314,600
Industrial Commission of AZ														
Administrative Fund	19,989,500			19,989,500		0		5,300						19,994,800
Judiciary - Supreme Court														
Confidential Intermediary and Fiduciary Fund	488,000			488,000		0		200						488,200
Court Appointed Special Advocate Fund	2,940,900			2,940,900		0		200						2,941,100
Criminal Justice Enhancement Fund	3,004,500			3,004,500		0		300						3,004,800
Defensive Driving School Fund	4,194,400			4,194,400		0		300						4,194,700
Judicial Collection Enhancement Fund	14,002,000			14,002,000		0		400						14,002,400
State Aid to the Courts Fund	2,944,600			2,944,600		0		0						2,944,600
Total - Judiciary - Supreme Court	27,574,400	0		27,574,400		0		1,400		0		0		27,575,800
Judiciary - Superior Court														
Criminal Justice Enhancement Fund	7,002,200			7,002,200		0		0						7,002,200
Judicial Collection Enhancement Fund	6,029,200			6,029,200		0		0						6,029,200
Drug Treatment and Education Fund	500,000			500,000		0		200						500,200
Total - Judiciary - Superior Court	13,531,400	0		13,531,400		0		200		0		0		13,531,600
SUBTOTAL - Judiciary	41,105,800	0		41,105,800		0		1,600		0		0		41,107,400
Juvenile Corrections, Department of														
Criminal Justice Enhancement Fund	530,600			530,600		0		0						530,600
State Charitable, Penal and Reformatory														
Institutions Land Fund	1,098,600			1,098,600		0		0						1,098,600
State Education Fund for Committed Youth	2,296,200			2,296,200		0		17,500						2,313,700
Total - Department of Juvenile Corrections	3,925,400	0		3,925,400		0		17,500		0		0		3,942,900
Land Department, State														
Due Diligence Fund	500,000			500,000		0		0						500,000
Environmental Special Plate Fund	260,000			260,000		0		0						260,000
Trust Land Management Fund	4,862,500			4,862,500		0		0						4,862,500
Total - State Land Department	5,622,500	0		5,622,500		0		0		0		0		5,622,500
Liquor Licenses & Control, Department of														
Liquor Licenses Fund	3,565,800			3,565,800		0		23,400						3,589,200
Lottery Commission, AZ State														
State Lottery Fund	104,039,900			104,039,900		0		2,900						104,042,800
Massage Therapy, Board of														
Board of Massage Therapy Fund	457,200			457,200		(18,600)		100						438,700
Medical Board, Arizona														
Arizona Medical Board Fund	5,738,700			5,738,700		0		1,600						5,740,300
Mine Inspector, State														
Aggregate Mining Reclamation Fund	112,500			112,500		0		0						112,500
Naturopathic Physicians Medical Board														
Naturopathic Physicians Medical Board Fund	158,900			158,900		18,600		100						177,600

	Appropriation Act - Individual Agency	Governor's Line-Item Vetoes ^{2/}	Appropriations Act Individual Agency ^{3/}	Lease-Purchase/ Rental Rate Adjustment ^{4/}	Retirement Contribution Adjustment ^{5/}	FY 2015 Additional Appropriations ^{6/}	Prior Year Statutory Appropriations ^{7/}	FY 2015 Approp Rpt Total
Nursing, State Board of								
Board of Nursing Fund	4,270,800		4,270,800	0	1,300			4,272,100
Nursing Care Institution Administrators Board								
Nursing Care Institution Administrators' Licensing & Assisted Living Facility Managers' Certification Fund	420,200		420,200	0	100			420,300
Occupational Therapy Examiners, Board of								
Occupational Therapy Fund	184,100		184,100	0	100			184,200
Opticians, State Board of Dispensing								
Board of Dispensing Opticians Fund	135,800		135,800	0	0			135,800
Optometry, State Board of								
Board of Optometry Fund	206,000		206,000	0	100			206,100
Osteopathic Examiners, AZ Board of								
Board of Osteopathic Examiners Fund	801,500		801,500	0	200			801,700
Parks Board, Arizona State								
State Parks Revenue Fund	12,821,100		12,821,100	0	21,000			12,842,100
Personnel Board, State								
Personnel Board Subaccount of the Personnel Division Fund	374,900		374,900	0	100			375,000
Pest Management, Office of								
Pest Management Fund	1,700,000		1,700,000	0	500			1,700,500
Pharmacy, AZ State Board of								
Arizona State Board of Pharmacy Fund	2,053,300		2,053,300	0	600			2,053,900
Physical Therapy, Board of								
Board of Physical Therapy Fund	407,900		407,900	0	100			408,000
Pioneers' Home, AZ								
Miners' Hospital Fund	2,079,400		2,079,400	0	700			2,080,100
State Charitable Fund	2,577,200		2,577,200	0	800			2,578,000
Total - AZ Pioneers' Home	4,656,600	0	4,656,600	0	1,500	0	0	4,658,100
Podiatry Examiners, State Board of								
Podiatry Fund	147,300		147,300	0	0			147,300
Postsecondary Education, Commission for								
Postsecondary Education Fund	1,535,300		1,535,300	0	100			1,535,400
Private Postsecondary Education, Board for								
Board for Private Postsecondary Education Fund	395,600		395,600	0	100			395,700
Psychologist Examiners, State Board of								
Board of Psychologist Examiners Fund	409,800		409,800	3,700	100			413,600
Public Safety, Department of								
Arizona Deoxyribonucleic Acid Identification System Fund	6,321,200		6,321,200	0	2,000			6,323,200
Arizona Highway Patrol Fund	19,020,900		19,020,900	0	3,400			19,024,300
AZ Automated Fingerprint Identification System Fund	2,909,700		2,909,700	0	0			2,909,700
Automation Operations Fund	296,200		296,200	0	0			296,200
Concealed Weapons Permit Fund	1,276,400		1,276,400	0	0			1,276,400
Crime Laboratory Assessment Fund	871,100		871,100	0	200			871,300
Crime Laboratory Operations Fund	14,719,800		14,719,800	0	4,000			14,723,800
Criminal Justice Enhancement Fund	2,872,500		2,872,500	0	900			2,873,400
GITTEM Border Security and Law Enforcement Subaccount	2,390,000		2,390,000	0	0			2,390,000
Highway User Revenue Fund	89,247,100		89,247,100	0	7,900			89,255,000
Motorcycle Safety Fund	205,000		205,000	0	0			205,000
Parity Compensation Fund	1,950,000		1,950,000	0	100			1,950,100
Public Safety Equipment Fund	2,890,000		2,890,000	0	0			2,890,000
Risk Management Revolving Fund	1,233,700		1,233,700	0	0			1,233,700
Safety Enforcement and Transportation Infrastructure Fund	1,566,300		1,566,300	0	0			1,566,300
State Aid to Indigent Defense Fund	700,000		700,000	0	0			700,000
State Highway Fund	6,743,800		6,743,800	0	100			6,743,900

	Appropriation Act - Individual Agency	Governor's Line-Item Vetoes ^{2/}	Appropriations Act Individual Agency ^{3/}	Lease-Purchase/ Rental Rate Adjustment ^{4/}	Retirement Contribution Adjustment ^{5/}	FY 2015 Additional Appropriations ^{6/}	Prior Year Statutory Appropriations ^{7/}	FY 2015 Approp Rpt Total
Total - Department of Public Safety	155,213,700	0	155,213,700	0	18,600	0	0	155,232,300
Racing, Arizona Department of								
Racing Regulation Fund	2,895,900		2,895,900	3,800	1,000			2,900,700
Radiation Regulatory Agency								
State Radiologic Technologist Certification Fund	273,300		273,300	0	100			273,400
Radiation Regulatory Fee Fund	579,600		579,600	0	200			579,800
Total - Radiation Regulatory Agency	852,900	0	852,900	0	300	0	0	853,200
Residential Utility Consumer Office								
Residential Utility Consumer Office Revolving Fund	1,334,400		1,334,400	2,900	500			1,337,800
Respiratory Care Examiners, Board of								
Board of Respiratory Care Examiners Fund	297,100		297,100	0	100			297,200
Retirement System, Arizona State								
Long-Term Disability Trust Fund Administration Account	2,800,000		2,800,000	0	0			2,800,000
Arizona State Retirement System Administration Account	26,487,000		26,487,000	0	7,700			26,494,700
Total - Arizona State Retirement System	29,287,000	0	29,287,000	0	7,700	0	0	29,294,700
Revenue, Department of								
Department of Revenue Administrative Fund	24,428,700		24,428,700	0	8,100			24,436,800
Liability Setoff Revolving Fund	397,200		397,200	0	100			397,300
Tobacco Tax and Health Care Fund	679,300		679,300	0	200			679,500
Total - Department of Revenue	25,505,200	0	25,505,200	0	8,400	0	0	25,513,600
Secretary of State								
Election Systems Improvement Fund	2,941,000		2,941,000	0	100			2,941,100
Records Services Fund	741,000		741,000	0	300			741,300
Total - Secretary of State	3,682,000	0	3,682,000	0	400	0	0	3,682,400
State Boards' Office								
Special Services Revolving Fund	231,000		231,000	0	100			231,100
Technical Registration, State Board of								
Technical Registration Fund	2,119,500		2,119,500	4,500	600			2,124,600
Transportation, Department of								
Air Quality Fund	74,500		74,500	0	0			74,500
Driving Under the Influence Abatement Fund	153,800		153,800	0	100			153,900
Highway User Revenue Fund	651,500		651,500	0	300			651,800
Motor Vehicle Liability Insurance Enforcement Fund	1,086,700		1,086,700	0	400			1,087,100
Safety Enforcement and Transportation Infrastructure Fund	1,880,500		1,880,500	0	500			1,881,000
State Aviation Fund	1,624,400		1,624,400	0	500			1,624,900
State Highway Fund	340,785,100		340,785,100	0	84,800			340,869,900
Transportation Department Equipment Fund	18,501,500		18,501,500	0	5,500			18,507,000
Vehicle Inspection & Title Enforcement Fund	1,464,100		1,464,100	0	500			1,464,600
Total - Department of Transportation	366,222,100	0	366,222,100	0	92,600	0	0	366,314,700
Treasurer, State								
Law Enforcement and Boating Safety Fund	2,183,800		2,183,800	0	0			2,183,800
State Treasurer Empowerment Scholarship Account Fund	40,000		40,000	0	0			40,000
State Treasurer's Operating Fund	2,583,400		2,583,400	0	900			2,584,300
State Treasurer's Management Fund	197,500		197,500	0	100			197,600
Total - State Treasurer	5,004,700	0	5,004,700	0	1,000	0	0	5,005,700
Universities								
Arizona State University - Tempe/DPC University Collections Fund	453,068,700		453,068,700	0	0			453,068,700
Arizona State University - East Campus University Collections Fund	33,691,700		33,691,700	0	0			33,691,700
Technology and Research Initiative Fund	2,000,000		2,000,000	0	0			2,000,000
Total - Arizona State University - East Campus	35,691,700	0	35,691,700	0	0	0	0	35,691,700

	Appropriation Act - Individual Agency	Governor's Line-Item Vetoes	2/ Agency	3/ Agency	Lease-Purchase/ Rental Rate Adjustment	4/ Agency	Retirement Contribution Adjustment	5/ Agency	FY 2015 Additional Appropriations	6/ Agency	Prior Year Statutory Appropriations	7/ Agency	FY 2015 Approp Rpt Total
Arizona State University - West Campus													
University Collections Fund	39,380,300			39,380,300	0		0						39,380,300
Technology and Research Initiative Fund	1,600,000			1,600,000	0		0						1,600,000
Total - Arizona State University - West Campus	40,980,300	0		40,980,300	0		0		0		0		40,980,300
Northern Arizona University													
University Collections Fund	120,281,100			120,281,100	0		0						120,281,100
University of Arizona - Main Campus													
University Collections Fund	271,507,700			271,507,700	0		0						271,507,700
University of Arizona - Health Sciences Center													
University Collections Fund	41,117,000			41,117,000	0		0						41,117,000
SUBTOTAL - Universities	962,646,500	0		962,646,500	0		0		0		0		962,646,500
Veterans' Services, Department of				0									
State Veterans' Conservatorship Fund	906,300			906,300	0		300						906,600
State Home for Veterans' Trust Fund	31,086,600			31,086,600	0		8,400						31,095,000
Total - Department of Veterans' Services	31,992,900	0		31,992,900	0		8,700		0		0		32,001,600
Veterinary Medical Examining Board													
Veterinary Medical Examining Board Fund	577,100			577,100	0		200						577,300
Water Resources, Department of													
Assured and Adequate Water Supply Admin Fund	266,400			266,400	0		100						266,500
Water Resources Fund	640,400			640,400	0								640,400
Total - Department of Water Resources	906,800	0		906,800	0		100		0		0		906,900
Weights and Measures, Department of													
Air Quality Fund	1,442,900			1,442,900	0		300						1,443,200
Motor Vehicle Liability Insurance Enf. Fund	330,000			330,000	0		100						330,100
Total - Department of Weights and Measures	1,772,900	0		1,772,900	0		400		0		0		1,773,300
OPERATING BUDGET TOTAL	\$3,092,306,000	(\$500,000)		\$3,091,806,000	(177,800)		716,200		1,300,000		26,533,000		3,120,177,400
ASRS Retirement Adjustment	\$1,030,900			1,030,900	0		(716,200)						314,700
Lease-Purchase/Rent Adjustments	(\$177,800)			(177,800)	177,800		0						0
Capital	\$256,649,800			256,649,800	0		0						256,649,800
GRAND TOTAL	3,349,808,900	(\$500,000)		3,349,308,900	\$0		\$0		\$1,300,000		\$26,533,000		\$3,377,141,900

1/ This chart provides a crosswalk between an agency's appropriation in the General Appropriation Act (Laws 2014, Chapter 18) and the individual agency amount as it appears in the Appropriations Report.

2/ Includes the Governor's line item vetoes.

3/ Represents individual agency section of General Appropriation Act.

4/ Section 144 of the General Appropriation Act (Laws 2014, Chapter 18) ex-appropriates (reduces) \$(192,500) from the General Fund and \$(177,800) from Other Appropriated Funds in FY 2015 for reducing state lease-purchase and rental rate adjustments. Section 144 requires JLBC Staff to determine the agency-by-agency distribution of these funds.

5/ Section 144 of the General Appropriation Act (Laws 2014, Chapter 18) appropriates \$409,100 from the General Fund and \$1,030,000 from Other Appropriated Funds for the Annual Retirement Contribution Rate. Section 144 requires JLBC Staff to determine the agency-by-agency distribution of these funds.

6/ Appropriations separate from the General Appropriation Act (Laws 2014, Chapter 18). Individual bill detail appears in the "Budget Detail" section.

7/ Represents ongoing statutory appropriations or appropriations enacted prior to the 2nd Regular Session.

8/ Laws 2014, 2nd Special Session, Chapter 2, Section 6 removes the Child Safety and Family Services Division out of the Department of Economic Security and creates a new Department of Child Safety.

9/ Laws 2014, 2nd Special Session, Chapter 2 repeals Section 26 of the General Appropriation Act (Department of Economic Security's appropriation) and, instead, adds the Department of Economic Security's appropriation in Section 7.

10/ Includes \$300,000 from Section 19 of the K-12 Budget Reconciliation Bill (Laws 2014, Chapter 17).

11/ Includes \$2,000,000 from Section 128.

Appropriation Act - Individual Agency	Governor's Line-Item Vetoes ^{2/}	Appropriations Act Individual Agency ^{3/}	Lease-Purchase/ Rental Rate Adjustment ^{4/}	Retirement Contribution Adjustment ^{5/}	FY 2015 Additional Appropriations ^{6/}	Prior Year Statutory Appropriations ^{7/}	FY 2015 Approp Rpt Total
---	--	--	--	--	---	---	--------------------------------

**CROSSWALK OF GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
EXPENDITURE AUTHORITY - FY 2015**

AHCCCS	\$6,672,092,300	\$0	\$6,672,092,300	\$0	\$10,200	\$0	\$6,672,102,500
Child Safety, Department of	\$326,301,700	0	326,301,700	0	0	0	326,301,700
Economic Security, Department of	786,397,400	0	786,397,400	0	50,700	0	786,448,100
Health Services, Department of	1,206,187,100	0	1,206,187,100	(18,100)	3,700	0	1,206,172,700
GRAND TOTAL	\$8,990,978,500	\$0	\$8,990,978,500	(\$18,100)	\$64,600	\$0	\$8,991,025,000

^{1/} Reflects in year adjustments to certain line items. Laws 2013, 1st Special Session, Chapters 1 and 10 permitted in-year adjustments of funding for implementing Graduate Medical Education, DSH Payments - Voluntary Match and KidsCare II line items and appropriated "sufficient monies" from the Expenditure Authority fund source for implementing A.R.S § 36-2901.01 and A.R.S. § 36-2901.07.

SUMMARY OF RISK MANAGEMENT CHARGES I/

<u>Agency</u>	<u>FY 2015 Charge</u>
Accountancy, Arizona State Board of	\$3,400
Acupuncture Board of Examiners	1,200
Administration, Arizona Department of	2,014,800
Administrative Hearings, Office of	6,300
Agriculture, Arizona Department of	148,300
AHCCCS	373,800
Appraisal, State Board of	1,800
Arts, Arizona Commission on the	5,800
Athletic Training, Board of	1,000
Attorney General - Department of Law	367,400
Automobile Theft Authority	2,600
Barbers, Board of	1,400
Behavioral Health Examiners, Board of	5,200
Capital Postconviction Public Defender Ofc., State	0
Charter Schools, State Board for	6,300
Child Safety, Department of	2,344,300
Chiropractic Examiners, State Board of	1,600
Citizens Clean Election Commission	1,002,600
Commerce Authority, Arizona	14,300
Constable Ethics Standards and Training Board	1,000
Contractors, Registrar of	32,800
Corporation Commission	70,500
Corrections, State Department of	7,696,100
Cosmetology, Board of	5,400
Criminal Justice Commission, AZ	8,400
Deaf & the Blind, AZ State Schools for the	379,800
Deaf and the Hard of Hearing, Commission for the	4,800
Dental Examiners, State Board of	3,300
Early Childhood Development & Health, AZ	41,200
Economic Security, Department of	2,322,400
Education, Department of	326,400
Emergency and Military Affairs, Department of	496,200
Environmental Quality, Department of	167,600
Equal Opportunity, Governor's Office of	1,200
Equalization, State Board of	3,300
Executive Clemency, Board of	3,700
Exposition & State Fair Board, AZ	326,700
Financial Institutions, Department of	12,300
Fire, Building, and Life Safety, Department of	17,000
Forester, State	38,600
Funeral Directors & Embalmers, State Board of	1,600
Game and Fish Department, Arizona	797,100
Gaming, Department of	21,100
Geological Survey, Arizona	5,700
Governor, Office of the	64,600
Governor's Office of Strategic Planning & Budgeting	5,500
Health Services, Department of	1,075,700
Historical Society, Arizona	114,200
Historical Society of AZ, Prescott	20,400
Homeland Security, AZ Department of	9,900
Homeopathic and Integrated Medicine Examiners, Board of	1,400
Housing, Arizona Department of	17,500
Independent Redistricting Commission	1,000
Indian Affairs, AZ Commission of	1,600
Industrial Commission of Arizona	129,000
Insurance, Department of	29,700
Judiciary - Supreme Court	188,600
Judiciary - Court of Appeals, Division I	25,800
Judiciary - Court of Appeals, Division II	9,400
Judiciary - Superior Court	1,833,200
Juvenile Corrections, Department of	358,300
Land Department, State	920,700
Legislature - Auditor General	46,800
Legislature - House of Representatives	94,400
Legislature - Joint Legislative Budget Committee	7,100

<u>Agency</u>	<u>FY 2015 Charge</u>
Legislature - Legislative Council	12,100
Legislature - Senate	56,000
Liquor Licenses & Control, Department of	20,900
Lottery Commission, Arizona State	39,500
Massage Therapy, Board of	1,000
Medical Board, Arizona	26,400
Mine Inspector, State	34,900
Naturopathic Physicians Medical Board	2,000
Navigable Stream Adjudication Commission, AZ	1,000
Nursing, State Board of	15,200
Nursing Care Institution of Administrators and Assisted Living Facility Managers, Board of Examiners of	2,200
Occupational Therapy Examiners, Board of	1,400
Opticians, State Board of Dispensing	1,000
Optometry, State Board of	1,400
Osteopathic Examiners, AZ Board of	2,000
Parks Board, Arizona State	326,200
Personnel Board	1,000
Pest Management, Office of	7,800
Pharmacy, AZ State Board of	8,700
Physical Therapy, Board of	1,400
Pioneers' Home, AZ	53,300
Podiatry Examiners, State Board of	1,000
Postsecondary Education, Commission for	3,600
Power Authority, Arizona	18,000
Private Postsecondary Education, State Board for	2,000
Psychologist Examiners, State Board of	1,800
Public Safety, Department of	3,720,300
Public Safety Retirement System	9,500
Racing, Arizona Department of	12,800
Radiation Regulatory Agency	11,000
Real Estate Department, State	12,100
Residential Utility Consumer Office	2,200
Respiratory Care Examiners, Board of	1,600
Retirement System, Arizona State	152,500
Revenue, Department of	224,100
School Facilities Board	4,700
Secretary of State, Department of State	72,700
Tax Appeals, State Board of	1,000
Technical Registration, State Board of	6,600
Tourism, Office of	8,900
Transportation, Department of ^{2/}	16,773,800
Treasurer, State	6,600
Universities - Regents, Arizona Board of	8,600
University - Arizona State University - Tempe/DPC	7,977,800
University - Arizona State University - East Campus	460,000
University - Arizona State University - West Campus	642,000
University - Northern Arizona University	2,598,900
University - University of Arizona - Main Campus	8,172,100
University - University of Arizona - Health Sciences Center	2,134,100
Veterans' Services, Department of	501,000
Veterinary Medical Examining Board, AZ. State	2,000
Water Resources, Department of	56,900
Weights and Measures, Department of	13,200
<i>Other Agencies</i>	
Boyce Thompson Arboretum	12,300
Central Arizona Water Conservation District	14,400
Water Infrastructure Financing Agency	4,600
GRAND TOTAL	\$68,301,200

^{1/} Total charges reflect Arizona Department of Administration billed amounts with the exception of the Arizona Department of Transportation (ADOT). Charges are unchanged from FY 2014.

^{2/} A General Appropriation Act footnote requires ADOT to pay risk management charges of \$16,773,800.

**BUDGET RECONCILIATION BILLS
AND MAJOR FOOTNOTE CHANGES**

FY 2015 BUDGET RECONCILIATION BILLS (BRBs) AND MAJOR FOOTNOTE CHANGES*

	<u>Page</u>
Budget Procedures BRB - Chapter 14 (HB 2708)	397
Criminal Justice BRB - Chapter 12 (HB 2706)	397
Environment BRB - Chapter 13 (HB 2707)	398
Health and Welfare BRB - Chapter 11 (HB 2705)	399
Higher Education BRB - Chapter 16 (HB 2711)	400
K-12 Education BRB - Chapter 17 (SB 1488)	400
Revenue BRB - Chapter 9 (SB 1487)	402
General Appropriation Act Provisions - Chapter 18 (HB 2703)	403
Major Footnote Changes and Laws 2014, 2 nd Special Session, Chapter 2	404

*Chapter numbers refer to 2nd Regular Session.

FY 2015 BUDGET RECONCILIATION BILL PROVISIONS

BUDGET PROCEDURES - CHAPTER I4 (HB 2708)

Section

Statewide

1. As session law, continue to notwithstanding A.R.S. § 35-121 to permit annual budgets for all departments through FY 2017. 8
2. As session law, notwithstanding A.R.S. § 35-111 to permit the Governor to submit an annual budget for FY 2016. 8
3. As session law, notwithstanding A.R.S. § 35-113 to permit the head of each department to submit an annual budget for FY 2016. 8
4. As session law, continue to set the FY 2014 Capital Outlay Stabilization Fund (COSF) rental rate charged by the Arizona Department of Administration (ADOA) at \$13.08/square foot for rentable office space and \$4.74/square foot for rentable storage space. 7
5. As session law, continue to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services. 6

Arizona Department of Administration

6. As permanent law, require all information technology projects with a multi-year cost of \$5,000,000 or greater to contract with a third party vendor for review and guidance before receiving approval from the Information Technology Authorization Committee. 2
7. As session law, make \$4.1 million of the \$28.6 million FY 2014 appropriation available for use by ADOA through FY 2016 for unforeseen costs related to the replacement of the state's financial and accounting system. 9
8. As session law, permit use of building renewal monies for building demolition in FY 2015. 11

Department of Environmental Quality

9. As session law, repeal, effective December 31, 2014, the transfer of UST monies to the State Highway Fund after having transferred \$60 million to the Regulated Substance Fund. 4
10. As session law, repeal the session law provision which permitted some post-July 2006 reports to be eligible for UST corrective action coverage. 5
11. As session law, revise the requirement on when DEQ is required to take action on UST applications from when the study committee issues its report to when a new revised UST corrective action program is effective. 5
12. As permanent law, extend DEQ's "stop order" authority on delivery of regulated substances to an underground storage tank if owner has not submitted a statement of financial responsibility. 3
13. As session law, state it is legislative intent that monies in the UST account be used to fund a new and revised corrective action program. 12

Public Safety Personnel Retirement System

14. As permanent law, require PSPRS to annually report on estimated contribution rates for the next 10 fiscal years. 1

State Lottery Commission

15. As session law, require that \$25,836,400 in Lottery ticket sales commissions earned during the second half of FY 2013 be paid from the State Lottery Fund's FY 2013 ending balance and not from the agency's FY 2014 appropriation. 10

CRIMINAL JUSTICE - CHAPTER I2 (HB 2706)

Attorney General - Department of Law

16. As session law, permit the Attorney General to use State Aid to Indigent Defense Fund for capital postconviction prosecution activities in FY 2015. 11

State Department of Corrections

- 17. As session law, continue to permit the department to award contracts for remaining 1,000 beds from 2,000-bed Request for Proposals issued by the department on February 2, 2012 only with legislative authorization. 10
- 18. As session law, continue to require the department to report actual FY 2014, estimated FY 2015, and requested FY 2016 expenditures as delineated in the prior year when the department submits its FY 2016 budget request pursuant to A.R.S. § 35-113. 5
- 19. As session law, continue to allow 2 ADC special funds to be used for general operations. 6

Judiciary

- 20. 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. 9
- 21. As permanent law, eliminate 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. 2, 3

Department of Public Safety

- 22. As session law, continue to require DPS to receive JLBC review of the expenditure plan for the GIITEM Subaccount FY 2015 appropriation prior to its expenditure. 8
- 23. 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' Highway Patrol costs. 7
- 24. As permanent law, separate concealed carry weapons (CCW) funds from the Highway Patrol Fund and create a separate appropriated fund. 1, 4
- 25. As session law, allow use of State Aid to Indigent Defense Fund for Department of Public Safety operating expenses. 11

ENVIRONMENT - CHAPTER 13 (HB 2707)

Department of Environmental Quality

- 26. As session law, continue to allow the department to utilize up to \$6,531,000 from a combination of the Underground Storage Tank (UST) Fund and the Regulated Substance Fund in FY 2015 for department administrative expenses. 6
- 27. 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. 9
- 28. As session law, allow \$1.8 million of the department's Emissions Inspection Fund monies to be spent on the Safe Drinking Water Program. 11

Land Department, State

- 29. As permanent law, increases the maximum amount that the Land Department may include in its budget request for Natural Resource Conservation Districts from \$30,000 to \$40,000 each. 1

Arizona Navigable Stream Adjudication Commission

- 30. 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. 8

Arizona State Parks Board

- 31. As session law, continue to allow the use of \$692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs. 5
- 32. As permanent law, establish Yarnell Hill Memorial State Park and Yarnell Hill Memorial Fund to be administered by a newly-created board until the board is repealed on January 1, 2017, at which time the Parks Board will administer the fund. As session law, appropriate \$500,000 from the General Fund in FY 2014 to the board to purchase memorial site. 2, 3, 10

Department of Water Resources

- 33. As session law, continue to allow the department's Water Protection Fund Commission to spend up to \$336,000 on administrative functions out of their unobligated balances in FY 2015. 4

34. As session law, continue to allow the department non-municipality special fee authority, including an intent clause that limits additional revenue up to \$100,200. 7

HEALTH AND WELFARE - CHAPTER II (HB 2705)

AHCCCS

Rates and Services

35. 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. 17
36. As session law, state that it is the intent of the Legislature that AHCCCS not increase capitation rates more than 3% in FY 2015, FY 2016 and FY 2017. 28
37. As permanent law, add insulin pump therapy as a covered service for adult AHCCCS members. 4

Counties

38. As session law, set FY 2015 county Arizona Long Term Care System (ALTCS) contributions at \$245,196,200. 9
39. As session law, set the County Acute Care contribution at \$47,553,700. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328. 14
40. As session law, require AHCCCS to transfer any excess monies back to the counties by December 31, 2015 if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act. 13
41. As session law, continue to 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. 15
42. As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations. 16

Hospitals

43. As session law, establish FY 2015 disproportionate share (DSH) distributions to the Maricopa Special Healthcare District, the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center. 12
44. As session law, retroactively revise the FY 2014 DSH distribution to the Arizona State Hospital from \$26.7 million to \$28.5 million. 7, 30
45. As permanent law, continue to permit local governments, tribal governments, and universities to contribute state match monies for disproportionate share hospital payments. 2

Erroneous Payments

46. 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. 27
47. As session law, continue to 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. 18

Available Funding

48. As session law, continue to state that it is the intent of the Legislature that AHCCCS implement a program within its available appropriation. 26

Reports

49. As session law, continue to require AHCCCS to submit a report by December 1, 2014 on utilization of emergency departments for non-emergency use by AHCCCS enrollees. 21
50. As session law, require AHCCCS and DHS to submit a joint report by January 1, 2015 on hospital costs and charges. 22
51. As permanent law, require AHCCCS to report annually on the change in uncompensated hospital costs and hospital profitability. 3, 8

Department of Economic Security

52. 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. 23
53. As session law, continue to permit DES to reduce income eligibility levels for all child care programs. Require DES to report to the JLBC within 15 days of any change in levels. 20

- 54. As permanent law, require deposit of all federal LTCSF balances into General Fund. 5
- 55. As session law, require the department/successor agency to report with the Early Childhood Development and Health Board on collaborative efforts on child welfare issues. 25
- 56. As session law, require Auditor General to evaluate Arizona relative to national child welfare data. 24

Department of Health Services

- 57. As session law, revise language regarding counties’ cost of care of the sexually violent persons at the Arizona State Hospital to clarify that the percent of county charges will not increase from the FY 2014 level. 10
- 58. As session law, continue to require all cities and counties to pay 100% of cost of Restoration to Competency treatment in FY 2015. Allow counties to use any source of county revenue to make the transfers. 11
- 59. As session law, continue to notwithstanding A.R.S. § 36-773 to permit DHS to use Tobacco Tax and Health Care Fund - Health Research Account for Alzheimer’s disease research. 19
- 60. As session law, require Directors of JLBC and OSPB to agree to content and format of a revenue and expenditure report for IGA/ISA Fund by August 1, 2014, and require DHS to report annually on revenues, expenditures, and ending balances from the fund in the previous, current, and subsequent fiscal year. 1
- 61. As session law, state that it is the intent of the Legislature that DHS may increase behavioral health service provider rates up to 2% beginning on October 1, 2014. 29
- 62. As permanent law, expand behavioral health expenditure report to include patient income. 6

HIGHER EDUCATION - CHAPTER 16 (HB 2711)

Arizona Community Colleges

- 63. As session law, continue to suspend Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs funding formula for FY 2015 and specify the funding in the General Appropriation Act. 2

Department of Education

- 64. As session law, amend a provision in the FY 2015 K-12 Education BRB (Laws 2014, Chapter 17) that permits FY 2014 “charter conversions” to continue to operate through FY 2015 only to further stipulate that their formula funding for FY 2015 must be as prescribed in the School Year 2013-2014 School District Conversions line item and related footnote in the FY 2015 General Appropriation Act. 1, 7
- 65. As session law, fund state aid for Joint Technical Education Districts (JTEDs) with more than 2,000 students at 95.5% of the formula requirement (versus 91% in FY 2014) and reduce budget limits accordingly. Continues to fund smaller JTEDs at 100%. 3
- 66. As session law, require the Department of Education to compute K-12 equalization formula funding for former “charter conversions” in FY 2016 as if their students had attended school district non-charter schools in FY 2015 and adjust student counts and budget limits accordingly. 5
- 67. As session law, beginning in FY 2015, prohibit a school district’s charter school Average Daily Membership (ADM) from exceeding by more than 20% its charter school ADM from FY 2013. (Laws 2014, Chapter 214 amends this provision to clarify that it only applies to “pre-FY 2014 converters.”) 6

Universities

- 68. 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). 4

K-12 EDUCATION - CHAPTER 17 (SB 1488)

Department of Education

Formula Requirements

- 69. As permanent law, increase the base level (A.R.S. § 15-901B2), the transportation funding levels (A.R.S. § 15-945A5) and the charter school “Additional Assistance” amounts (A.R.S. § 15-185B4) by 1.4%, for standard inflation. 2, 4, 6

Funding Formula Changes

- 70. As session law, continue to reduce school districts' Additional Assistance funding by \$238,985,500 accordingly. As session law, continue to reduce District Additional Assistance funding to school districts that do not receive state aid in FY 2015 by the amount that would be reduced if they did qualify for state aid for FY 2015 and reduce budget limits accordingly. 12
- 71. As session law, continue to reduce Charter Additional Assistance by \$15,656,000. 14
- 72. As session law, reduce Charter Additional Assistance funding to school districts with charter schools that do not receive state aid by the amount that would be reduced under the continuing \$15,656,000 statewide Charter Additional Assistance suspension if they did qualify for state aid for FY 2015 and reduce budget limits accordingly. 14
- 73. As session law, continue to cap total District Additional Assistance reductions for school districts with fewer than 1,100 students at \$5,000,000. 13
- 74. As permanent law, prohibit a school district governing board from granting a charter to a new charter school retroactive to June 30, 2013. As permanent law, prohibit a school district from receiving sponsorship for a new charter school from the state board for charter schools, the state board of education, a university, a community college district or a group of community college districts retroactive to June 30, 2013. 1, 21
- 75. As session law, permit FY 2014 "charter conversions" to continue to operate through FY 2015 only. 22
- 76. As permanent law, exempt school districts that convert charter schools back to traditional district schools in FY 2015 from repayment penalties that otherwise would be required to A.R.S. § 15-185A7. 15
- 77. As permanent law, change the name of the Performance Incentive Fund in A.R.S. § 15-917 to the Student Success Fund (SSF), authorize it to receive monies in addition to legislative appropriations, require each school district and charter school to establish a local level SSF to receive allocations from the state level SSF, and eliminate statutory requirements pertaining to fund distributions. As session law, establish the funding formula for the SSF program for FY 2015. 5, 17

Other

- 78. As permanent law, establish a 2-year pilot program on K-6 technology-based language development and literacy intervention, including operating parameters and annual reporting requirements. As permanent law, establish the Technology-Based Language Development and Literacy Intervention Fund. As session law, transfer \$546,800 into the new fund from the Commission from Postsecondary Education IGA/ISA Fund (leftover "Early Graduation Scholarship Program" monies) ~~and require ADE to transfer into it \$53,200 from the ADE Achievement Testing program.~~ [The stricken language reflects language vetoed by the Governor.] As session law, appropriate \$300,000 annually from the new fund in FY 2015 and FY 2016 for the pilot program. 3, 10, 19, 20
- 79. As session law, continue to require community colleges and universities to transfer \$6 per pupil to ADE by December 1, 2014 for deposit into the Education Learning and Accountability Fund. 11
- 80. As session law, stipulate that \$100,000 of the \$3,646,400 School Safety Program appropriation for FY 2015 is to be used for a pilot program on school emergency readiness and establish requirements for the pilot program. 16
- 81. As session law, establish K-12 Broadband Task Force of legislators, ASET director, Superintendent of Public Instructions and stakeholders. Task force required to report by December 2014 on available information and by December 2015 on recommendations on how to proceed. 18

School Facilities Board

- 82. As permanent law, permit SFB to require districts to reimburse the state for Building Renewal monies used while awaiting payment from building contractors. 8
- 83. As permanent law, require ADE to provide SFB with the most recent enrollment data, and require SFB to use that data when determining eligibility under new school construction formula. 9
- 84. As permanent law, require ADE to provide SFB with the most recent enrollment data, and require SFB to use that data when submitting their December 1st Status of Funds report for new school construction. As permanent law, expand that report to include 3 years of data. (Current statute requires 2 years of data.) 7

REVENUE - CHAPTER 9 (SB I487)

Counties and Cities & Towns

85. As session law, allow counties with a population below 200,000 in the 2010 decennial census to use any source of county revenue to meet a county fiscal obligation for FY 2015. Requires counties using this authority to report to the Director of the JLBC on the intended amount and sources of funds by October 1, 2014. 8
86. As session law, require \$30 million of HURF revenues in both FY 2015 and FY 2016 and \$60 million of HURF revenues in FY 2017 to be allocated directly to counties and cities and towns in percentages reflecting current non-state distribution of HURF revenues. Specifies that those revenues may only be spent on direct construction/repair and right-of-way expenditures. These additional HURF monies are available due to a reduction in those funds in the DPS budget. 11

Department of Agriculture

87. As session law, continue fee raising authority and an exemption relating to establishing fees for the Department of Agriculture in FY 2015. The bill continues an intent clause that limits additional revenues to \$357,000. 5

Central Arizona Water Conservation District

88. As permanent law, allow a subdivider to pay the first half of the Activation Fee charged by the Central Arizona Water Conservation District prior to issuance of a public report and require the subdivider to pay the second half of the Activation Fee no later than 1 year after the public report is issued, effective January 1, 2015. 1, 12

Arizona Commission on the Arts

89. As session law, appropriate \$1,000,000 of Budget Stabilization Fund interest income in FY 2015 to the continuously appropriated Arts Fund. 9

Department of Financial Institutions

90. As session law, extend the permission for the agency to spend up to \$850,000 from the Receivership Revolving Fund in FY 2014 for information technology upgrades into FY 2015. 2
91. As session law, notwithstanding the provision relating to the usage of the Financial Services Fund to allow the Department of Financial Institutions to use the Financial Services Fund for general operating expenditures of the department. 7

Department of Insurance

92. As session law, continue to not withstand the provision that fees collected by the department fall between 95% and 110% of the department's appropriation. 6

Legislative-Ombudsman

93. House added, as session law, a provision to require the Division of Child Protective Services or its successor agency to establish a process to direct all complaints to the Ombudsman-Citizens Aide Office (OCAO), but allow OCAO, upon investigation, to refer any matter to a Superior Court judge. Delayed repeal after June 30, 2016. 10

Department of Racing

94. As session law, continue the FY 2013 rulemaking exemption relating to establishing fees for the Department of Racing until the end of FY 2015. The bill continues an intent clause that the fee adjustment is to raise \$2,600,000 in revenue. 3

Radiation Regulatory Agency

95. As session law, continue fee raising authority and an exemption relating to establishing fees for the Radiation Regulatory Agency in FY 2015. The bill continues an intent clause that limits additional revenues to \$561,000. 4

GENERAL APPROPRIATION ACT PROVISIONS - CHAPTER 18 (HB 2703)

Arizona Department of Administration

96. As session law, revert \$273,000 of unspent monies from a FY 1999 Personnel Division Fund appropriation to the General Fund. 104
97. As session law, provide the Department of Administration the FY 2015 appropriation authority to spend certain Automation Projects Fund remaining balances as of June 30, 2014 for the same respective purposes specified in FY 2014 after a report to JLBC. 123

Arizona Commerce Authority

98. As session law, in accordance with statute (A.R.S. § 43-409), continue to allocate \$31,500,000 of General Fund withholding tax revenue to the Authority in FY 2015. 124

Department of Economic Security

99. As session law, continue the \$35,000,000 payment deferral to providers from FY 2015 to FY 2016. Appropriate \$35,000,000 in FY 2016 for these deferred payments. Chapter 2, 2nd Special Session, Section 3 changes the amount to \$21,000,000. 140

Department of Education

100. As session law, continue to defer \$930,727,700 in Basic State Aid payments for FY 2015 until FY 2016. Appropriate \$930,727,700 in FY 2016 for these deferred Basic State Aid payments. Allow the State Board of Education to make the rollover payment no later than July 12, 2015. 141
101. As session law, continue to require school districts to include in the FY 2015 revenue estimates that they use for computing their FY 2015 tax rates the rollover monies that they will receive for FY 2015 in July 2015. 141

Universities

102. As session law, continue the \$200,000,000 universitywide payment deferral to the universities from FY 2015 to FY 2016. Appropriate \$200,000,000 in FY 2016 for these deferred payments. 142
103. As session law, amend 2003 Research Infrastructure appropriations to actual level of payments. (GF savings of \$5.6 million) 134

Debt Service

104. As session law, appropriate \$84,123,700 from the General Fund to the Arizona Department of Administration in FY 2015 for a debt service payment on the 2010 sale and lease-back of state buildings. 136

Revenues

105. As session law, continue to specify revenue and expenditure estimates for FY 2014, FY 2015, FY 2016, and FY 2017. 150
106. As session law, continue to require the Executive branch to provide JLBC preliminary estimates of FY 2014 ending balances by September 15, 2014. Require JLBC Staff to report to JLBC by October 15, 2014 as to whether FY 2015 revenues and ending balance are expected to change by more than \$50,000,000 from budgeted projections. 150

Statewide

107. As session law, ex-appropriate \$(192,500) from the General Fund and \$(177,800) from Other Appropriated Funds in FY 2015 for state lease-purchase and rental rate adjustments. The JLBC Staff shall determine and ADOA shall allocate these reductions to individual agencies. 144
108. As session law, appropriate \$409,100 from the General Fund and \$1,030,900 from Other Appropriated Funds in FY 2015 for annual retirement contribution rate adjustments. The JLBC Staff shall determine and ADOA shall allocate these increases to individual agencies. 144
109. As session law, continue to specify FY 2015 individual agency charges totaling \$1,809,500 for general agency counsel provided by the Attorney General. 145
110. As session law, continue to state legislative intent that all budget units receiving appropriations continue to report actual, estimated and requested expenditures in a format similar to prior years. 146
111. As session law, continue to require ADOA to compile a report on Full-Time Equivalent (FTE) Position usage in FY 2015 in all agencies and provide it to the JLBC Director by October 1, 2015. The Department of Economic Security, Universities, and Department of Environmental Quality are exempt from the report but are required to report separately. 147

- 112.As session law, continue to require each agency to submit a report to the JLBC Director by October 1, 2014 on the number of filled appropriated and non-appropriated FTE Positions by fund source as of September 1, 2014. 148
- 113.As session law, continue to require ADOA to report monthly to the JLBC Director on agency transfers of spending authority from one expenditure class to another or between programs. 149

General

- 114.As session law, continue to define “*” as designating an appropriation exempt from lapsing. 151
- 115.As session law, continue to define “expenditure authority” as continuously appropriated monies included in individual line items of appropriations. 152
- 116.As session law, continue to define “review by the Joint Legislative Budget Committee” as a review by a vote of a majority of a quorum of the members. 153

**MAJOR FOOTNOTE CHANGES - CHAPTER 18 (HB 2703) and LAWS 2014, 2nd SPECIAL SESSION
CHAPTER 2 (SB 1002)**

The budget includes the following major modification of footnotes. This list does not include deletion of footnotes pertaining to one-time reports or appropriations. ** Section numbers refer to Chapter 2, 2nd Special Session.

Arizona Department of Administration

117. Adds footnote requiring department to report to JLBC by November 1, 2014 on how to reduce the federal financing participation liability regarding excess balances. 105
118. ~~Adds footnote requiring the department to report its findings on a study of the state’s current use of, reliance on and costs of small scale computing systems and the availability of public documents on the internet to the Governor, President of the Senate, Speaker of the House of Representatives, and the Senate and House Appropriations Committees by October 1, 2016. (The stricken language reflects language vetoed by the Governor.)~~ 119
119. ~~Adds footnote requiring JLBC review of a plan to distribute \$1,300,000 to backfill county revenue loss associated with legislation to expand TPT electricity exemptions. Requires JLBC review prior to expenditure. (The stricken language reflects language vetoed by the Governor.)~~ 122

Arizona Department of Administration - Automation Project Fund

120. Adds footnote making FY 2015 funding for the Department of Environmental Quality’s (DEQ’s) E-licensing project contingent upon contracting with a third party to evaluate the feasibility of the project and requiring the Arizona Department of Administration (ADOA) and DEQ to report on plans for contracting when seeking JLBC review of FY 2015 E-licensing expenditures. Also require review to continue through the life of the projects. 123
121. Adds footnote making FY 2015 funding for the Arizona Department of Education’s (ADE’s) student information system contingent upon contracting with a third party consultant throughout the life of the project and requiring ADOA and ADE to report on plans for consultant use when seeking JLBC review of FY 2015 expenditures for the system. Also require review to continue through the life of the projects. 123
122. Adds footnote making FY 2015 funding for the Department of Corrections’ (ADC’s) inmate management system contingent upon contracting with a third party consultant throughout the life of the project and requiring ADOA and ADC to report on plans for consultant use when seeking JLBC review of FY 2015 expenditures for the system. Also require review to continue through the life of the projects. 123
123. Adds footnote making FY 2015 funding for the Department of Economic Security’s child welfare management system contingent upon contracting with a third party consultant throughout the life of the project and requiring ADOA and DES to report on plans for consultant use when seeking JLBC review of FY 2015 expenditures for the system. Also require review to continue through the life of the projects. 123

Department of Child Safety**

124. Adds footnote requiring the Department of Child Safety (DCS) to report to JLBC on its progress in implementing the Auditor General’s recommendations for foster home recruitment. 6
125. Adds footnote providing legislative intent for usage of new In-Home Preventive Support Services and Out-of-Home Support Services line items. 6

- 126. Adds footnote requiring department to report by February 1, 2015 on its progress in improving child safety hotline wait times and decreasing the abandoned call rate in the prior year. 6
- 127. Modifies Contingency Funding footnote to specify that monies from the line item may only be spent on child welfare purposes, removing child care from list of eligible expenditures. This footnote was later repealed in Chapter 2 as the monies were transferred to another line item. 6
- 128. Adds footnote stating legislative intent to re-examine the budget in conjunction with legislation for a successor agency. This Chapter 18 footnote was later repealed in Chapter 2, 2nd Special Session as that latter legislation accomplished that objective.
- 129. Adds footnote requiring DCS to report on the caseworker retention rate by June 7, 2015. 6
- 130. Adds footnote requiring DCS to submit an expenditure plan to the JLBC on the Internet Crimes against Children appropriation on or before September 30, 2014. 6
- 131. Adds footnote limiting the Office of Child Welfare Investigations line item appropriation only to costs of employees directly hired by that office. At least 30 days before transferring funding into or out of this line item, DCS shall report the transfer to JLBC. 6
- 132. Adds footnote defining a backlog case and specifies the appropriations in the DCS budget to address the backlog. 6
- 133. Adds footnote requiring DCS to submit a report on proposed quarterly benchmarks to the JLBC by June 16, 2014 for review. The benchmarks are to be used to assess progress in hiring new positions and in reducing the number of backlog cases. 6
- 134. Adds a footnote requiring DCS to submit a progress report to the JLBC by the last day of every calendar quarter for review. The reports continue through FY 2016 and shall delineate the disposition of backlog cases and provide an update of expenditures for addressing the backlog. 6
- 135. Adds a footnote requiring DCS to issue a request for information on using private vendors to address the backlog and report the results to JLBC by September 30, 2014. 6
- 136. Adds a footnote requiring DCS to submit an expenditure report to the Legislature by the 30th of each month on its total expenditures. 6
- 137. Adds a footnote requiring DCS to submit monthly hiring report to the Legislature by the 7th of each month on its total number of filled FTE positions. 12

Department of Corrections

- 138. Adds footnote permitting the department to spend a portion of its appropriation on capital projects in FY 2015 upon prior review by the Joint Committee on Capital Review. 20

Department of Economic Security**

- 139. Adds footnote stating that budget includes 2% provider rate increase for developmental disabilities Home and Community Based Services providers and that the department should not reduce any rates in order to fund increases for other rates. 7

Department of Education

- 140. Modifies Achievement Testing footnote to require the State Board of Education to submit the cost impact of changes to JLBC for review. Previously, the State Board was only required to report information. 27
- 141. Removes footnote requiring at least 25% of appropriated amount for school safety be spent on security hardware.
- 142. ~~Adds footnote requiring ADE to award the \$500,000 appropriated for an alternative teacher development program to a service provider that meets all of the requirements in A.R.S. § 15-552, with 50% going to programs in urban counties and 50% to programs in rural counties. (The stricken language reflects language vetoed by the Governor.)~~ 27
- 143. Adds footnote requiring ADE to allocate JTED performance pay based on the number of JTED program completers placed in jobs related to their JTED program. 27
- 144. ~~Adds footnote requiring ADE to distribute \$1,000,000 in JTED soft capital and equipment funding to small JTEDs based on their Average Daily Membership counts. (The stricken language reflects language vetoed by the Governor.)~~ 27
- 145. Adds footnote requiring incremental monies for schools that converted to charter status in FY 2014 to be expended only from monies appropriated to the School Year 2013-2014 District Sponsored Charter School line item. 27

Department of Health Services

146. Modifies *Arnold v. Sarn* report footnote to require DHS to report on progress toward meeting criteria in the 2014 Joint Stipulation. 43
147. Removes La Paz / Critical Access Hospitals footnote as the appropriation has been removed and funding is located in AHCCCS.
148. Adds footnote requiring a nonprofit medical research foundation to commission annual audit of expenditure of the \$2,000,000 tobacco tax appropriation and submit to the department by February 1 annually. 128
149. Adds footnote specifying components of \$300,000 middle and high school prevention education program and requiring department to submit expenditure plan to JLBC for review prior to expenditure. 129

Arizona Historical Society

150. Adds footnote requiring the Society and Arizona Department of Administration to submit joint report to JLBC by November 28, 2014 on options for use of the now-vacant Mining and Mineral Museum. 44

State Board of Nursing

151. Adds footnote requiring the board to report its recommendations for ensuring the long-term financial stability of the Certified Nursing Assistant program to the Directors of the Governor's Office of Strategic Planning and Budgeting and JLBC by November 1, 2014. 115

Department of Revenue

152. Adds footnote requiring department to submit an expenditure plan to JLBC for review of the \$100,000 of their operating budget devoted to improve the analysis of tax data prior to expenditure. 85

Universities

153. Adds footnote requiring a nonprofit medical research foundation contracting with Northern Arizona University to report to JLBC for its review by February 1 annually on expenditures from all state sources of monies, descriptions of grants, and performance measures. 132
154. Adds footnote appropriating \$2,000,000 to both Arizona State University - Tempe and Downtown Phoenix Campuses and the University of Arizona - Main Campus in both FY 2016 and FY 2017. FY 2015 appropriation included in regular line item. 95, 99
155. Adds footnote prohibiting use of new General Fund monies from being expended for medical marijuana research. 95-99

**FY 2014
GENERAL FUND ADJUSTMENTS**

FY 2014 GENERAL FUND ADJUSTMENTS

	FY 2013 Actual	FY 2014 Original ^{1/}	Baseline Adjustments ^{2/}	FY 2014 JLBC Baseline	Session Changes	FY 2014 Enacted
REVENUES						
Ongoing Revenues	\$8,657,432,700	8,923,340,200	45,669,700	\$8,969,009,900	24,800,000	\$8,993,809,900
Previously Enacted Changes		(46,900,000)	46,900,000			
Newly Enacted Changes		(6,896,000)	6,896,000			
Urban Revenue Sharing	(513,584,000)	(561,001,200)		(561,001,200)		(561,001,200)
Net Ongoing Revenues	\$8,143,848,700	\$8,308,543,000	\$99,465,700	\$8,408,008,700	\$24,800,000	\$8,432,808,700
One-time Financing Sources						
Balance Forward	396,960,000	\$693,732,500	201,742,500	\$895,475,000		895,475,000
1¢ Sales Tax	962,172,000					
Previously Enacted Changes					(24,800,000)	(24,800,000)
Newly Enacted Changes		(24,800,000)	24,800,000			
Fund Transfers	56,500,000	76,900,000	76,691,600	153,591,600		153,591,600
Subtotal One-time Revenues	\$1,415,632,000	\$745,832,500	\$303,234,100	\$1,049,066,600	(\$24,800,000)	\$1,024,266,600
Total Revenues	\$9,559,480,700	\$9,054,375,500	\$402,699,800	\$9,457,075,300	\$0	\$9,457,075,300
EXPENDITURES						
Operating Budget Appropriations	\$8,622,575,000	\$8,816,500,100	(\$4,700)	\$8,816,495,400	\$0	\$8,816,495,400
FY 2014 Supplementals			(1,166,900)	(1,166,900)	3,903,200	2,736,300
Administrative Adjustments	50,923,700	60,000,000	(37,619,800)	22,380,200	40,600,000	62,980,200
Reversions	(165,320,700)	(100,900,000)	15,098,900	(85,801,100)	15,201,100	(70,600,000)
Subtotal Ongoing Expenditures	\$8,508,178,000	\$8,775,600,100	(\$23,692,500)	\$8,751,907,600	\$59,704,300	\$8,811,611,900
One-time Expenditures						
Capital Outlay	\$1,309,200	\$31,000,000	18,942,800	\$49,942,800		\$49,942,800
Budget Stabilization Fund Deposit	200,000,000					
Health Insurance Premium Holiday	(19,381,500)					
AHCCCS Tobacco Settlement Offset	(48,000,000)					
Reduce K-12 Payment Deferral (Small Schools)	21,900,000					
Subtotal One-time Expenditures	\$155,827,700	\$31,000,000	\$18,942,800	\$49,942,800	\$0	\$49,942,800
Total Expenditures	\$8,664,005,700	\$8,806,600,100	(\$4,749,700)	\$8,801,850,400	\$59,704,300	\$8,861,554,700
Ending Balance ^{3/}	\$895,475,000	\$247,775,400	\$407,449,500	\$655,224,900	(\$59,704,300)	\$595,520,600
<i>Structural Balance ^{4/}</i>	<i>(\$364,329,300)</i>	<i>(\$467,057,100)</i>	<i>\$123,158,200</i>	<i>(\$343,898,900)</i>	<i>(\$34,904,300)</i>	<i>(\$378,803,200)</i>

^{1/} Reflects the FY 2014 budget as published in the *FY 2014 Appropriations Report*, except that Asset Sale/Lease-Back Debt Service is now displayed under Operating Budget Appropriations.

^{2/} Reflects forecast adjustments to revenue and other technical adjustments. The Baseline Adjustments move the previously and newly-enacted revenue changes into ongoing revenues.

^{3/} This calculation reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization Fund balance.

^{4/} This calculation reflects the difference between ongoing revenues and expenditures and excludes one-time adjustments. Excludes any Budget Stabilization Fund balance.

FY 2014 GENERAL FUND ADJUSTMENTS

FY 2014 Budget Revision — The preceding chart illustrates the changes to the FY 2014 budget from the publication of the *FY 2014 Appropriations Report* in July 2013 (incorporating changes through the 51st Legislature, 1st Regular Session and 1st Special Session) to the current estimate in this *FY 2015 Appropriations Report*. The chart includes the projected FY 2014 mid-year budget surplus and the changes from the passage of bills in the 2nd Regular Session and 2nd Special Session of the 51st Legislature addressing the FY 2014 budget.

Original Budget Estimate — At the time of the publication of the *FY 2014 Appropriations Report* in July 2013, the FY 2014 budget was expected to have a \$248 million surplus.

Mid-Year Surplus — As estimated in January 2014, higher-than-expected revenues together with other changes led to the state’s projected FY 2013 ending balance growing from \$248 million to \$655 million. The components of this \$407 million shift were as follows:

	(\$ in M)
• Increased FY 2013 Carry-Forward	202
• Increase in FY 2014 Revenues	100
• Increase in FY 2014 One-Time Revenues	101
• Technical Spending Reestimates	4
Total	\$407

As enacted in June 2013, the original FY 2014 budget included \$694 million in revenues from a FY 2013 carry-forward balance. The FY 2013 revenue growth at the end of the year, however, was stronger than originally budgeted, producing a FY 2013 ending balance of \$895 million, or \$202 million more than budgeted.

This stronger revenue growth was estimated to continue into FY 2014. Although the enacted FY 2014 budget’s 4.9% base revenue increase was revised down to 4.3% in the January 2014 estimates, the higher FY 2013 revenue base meant \$100 million of additional FY 2014 collections.

The shift of some one-time funding sources into FY 2014, primarily the delayed receipt of the national mortgage settlement proceeds, increased revenues by another \$101 million.

The \$4 million in technical spending reestimates include \$(1) million in supplemental ex-appropriations, \$(30) million of increased revertsments specifically for AHCCCS, \$7 million in other net administrative adjustment and revertment changes, and \$19 million of capital outlay spending originally appropriated in FY 2013 that will not be spent until FY 2014.

2014 Legislative Session — Laws 2014, Chapter 18, the General Appropriation Act, as well as other bills in the 2nd

Regular Session and 2nd Special Session made a series of changes in the FY 2014 budget. Along with revisions in administrative adjustment and revertment estimates, these adjustments decreased the projected ending balance of \$655 million by \$(60) million.

The change in the projected ending balance is the result of an estimated \$60 million in post-Baseline changes: \$4 million in net supplemental spending and \$56 million in reestimates of administrative adjustments and revertments.

The budget reflects \$4 million in net additional FY 2014 spending above the Baseline. This amount includes the following major adjustments:

- \$(73) million ex-appropriated from the AHCCCS budget for caseload changes.
- \$47 million to the Arizona Department of Education for Basic State Aid shortfalls
- \$18 million to DHS for Medicaid caseload changes.
- \$11 million to the new Department of Child Safety for child safety staff and services.
- \$3 million to the State Land Department, State Board of Nursing, Senate and House of Representatives, Arizona Navigable Streams Adjudication Commission, Independent Redistricting Commission, and the Arizona Department of Administration for supplemental items. *(Please see those agency narratives and FY 2014 General Fund Crosswalk for further details.)*

The \$56 million in net administrative adjustment and revertment expenditures reflects shifting some of the AHCCCS and DHS components to the supplemental line.

In addition to these shifts, the budget reflects the shift of characterizing \$(25) million in revenue reductions from ongoing to a one-time reduction as the result of the Tax Year (TY) 2013 federal business expensing allowance of \$500,000 not being extended into TY 2014. This shift does not affect the FY 2014 ending balance. *(Please see the Revenue section for more details.)*

With an estimated January FY 2014 ending balance of \$655 million and \$(60) million in subsequent net changes, the FY 2014 budget is estimated to have an ending balance of \$596 million.

Other Fund — The FY 2014 revisions included \$15 million in Other Fund supplementals. The two largest supplementals were \$10.7 million for the Arizona Department of Administration to refund a portion of certain fund balances to the federal government and \$2.7 million for operating expenses at the Department of Veterans’ Services Tucson Veterans’ Home.

FY 2014 GENERAL FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	FY 2014 Approp Rpt July 2013	Adjustments	FY 2014 Supplementals <u>2/</u>	FY 2014 Additional Appropriations <u>3/</u>	Enacted FY 2014
<u>BUDGET UNITS</u>					
Administration, AZ Department of	\$11,694,300			\$193,600	\$11,887,900
Administration, AZ Department of - Automation Projects Fund	18,400,000				18,400,000
Administrative Hearings, Office of	862,200				862,200
Agriculture, AZ Department of	8,320,200				8,320,200
AHCCCS	1,334,933,400		(73,439,600)		1,261,493,800
Attorney General - Department of Law	22,464,600				22,464,600
Charter Schools, State Board for	822,400				822,400
Child Safety, Department of	0	240,838,400 <u>4/</u>			240,838,400
Commerce Authority, Arizona	31,500,000				31,500,000
Community Colleges, Arizona	69,513,400	(4,700) <u>5/</u>			69,508,700
Corporation Commission	609,700				609,700
Corrections, State Department of	971,743,900				971,743,900
County Funding	7,150,500				7,150,500
Deaf and the Blind, Schools for the	21,795,300				21,795,300
Economic Security, Department of	690,112,900	(240,838,400) <u>4/</u>	10,798,000		460,072,500
Education, Department of	3,620,831,200		47,000,000		3,667,831,200
Emergency & Military Affairs, Dept of	10,312,400				10,312,400
Environmental Quality, Department of	7,000,000				7,000,000
Equal Opportunity, Governor's Office of	188,500				188,500
Equalization, State Board of	639,500				639,500
Executive Clemency, Board of	838,400				838,400
Financial Institutions, State Department of	3,019,100				3,019,100
Fire, Building and Life Safety, Department of	2,026,000				2,026,000
Forester, State	7,336,400				7,336,400
Geological Survey, Arizona	941,400				941,400
Governor, Office of the	6,926,000				6,926,000
Gov's Ofc of Strategic Planning & Budgeting	1,993,200				1,993,200
Health Services, Department of	550,646,400		17,638,500		568,284,900
Historical Society, Arizona	3,155,000				3,155,000
Historical Society, Prescott	826,000				826,000
Independent Redistricting Commission	1,115,100		1,462,700		2,577,800
Indian Affairs, AZ Commission of	56,900				56,900
Insurance, Department of	5,364,900				5,364,900
Judiciary					
Supreme Court	16,020,000				16,020,000
Court of Appeals	14,186,700				14,186,700
Superior Court	79,634,300				79,634,300
SUBTOTAL - Judiciary	109,841,000	0	0	0	109,841,000
Juvenile Corrections, Department of	43,822,700				43,822,700
Land Department, State	12,345,400		128,300		12,473,700
Legislature					

	FY 2014 Approp Rpt July 2013	Adjustments	FY 2014 Supplementals ^{2/}	FY 2014 Additional Appropriations ^{3/}	Enacted FY 2014
Auditor General	17,989,700				17,989,700
House of Representatives	13,372,200		50,000		13,422,200
Joint Legislative Budget Committee	2,492,000				2,492,000
Legislative Council	8,046,500				8,046,500
Senate	8,283,800		50,000		8,333,800
SUBTOTAL - Legislature	50,184,200	0	100,000	0	50,284,200
Mine Inspector, State	1,223,300				1,223,300
Navigable Stream Adjudication Commission	129,200		150,000		279,200
Nursing, State Board of	0		150,000		150,000
Pioneers' Home, AZ	1,602,800				1,602,800
Postsecondary Education, Commission for	1,396,800				1,396,800
Public Safety, Department of	51,560,800				51,560,800
Public Safety Personnel Retirement System	5,000,000				5,000,000
Racing, Arizona Department of	2,029,500				2,029,500
Radiation Regulatory Agency	1,468,600				1,468,600
Real Estate Department, State	2,988,700				2,988,700
Revenue, Department of	47,025,300				47,025,300
School Facilities Board	193,181,400		(1,445,200)		191,736,200
Secretary of State	11,635,500				11,635,500
Tax Appeals, State Board of	264,700				264,700
Tourism, Office of	7,102,600				7,102,600
Transportation, Department of	50,400				50,400
Treasurer, State	1,205,100				1,205,100
Uniform State Laws, Commission on	75,000				75,000
Universities					
Arizona State University - Tempe/DPC	270,228,200				270,228,200 ^{6/}
Arizona State University - East Campus	22,704,200				22,704,200 ^{6/}
Arizona State University - West Campus	33,328,100				33,328,100 ^{6/}
Northern Arizona University	109,245,000				109,245,000 ^{6/}
Board of Regents	21,925,500				21,925,500 ^{6/}
University of Arizona - Main Campus	208,501,000				208,501,000 ^{6/}
University of Arizona - Health Sciences Center	69,585,300				69,585,300
SUBTOTAL - Universities	735,517,300	0	0	0	735,517,300
Veterans' Services, Department of	5,436,300				5,436,300
Water Infrastructure Finance Authority	0				0
Water Resources, Department of	12,326,400				12,326,400
Weights and Measures, Department of	1,325,800				1,325,800
OPERATING BUDGET TOTAL	\$8,711,878,000	(\$4,700)	\$2,542,700	\$193,600	\$8,714,609,600
Unallocated Employee Retention Payments	119,200				119,200
Unallocated Risk Management Adjustments	5,400				5,400
Unallocated HR Pro Rata Adjustment	(71,300)				(71,300)
Capital Outlay Projects	31,000,000	18,942,800 ^{7/}			49,942,800
Debt Service Payments	84,119,800				84,119,800
Civic Center Debt Service	20,449,000				20,449,000
Administrative Adjustments	60,000,000	2,980,200			62,980,200
Revertments	(100,900,000)	30,300,000			(70,600,000)
GRAND TOTAL	\$8,806,600,100	\$52,218,300	\$2,542,700	\$193,600	\$8,861,554,700

FY 2014 Approp Rpt July 2013	Adjustments	FY 2014 Supplementals	2/	FY 2014 Additional Appropriations	3/	Enacted FY 2014
------------------------------------	-------------	--------------------------	----	---	----	--------------------

- 1/ This chart provides a crosswalk between an agency's original appropriation in the *FY 2014 Appropriations Report* and its final FY 2014 appropriation, excluding capital appropriations.
- 2/ Reflects changes enacted in the General Appropriation Act (Laws 2014, Chapter 18).
- 3/ Appropriations separate from the General Appropriation Act (Laws 2014, Chapter 18) enacted in 2nd Regular Session. Individual bill detail appears in the "Budget Detail" section.
- 4/ The new Department of Child Safety (DCS) is created on July 1, 2014. The FY 2014 funding of the Division of Child Safety and Family Services in the Department of Economic Security is displayed in the FY 2014 DCS column for comparability.
- 5/ Each year, the Rural County Allocation is determined by enrollment counts submitted to the JLBC Staff. The JLBC Staff is required to report the county withholdings to the Treasurer by May 15 for the upcoming fiscal year. In May 2013, the JLBC Staff reported the amount to be \$3,273,100. The amount was subsequently revised to \$3,268,400.
- 6/ The FY 2014 Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) included \$5,000,000 from the General Fund in the Arizona Board of Regents' (ABOR) budget for performance funding. The \$5,000,000 was distributed as follows: \$2,348,800 to ASU-Tempe/Downtown Phoenix, \$165,300 to ASU - East, \$190,900 to ASU-West, \$1,090,000 to NAU and \$1,205,000 to UA - Main. These FY 2014 amounts remain allocated in the ABOR section of the FY 2015 budget and are not allocated to the individual universities.
- 7/ Includes \$18,942,800 in FY 2014 for the Arizona Department of Administration for 500 maximum security Department of Correction beds. This amount is from the \$20,000,000 originally appropriated to the Department of Corrections in FY 2013, as Laws 2012, Chapter 295 made the amount available until completion of the project.

FY 2014 OTHER FUNDS CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	FY 2014 Approp Rpt July 2013	Adjustments	FY 2014 Supplementals 2/	Enacted FY 2014
<u>BUDGET UNITS</u>				
Accountancy, State Board of				
Board of Accountancy Fund	\$1,933,700			\$1,933,700
Acupuncture Board of Examiners				
Acupuncture Board of Examiners Fund	150,200			150,200
Administration, AZ Department of				
Air Quality Fund	927,100			927,100
Automation Operations Fund	19,108,000			19,108,000
Capital Outlay Stabilization Fund	18,070,700			18,070,700
Corrections Fund	572,900			572,900
Federal Surplus Materials Revolving Fund	464,100			464,100
Information Technology Fund	3,232,300			3,232,300
Motor Vehicle Pool Revolving Fund	10,155,800			10,155,800
Personnel Division Fund	12,898,700			12,898,700
Risk Management Revolving Fund	93,072,200		10,742,000	103,814,200
Special Employee Health Insurance Trust Fund	5,259,200			5,259,200
State Surplus Materials Revolving Fund	2,399,600			2,399,600
State Web Portal Fund	4,250,000			4,250,000
Telecommunications Fund	1,853,600			1,853,600
Total - AZ Department of Administration	172,264,200	0	10,742,000	183,006,200
Administration, AZ Department of -				
Automation Projects Fund	66,738,000			66,738,000
Administrative Hearings, Office of				
Healthcare Group Fund	12,300			12,300
AHCCCS				
Budget Neutrality Compliance Fund	3,303,900			3,303,900
Children's Health Insurance Program Fund	32,139,100	16,848,000 3/		48,987,100
Healthcare Group Fund	1,097,200			1,097,200
Prescription Drug Rebate Fund - State	95,010,900			95,010,900
Tobacco Products Tax Fund				
Emergency Health Services Account	18,320,100			18,320,100
Tobacco Tax and Health Care Fund				
Medically Needy Account	37,389,300			37,389,300
Total - AHCCCS	187,260,500	16,848,000	0	204,108,500
Appraisal, State Board of				
Board of Appraisal Fund	808,700	42,900 4/		851,600
Arts, Arizona Commission on the				
Budget Stabilization Fund	1,000,000			1,000,000
Athletic Training, Board of				
Athletic Training Fund	105,200		13,000	118,200
Attorney General - Department of Law				

	FY 2014 Approp Rpt July 2013	Adjustments	FY 2014 Supplementals	Enacted FY 2014
Antitrust Enforcement Revolving Fund	244,200			244,200
Attorney Gen'l Legal Svcs Cost Allocation Fund	2,087,500			2,087,500
Collection Enforcement Revolving Fund	5,387,800			5,387,800
Consumer Protection-Consumer Fraud Rev. Fund	3,506,200		600,000	4,106,200
Interagency Service Agreements Fund	13,525,400			13,525,400
Risk Management Revolving Fund	9,439,500			9,439,500
State Aid to Indigent Defense Fund	500,000			500,000
Victims' Rights Fund	3,997,800			3,997,800
Total - Attorney General - Department of Law	38,688,400	0	600,000	39,288,400
Automobile Theft Authority				
Automobile Theft Authority Fund	5,297,600			5,297,600
Barbers, Board of				
Board of Barbers Fund	333,800			333,800
Behavioral Health Examiners, Board of				
Board of Behavioral Health Examiners Fund	1,758,100			1,758,100
Child Safety, Department of				
Child Abuse Prevention Fund	0	1,459,100		1,459,100
Children and Family Services Training Program Fund	0	207,700		207,700
Federal Child Care and Development Fund Block Grant	0	0		0
Federal Temporary Assistance for Needy Families Block Grant	0	130,791,000		130,791,000
Long Term Care System Fund	0	27,188,300		27,188,300
Total - Department of Child Safety	0	159,646,100	0	159,646,100
Chiropractic Examiners, State Board of				
Board of Chiropractic Examiners Fund	469,400			469,400
Contractors, Registrar of				
Registrar of Contractors Fund	14,893,300			14,893,300
Corporation Commission				
Arizona Arts Trust Fund	50,100			50,100
Investment Management Regulatory and Enforcement Fund	715,400			715,400
Public Access Fund	6,535,500			6,535,500
Securities Regulatory and Enforcement Fund	4,787,500			4,787,500
Utility Regulation Revolving Fund	14,194,000			14,194,000
Total - Corporation Commission	26,282,500	0	0	26,282,500
Corrections, State Department of				
Alcohol Abuse Treatment Fund	554,400			554,400
Corrections Fund	27,517,600			27,517,600
Penitentiary Land Fund	979,200			979,200
Prison Construction and Operations Fund	12,499,400			12,499,400
State Charitable, Penal and Reformatory Institutions Land Fund	360,000			360,000
State Education Fund for Correctional Education	516,200			516,200
Transition Program Fund	2,485,000			2,485,000
Total - State Department of Corrections	44,911,800	0	0	44,911,800

	FY 2014 Approp Rpt July 2013	Adjustments	FY 2014 Supplementals	Enacted FY 2014
Cosmetology, Board of				
Board of Cosmetology Fund	1,784,500			1,784,500
Criminal Justice Commission, Arizona				
Criminal Justice Enhancement Fund	649,200			649,200
Drug and Gang Prevention Resource Center Fund	238,900			238,900
State Aid to County Attorneys Fund	973,600			973,600
Victim Compensation and Assistance Fund	4,092,500			4,092,500
Total - Arizona Criminal Justice Commission	5,954,200	0	0	5,954,200
Deaf and the Blind, AZ Schools for the				
Schools for the Deaf and the Blind Fund	13,585,500			13,585,500
Deaf and the Hard of Hearing, Comm. for the				
Telecommunication Fund for the Deaf	3,776,400			3,776,400
Dental Examiners, State Board of				
Dental Board Fund	1,214,800			1,214,800
Economic Security, Department of				
Child Abuse Prevention Fund	1,459,100	(1,459,100)		0
Child Support Enforcement Administration Fund	16,787,400			16,787,400
Children and Family Services Training Program Fund	207,700	(207,700)		0
Domestic Violence Shelter Fund	2,220,000			2,220,000
Federal Child Care and Development Fund Block Grant	130,769,700			130,769,700
Federal Temporary Assistance for Needy Families Block Grant	221,007,100	(130,791,000)		90,216,100
Long Term Care System Fund	86,912,600	(27,188,300)		59,724,300
Public Assistance Collections Fund	427,000			427,000
Special Administration Fund	2,829,900			2,829,900
Spinal and Head Injuries Trust Fund	1,874,700			1,874,700
Statewide Cost Allocation Plan Fund	1,000,000			1,000,000
Workforce Investment Act Grant	56,060,000			56,060,000
Total - Department of Economic Security	521,555,200	(159,646,100) 5/	0	361,909,100
Education, Department of				
Department of Education Empowerment Scholarship Account Fund	200,000			200,000
Permanent State School Fund	46,475,500			46,475,500
Proposition 301 Fund	7,000,000			7,000,000
Teacher Certification Fund	2,359,700			2,359,700
Total - Department of Education	56,035,200	0	0	56,035,200
Emergency & Military Affairs, Dept of				
Emergency Response Fund	132,700			132,700
Environmental Quality, Department of				
Air Permits Administration Fund	7,143,900			7,143,900
Air Quality Fund	5,376,400			5,376,400
Emissions Inspection Fund	26,592,300			26,592,300
Hazardous Waste Management Fund	1,742,700			1,742,700
Indirect Cost Recovery Fund	13,308,500			13,308,500
Recycling Fund	1,359,400			1,359,400

	FY 2014 Approp Rpt July 2013	Adjustments	FY 2014 Supplementals	Enacted FY 2014
Solid Waste Fee Fund	1,242,700			1,242,700
Underground Storage Tank Fund Revolving Fund	22,000			22,000
Water Quality Fee Fund	10,546,100			10,546,100
Total - Department of Environmental Quality	67,334,000	0	0	67,334,000
Exposition and State Fair Board, AZ				
Arizona Exposition and State Fair Fund	11,423,500		270,000	11,693,500
Financial Institutions, Department of				
Financial Services Fund	936,700			936,700
Funeral Directors and Embalmers, Board of				
Board of Funeral Directors' & Embalmers' Fund	353,600			353,600
Game and Fish Department, AZ				
Capital Improvement Fund	999,700			999,700
Game and Fish Fund	33,684,100			33,684,100
Game, Nongame, Fish and Endangered Species Fund	346,300			346,300
Watercraft Licensing Fund	4,555,800			4,555,800
Waterfowl Conservation Fund	80,000			80,000
Wildlife Endowment Fund	16,000			16,000
Total - AZ Game and Fish Department	39,681,900	0	0	39,681,900
Gaming, Department of				
Tribal-State Compact Fund	2,104,000			2,104,000
State Lottery Fund	300,000			300,000
Arizona Benefits Fund	11,093,000			11,093,000
Total - Department of Gaming	13,497,000	0	0	13,497,000
Health Services, Department of				
Arizona State Hospital Fund	14,918,500			14,918,500
ASH Land Earnings Fund	650,000			650,000
Capital Outlay Stabilization Fund	1,559,800			1,559,800
Child Fatality Review Fund	94,800			94,800
Emergency Medical Services Operating Fund	5,121,400			5,121,400
Environmental Laboratory Licensure Revolving Fund	926,900			926,900
Federal Child Care and Development Fund				
Block Grant	830,400			830,400
Health Services Licensing Fund	8,842,400			8,842,400
Indirect Cost Fund	10,390,400			10,390,400
Newborn Screening Program Fund	6,738,900			6,738,900
Nursing Care Institution Resident Protection Revolving Fund	128,200			128,200
Substance Abuse Services Fund	2,250,000			2,250,000
Tobacco Tax and Health Care Fund				
Health Research Account	1,000,000			1,000,000
Tobacco Tax and Health Care Fund				
Medically Needy Account	35,467,000			35,467,000
Vital Records Electronic Systems Fund	3,634,700			3,634,700
Total - Department of Health Services	92,553,400	0	0	92,553,400
Homeopathic & Integrated Medicine Examiners, Bd of				
Bd of Homeopathic & Integrated Medicine Exmnr's Fund	102,100			102,100

	FY 2014 Approp Rpt July 2013	Adjustments	FY 2014 Supplementals	Enacted FY 2014
Housing, Department of				
Housing Trust Fund	313,800			313,800
Industrial Commission of AZ				
Administrative Fund	19,989,500			19,989,500
Judiciary - Supreme Court				
Confidential Intermediary and Fiduciary Fund	488,000			488,000
Court Appointed Special Advocate Fund	2,940,900			2,940,900
Criminal Justice Enhancement Fund	3,004,500			3,004,500
Defensive Driving School Fund	4,194,400			4,194,400
Judicial Collection Enhancement Fund	14,002,000			14,002,000
State Aid to the Courts Fund	2,944,600			2,944,600
Total - Judiciary - Supreme Court	27,574,400	0	0	27,574,400
Judiciary - Superior Court				
Criminal Justice Enhancement Fund	7,002,200			7,002,200
Judicial Collection Enhancement Fund	6,029,200			6,029,200
Drug Treatment and Education Fund	500,000			500,000
Total - Judiciary - Superior Court	13,531,400	0	0	13,531,400
SUBTOTAL - Judiciary	41,105,800	0	0	41,105,800
Juvenile Corrections, Department of				
Criminal Justice Enhancement Fund	530,600			530,600
State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600			1,098,600
State Education Fund for Committed Youth	2,296,200			2,296,200
Total - Department of Juvenile Corrections	3,925,400	0	0	3,925,400
Land Department, State				
Due Diligence Fund	500,000			500,000
Environmental Special Plate Fund	260,000			260,000
Trust Land Management Fund	3,174,500			3,174,500
Total - State Land Department	3,934,500	0	0	3,934,500
Liquor Licenses & Control, Department of				
Liquor Licenses Fund	2,932,300			2,932,300
Lottery Commission, AZ State				
State Lottery Fund	99,360,200	66,900		99,427,100
Massage Therapy, Board of				
Board of Massage Therapy Fund	457,200			457,200
Medical Board, Arizona				
Arizona Medical Board Fund	5,738,700		855,000	6,593,700
Mine Inspector, State				
Aggregate Mining Reclamation Fund	112,500			112,500
Naturopathic Physicians Medical Board				
Naturopathic Physicians Medical Board Fund	158,900		15,800	174,700
Nursing, State Board of				
Board of Nursing Fund	4,275,600			4,275,600
Nursing Care Institution Administrators Board				
Nursing Care Institution Administrators' Licensing & Assisted Living Facility Managers' Certification Fund	420,200			420,200
Occupational Therapy Examiners, Board of				

	FY 2014 Approp Rpt July 2013	Adjustments	FY 2014 Supplementals	2/ Enacted FY 2014
Occupational Therapy Fund	172,500			172,500
Opticians, State Board of Dispensing Board of Dispensing Opticians Fund	135,800			135,800
Optometry, State Board of Board of Optometry Fund	206,000			206,000
Osteopathic Examiners, AZ Board of Board of Osteopathic Examiners Fund	775,500			775,500
Parks Board, Arizona State State Parks Revenue Fund	12,821,100			12,821,100
Personnel Board, State Personnel Board Subaccount of the Personnel Division Fund	374,900			374,900
Pest Management, Office of Pest Management Fund	2,039,000			2,039,000
Pharmacy, AZ State Board of Arizona State Board of Pharmacy Fund	2,103,700			2,103,700
Physical Therapy, Board of Board of Physical Therapy Fund	432,600			432,600
Pioneers' Home, AZ Miners' Hospital Fund	2,079,400			2,079,400
State Charitable Fund	2,577,200			2,577,200
Total - AZ Pioneers' Home	4,656,600	0	0	4,656,600
Podiatry Examiners, State Board of Podiatry Fund	147,300			147,300
Postsecondary Education, Commission for Postsecondary Education Fund	1,535,300			1,535,300
Private Postsecondary Education, Board for Board for Private Postsecondary Education Fund	641,200			641,200
Psychologist Examiners, State Board of Board of Psychologist Examiners Fund	375,500			375,500
Public Safety, Department of Arizona Deoxyribonucleic Acid Identification System Fund	6,321,200			6,321,200
Arizona Highway Patrol Fund	19,658,900			19,658,900
AZ Automated Fingerprint Identification System Fund	3,009,700			3,009,700
Automation Operations Fund	296,200			296,200
Crime Laboratory Assessment Fund	870,600			870,600
Crime Laboratory Operations Fund	14,719,800			14,719,800
Criminal Justice Enhancement Fund	2,871,200			2,871,200
GIITEM Border Security and Law Enforcement Subaccount	2,390,000			2,390,000
Highway User Revenue Fund	119,247,100			119,247,100
Motorcycle Safety Fund	205,000			205,000
Parity Compensation Fund	1,885,300			1,885,300
Public Safety Equipment Fund	2,390,000			2,390,000
Risk Management Revolving Fund	1,199,900			1,199,900
Safety Enforcement and Transportation				

	FY 2014 Approp Rpt July 2013	Adjustments	FY 2014 Supplementals	Enacted FY 2014
Infrastructure Fund	1,566,300			1,566,300
State Highway Fund	6,743,800			6,743,800
Total - Department of Public Safety	183,375,000	0	0	183,375,000
Racing, Arizona Department of				
Racing Regulation Fund	2,895,900			2,895,900
Radiation Regulatory Agency				
State Radiologic Technologist Certification				
Fund	273,300			273,300
Radiation Regulatory Fee Fund	579,600			579,600
Total - Radiation Regulatory Agency	852,900	0	0	852,900
Residential Utility Consumer Office				
Residential Utility Consumer Office				
Revolving Fund	1,334,400			1,334,400
Respiratory Care Examiners, Board of				
Board of Respiratory Care Examiners Fund	297,100			297,100
Retirement System, Arizona State				
Long-Term Disability Trust Fund Administration				
Account	2,800,000			2,800,000
Arizona State Retirement System Administration				
Account	24,173,500			24,173,500
Total - Arizona State Retirement System	26,973,500	0	0	26,973,500
Revenue, Department of				
Department of Revenue Administrative Fund	24,980,200			24,980,200
Liability Setoff Revolving Fund	1,087,200			1,087,200
Tobacco Tax and Health Care Fund	679,300			679,300
Total - Department of Revenue	26,746,700	0	0	26,746,700
Secretary of State				
Election Systems Improvement Fund	2,941,000			2,941,000
Records Services Fund	741,000			741,000
Total - Secretary of State	3,682,000	0	0	3,682,000
State Boards' Office				
Special Services Revolving Fund	231,000			231,000
Technical Registration, State Board of				
Technical Registration Fund	2,119,500			2,119,500
Transportation, Department of				
Air Quality Fund	74,500			74,500
Driving Under the Influence Abatement Fund	153,800			153,800
Highway User Revenue Fund	651,500			651,500
Motor Vehicle Liability Insurance				
Enforcement Fund	1,086,700			1,086,700
Safety Enforcement and Transportation				
Infrastructure Fund	1,880,500			1,880,500
State Aviation Fund	1,624,400			1,624,400
State Highway Fund	337,323,200			337,323,200
Transportation Department Equipment Fund	27,001,500			27,001,500
Vehicle Inspection & Title Enforcement Fund	1,464,100			1,464,100
Total - Department of Transportation	371,260,200	0	0	371,260,200
Treasurer, State				

	FY 2014 Approp Rpt July 2013	Adjustments	FY 2014 Supplementals	Enacted FY 2014
Law Enforcement and Boating Safety Fund	2,183,800			2,183,800
State Treasurer Empowerment Scholarship Account Fund	40,000			40,000
State Treasurer's Operating Fund	2,583,400			2,583,400
State Treasurer's Management Fund	197,500			197,500
Total - State Treasurer	5,004,700	0	0	5,004,700
Universities				
Arizona State University - Tempe/DPC University Collections Fund	452,685,000	383,700 <u>7/</u>		453,068,700
Arizona State University - East Campus University Collections Fund	35,590,900	(1,899,200) <u>7/</u>		33,691,700
Technology and Research Initiative Fund	2,000,000			2,000,000
Total - Arizona State University - East Campus	37,590,900	(1,899,200)	0	35,691,700
Arizona State University - West Campus University Collections Fund	40,390,200	(1,009,900) <u>7/</u>		39,380,300
Technology and Research Initiative Fund	1,600,000			1,600,000
Total - Arizona State University - West Campus	41,990,200	(1,009,900)	0	40,980,300
Northern Arizona University University Collections Fund	107,409,100	12,872,000 <u>7/</u>		120,281,100
University of Arizona - Main Campus University Collections Fund	269,918,000	1,589,700 <u>7/</u>		271,507,700
University of Arizona - Health Sciences Center University Collections Fund	43,920,300	(2,803,300) <u>7/</u>		41,117,000
SUBTOTAL - Universities	953,513,500	9,133,000	0	962,646,500
Veterans' Services, Department of State Veterans' Conservatorship Fund	906,300			906,300
State Home for Veterans' Trust Fund	27,868,200		2,436,800	30,305,000
Total - Department of Veterans' Services	28,774,500	0	2,436,800	31,211,300
Veterinary Medical Examining Board Veterinary Medical Examining Board Fund	483,400			483,400
Water Resources, Department of Assured and Adequate Water Supply Admin Fund	266,400			266,400
Water Resources Fund	640,400			640,400
Total - Department of Water Resources	906,800	0	0	906,800
Weights and Measures, Department of Air Quality Fund	1,463,800			1,463,800
Motor Vehicle Liability Insurance Enf. Fund	330,000			330,000
Total - Department of Weights and Measures	1,793,800	0	0	1,793,800
OPERATING BUDGET TOTAL	\$3,212,214,900	26,090,800	\$14,932,600	\$3,253,238,300
Unallocated Employee Retention Payments	900,700			900,700
Unallocated Risk Management Adjustments	(720,100)			(720,100)
Unallocated HR Pro Rata Adjustment	(445,200)			(445,200)
Capital	275,850,000			275,850,000
GRAND TOTAL	\$3,487,800,300	26,090,800	\$14,932,600	\$3,528,823,700

	FY 2014 Approp Rpt July 2013	Adjustments	FY 2014 Supplementals	Enacted FY 2014
<u>1/</u>	This chart provides a crosswalk between an agency's original appropriation in the <i>FY 2014 Appropriations Report</i> and its final FY 2014 appropriation, excluding capital appropriations.			
<u>2/</u>	Reflects changes enacted in the General Appropriation Act (Laws 2014, Chapter 18).			
<u>3/</u>	Although the <i>FY 2014 Appropriations Report</i> displays a \$26,825,700 appropriation for KidsCare II in FY 2014, a footnote appropriates any expenses in excess of that amount. AHCCCS has informed JLBC that they expect to increase expenditures above that amount by \$21,397,000, including \$16,848,000 in Children's Health Insurance Program funding and \$4,549,000 in Political Subdivision funding.			
<u>4/</u>	The State Board of Appraisal includes \$42,880 and 1 FTE Position as appropriated by Laws 2013, Chapter 184 and is in addition to the amount that appears in the <i>FY 2014 Appropriations Report</i> .			
<u>5/</u>	The new Department of Child Safety (DCS) is created on July 1, 2014. The FY 2014 funding of the Division of Child Safety and Family Services in the Department of Economic Security is displayed in the FY 2014 DCS column for comparability.			
<u>6/</u>	Revised Lottery forecast.			
<u>7/</u>	Reflects tuition collections receipts above the amount appropriated by the Legislature for FY 2014. A footnote in the FY 2014 General Appropriation Act appropriated any tuition collections receipts above the appropriated amount to the university.			

CROSSWALK OF GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS EXPENDITURE AUTHORITY - FY 2014

AHCCCS	\$5,139,120,600	\$382,717,700	<u>1/</u>	\$5,521,838,300
Child Safety, Department of	0	295,281,700		295,281,700
Economic Security, Department of	1,014,909,600	(295,281,700)	1,111,300	720,739,200
Health Services, Department of	<u>782,827,300</u>	<u>50,782,900</u>	<u>149,800,800</u>	<u>983,411,000</u>
GRAND TOTAL	\$6,936,857,500	\$433,500,600	<u>1/</u>	\$7,521,270,200

1/ Reflects in year adjustments to certain line items. Laws 2013, 1st Special Session, Chapters 1 and 10 permitted in-year adjustments of funding for implementing Graduate Medical Education, DSH Payments - Voluntary Match and KidsCare II line items and appropriated "sufficient monies" from the Expenditure Authority fund source for implementing A.R.S § 36-2901.01 and A.R.S. § 36-2901.07.

**JLBC STAFF
AND
AGENCY DIRECTORY LISTINGS**

JOINT LEGISLATIVE BUDGET COMMITTEE

The Joint Legislative Budget Committee was established in 1966, pursuant to Laws 1966, Chapter 96. The primary powers and duties of the JLBC relate to ascertaining facts and making recommendations to the Legislature regarding all facets of the state budget, state revenues and expenditures, future fiscal needs, and the organization and functions of state government. The following members serve on the Committee during the 51st Legislature:

Representative John Kavanagh Chairman 2013	Senator Don Shooter Chairman 2014
Representative Lela Alston	Senator Olivia Cajero Bedford
Representative David Gowan, Sr.	Senator Gail Griffin
Representative Adam Kwasman	Senator John McComish
Representative Debbie Lesko	Senator Al Melvin
Representative Stefanie Mach	Senator Lynne Pancrazi
Representative Justin Olson	Senator Anna Tovar
Representative Michelle Ugenti	Senator Steven B. Yarbrough

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

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

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

JOINT COMMITTEE ON CAPITAL REVIEW

The Joint Committee on Capital Review (JCCR) was first established on April 11, 1986, pursuant to Laws 1986, Chapter 85. The primary powers and duties of the Joint Committee on Capital Review relate to ascertaining facts and making recommendations to the Legislature regarding state expenditures for land, buildings and improvements. This portion of the state budget is known as “capital outlay.” The following members serve on the Committee during the 51st Legislature:

Senator Don Shooter Chairman 2013	Representative John Kavanagh Chairman 2014
Senator Olivia Cajero Bedford	Representative Lela Alston
Senator Gail Griffin	Representative Chad Campbell
Senator John McComish	Representative Tom Forese
Senator Al Melvin	Representative David Gowan, Sr.
Senator Lynne Pancrazi	Representative Rick Gray
Senator Anna Tovar	Representative Andrew C. Sherwood

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

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

APPROPRIATIONS COMMITTEE MEMBERS
Fifty-first Legislature
Second Regular Session

SENATE

Don Shooter, Chairman
Rick Murphy, Vice-Chairman
Olivia Cajero Bedford
Chester Crandell
Gail Griffin
Al Melvin
Lynne Pancrazi
Anna Tovar
Kelli Ward

HOUSE

John Kavanagh, Chairman
Justin Olson, Vice-Chairman
Lela Alston
Paul Boyer
Chad Campbell
Tom Forese
Rick Gray
Adam Kwasman
Stefanie Mach
Andrew Sherwood
Michelle Ugenti

STAFF OF THE
JOINT LEGISLATIVE BUDGET COMMITTEE

- Director..... Richard Stavneak
- Office Manager..... Linda Monsanto
- Deputy Directors Steve Schimpp
..... Stefan Shepherd
- Principal Economist..... Tim Everill
- Chief Economist..... Hans Olofsson
- Principal Fiscal Analysts Eric Billings
..... Jack Brown
..... Bob Hull
..... Andrew Smith
..... Art Smith
- Senior Fiscal Analysts Ben Beutler
..... Steve Grunig
..... Jon Stall
- Fiscal Analysts Henry Furtick
..... Matt Gress
..... Jeremy Gunderson
..... Ben Henderson
..... Micaela Larkin
..... Krista MacGahan
..... Rebecca Perrera
..... Tom Ritland
- Administrative Assistant/JLBC/JCCR Clerk..... Kristy Paddack

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

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Accountancy, Arizona State Board of	Steve Grunig	Monica Petersen [Executive Director]	602-364-0870
Acupuncture Board of Examiners	Steve Grunig	Pete Gonzalez [Director]	602-542-3095
Administration, Arizona Department of	Rebecca Perrera	Brian McNeil [Director]	602-542-1500
Administrative Hearings, Office of	Bob Hull	Cliff J. Vanell [Director]	602-542-9853
African-American Affairs, Arizona Commission of	Rebecca Perrera	--	--
Agriculture, Arizona Department of	Henry Furtick	Jack Peterson [Director]	602-542-4373
Arizona Health Care Cost Containment System	Andrew Smith/Jon Stall	Thomas J. Betlach [Director]	602-417-4111
Appraisal, State Board of	Steve Grunig	Debra J. Rudd [Executive Director]	602-542-1593
Arizona State University	Art Smith	Michael Crow, Ph.D. [President]	480-965-8972
Arts, Arizona Commission on the	Krista MacGahan	Robert Booker [Executive Director]	602-771-6501
Athletic Training, Board of	Henry Furtick	J. Randy Frost [Executive Director]	602-589-6337
Attorney General - Department of Law	Matt Gress	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	Vacant [Executive Director]	602-364-2888
Barbers, Board of	Steve Grunig	Sam LaBarbera [Executive Director]	602-542-4498
Behavioral Health Examiners, Board of	Steve Grunig	Tobi Zavala [Interim Executive Director]	602-542-1884
Charter Schools, State Board for	Rebecca Perrera	DeAnna Rowe [Executive Director]	602-364-3080
Child Safety, Department of	Ben Beutler	Charles Flanagan [Director]	602-542-5844
Chiropractic Examiners, State Board of	Steve Grunig	Pamela Paschal [Executive Director]	602-864-5088
Citizens Clean Elections Commission	Krista MacGahan	Thomas M. Collins [Executive Director]	602-364-3477
Commerce Authority, Arizona	Eric Billings	Sandra Watson [President and CEO]	602-845-1252
Community Colleges, Arizona	Tom Ritland	--	--
Constable Ethics Standards and Training Board	Steve Grunig	Ron Myers [Chairman]	602-252-6563
Contractors, Registrar of	Bob Hull	Bill Mundell [Director]	602-771-6700
Corporation Commission	Jeremy Gunderson	Honorable Bob Stump [Chairman]	602-542-3935
Corrections, State Department of	Micaela Larkin	Charles L. Ryan [Director]	602-542-5225
Cosmetology, Board of	Steve Grunig	Donna Aune [Director]	480-784-4539
Court of Appeals, Division I	Eric Billings	Honorable Diane Johnson [Chief Judge]	602-542-1432
Court of Appeals, Division II	Eric Billings	Honorable Joseph W. Howard [Chief Judge]	520-628-6946
Criminal Justice Commission, Arizona	Krista MacGahan	John A. Blackburn, Jr. [Executive Director]	602-364-1146
Deaf and the Blind, Arizona State Schools for the	Tom Ritland	Marv Lamer [Interim Superintendent]	520-770-3704
Deaf and the Hard of Hearing, Commission for the	Rebecca Perrera	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	Ben Beutler	Sam Leyvas [Executive Director]	602-771-5100
Economic Security, Department of	Tom Ritland	Clarence H. Carter [Director]	602-542-5678
Education, Department of	Steve Schimpp	Honorable John Huppenthal [Superintendent of Public Instruction]	602-542-5460
Emergency and Military Affairs, Department of	Eric Billings	Michael McGuire [Adjutant General]	602-267-2710
Environmental Quality, Department of	Micaela Larkin	Henry Darwin [Director]	602-771-2204
Equal Opportunity, Governor's Office of	Bob Hull	Carolyn Pitre Wright [Director]	602-542-3711
Equalization, State Board of	Jeremy Gunderson	George R. Shook [Interim Chairman]	602-364-1611
Executive Clemency, Board of	Krista MacGahan	Brian Livingston [Chairman/Executive Director]	602-542-5656
Exposition and State Fair Board, Arizona	Steve Grunig	Don West [Executive Director]	602-252-6771
Financial Institutions, Department of	Jeremy Gunderson	Lauren W. Kingry [Superintendent]	602-771-2800
Fire, Building and Life Safety, Department of	Henry Furtick	Gene Palma [Director]	602-364-1003
Forester, State	Krista MacGahan	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	Krista MacGahan	Larry Voyles [Director]	602-942-3000
Gaming, Department of	Henry Furtick	Daniel Bergin [Director]	602-771-4263
Geological Survey, Arizona	Krista MacGahan	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	Matt Gress/Jon Stall	Will Humble [Director]	602-542-1025
Historical Society, Arizona	Tom Ritland	Anne I. Woosley [Executive Director]	520-628-5774
Historical Society of Arizona, Prescott	Tom Ritland	Fred Veil [Interim Director]	928-445-3122
Homeland Security, Arizona Department of	Krista MacGahan	Gilbert M. Orrantia [Director]	602-542-7013

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>ILBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Homeopathic and Integrated Medicine Examiners, Board of House of Representatives Housing, Arizona Department of Independent Redistricting Commission Indian Affairs, Arizona Commission of	Steve Grunig Bob Hull Henry Furtick Krista MacGahan Bob Hull	Christine Springer [Executive Director] Honorable Andy Tobin [Speaker of the House] Michael Traylor [Director] Ray Bladine [Executive Director] Kristine FireThunder [Executive Director]	602-542-3095 602-926-5172 602-771-1000 602-542-5221 602-542-4421
Industrial Commission of Arizona Insurance, Department of Joint Legislative Budget Committee Juvenile Corrections, Department of Land Department, State	Bob Hull Jeremy Gunderson Bob Hull Eric Billings Henry Furtick	Laura I. McGrory [Director] Germaine Marks [Director] Richard Stavneak [Director] Charles Flanagan [Director] Vanessa Hickman [Land Commissioner]	602-542-4411 602-364-3471 602-926-5491 602-364-4051 602-542-4621
Legislative Council Liquor Licenses & Control, Department of Lottery Commission, Arizona State Massage Therapy, Board of Medical Board, Arizona	Bob Hull Jeremy Gunderson Jon Stall Steve Grunig Andrew Smith	Mike E. Braun [Executive Director] Alan Everett [Director] Jeff Hatch-Miller [Executive Director] Kathleen Phillips [Executive Director] C. Lloyd Vest, II [Executive Director]	602-926-4236 602-542-9020 480-921-4505 602-542-8804 480-551-2791
Mine Inspector, State Naturopathic Physicians Medical Board Navigable Stream Adjudication Commission, AZ Northern Arizona University Nursing, State Board of	Krista MacGahan Steve Grunig Henry Furtick Art Smith Bob Hull	Honorable Joe Hart [State Mine Inspector] Gail Anthony [Director] George Mehnert [Executive Director] John D. Haeger, Ph.D. [President] Joey Ridenour [Executive Director]	602-542-5971 602-542-8242 602-542-9214 928-523-3232 602-771-7800
Nursing Care Institution Administrators & Assisted Living Facility Managers, Board of Examiners of Occupational Safety & Health Review Board Occupational Therapy Exam., Board of Opticians, State Board of Dispensing Optometry, State Board of	Steve Grunig Bob Hull Steve Grunig Steve Grunig Steve Grunig	Allen Imig [Executive Director] Gary Lasham [Chairman] J. Randy Frost [Executive Director] Lori D. Scott [Executive Director] Margaret Whelan [Executive Director]	602-542-8156 602-542-4411 602-589-8352 602-542-8158 602-542-8155
Osteopathic Examiners, Arizona Board of Parents Commission on Drug Education and Prevention, AZ Parks Board, Arizona State Personnel Board, State Pest Management, Office of	Jeremy Gunderson Bob Hull Art Smith Bob Hull Henry Furtick	Jenna Jones [Executive Director] Tammy Paz-Combs [Director] Bryan Martyn [Executive Director] Laurie Barcelona [Executive Director] Jack Peterson [Acting Director]	480-657-7703 602-542-4043 602-542-4174 602-542-3888 602-542-3575
Pharmacy, Arizona State Board of Physical Therapy, Board of Pioneers' Home, Arizona Podiatry Examiners, State Board of Postsecondary Education, Commission for	Henry Furtick Steve Grunig Rebecca Perrera Steve Grunig Rebecca Perrera	Hal Wand [Executive Director] Charles Brown [Executive Director] Ted Ihrman [Superintendent] Sarah Penttinen [Executive Director] April L. Osborn [Executive Director]	602-771-2740 602-542-8157 928-445-2181 602-542-8151 602-258-2435
Power Authority, Arizona Private Postsecondary Education, State Board for Psychologist Examiners, State Board of Public Safety, Department of Public Safety Personnel Retirement System	Krista MacGahan Rebecca Perrera Steve Grunig Eric Billings Matt Gress	Michael A. Gazda [Acting Executive Director] Teri R. Stanfill [Executive Director] Cindy Olvey [Director] Robert Halliday [Director] Jim Hacking [Administrator]	602-368-4265 602-542-2399 602-542-8162 602-223-2464 602-255-2007
Racing, Arizona Department of Radiation Regulatory Agency Real Estate Department, State Regents, Arizona Board of Residential Utility Consumer Office	Henry Furtick Henry Furtick Steve Grunig Micaela Larkin Jeremy Gunderson	Bill Walsh [Director] Aubrey V. Godwin [Director] Judy Lowe [Commissioner] Eileen Klein [President] Patrick Quinn [Director]	602-364-1730 602-255-4845 602-771-7799 602-229-2500 602-364-4835
Respiratory Care Examiners, Board of Retirement System, Arizona State Revenue, Department of School Facilities Board Secretary of State, Department of State	Steve Grunig Matt Gress Jeremy Gunderson Matt Gress Krista MacGahan	Jack Confer [Director] Paul Matson [Executive Director] David Raber [Director] Dean Gray [Executive Director] Honorable Ken Bennett [Secretary of State]	602-542-5995 602-240-2031 602-716-6090 602-542-6143 602-542-4285
Senate State Boards' Office Superior Court Supreme Court Tax Appeals, State Board of	Bob Hull Steve Grunig Eric Billings Eric Billings Jeremy Gunderson	Honorable Andy Biggs [President of the Senate] Megan Darian [Office Manager] David K. Byers [Director] Rebecca White Berch [Chief Justice] Amy W. Fellner [Chairperson]	602-926-4371 602-542-3095 602-452-3301 602-452-3536 602-364-1102
Technical Registration, State Board of Tourism, Office of Transportation, Department of Treasurer, State Uniform State Laws, Commission on	Henry Furtick Henry Furtick Ben Beutler Eric Billings Krista MacGahan	Melissa Cornelius [Executive Director] Sherry Henry [Director] John Halikowski [Director] Honorable Doug Ducey [State Treasurer] Timothy Berg [Commissioner]	602-364-4930 602-364-3717 602-712-7227 602-604-7800 602-916-5151

AGENCY/DEPT./BUDGET AREA

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

JLBC ANALYST

Micaela Larkin
Rebecca Perrera
Steve Grunig
Micaela Larkin
Krista MacGahan
Henry Furtick

AGENCY/DEPARTMENT HEADS

Ann Weaver Hart, Ph.D. [President]
Ted Vogt [Director]
Victoria Whitmore [Executive Director]
Sandy Sutton [Executive Director]
Michael J. Lacey [Director]
Shawn Marquez [Acting Director]

TELEPHONE
NUMBER

520-621-5511
602-255-3373
602-542-8150
602-364-1310
602-771-8426
602-771-4920

OTHER ASSIGNMENTS

Capital Review
Economic & Revenue Forecast

Jack Brown
Tim Everill
Hans Olofsson
Jack Brown
Ben Beutler
Jeremy Gunderson
Andrew Smith
Jon Stall
Stefan Shepherd
Stefan Shepherd

Federal/Non-Appropriated Funds
Fiscal Note Manager

[] Denotes Title for Information Purposes