

FY 2015
Baseline Book

January 2014

JLBC

FY 2015 BASELINE BOOK

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Prepared By

THE STAFF OF THE
JOINT LEGISLATIVE BUDGET COMMITTEE

1716 West Adams Street
Phoenix, Arizona 85007
Phone: (602) 926-5491
FAX: (602) 926-5416

E-mail: jlbcwebmaster@azleg.gov
JLBC Web site: <http://www.azleg.gov/jlbc.htm>

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FY 2015 BASELINE SUMMARY

Overview

The FY 2015 Baseline provides an estimate of the state's General Fund balances. The revenue projections reflect a consensus economic forecast while the spending estimates represent active funding formula requirements and other obligations. The Baseline does not represent a budget proposal, but an estimate of available resources after statutory requirements.

A.R.S. § 35-125 requires that the General Appropriation Act annually delineate the revenue and expenditure projections for 3 years. The budget, however, would only provide actual appropriations for FY 2015.

In terms of the budget outlook:

- Total FY 2015 General Fund revenue is projected to be \$9.36 billion, including \$655 million in a FY 2014 year-end balance. Revenues would be \$(94) million less than in FY 2014. While the 4-sector consensus base revenues are forecast to grow by \$477 million, or 5.3%, the decline in the balance-forward, annualization of prior year tax law changes and the loss of one-time fund transfers offset those gains.
- In comparison, FY 2015 spending is projected to be \$9.04 billion. K-12 spending accounts for most of the \$234 million, or 2.7%, growth in expenditures, which is limited to current funding formulas and other legal obligations.
- The projected FY 2015 ending balance is \$327 million prior to the legislative 2-year Highway User Revenue Fund (HURF) shift proposal. The cash balance would be near \$0 in FY 2016, but a \$(383) million shortfall would occur in FY 2017.
- There is a legislative proposal to offset the use of HURF for Department of Public Safety (DPS) Highway Patrol expenses in both FY 2015 and FY 2016. The annual General Fund cost of this proposal is \$119 million. After adjusting for the HURF proposal, the projected ending balance would be \$208 million in FY 2015, \$(256) million in FY 2016, and \$(383) million in FY 2017.
- Under the current terms of the state's 2010 \$1.5 billion debt financing, the state must begin to buy back that debt if its reserves reach a certain level. Based on FY 2015 balances, the required FY 2017 buyback is estimated at \$210 million. Unless the Executive revises the buyback terms, the FY 2017 shortfall would become \$(593) million.
- These cash balance estimates do not include \$460 million in the state's Rainy Day reserve (Budget Stabilization Fund).

Baseline Caveats

- The revenue forecast is based on moderate revenue growth, but assumes that a portion of the FY 2013 capital gain windfall is one-time.
- Over a 3-year period, small percent changes in growth assumptions can have a substantial impact. Eliminating the slow growth scenario in the 4-sector forecast, for example, could increase available revenues by \$468 million through FY 2017.
- The impact of pending "budget" lawsuits could be significant. Retroactive K-12 inflation payments have a maximum exposure of \$1.26 billion.

Legislative Considerations

- Under the Baseline, a structural shortfall occurs each year. A structural shortfall reflects ongoing spending exceeding ongoing revenue. The \$895 million FY 2013 carry-forward, however, keeps the cash budget balanced in the short term.
- As a remnant of the recession, the state annually suspends over \$300 million of funding formulas, primarily in K-12 education, and pays \$1.2 billion of current year obligations in the next year (the "rollover").
- Among all states, Arizona is tied with several others for the third-lowest credit rating, but the rating agencies' outlook has turned positive. They view elimination of the structural shortfall as a key factor in any possible future rating upgrade.

FY 2014

The FY 2014 ending balance is currently projected to be \$655 million, an increase of \$407 million over the original budget estimate of \$248 million. Total revenues, including the beginning balance, are forecast to be \$9.46 billion compared to spending of \$8.80 billion. The \$403 million revenue adjustment has 3 components:

- An increase of \$100 million in ongoing revenues under the updated January consensus forecast.

- An increase of \$101 million in the estimate for one-time financing sources, due primarily to the delayed receipt of the national mortgage settlement proceeds and several other smaller one-time sources which were not included in the original FY 2014 budget.
- Increased balance forward from FY 2013. The original budget assumed an ending balance of \$694 million for FY 2013. The actual balance carried forward into FY 2014 was \$895 million, an increase of \$201 million. This increase was due to a combination of both higher than expected revenue collections and lower than expected expenditures in FY 2013.

FY 2013 state revenue collections were affected by both the potential and actual increase in capital gain and dividend taxes at the federal level on January 1, 2013. This factor incentivized taxpayers to take capital gains and businesses to issue dividends in the 4th quarter of calendar 2012 rather than wait until calendar year 2013 or beyond. As a result, income tax collections on these gains were accelerated into FY 2013 from FY 2014 through FY 2016. If this acceleration had not occurred, FY 2014 collections would be higher. Rather than growing by 4.3%, base revenues would be forecast to increase by 5.3%.

FY 2015 Baseline Revenues

While base revenues are forecast to grow in FY 2015, the growth is insufficient to fully offset declines in other sources of revenues. Overall FY 2015 collections would decline to \$9.36 billion, or \$(94) million below the revised FY 2014 estimate for the following reasons:

- Based on JLBC's 4-sector consensus, FY 2015 base revenues are projected to grow by \$477 million, or 5.3%. Base revenues reflect the underlying growth in the economy and exclude one-time adjustments, urban revenue sharing and new tax law changes.
- 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 legislative changes would reduce state revenue by \$(129) million, primarily from the phase-in of a corporate income tax rate reduction from 6.968% to 4.9%, the phase-in of a change in how multi-state corporations are permitted to treat sales in calculating tax liability ("corporate sales factor"), and a reduction of long term capital gain taxation.
- Discontinuing fund transfers would reduce revenue by \$(154) million.
- A \$(240) million loss in the balance forward – decreasing from \$895 million at the beginning of FY 2014 to \$655 million at the start of FY 2015.

The 4-sector estimate was developed using a consensus forecasting process. This consensus equally weights the results of 4 forecasts: *(See the General Fund Revenue section for more information.)*

- The Finance Advisory Committee (FAC), an independent 14-member group of public and private sector economists,
- The University of Arizona Economic and Business Research (EBR) Center's econometric forecasting baseline model,
- The EBR's conservative forecast model, and
- The JLBC Staff forecast.

FY 2015 Baseline Spending

Based on statutory funding formulas and other obligations, FY 2015 Baseline spending is projected to be \$9.04 billion, a \$234 million, or a 2.7%, increase above FY 2014 prior to any possible HURF shift adjustments. The major adjustments are:

- AHCCCS and Department of Health Services Medicaid spending would increase by \$15 million, reflecting modest caseload growth and a 3% capitation rate increase offset by an increase in the federal matching rate. Costs of Medicaid expansion authorized in the FY 2014 budget are primarily offset by a new hospital assessment.
- The Department of Economic Security (DES) budget would also increase by \$45 million to backfill one-time federal revenues and for Developmental Disabilities Medicaid growth.
- Department of Education spending would increase by \$167 million due to a 1.1% increase in student enrollment, base support level inflation increase of 1.4%, an increase in the state share of homeowner K-12 property taxes, and an offset from new construction property taxes. The increase also includes increases associated with additional district schools converting to charter status and higher cost per pupil for students in the K-12 system.
- University spending would increase by \$15 million for continued funding of efforts to achieve the goal of parity between University of Arizona, Arizona State University, and Northern Arizona University per-pupil amounts.
- Department of Corrections spending would increase \$25 million to fund legislatively approved prison openings. The cost primarily covers 500 new private medium security prison beds opening on January 1, 2015, annualization of 500 private

beds opened on January 1, 2014, and startup costs for 500 state-operated maximum security prison beds anticipated to open on December 1, 2014.

The \$9.04 billion spending level would support a Full-Time Equivalent (FTE) Position ceiling of 49,866 state employees.

There is a legislative proposal to offset the use of HURF for DPS operating expenses in FY 2015 and FY 2016. The 2-year cost of the proposal is \$238 million. This proposal could be implemented either by depositing General Fund monies directly into HURF or by eliminating the use of HURF in the DPS budget and backfilling with the General Fund. In either circumstance, net HURF distributions to the Department of Transportation and local governments would increase by \$119 million in both years.

JLBC Staff Suggested Process Improvements

Based on its review of agency requests in preparing this Baseline, the JLBC Staff has developed several suggestions to improve legislative oversight and transparency of government spending, including:

- **Information Technology (IT) Oversight:** Due to the complexity of IT projects, the Legislature has required several large-scale IT projects to procure an independent third-party vendor to provide relevant analysis and ensure adequate oversight before and during implementation. There is, however, no mandatory review requirement. The Baseline includes a statutory change that would require large-scale IT projects with a multi-year cost greater than \$5.0 million to obtain a third-party analysis from an independent contracted vendor.
- **Improved Tax Analysis:** The Baseline includes \$1.7 million appropriated to ADOA's Automation Projects Fund for staff and software that would allow the Department of Revenue (DOR) to improve their ability to analyze tax data. The funding would allow DOR to determine the impact of long-term capital gains tax reductions and increase the accuracy and timeliness of reporting income tax credits.
- **Increased Budget Transparency:** The Baseline would separately delineate the following 3 components of agency budgets to improve understanding of agency spending: 1) delineate Arizona State Hospital resources as part of the Department of Health Services (DHS) budget, 2) dedicate a new line item for DES resources allocated for Child Protective Services in-home preventive services, and 3) separate out components of DES' Long Term Care System Fund and DHS' Intergovernmental Agreements Fund to improve comprehension of budget shifts.
- **Arizona School District Charter Conversion Policy:** The JLBC Staff recommends the Legislature confirm the current policy for this program while it is in its early stages. By providing an additional \$1,000 per student, the program incentivizes districts to convert traditional schools to district-sponsored charters.

Further details on the issues raised here can be found in the relevant agency narrative.

Debt

In FY 2015, the state's projected level of lease-purchase and bonding obligations is \$7.7 billion. This amount includes:

- \$3.1 billion, state and university office buildings
- \$1.8 billion, state highway construction projects
- \$1.3 billion, school district projects
- \$1.3 billion, state operating debt from FY 2011
- \$260 million, Phoenix Convention Center

The associated annual debt service payment is \$879 million.

Of the \$7.7 billion in total obligations, the General Fund share is \$3.0 billion. The General Fund annual debt service is projected to be \$364 million in FY 2015.

These obligations exclude the \$1.2 billion in current year K-12, University and DES payments that are not paid until the following fiscal year, otherwise known as a "rollover." The \$7.7 billion estimate also does not include any unfunded retirement liability.

With both major credit rating agencies, Arizona has the 4th highest rating out of 10 possible levels (Standard & Poor's: AA- and Moody's: Aa3). In comparison to other states, only California and Illinois have a lower rating from both firms. Along

with an overall rating, credit agencies also provide an outlook in terms of the future direction of rating changes. Both major agencies have a positive outlook for Arizona, up from “stable” in 2012.

State Operating Debt

The state issued \$1.5 billion in tax-exempt debt to finance its FY 2010 operating expenses. This issuance included the sale and leaseback of state office buildings and \$450 million in Lottery bonds. *(See the Capital Debt and Lease-Purchase section for more information.)* By FY 2015, the outstanding principal is projected to be \$1.3 billion.

Due to federal rules, the terms of the 2010 tax-exempt debt financing require the state to begin a mandatory process of buying back that debt if its post-FY 2014 reserves reach a certain level. The requirements are based on the state’s total cash reserve, which is defined by the federal government to consist of: the General Fund balance, the Budget Stabilization Fund (BSF), and monies in certain other minor clearing accounts. In a given fiscal year, the limit on cash reserves is 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.

Under the FY 2015 Baseline, plus the Legislative HURF Proposal, the lesser of these amounts is projected to be 5% of General Fund spending, which would leave an estimated cash reserve limit of \$458 million. The current projected FY 2015 cash reserve (General Fund balance plus Budget Stabilization Fund balance) is \$668 million.

Given that the estimated FY 2015 cash reserve is projected to exceed the limitations under the financing agreements, the state would be required to commence the mandatory buyback process in FY 2017, under the timeline contained in the 2010 financing agreements. Unless the Executive revises these terms, the payment would be the amount that corresponds to the excess cash reserve (\$210 million). As a result, the Baseline includes a \$210 million one-time expenditure in FY 2017 to reflect the early repayment of the 2010 operating debt, based on the projected FY 2015 ending balance.

The Executive has recently identified an alternative means of complying with federal rules regarding tax exempt issuances. While not currently contained in the 2010 agreements, this alternative would relieve the state of its repayment requirements. The state would instead agree to limit the investment yield on a significant portion of its cash reserves to approximately 4%, which is the interest rate associated with the 2010 operating financing. Moving the state to the yield restriction mechanism would require the Executive to modify the existing financing agreement through a filing with the third party bond trustee. This modification would not require legislative approval.

Other Funds

Besides the General Fund, the state has dedicated special revenue funds. Only a portion of these monies is subject to legislative appropriation. The Baseline includes a FY 2015 Other Fund appropriated spending level of \$3.4 billion, or (3.6)% below FY 2014.

The level of FY 2015 non-appropriated state funds is expected to be \$7.6 billion, while non-appropriated Federal Funds are forecasted to be \$11.3 billion. When all appropriated and non-appropriated fund sources are combined, total FY 2015 state spending would be \$31.3 billion.

**JLBC BASELINE 1/
STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES 2/
WITH ONE-TIME FINANCING SOURCES**

	<u>FY 2014 Adjusted</u>	<u>FY 2015 Baseline</u>	<u>FY 2016 Baseline</u>	<u>FY 2017 Baseline</u>
REVENUES				
Ongoing Revenues	\$8,969,009,900	\$9,446,166,700	\$9,797,137,900	\$10,225,172,700
Previously Enacted Changes		(129,100,000)	(115,600,000)	(108,700,000)
Urban Revenue Sharing	(561,001,200)	(608,935,700)	(620,454,200)	(651,407,600)
Net On-going Revenues	<u>\$8,408,008,700</u>	<u>\$8,708,131,000</u>	<u>\$9,061,083,700</u>	<u>\$9,465,065,100</u>
One-time Financing Sources				
Balance Forward	\$895,475,000	\$655,224,900	\$327,428,100	
Fund Transfers	153,591,600			
Subtotal One-time Revenues	<u>\$1,049,066,600</u>	<u>\$655,224,900</u>	<u>\$327,428,100</u>	<u>\$0</u>
Total Revenues	<u>\$9,457,075,300</u>	<u>\$9,363,355,900</u>	<u>\$9,388,511,800</u>	<u>\$9,465,065,100</u>
EXPENDITURES				
Operating Budget Appropriations	\$8,816,495,400	\$9,084,447,100	\$9,445,812,100	\$9,887,998,000
FY 2014 Supplementals	(1,166,900)			
Administrative Adjustments	22,380,200	51,480,700	60,000,000	60,000,000
Revertments	(85,801,100)	(100,000,000)	(100,000,000)	(100,000,000)
Subtotal Ongoing Expenditures	<u>\$8,751,907,600</u>	<u>\$9,035,927,800</u>	<u>\$9,405,812,100</u>	<u>\$9,847,998,000</u>
One-time Expenditures				
Capital Outlay	\$49,942,800			
Operating Debt Buyback				210,000,000 ^{3/}
Subtotal One-time Expenditures	<u>\$49,942,800</u>	<u>\$0</u>	<u>\$0</u>	<u>\$210,000,000</u>
Total Expenditures	<u>\$8,801,850,400</u>	<u>\$9,035,927,800</u>	<u>\$9,405,812,100</u>	<u>\$10,057,998,000</u>
Baseline Ending Balance 4/	<u>\$655,224,900</u>	<u>\$327,428,100</u>	<u>(\$17,300,300)</u>	<u>(\$592,932,900) ^{3/5/}</u>
<i>Legislative HURF Proposal</i>		<i>\$119,247,100</i>	<i>\$119,247,100</i>	
<i>Ending Balance - w/ HURF Proposal 6/</i>	<i>\$655,224,900</i>	<i>\$208,181,000</i>	<i>(\$255,794,500)</i>	<i>(\$592,932,900) ^{3/7/}</i>
<i>Structural Balance 8/</i>	<i>(\$343,898,900)</i>	<i>(\$327,796,800)</i>	<i>(\$344,728,400)</i>	<i>(\$382,932,900)</i>

- ^{1/} Represents an estimate of available balances with a consensus revenue forecast and a statutory funding formula expenditure projection.
- ^{2/} Significant one-time revenues and expenditures are separately detailed so as to permit the calculation of ongoing revenue and expenditures.
- ^{3/} Under the current terms of the state's 2010 \$1.5 billion debt financing, the state must begin to buy back that debt if its reserves reach a certain level. Based on the FY 2015 ending balance, the required FY 2017 buyback is estimated to be approximately \$210 million. Unless the Executive revises the terms of the financing agreement, the FY 2017 projected shortfall would become \$(592,932,900).
- ^{4/} This calculation reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization Fund balance.
- ^{5/} The FY 2017 Baseline Ending Balance assumes the FY 2016 projected shortfall is solved prior to the beginning of FY 2017. If the shortfall were carried forward, the FY 2017 projected shortfall would become \$(610,233,200).
- ^{6/} This calculation reflects the difference between total revenues and total expenditures, including the Legislative HURF Proposal, which has an annual cost of \$119,247,100 in FY 2015 and FY 2016. Excludes any Budget Stabilization Fund balance.
- ^{7/} The FY 2017 "Ending Balance - w/ HURF Proposal" amount assumes the FY 2016 projected shortfall is solved prior to the beginning of FY 2017. If the shortfall were carried forward, the FY 2017 projected shortfall would become \$(848,727,400).
- ^{8/} This calculation reflects the difference between ongoing revenues and expenditures and excludes one-time adjustments. Excludes any Budget Stabilization Fund balance.

SUMMARY OF FY 2015 BASELINE REVENUE AND SPENDING ASSUMPTIONS

The JLBC Baseline revenue estimates include the 4-sector consensus forecast and previously enacted tax law and other revenue changes, while the expenditures represent a projection of active funding formula requirements and other obligations.

General Fund Balances

- Given forecasted FY 2015 General Fund revenues of \$9.36 billion and spending of \$9.04 billion, the budget has a projected FY 2015 balance of \$327 million.
- Under the 3-year budget projections, there would be an ending shortfall of \$(17) million in FY 2016 and \$(383) million in FY 2017, prior to the legislative Highway User Revenue Fund (HURF) shift proposal.
- There is a legislative proposal to eliminate the use of HURF for DPS Highway Patrol expenses in both FY 2015 and FY 2016. The annual General Fund cost of this proposal is \$119 million. After adjusting for the HURF proposal, the projected ending balance would be \$208 million and \$(256) million in FY 2015 and FY 2016, respectively.
- Under the current terms of the state's 2010 \$1.5 billion debt financing, the state must begin to buy back that debt if its reserves reach a certain level. Based on FY 2015 balances, the required FY 2017 buyback is estimated at \$210 million. Unless the Executive revises the buyback terms, the FY 2017 shortfall would become \$(593) million.
- The ending balance projections exclude the state's Budget Stabilization Fund reserve of \$460 million.

General Fund Revenues

- Projected FY 2015 revenues are \$9.36 billion. While base revenues are forecast to grow in FY 2015, overall net revenues would decline by \$(94) 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 \$(240) million decrease in the beginning balance, from \$895 million at the beginning of FY 2014 to \$655 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.
 - ⇒ Enacted tax and revenue legislative changes would reduce state revenue by \$(129) million, primarily from a reduction in capital gains taxes and increased usage of a \$3,000 new job tax credit.
 - ⇒ Elimination of all fund transfers would reduce revenue by \$(154) million.

General Fund Spending

- FY 2015 General Fund spending is projected to be \$9.04 billion, an increase of \$234 million, or 2.7% above FY 2014.
- The entire FY 2015 state budget, including both appropriated and non-appropriated funds, is projected to be approximately \$31.3 billion.

Education

Department of Education

- ADE General Fund spending would increase by \$166.7 million, or 4.6%, 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.
 - ⇒ \$33.3 million for charter school conversions.
 - ⇒ \$74.6 million for a 1.4% inflation adjustment of per pupil base level, transportation and charter additional assistance.
 - ⇒ \$(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.

School Facilities Board

- SFB spending would decrease by \$(3.8) million, or (2.0)%, including:
 - ⇒ \$(4.0) 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 would increase by \$15.3 million, or 2.1%, for parity funding as part of a multi-year plan to align Arizona State University's and Northern Arizona University's General Fund per student funding to that of the higher University of Arizona amount.
- Total university enrollment is expected to be 145,124 full-time equivalent students in FY 2015, or 3.6% above FY 2014.

Community Colleges

- Community College General Fund spending would decrease by \$(4.1) million, or (5.9)%, due to statutory operating aid and equalization aid formula decreases.
- Enrollment decreased by (7,557) full-time equivalent students, or (5.3)%, for a total enrollment of 133,917.

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 3% capitation rate increase.

AHCCCS

- AHCCCS' General Fund spending would decrease by \$(49.9) million, or (3.7)%, including:
 - ⇒ \$(23.1) million for formula adjustments.
 - ⇒ \$99.7 million to annualize the costs associated with mandating federal health care legislation.
 - ⇒ \$62.2 million to annualize the costs associated with Medicaid expansion and the Childless Adult restoration.
 - ⇒ \$(188.6) million for hospital assessment savings, which were not incorporated into the FY 2014 budget.
- AHCCCS enrollment is projected to grow to 1.62 million by June 2015. This level represents a caseload increase of 226,000, or 16.2%, above June 2014. The higher caseload includes the following 225,000 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 146,000 enrollees due to optional expansion of adult eligibility. Of this population, 111,000 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 would increase by \$64.9 million, or 11.8%, including:
 - ⇒ \$19.8 million for formula adjustments.
 - ⇒ \$36.9 million to annualize the costs associated with mandatory federal health care legislation.
 - ⇒ \$16.5 million to annualize the costs associated with Medicaid expansion and the Childless Adult restoration.
 - ⇒ \$(8.3) million for shifting services of most enrollees in the Children's Rehabilitative Services program to AHCCCS.

Department of Economic Security

- DES General Fund spending would increase by \$45.1 million, or 6.5%, including:
 - ⇒ \$(13.8) million for savings associated with a higher federal match rate.
 - ⇒ \$13.3 million for new FY 2015 Developmentally Disabled (DD) Medicaid caseload growth.
 - ⇒ \$10.1 million for a 3% capitation rate increase in FY 2015.
 - ⇒ \$35.5 million to backfill one-time Long Term Care System Fund monies in Child Protective Services.

Criminal Justice/Public Safety

Department of Corrections

- Arizona Department of Corrections (ADC) General Fund spending would increase by \$24.7 million, or 2.6%, including:
 - ⇒ \$12.0 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.
 - ⇒ \$9.8 million for staffing 500 maximum security prison beds set to open December 1, 2014.
 - ⇒ \$2.9 million for marginal health and other costs associated with an increase in the inmate population.
- 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 General Fund spending would increase by \$36,000, or 0.03%, including:
 - ⇒ \$126,000 to fund an operating shortfall for the Gila River Water Master.
 - ⇒ \$(90,000) to eliminate one-time funding.

Department of Public Safety

- DPS General Fund spending would decrease by \$(750,000), or (1.5)%, to remove one-time funding for the operating costs of the Arizona Counter Terrorism Information Center (ACTIC).
- A legislative proposal for a 2-year HURF shift could also increase DPS General Fund spending by \$119.2 million.

Local Issues

- The Baseline continues a \$7.2 million cash payment from the General Fund for county governments. Each county receives \$550,000 except Maricopa and Pima.
- The Baseline 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 Baseline includes \$54.3 million for large-scale automation projects. Of this amount, \$25.5 million is financed from the General Fund and \$28.8 million is financed from Other Funds. In comparison, the FY 2014 General Fund spending was also \$25.5 million. The \$54.3 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.
 - ⇒ \$6.1 million for technology projects at ADOA, including:
 - \$3.1 million for enhancing statewide data security.
 - \$2.2 million for project management.
 - \$500,000 for enhancing enterprise architecture.
 - \$325,000 for projects related to E-government.
 - ⇒ \$8.0 million for the second year of a 3-year project to replace ADC's Adult Inmate Management System (AIMS).
 - ⇒ \$7.0 million for ADE's IT project, the Education Learning and Accountability System (ELAS).
 - ⇒ \$5.0 million for the Department of Environmental Quality's E-Licensing Project.
 - ⇒ \$1.7 million for projects to enhance tax analysis at the Department of Revenue.

Payment Deferral

- The Baseline continues to defer \$1.2 billion in General Fund spending from FY 2015 to FY 2016, including:
 - ⇒ \$931 million of school district payments.
 - ⇒ \$200 million of payments to the University system.
 - ⇒ \$35 million of DES payments.

Revertments

- The Baseline continues projected Revertments at \$(100) million, the same level as the original FY 2014 budget. Revertments are unspent appropriations offset by any administrative adjustments.
- FY 2015 Administrative Adjustments are forecasted to be \$51.5 million, compared to \$60.0 million in the original FY 2014 budget.
- In FY 2014, AHCCCS is expected to revert funding due to lower than expected caseloads.

FY 2014 General Fund Supplementals

- The Baseline includes a net decline of \$(1.2) million for FY 2014 adjustments, including:
 - ⇒ \$(1,445,200) as a one-time ex-appropriation associated with a School Facilities Board refinancing agreement.
 - ⇒ \$150,000 for the Arizona Navigable Stream Adjudication Commission's litigation expenses.
 - ⇒ \$128,300 for the Land Department's Central Arizona Project payments.

State Employee Issues

FTE Positions

- The Baseline increases the Full-Time Equivalent (FTE) ceiling by 189 Positions in FY 2015, primarily due to the opening of a new ADC prison facility.
- These adjustments would bring the total appropriated FTE Position ceiling to 49,866.0.

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, both employer and employee rates will increase from 11.54% to 11.60%. In the Public Safety Personnel Retirement System, aggregate employer rates will increase by up to 2.1% and aggregate employee rates will increase by up to 0.7%. The Baseline does not include funding for the employer share of these rate increases in agency budgets.

Capital

- The Baseline 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 December 1, 2014.
- The Baseline includes no adjustment in state rental rates. The Baseline 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 Baseline includes a decrease of \$(4.0) 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 GENERAL FUND SUMMARY BY AGENCY

	FY 2014 Estimate	FY 2015 Baseline	FY 2015 Baseline - FY 2014
<u>BUDGET UNITS</u>			
Administration, AZ Department of	\$11,694,300	\$11,694,300	\$0
Administration, AZ Department of - Automation Projects Fund	18,400,000	25,500,000	7,100,000
Administrative Hearings, Office of	862,200	862,200	0
Agriculture, AZ Department of	8,320,200	8,320,200	0
AHCCCS	1,334,933,400	1,285,049,500	(49,883,900)
Attorney General - Department of Law	22,464,600	22,464,600	0
Charter Schools, State Board for	822,400	822,400	0
Commerce Authority, Arizona	31,500,000	31,500,000	0
Community Colleges, Arizona	69,508,700 ^{1/}	65,398,200	(4,110,500)
Corporation Commission	609,700	609,700	0
Corrections, State Department of	971,743,900	996,477,100	24,733,200
County Funding	7,150,500	7,150,500	0
Deaf and the Blind, Schools for the	21,795,300	21,795,300	0
Economic Security, Department of	690,112,900	735,249,200	45,136,300
Education, Department of	3,620,831,200	3,787,519,100	166,687,900
Emergency & Military Affairs, Dept of	10,312,400	10,428,000	115,600
Environmental Quality, Department of	7,000,000	7,000,000	0
Equal Opportunity, Governor's Office of	188,500	188,500	0
Equalization, State Board of	639,500	639,500	0
Executive Clemency, Board of	838,400	838,400	0
Financial Institutions, State Department of	3,019,100	3,019,100	0
Fire, Building and Life Safety, Department of	2,026,000	2,026,000	0
Forester, State	7,336,400	7,236,400	(100,000)
Geological Survey, Arizona	941,400	941,400	0
Governor, Office of the	6,926,000	6,926,000	0
Gov's Ofc of Strategic Planning & Budgeting	1,993,200	1,993,200	0
Health Services, Department of	550,646,400	615,551,600	64,905,200
Historical Society, Arizona	3,155,000	3,155,000	0
Historical Society, Prescott	826,000	826,000	0
Independent Redistricting Commission	1,115,100	-- ^{2/}	(1,115,100)
Indian Affairs, AZ Commission of	56,900	56,900	0
Insurance, Department of	5,364,900	5,364,900	0
Judiciary			
Supreme Court	16,020,000	16,020,000	0
Court of Appeals	14,186,700	14,186,700	0
Superior Court	79,634,300	79,670,300	36,000
SUBTOTAL - Judiciary	109,841,000	109,877,000	36,000
Juvenile Corrections, Department of	43,822,700	43,822,700	0
Land Department, State	12,345,400	12,505,700	160,300
Legislature			
Auditor General	17,989,700	17,989,700	0
House of Representatives	13,372,200	13,372,200	0
Joint Legislative Budget Committee	2,492,000	2,492,000	0
Legislative Council	8,046,500	8,046,500	0
Senate	8,283,800	8,283,800	0
SUBTOTAL - Legislature	50,184,200	50,184,200	0
Mine Inspector, State	1,223,300	1,223,300	0
Navigable Stream Adjudication Commission	129,200	129,200	0
Occupational Safety & Health Review Board	0	15,000	15,000
Pioneers' Home, AZ	1,602,800	1,602,800	0
Postsecondary Education, Commission for	1,396,800	1,396,800	0
Public Safety, Department of	51,560,800	50,810,800 ^{3/}	(750,000)
Public Safety Personnel Retirement System	5,000,000	5,000,000	0
Racing, Arizona Department of	2,029,500	2,029,500	0
Radiation Regulatory Agency	1,468,600	1,468,600	0
Real Estate Department, State	2,988,700	2,988,700	0
Revenue, Department of	47,025,300	47,025,300	0
School Facilities Board	193,181,400	189,357,800	(3,823,600)

	FY 2014 Estimate	FY 2015 Baseline	FY 2015 Baseline - FY 2014
Secretary of State	11,635,500	15,535,500	3,900,000
Tax Appeals, State Board of	264,700	264,700	0
Tourism, Office of	7,102,600	7,102,600	0
Transportation, Department of	50,400	50,400	0
Treasurer, State	1,205,100	1,205,100	0
Uniform State Laws, Commission on	75,000	75,000	0
Universities			
Arizona State University - Tempe/DPC	270,228,200 ^{4/}	280,450,400	10,222,200
Arizona State University - East Campus	22,704,200 ^{4/}	24,453,100	1,748,900
Arizona State University - West Campus	33,328,100 ^{4/}	33,328,100	0
Northern Arizona University	109,245,000 ^{4/}	112,547,600	3,302,600
Board of Regents	21,925,500 ^{4/}	21,925,500	0
University of Arizona - Main Campus	208,501,000 ^{4/}	208,501,000	0
University of Arizona - Health Sciences Center	69,585,300	69,585,300	0
SUBTOTAL - Universities	735,517,300	750,791,000	15,273,700
Veterans' Services, Department of	5,436,300	5,436,300	0
Water Resources, Department of	12,326,400	12,326,400	0
Weights and Measures, Department of	1,325,800	1,239,300	(86,500)
OPERATING BUDGET TOTAL	\$8,711,873,300	8,980,066,900	268,193,600
FY 2014 Supplemental/Ex-Appropriation ^{5/}	(1,166,900)	0	1,166,900
Unallocated Employee Retention Payments	119,200	0	(119,200)
Unallocated Risk Management Adjustments	5,400	0	(5,400)
Unallocated HR Pro Rata Adjustment	(71,300)	0	71,300
Lease-Purchase/Rent Adjustments ^{6/}	0	(192,500)	(192,500)
Capital Outlay Projects	49,942,800 ^{7/}	0	(49,942,800)
Debt Service Payments	84,119,800	84,123,700	3,900
Civic Center Debt Service	20,449,000	20,449,000	0
Administrative Adjustments	22,380,200	51,480,700	29,100,500
Revertments	(85,801,100)	(100,000,000)	(14,198,900)
GRAND TOTAL	\$8,801,850,400	\$9,035,927,800	\$234,077,400

^{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.

^{2/} Funding to be determined. See Independent Redistricting Commission narrative.

^{3/} Does not include impact of 2-year Highway User Revenue Fund shift proposal. If enacted, the Department of Public Safety General Fund amount could increase by \$119,247,100.

^{4/} 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 Baseline and are not allocated to the individual universities.

^{5/} Please see page S-27 for individual agency detail.

^{6/} These adjustments would be allocated to individual agencies as part of the *FY 2015 Appropriations Report*.

^{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 2015 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	FY 2014 Estimate	FY 2015 Baseline	FY 2015 Baseline - FY 2014
<u>BUDGET UNITS</u>			
Accountancy, State Board of			
Board of Accountancy Fund	\$1,933,700	\$1,933,700	\$0
Acupuncture Board of Examiners			
Acupuncture Board of Examiners Fund	150,200	145,200	(5,000)
Administration, AZ Department of			
Air Quality Fund	927,100	927,100	0
Automation Operations Fund	19,108,000	19,108,000	0
Capital Outlay Stabilization Fund	18,070,700	18,070,700	0
Corrections Fund	572,900	572,900	0
Federal Surplus Materials Revolving Fund	464,100	464,100	0
Information Technology Fund	3,232,300	3,232,300	0
Motor Vehicle Pool Revolving Fund	10,155,800	10,155,800	0
Personnel Division Fund	12,898,700	12,898,700	0
Risk Management Revolving Fund	93,072,200	93,072,200	0
Special Employee Health Insurance Trust Fund	5,259,200	5,259,200	0
State Surplus Materials Revolving Fund	2,399,600	2,399,600	0
State Web Portal Fund	4,250,000	4,250,000	0
Telecommunications Fund	1,853,600	1,853,600	0
Total - AZ Department of Administration	172,264,200	172,264,200	0
Administration, AZ Department of -			
Automation Projects Fund	66,738,000	54,333,000	(12,405,000)
Administrative Hearings, Office of			
Healthcare Group Fund	12,300	12,300	0
AHCCCS			
Budget Neutrality Compliance Fund	3,303,900	3,384,400	80,500
Children's Health Insurance Program Fund	32,139,100	6,649,300	(25,489,800)
Healthcare Group Fund	1,097,200	0	(1,097,200)
Prescription Drug Rebate Fund - State	95,010,900	79,035,000	(15,975,900)
Tobacco Products Tax Fund			
Emergency Health Services Account	18,320,100	18,202,400	(117,700)
Tobacco Tax and Health Care Fund			
Medically Needy Account	37,389,300	34,178,800	(3,210,500)
Total - AHCCCS	187,260,500	141,449,900	(45,810,600)
Appraisal, State Board of			
Board of Appraisal Fund	851,600 1/	821,600	(30,000)
Arts, Arizona Commission on the			
Budget Stabilization Fund	1,000,000	0	(1,000,000)
Athletic Training, Board of			
Athletic Training Fund	105,200	118,200	13,000
Attorney General - Department of Law			
Antitrust Enforcement Revolving Fund	244,200	244,200	0
Attorney Gen'l Legal Svcs Cost Allocation Fund	2,087,500	2,087,500	0
Collection Enforcement Revolving Fund	5,387,800	5,387,800	0
Consumer Protection-Consumer Fraud Rev. Fund	3,506,200	3,506,200	0
Interagency Service Agreements Fund	13,525,400	13,525,400	0
Risk Management Revolving Fund	9,439,500	9,439,500	0
State Aid to Indigent Defense Fund	500,000	500,000	0
Victims' Rights Fund	3,997,800	3,758,400	(239,400)
Total - Attorney General - Department of Law	38,688,400	38,449,000	(239,400)
Automobile Theft Authority			
Automobile Theft Authority Fund	5,297,600	5,297,600	0
Barbers, Board of			
Board of Barbers Fund	333,800	333,800	0
Behavioral Health Examiners, Board of			
Board of Behavioral Health Examiners Fund	1,758,100	1,758,100	0
Chiropractic Examiners, State Board of			
Board of Chiropractic Examiners Fund	469,400	450,400	(19,000)
Contractors, Registrar of			
Registrar of Contractors Fund	14,893,300	12,193,300	(2,700,000)

	FY 2014 Estimate	FY 2015 Baseline	FY 2015 Baseline - FY 2014
Corporation Commission			
Arizona Arts Trust Fund	50,100	50,100	0
Investment Management Regulatory and Enforcement Fund	715,400	715,400	0
Public Access Fund	6,535,500	6,535,500	0
Securities Regulatory and Enforcement Fund	4,787,500	4,787,500	0
Utility Regulation Revolving Fund	14,194,000	14,194,000	0
Total - Corporation Commission	26,282,500	26,282,500	0
Corrections, State Department of			
Alcohol Abuse Treatment Fund	554,400	554,400	0
Corrections Fund	27,517,600	27,517,600	0
Penitentiary Land Fund	979,200	979,200	0
Prison Construction and Operations Fund	12,499,400	12,499,400	0
State Charitable, Penal and Reformatory Institutions Land Fund	360,000	360,000	0
State Education Fund for Correctional Education	516,200	516,200	0
Transition Program Fund	2,485,000	2,485,000	0
Total - State Department of Corrections	44,911,800	44,911,800	0
Cosmetology, Board of			
Board of Cosmetology Fund	1,784,500	1,784,500	0
Criminal Justice Commission, Arizona			
Criminal Justice Enhancement Fund	649,200	649,200	0
Drug and Gang Prevention Resource Center Fund	238,900	238,900	0
State Aid to County Attorneys Fund	973,600	973,600	0
Victim Compensation and Assistance Fund	4,092,500	4,092,500	0
Total - Arizona Criminal Justice Commission	5,954,200	5,954,200	0
Deaf and the Blind, AZ Schools for the Schools for the Deaf and the Blind Fund	13,585,500	12,585,500	(1,000,000)
Deaf and the Hard of Hearing, Comm. for the Telecommunication Fund for the Deaf	3,776,400	3,776,400	0
Dental Examiners, State Board of Dental Board Fund	1,214,800	1,214,800	0
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	0
Children and Family Services Training Program Fund	207,700	207,700	0
Domestic Violence Shelter Fund	2,220,000	2,220,000	0
Federal Child Care and Development Fund Block Grant	130,769,700	130,769,700	0
Federal Temporary Assistance for Needy Families Block Grant	221,007,100	221,007,100	0
Long Term Care System Fund	86,912,600	52,092,700	(34,819,900)
Public Assistance Collections Fund	427,000	427,000	0
Special Administration Fund	2,829,900	2,829,900	0
Spinal and Head Injuries Trust Fund	1,874,700	1,874,700	0
Statewide Cost Allocation Plan Fund	1,000,000	1,000,000	0
Workforce Investment Act Grant	56,060,000	56,060,000	0
Total - Department of Economic Security	521,555,200	486,735,300	(34,819,900)
Education, Department of			
Department of Education Empowerment Scholarship Account Fund	200,000	200,000	0
Education Learning and Accountability Fund	0	0	0
Permanent State School Fund	46,475,500	46,475,500	0
Proposition 301 Fund	7,000,000	7,000,000	0
Teacher Certification Fund	2,359,700	2,359,700	0
Total - Department of Education	56,035,200	56,035,200	0
Emergency & Military Affairs, Dept of Emergency Response Fund	132,700	132,700	0
Environmental Quality, Department of			
Air Permits Administration Fund	7,143,900	7,143,900	0
Air Quality Fund	5,376,400	5,376,400	0
Emissions Inspection Fund	26,592,300	26,592,300	0
Hazardous Waste Management Fund	1,742,700	1,742,700	0

	FY 2014 Estimate	FY 2015 Baseline	FY 2015 Baseline - FY 2014
Indirect Cost Recovery Fund	13,308,500	13,308,500	0
Recycling Fund	1,359,400	1,359,400	0
Solid Waste Fee Fund	1,242,700	1,242,700	0
Underground Storage Tank Fund Revolving Fund	22,000	22,000	0
Used Oil Fund	0	0	0
Water Quality Fee Fund	10,546,100	10,546,100	0
Total - Department of Environmental Quality	67,334,000	67,334,000	0
Exposition and State Fair Board, AZ			
Arizona Exposition and State Fair Fund	11,423,500	11,423,500	0
Financial Institutions, Department of			
Financial Services Fund	936,700	936,700	0
Funeral Directors and Embalmers, Board of			
Board of Funeral Directors & Embalmers Fund	353,600	353,600	0
Game and Fish Department, AZ			
Capital Improvement Plan	999,700	999,700	0
Game and Fish Fund	33,684,100	33,684,100	0
Game, Nongame, Fish and Endangered Species Fund	346,300	346,300	0
Watercraft Licensing Fund	4,555,800	4,555,800	0
Waterfowl Conservation Fund	80,000	0	(80,000)
Wildlife Endowment Fund	16,000	16,000	0
Total - AZ Game and Fish Department	39,681,900	39,601,900	(80,000)
Gaming, Department of			
Tribal-State Compact Fund	2,104,000	2,104,000	0
State Lottery Fund	300,000	300,000	0
Arizona Benefits Fund	11,093,000	11,093,000	0
Total - Department of Gaming	13,497,000	13,497,000	0
Health Services, Department of			
Arizona State Hospital Fund	14,918,500	9,587,800	(5,330,700)
ASH Land Earnings Fund	650,000	650,000	0
Capital Outlay Stabilization Fund	1,559,800	1,559,800	0
Child Fatality Review Fund	94,800	94,800	0
Emergency Medical Services Operating Fund	5,121,400	5,121,400	0
Environmental Laboratory Licensure Revolving Fund	926,900	926,900	0
Federal Child Care and Development Fund Block Grant	830,400	830,400	0
Health Services Licensing Fund	8,842,400	8,842,400	0
Hearing and Speech Professionals Fund	0	0	0
Indirect Cost Fund	10,390,400	8,940,400	(1,450,000)
Long-Term Care System Fund	0	0	0
Newborn Screening Program Fund	6,738,900	6,738,900	0
Nursing Care Institution Resident Protection Revolving Fund	128,200	88,200	(40,000)
Substance Abuse Services Fund	2,250,000	2,250,000	0
Tobacco Tax and Health Care Fund Health Research Account	1,000,000	1,000,000	0
Tobacco Tax and Health Care Fund Medically Needy Account	35,467,000	35,467,000	0
Vital Records Electronic System Fund	3,634,700	3,634,700	0
Total - Department of Health Services	92,553,400	85,732,700	(6,820,700)
Homeopathic & Integrated Medicine Examiners, Bd of			
Bd of Homeopathic & Integrated Medicine Exmnr's Fund	102,100	102,100	0
Housing, Department of			
Housing Trust Fund	313,800	313,800	0
Industrial Commission of AZ			
Administrative Fund	19,989,500	19,989,500	0
Judiciary - Supreme Court			
Confidential Intermediary and Fiduciary Fund	488,000	488,000	0
Court Appointed Special Advocate Fund	2,940,900	2,940,900	0
Criminal Justice Enhancement Fund	3,004,500	3,004,500	0
Defensive Driving School Fund	4,194,400	4,194,400	0
Judicial Collection Enhancement Fund	14,002,000	14,002,000	0
State Aid to the Courts Fund	2,944,600	2,944,600	0
Total - Judiciary - Supreme Court	27,574,400	27,574,400	0

	FY 2014 Estimate	FY 2015 Baseline	FY 2015 Baseline - FY 2014
Judiciary - Superior Court			
Criminal Justice Enhancement Fund	7,002,200	7,002,200	0
Judicial Collection Enhancement Fund	6,029,200	6,029,200	0
Drug Treatment and Education Fund	500,000	500,000	0
Total - Judiciary - Superior Court	13,531,400	13,531,400	0
SUBTOTAL - Judiciary	41,105,800	41,105,800	0
Juvenile Corrections, Department of			
Criminal Justice Enhancement Fund	530,600	530,600	0
State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600	1,098,600	0
State Education Fund for Committed Youth	2,296,200	2,296,200	0
Total - Department of Juvenile Corrections	3,925,400	3,925,400	0
Land Department, State			
Due Diligence Fund	500,000	500,000	0
Environmental Special Plate Fund	260,000	260,000	0
Risk Management Revolving Fund	0	0	0
Trust Land Management Fund	3,174,500	3,174,500	0
Total - State Land Department	3,934,500	3,934,500	0
Liquor Licenses & Control, Department of			
Liquor Licenses Fund	2,932,300	2,932,300	0
Lottery Commission, AZ State			
State Lottery Fund	99,427,100	104,039,900	4,612,800
Massage Therapy, Board of			
Board of Massage Therapy Fund	457,200	457,200	0
Medical Board, Arizona			
Arizona Medical Board Fund	5,738,700	5,738,700	0
Mine Inspector, State			
Aggregate Mining Reclamation Fund	112,500	112,500	0
Naturopathic Physicians Medical Board			
Naturopathic Physicians Medical Board Fund	158,900	158,900	0
Nursing, State Board of			
Board of Nursing Fund	4,275,600	4,270,800	(4,800)
Nursing Care Institution Administrators Board			
Nursing Care Institution Administrators' Licensing & Assisted Living Facility Managers' Certification Fund	420,200	420,200	0
Occupational Therapy Examiners, Board of			
Occupational Therapy Fund	172,500	172,500	0
Opticians, State Board of Dispensing			
Board of Dispensing Opticians Fund	135,800	135,800	0
Optometry, State Board of			
Board of Optometry Fund	206,000	206,000	0
Osteopathic Examiners, AZ Board of			
Board of Osteopathic Examiners Fund	775,500	750,600	(24,900)
Parks Board, Arizona State			
State Parks Revenue Fund	12,821,100	12,821,100	0
Total - Arizona State Parks Board	12,821,100	12,821,100	0
Personnel Board, State			
Personnel Board Subaccount of the Personnel Division Fund	374,900	374,900	0
Pest Management, Office of			
Pest Management Fund	2,039,000	1,700,000	(339,000)
Pharmacy, AZ State Board of			
Arizona State Board of Pharmacy Fund	2,103,700	2,017,000	(86,700)
Physical Therapy, Board of			
Board of Physical Therapy Fund	432,600	407,900	(24,700)
Pioneers' Home, AZ			
Miners' Hospital Fund	2,079,400	2,079,400	0
State Charitable Fund	2,577,200	2,577,200	0
Total - AZ Pioneers' Home	4,656,600	4,656,600	0
Podiatry Examiners, State Board of			
Podiatry Fund	147,300	147,300	0
Postsecondary Education, Commission for			
Postsecondary Education Fund	1,535,300	1,535,300	0

	FY 2014 Estimate	FY 2015 Baseline	FY 2015 Baseline - FY 2014
Private Postsecondary Education, Board for Board for Private Postsecondary Education Fund	641,200	395,600	(245,600)
Psychologist Examiners, State Board of Board of Psychologist Examiners Fund	375,500	363,500	(12,000)
Public Safety, Department of Arizona Deoxyribonucleic Acid Identification System Fund	6,321,200	6,321,200	0
Arizona Highway Patrol Fund	19,658,900	19,658,900	0
Automated Fingerprint Identification System Fund	3,009,700	3,009,700	0
Automation Operations Fund	296,200	296,200	0
Crime Laboratory Assessment Fund	870,600	870,600	0
Crime Laboratory Operations Fund	14,719,800	14,719,800	0
Criminal Justice Enhancement Fund	2,871,200	2,871,200	0
GIITEM Border Security and Law Enforcement Subaccount	2,390,000	2,390,000	0
Highway User Revenue Fund	119,247,100	119,247,100	0
Motorcycle Safety Fund	205,000	205,000	0
Parity Compensation Fund	1,885,300	1,885,300	0
Public Safety Equipment Fund	2,390,000	2,390,000	0
Risk Management Revolving Fund	1,199,900	1,199,900	0
Safety Enforcement and Transportation Infrastructure Fund	1,566,300	1,566,300	0
State Highway Fund	6,743,800	6,743,800	0
Total - Department of Public Safety	183,375,000	183,375,000	0
Racing, Arizona Department of Racing Regulation Fund	2,895,900	2,895,900	0
Radiation Regulatory Agency State Radiologic Technologist Certification Fund	273,300	273,300	0
Radiation Regulatory Fee Fund	579,600	579,600	0
Total - Radiation Regulatory Agency	852,900	852,900	0
Residential Utility Consumer Office Residential Utility Consumer Office Revolving Fund	1,334,400	1,334,400	0
Respiratory Care Examiners, Board of Board of Respiratory Care Examiners' Fund	297,100	297,100	0
Retirement System, Arizona State Long-Term Disability Trust Fund Administration Account	2,800,000	2,800,000	0
State Retirement System Administration Account	24,173,500	24,068,500	(105,000)
Total - Arizona State Retirement System	26,973,500	26,868,500	(105,000)
Revenue, Department of Department of Revenue Administrative Fund	24,980,200	24,428,700	(551,500)
Liability Setoff Revolving Fund	1,087,200	1,087,200	0
Tobacco Tax and Health Care Fund	679,300	679,300	0
Total - Department of Revenue	26,746,700	26,195,200	(551,500)
Secretary of State Election Systems Improvement Fund	2,941,000	2,941,000	0
Records Services Fund	741,000	741,000	0
Total - Secretary of State	3,682,000	3,682,000	0
State Boards' Office Special Services Revolving Fund	231,000	231,000	0
Technical Registration, State Board of Technical Registration Fund	2,119,500	2,119,500	0
Transportation, Department of Air Quality Fund	74,500	74,500	0
Driving Under the Influence Abatement Fund	153,800	153,800	0
Highway User Revenue Fund	651,500	651,500	0
Motor Vehicle Liability Insurance Enforcement Fund	1,086,700	1,086,700	0
Safety Enforcement and Transportation Infrastructure Fund	1,880,500	1,880,500	0
State Aviation Fund	1,624,400	1,624,400	0
State Highway Fund	337,323,200	340,785,100	3,461,900

	FY 2014 Estimate	FY 2015 Baseline	FY 2015 Baseline - FY 2014
Transportation Department Equipment Fund	27,001,500	18,501,500	(8,500,000)
Vehicle Inspection & Title Enforcement Fund	1,464,100	1,464,100	0
Total - Department of Transportation	371,260,200	366,222,100	(5,038,100)
Treasurer, State			
Law Enforcement and Boating Safety Fund	2,183,800	2,183,800	0
State Treasurer Empowerment Scholarship Account Fund	40,000	40,000	0
State Treasurer's Operating Fund	2,583,400	2,583,400	0
State Treasurer's Management Fund	197,500	197,500	0
Total - State Treasurer	5,004,700	5,004,700	0
Universities			
Arizona State University - Tempe/DPC			
University Collections Fund	453,068,700 ^{3/}	453,068,700	0
Arizona State University - East Campus			
University Collections Fund	33,691,700 ^{3/}	33,691,700	0
Technology and Research Initiative Fund	2,000,000	2,000,000	0
Total - Arizona State University - East Campus	35,691,700	35,691,700	0
Arizona State University - West Campus			
University Collections Fund	39,380,300 ^{3/}	39,380,300	0
Technology and Research Initiative Fund	1,600,000	1,600,000	0
Total - Arizona State University - West Campus	40,980,300	40,980,300	0
Northern Arizona University			
University Collections Fund	120,281,100 ^{3/}	120,281,100	0
University of Arizona - Main Campus			
University Collections Fund	271,507,700 ^{3/}	271,507,700	0
University of Arizona - Health Sciences Center			
University Collections Fund	41,117,000 ^{3/}	41,117,000	0
SUBTOTAL - Universities	962,646,500	962,646,500	0
Veterans' Services, Department of			
State Veterans' Conservatorship Fund	906,300	906,300	0
State Home for Veterans' Trust Fund	27,868,200	31,086,600	3,218,400
Total - Department of Veterans' Services	28,774,500	31,992,900	3,218,400
Veterinary Medical Examining Board			
Veterinary Medical Examining Board Fund	483,400	469,400	(14,000)
Water Resources, Department of			
Assured and Adequate Water Supply Admin Fund	266,400	266,400	0
Water Resources Fund	640,400	640,400	0
Total - Department of Water Resources	906,800	906,800	0
Weights and Measures, Department of			
Air Quality Fund	1,463,800	1,442,900	(20,900)
Motor Vehicle Liability Insurance Enf. Fund	330,000	330,000	0
Total - Department of Weights and Measures	1,793,800	1,772,900	(20,900)
OPERATING BUDGET TOTAL	\$3,221,457,700	\$3,117,905,100	(\$103,552,600)
FY 2014 Bd of Athletic Training Supplemental	13,000	0	(13,000)
Unallocated Employee Retention Payments	900,700	0	(900,700)
Unallocated Risk Management Adjustments	(720,100)	0	720,100
Unallocated HR Pro Rata Adjustment	(445,200)	0	445,200
Lease-Purchase/Rent Adjustments ^{4/}	0	(177,800)	(177,800)
Capital	275,850,000	252,594,100	(23,255,900)
GRAND TOTAL	\$3,497,056,100	\$3,370,321,400	(\$126,734,700)

^{1/} 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 *FY 2014 Appropriations Report*.

^{2/} Revised Lottery forecast.

^{3/} Reflects tuition collections receipts above the amount appropriated by the Legislature in FY 2014. A footnote in the FY 2014 General Appropriation Act appropriated any tuition collections receipts above the appropriated amount to the university.

^{4/} These adjustments would be allocated to individual agencies as part of the *FY 2015 Appropriations Report*.

DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

	FY 2014 GF Current	FY 15 Baseline 1/ Above FY 14	FY 2015 GF JLBC Baseline
OPERATING SPENDING CHANGES			
DOA - Arizona Department of Administration	11,694,300		11,694,300
APF - Automation Projects Fund/ADOA	18,400,000		25,500,000
APF - ADE and DOR Automation (Technical Revision)		7,100,000	
OAH - Office of Administrative Hearings	862,200		862,200
AGR - Department of Agriculture	8,320,200		8,320,200
AXS - AHCCCS	1,334,933,400		1,285,049,500
AXS - Formula Adjustments		(76,912,000)	
AXS - Statutory Adjustment		(80,500)	
AXS - CRS Integration		27,108,600	
ATT - Attorney General	22,464,600		22,464,600
CHA - State Board for Charter Schools	822,400		822,400
COM - Arizona Commerce Authority	31,500,000		31,500,000
CCO - Arizona Community Colleges	69,508,700		65,398,200
CCO - Operating Aid		(1,988,100)	
CCO - Equalization Aid		(2,122,400)	
COR - Corporation Commission	609,700		609,700
DOC - Department of Corrections	971,743,900		996,477,100
DOC - 500 Maximum Security Beds		9,830,800	
DOC - Population Growth/Other		2,961,400	
DOC - 500 Medium Security Beds		11,941,000	
COU - County Funding	7,150,500		7,150,500
SDB - AZ State Schools for the Deaf and the Blind	21,795,300		21,795,300
DES - Department of Economic Security	690,112,900		735,249,200
DES - DD Formula Changes		9,636,300	
DES - Long Term Care System Fund Backfill		35,500,000	
ADE - Arizona Department of Education	3,620,831,200		3,787,519,100
ADE - Formula Changes		62,257,900	
ADE - Higher Average Cost Per Pupil		21,817,400	
ADE - Charter Conversions		33,300,000	
ADE - 1.4% Inflation Adjustment		74,609,600	
ADE - Property Taxes from New Construction		(42,349,400)	
ADE - Lower Assessment Ratio		22,300,000	
ADE - Career Ladder Phase Out		(5,247,600)	
EMA - Department of Emergency & Military Affairs	10,312,400		10,428,000
EMA - Nuclear Emergency Mgmt Fund Increase (enacted)		115,600	
DEQ - Department of Environmental Quality	7,000,000		7,000,000

	FY 2014 GF Current	FY 15 Baseline 1/ Above FY 14	FY 2015 GF JLBC Baseline
OEO - Governor's Office of Equal Opportunity	188,500		188,500
EQU - State Board of Equalization	639,500		639,500
EXE - Board of Executive Clemency	838,400		838,400
DFI - Dept of Financial Institutions	3,019,100		3,019,100
BFS - Department of Fire, Building & Life Safety	2,026,000		2,026,000
FOR - State Forester	7,336,400		7,236,400
FOR - Remove One-time Funding		(100,000)	
GEO - Arizona Geological Survey	941,400		941,400
GOV - Office of the Governor	6,926,000		6,926,000
OSP - Gov's Ofc of Strategic Planning & Budgeting	1,993,200		1,993,200
DHS - Department of Health Services	550,646,400		615,551,600
DHS - Formula Changes		73,155,200	
DHS - CRS Shift to AHCCCS		(8,250,000)	
AZH - Arizona Historical Society	3,155,000		3,155,000
PAZ - Prescott Historical Society	826,000		826,000
IND - Independent Redistricting Commission	1,115,100		0
IND - Funding to be Determined		(1,115,100)	
CIA - Arizona Commission of Indian Affairs	56,900		56,900
INS - Department of Insurance	5,364,900		5,364,900
SPA - Judiciary - Supreme Court	16,020,000		16,020,000
COA - Judiciary - Court of Appeals	14,186,700		14,186,700
SUP - Judiciary - Superior Court	79,634,300		79,670,300
SUP - Elimination of One-time Report		(90,000)	
SUP - Gila River Water Master		126,000	
DJC - Department of Juvenile Corrections	43,822,700		43,822,700
LAN - State Land Department	12,345,400		12,505,700
LAN - CAP Rate Increase		160,300	
Legislature			
AUD - Auditor General	17,989,700		17,989,700
HOU - House of Representatives	13,372,200		13,372,200
JLBC - Joint Legislative Budget Committee	2,492,000		2,492,000
LEG - Legislative Council	8,046,500		8,046,500
SEN - Senate	8,283,800		8,283,800

	FY 2014 GF Current	FY 15 Baseline 1/ Above FY 14	FY 2015 GF JLBC Baseline
MIN - State Mine Inspector	1,223,300		1,223,300
NAV - AZ Navigable Steam Adjudication Comm.	129,200		129,200
OSH - Occupational Safety and Health Review Board	0		15,000
OSH - One-time Funding		15,000	
PIO - Arizona Pioneers' Home	1,602,800		1,602,800
POS - Commission for Postsecondary Education	1,396,800		1,396,800
DPS - Department of Public Safety	51,560,800		50,810,800
DPS - Remove One-time Funding		(750,000)	
PSP - Public Safety Personnel Retirement System	5,000,000		5,000,000
RAC - Arizona Department of Racing	2,029,500		2,029,500
RAD - Radiation Regulatory Agency	1,468,600		1,468,600
REA - State Real Estate Department	2,988,700		2,988,700
REV - Department of Revenue	47,025,300		47,025,300
SFB - School Facilities Board	193,181,400		189,357,800
SFB - New School Construction		186,200	
SFB - Prior Lease-Purchase Payment		(209,000)	
SFB - Refinancing Agreement		(3,800,800)	
SOS - Secretary of State	11,635,500		15,535,500
SOS - Election Year Funding		3,900,000	
TAX - State Board of Tax Appeals	264,700		264,700
TOU - Office of Tourism	7,102,600		7,102,600
DOT - Department of Transportation	50,400		50,400
TRE - State Treasurer	1,205,100		1,205,100
USL - Uniform State Laws Commission	75,000		75,000
UNI - Universities			
UNI - Arizona Board of Regents	21,925,500		21,925,500
UNI - ASU - Tempe/DPC	270,228,200		280,450,400
UNI - Parity Funding Increase		10,222,200	
UNI - ASU - East Campus	22,704,200		24,453,100
UNI - Parity Funding Increase		1,748,900	
UNI - ASU - West Campus	33,328,100		33,328,100
UNI - Northern Arizona University	109,245,000		112,547,600
UNI - Parity Funding Increase		3,302,600	

	FY 2014 GF Current	FY 15 Baseline 1/ Above FY 14	FY 2015 GF JLBC Baseline
UNI - UA - Main Campus	208,501,000		208,501,000
UNI - UA - Health Sciences Center	69,585,300		69,585,300
VSC - Department of Veterans' Services	5,436,300		5,436,300
WAT - Department of Water Resources	12,326,400		12,326,400
WEI - Department of Weights & Measures	1,325,800		1,239,300
WEI - Remove One-time Lab Equipment Funding		(86,500)	
OTH - Other			
OTH - FY 14 Supplemental/Ex-Appropriation	(1,166,900)	1,166,900	0
OTH - Debt Service Payments	84,119,800	3,900	84,123,700
OTH - Civic Center Debt Service	20,449,000		20,449,000
OTH - SFB Refinance Reversion	0		0
OTH - Lease-Purchase/Rent Adjustments	0	(192,500)	(192,500)
OTH - Unallocated Risk Management Adjustments	5,400	(5,400)	0
OTH - Unallocated Employee Retention Payments	119,200	(119,200)	0
OTH - Unallocated HR Prorata Adjustment	(71,300)	71,300	0
OTH - Administrative Adjustments	22,380,200	29,100,500	51,480,700
OTH - Reversions	(85,801,100)	(14,198,900)	(100,000,000)
TOTAL - OPERATING SPENDING CHANGES	8,751,907,600	284,020,200	9,035,927,800
CAPITAL SPENDING			
ADOA - 500 Maximum Security ADC Beds (Enacted)	48,942,800	(48,942,800)	0
ASDB Tucson Dorm Renovations	1,000,000	(1,000,000)	0
TOTAL - CAPITAL SPENDING	49,942,800	(49,942,800)	0
TOTAL - ALL SPENDING	8,801,850,400	234,077,400	9,035,927,800
REVENUE CHANGES			
REV - Ongoing Revenue	8,408,008,700	300,122,300	8,708,131,000
REV - One-Time Revenue	153,591,600	(153,591,600)	0
REV - Beginning Balance	895,475,000	(240,250,100)	655,224,900
TOTAL - REVENUE CHANGES (INCL. FUND TRANSFERS) 2/	9,457,075,300	(93,719,400)	9,363,355,900
ENDING BALANCE	655,224,900	(327,796,800)	327,428,100

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 <u>1/</u> Current	FY 15 Baseline <u>2/</u> Above FY 14	FY 2015 OF JLBC Baseline
OPERATING SPENDING CHANGES			
SBA - State Board of Accountancy	1,933,700		1,933,700
ACU - Acupuncture Board of Examiners	150,200		145,200
ACU - Remove One-time Funding		(5,000)	
DOA - Arizona Department of Administration	172,264,200		172,264,200
APF - Automation Projects Fund/ADOA	66,738,000		54,333,000
APF - AFIS Replacement		(2,105,000)	
APF - ASET Initiatives		(5,400,000)	
APF - DOR IT Projects		(4,900,000)	
OAH - Office of Administrative Hearings	12,300		12,300
AXS - AHCCCS	187,260,500		141,449,900
AXS - Formula Changes		(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		821,600
APP - Remove One-time Funding		(30,000)	
ART - Arizona Commission on the Arts	1,000,000		0
ART - Remove One-time Funding		(1,000,000)	
BAT - Board of Athletic Training	105,200		118,200
BAT - ERE Adjustment		13,000	
ATT - Attorney General	38,688,400		38,449,000
ATT - Remove One-time Funding (Victims Rights)		(239,400)	
ATA - Automobile Theft Authority	5,297,600		5,297,600
BAR - Board of Barbers	333,800		333,800
BHE - Board of Behavioral Health Examiners	1,758,100		1,758,100
BCE - State Board of Chiropractic Examiners	469,400		450,400
BCE - Resource Reallocation		(19,000)	
ROC - Registrar of Contractors	14,893,300		12,193,300
ROC - Remove One-time Funding		(2,700,000)	
COR - Corporation Commission	26,282,500		26,282,500
DOC - Department of Corrections	44,911,800		44,911,800
COS - Board of Cosmetology	1,784,500		1,784,500
JUS - Arizona Criminal Justice Commission	5,954,200		5,954,200

	FY 2014 OF 1/ Current	FY 15 Baseline 2/ Above FY 14	FY 2015 OF JLBC Baseline
SDB - AZ State Schools for the Deaf and the Blind	13,585,500		12,585,500
SDB - Realign ASDB Fund Expenditures with Revenue		(1,000,000)	
HEA - Comm for the Deaf & the Hard of Hearing	3,776,400		3,776,400
DEN - Board of Dental Examiners	1,214,800		1,214,800
DES - Department of Economic Security	521,555,200		486,735,300
DES - Remove One-time Funding (LTCSF)		(10,500,000)	
DES - Long Term Care System Fund Backfill		(25,000,000)	
DES - Formula Adjustments (LTCSF)		680,100	
ADE - Arizona Department of Education	56,035,200		56,035,200
EMA - Department of Emergency & Military Affairs	132,700		132,700
DEQ - Department of Environmental Quality	67,334,000		67,334,000
COL - Arizona Exposition and State Fair Board	11,423,500		11,423,500
DFI - Dept of Financial Institutions	936,700		936,700
EMB - Board of Funeral Directors and Embalmers	353,600		353,600
FIS - Arizona Game and Fish Department	39,681,900		39,601,900
FIS - Waterfowl Conservation Fund Elimination		(80,000)	
GAM - Department of Gaming	13,497,000		13,497,000
DHS - Department of Health Services	92,553,400		85,732,700
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)	
HOM - Board of Homeopathic & Integrated Medicine Examiners	102,100		102,100
HOU - Department of Housing	313,800		313,800
IND - Industrial Commission	19,989,500		19,989,500
SPA - Judiciary - Supreme Court	27,574,400		27,574,400
SUP - Judiciary - Superior Court	13,531,400		13,531,400
DJC - Department of Juvenile Corrections	3,925,400		3,925,400
LAN - State Land Department	3,934,500		3,934,500
LIQ - Department of Liquor Licenses & Control	2,932,300		2,932,300
LOT - Arizona State Lottery Commission	99,427,100		104,039,900
LOT - One-time Equipment		(1,500)	
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	

	FY 2014 OF 1/ Current	FY 15 Baseline 2/ Above FY 14	FY 2015 OF JLBC Baseline
MAS - Board of Massage Therapy	457,200		457,200
MED - Arizona Medical Board	5,738,700		5,738,700
MIN - State Mine Inspector	112,500		112,500
NAT - Naturopathic Physicians Medical Board	158,900		158,900
NUR - State Board of Nursing	4,275,600		4,270,800
NUR - Remove One-time Funding		(4,800)	
NCI - Nursing Care Inst. Administrators Board	420,200		420,200
OCC - Board of Occupational Therapy Examiners	172,500		172,500
DIS - State Board of Dispensing Opticians	135,800		135,800
OPT - State Board of Optometry	206,000		206,000
OST - Arizona Board of Osteopathic Examiners	775,500		750,600
OST - Equipment Replacement		(24,900)	
SPB - Arizona State Parks Board	12,821,100		12,821,100
PER - Personnel Board	374,900		374,900
PES - Office of Pest Management	2,039,000		1,700,000
PES - Fee Realignment		(339,000)	
PHA - Arizona State Board of Pharmacy	2,103,700		2,017,000
PHA - Remove One-time Funding		(86,700)	
PHY - Board of Physical Therapy Examiners	432,600		407,900
PHY - Electronic Licensing System		(24,700)	
PIO - Arizona Pioneers' Home	4,656,600		4,656,600
POD - State Board of Podiatry Examiners	147,300		147,300
POS - Commission for Postsecondary Education	1,535,300		1,535,300
PRI - Board for Private Postsecondary Education	641,200		395,600
PRI - Eliminate One-time Transfer		(245,600)	
PSY - State Board of Psychologist Examiners	375,500		363,500
PSY - Remove One-time Office Security Enhancement Funding		(12,000)	
DPS - Department of Public Safety	183,375,000		183,375,000
RAC - Arizona Department of Racing	2,895,900		2,895,900
RAD - Radiation Regulatory Agency	852,900		852,900
RUC - Residential Utility Consumer Office	1,334,400		1,334,400
RES - Board of Respiratory Care Examiners	297,100		297,100

	FY 2014 OF 1/ Current	FY 15 Baseline 2/ Above FY 14	FY 2015 OF JLBC Baseline
RET - Arizona State Retirement System	26,973,500		26,868,500
RET - IT Modernization (ASRS Admn)		525,000	
RET - Elimination of One-time Costs (ASRS Admn)		(630,000)	
REV - Department of Revenue	26,746,700		26,195,200
REV - Remove One-time Funding (DOR Admn)		(551,500)	
SOS - Secretary of State	3,682,000		3,682,000
SBO - State Boards' Office	231,000		231,000
TEC - State Board of Technical Registration	2,119,500		2,119,500
DOT - Department of Transportation	371,260,200		366,222,100
DOT - Highway Maintenance Workload (SHF)		3,461,900	
DOT - Funding Realignment (TDEF)		(8,500,000)	
TRE - State Treasurer	5,004,700		5,004,700
UNI - Universities			
UNI - ASU - Tempe/DPC	453,068,700		453,068,700
UNI - ASU - East Campus	35,691,700		35,691,700
UNI - ASU - West Campus	40,980,300		40,980,300
UNI - Northern Arizona University	120,281,100		120,281,100
UNI - UA - Main Campus	271,507,700		271,507,700
UNI - UA - Health Sciences Center	41,117,000		41,117,000
VSC - Department of Veterans' Services	28,774,500		31,992,900
VSC - Increased Costs at Tucson Home		3,218,400	
VME - Veterinary Medical Examining Board	483,400		469,400
VME - Remove One-time Funding		(14,000)	
WAT - Department of Water Resources	906,800		906,800
WEI - Department of Weights & Measures	1,793,800		1,772,900
WEI - Remove One-time Field Equipment Funding (Air Quality)		(20,900)	
OTH - Other			
OTH - Unallocated One-time Employee Retention Payments	900,700	(900,700)	0
OTH - Unallocated Risk Management Adjustments	(720,100)	720,100	0
OTH - Unallocated HR Pro Rata Adjustments	(445,200)	445,200	0
OTH - FY 14 Board of Athletic Training Supplemental	13,000	(13,000)	0
OTH - Lease-Purchase/Rent Adjustments	0	(177,800)	(177,800)
TOTAL - OPERATING SPENDING CHANGES	\$3,221,206,100	(\$103,478,800)	\$3,117,727,300
CAPITAL SPENDING CHANGES			
Building Renewal			
Arizona Department of Administration	9,000,000		9,000,000

	FY 2014 OF 1/ Current	FY 15 Baseline 2/ Above FY 14	FY 2015 OF JLBC Baseline
ADC Building Renewal and Preventative Maintenance	5,000,000	464,300	5,464,300
Game & Fish Department	547,600	(547,600)	0
Arizona Lottery Commission	90,300	7,100	97,400
Arizona Department of Transportation	3,188,200	208,600	3,396,800
New Projects			
ADOA - Building Security (COSF)	2,000,000	(2,000,000)	0
ADC Yuma Building	8,000,000	(8,000,000)	0
ADOT '14/'15 Statewide Highway Construction	19,608,000	(930,000)	18,678,000
ADOT '14/'15 Controlled Access Highways	84,259,000	167,000	84,426,000
ADOT '14/'15 Debt Service	116,426,000	(5,351,000)	111,075,000
ADOT '14/'15 Airport Planning & Development	21,123,700	(667,100)	20,456,600
ADOT '14 De-Icer Storage	2,280,000	(2,280,000)	0
ADOT '14 Vehicle Wash Systems	3,000,000	(3,000,000)	0
Game & Fish '14 Black Canyon Dam	327,200	(327,200)	0
Parks - Capital Projects	1,000,000	(1,000,000)	0
TOTAL - CAPITAL SPENDING CHANGES	\$275,850,000	(\$23,255,900)	\$252,594,100
TOTAL - OPERATING & CAPITAL SPENDING	\$3,497,056,100	(\$126,734,700)	\$3,370,321,400
FUND TRANSFERS			
APF/DOA - Automation Projects Fund/ Arizona Department of Administration			
APF/DOA - Automation Operations from DOA	8,130,000	(1,972,700)	6,157,300
APF/DOA - State Web Portal from DOA	4,000,000	(4,000,000)	0
APF/DOA - IT Fund from DOA	345,000	(345,000)	0
APF/DOA - Inmate Store Proceeds Fund from ADC	5,500,000	(5,500,000)	0
APF/DOA - Revolving Fund from ADC	2,500,000	(2,500,000)	0
APF/DOA - Prison Construction & Operation Fund from ADC	0	5,500,000	5,500,000
APF/DOA - Corrections Fund from ADC	0	2,500,000	2,500,000
APF/DOA - Other Fund Charges	17,013,600	(17,013,600)	0
APF/DOA - Education Learning & Accountability Fund	1,600,000		1,600,000
APF/DOA - Emission Fund from DEQ	5,000,000		5,000,000
DOC - Department of Corrections			
DOC - Corrections Fund to Building Renewal	750,000	(750,000)	0
DOC - Prison Construction & Operations to Building Renewal	6,000,000	(6,000,000)	0
DOC - State Charitable to Building Renewal	1,250,000	(1,250,000)	0
TOTAL - FUND TRANSFERS	\$52,088,600	(\$31,331,300)	\$20,757,300

1/ Represents original FY 2014 appropriations adjusted for technical revisions.

2/ Represents FY 2015 Baseline cost above FY 2014 Baseline estimate.

FY 2014 SUPPLEMENTALS

	Change to Original '14 Budget
General Fund	
State Land Department	\$128,300
Arizona Navigable Stream Adjudication Commission	150,000
School Facilities Board	(1,445,200)
General Fund - Total	(\$1,166,900)
Other Funds	
Board of Athletic Training	\$13,000
Other Funds - Total	\$13,000

FY 2014 STATUTORY CHANGES

In addition to the FY 2014 supplementals listed above, the Baseline would make the following statutory changes:

- Allow \$4.1 million of the \$28.6 million FY 2014 appropriation for the Arizona Financial Information System (AFIS) replacement to be used by the Arizona Department of Administration through FY 2014 for unforeseen contingency costs.
- Require that \$25,836,400 in Lottery ticket sales commission earned during the second half of FY 2013 be paid from the State Lottery Fund's FY 2013 ending balance.

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES
For Fiscal Years 2013, 2014 and 2015 *1/***

	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
<u>BUDGET UNITS</u>			
Department of Administration (ADA)			
Administration - AFIS II Collections (4203)	\$996,700	\$2,810,000	\$2,810,000
Anti-Racketeering Revolving (2131)	75,300	49,400	0
Certificate of Participation (5005)	0	0	0
Construction Insurance (4219)	1,245,200	2,992,400	3,447,400
Co-Op State Purchasing Agreement (4213)	2,249,800	3,113,300	3,113,300
Electronic Commerce (2482)	0	0	0
Emergency Telecommunication Services Revolving (2176)	15,483,100	19,143,700	18,161,400
Employee Related Expenditures/Benefits Admin (ITA3035)	34,289,300	32,740,800	35,186,700
Federal Grants (2000)	2,217,900	1,960,100	1,744,400
Federal Grants - American Recovery & Reinvestment Act (2999)	3,894,500	2,204,800	508,600
IGA & ISA (2500)	8,968,300	10,696,400	10,696,400
Management Services Division Plan Deposits (3196)	0	0	0
Payroll Administration (9200)	139,000	150,800	150,800
Privatized Lease-to-Own (2495)	12,437,700	9,807,100	10,054,500
Racing Investigation (2369)	0	0	0
Retiree Accumulated Sick Leave (3200)	13,655,700	13,751,300	13,751,300
Special Employee Health Insurance Trust (3015)	701,443,200	636,230,500	803,638,700
Special Events (2503)	22,300	15,400	15,400
Special Services Revolving (4208)	708,800	799,100	799,100
State Employee Suggestion Program Award (3190)	0	0	0
State Employee Travel Reduction (2261)	421,600	564,700	564,700
State Web Portal (2531)	0	0	0
Statewide ARRA Administration SWCAP (2950)	230,100	113,000	113,000
Statewide Donations (2025)	12,100	12,000	12,000
Statewide E-Rate Program (2584)	0	0	0
Total - Department of Administration	<u>\$798,490,600</u>	<u>\$737,154,800</u>	<u>\$904,767,700</u>
Department of Administration - Automation Projects Fund (ADA)			
Automation Projects (2566)	\$16,974,700	\$0	\$0
Office of Administrative Hearings (HGA)			
IGA and ISA (2500)	\$1,052,700	\$1,103,600	\$1,103,600
Arizona Department of Agriculture (AHA)			
Administrative Support (2436)	47,100	38,400	38,400
Agricultural Consulting and Training Trust (1239)	12,500	16,500	16,500
Agricultural Products Marketing (2368)	361,300	957,500	447,500
Agricultural Protection (2381)	0	0	0
Aquaculture Trust (2297)	0	4,900	4,900
Beef Council (2083)	276,700	275,000	275,000
Citrus, Fruit and Vegetable Trust (2260)	280,200	351,400	351,400
Citrus Trust (2299)	5,800	64,500	54,200
Commercial Feed Trust (2012)	241,800	299,700	299,700
Commodity Promotion (2458)	8,900	7,500	7,500
Cotton Research and Protection Council (2013)	2,644,000	2,819,800	2,819,800
Dangerous Plants, Pests and Diseases Trust (2054)	57,100	75,000	75,000
Designated (3011)	383,200	542,000	542,000
Egg Inspection Trust (2022)	856,200	1,010,400	1,010,400
Equine Inspection (2489)	1,300	700	700
Federal (2000)	5,745,100	5,107,400	5,107,400
Federal-State Inspection (2113)	2,897,100	2,974,700	2,974,700
Fertilizer Materials Trust (2081)	292,100	326,900	326,900
Grain Trust (2201)	119,100	142,400	142,400
Iceberg Lettuce Trust (2259)	63,600	100,000	100,000
IGA & ISA (2500)	104,100	104,100	104,100
Indirect Cost Recovery (9000)	98,600	146,900	146,900
Livestock and Crop Conservation (2378)	1,047,000	1,322,300	513,200
Livestock Custody Trust (2065)	30,500	60,000	60,000
Nuclear Emergency Management (2138)	0	0	0
Pesticide Trust (2051)	282,900	323,800	443,800
Protected Native Plant Trust (2298)	77,900	83,700	83,700
Seed Law Trust (2064)	49,000	53,300	53,300
Total - Arizona Department of Agriculture	<u>\$15,983,100</u>	<u>\$17,208,800</u>	<u>\$15,999,400</u>

	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
AHCCCS (HCA)			
County Funds (2120/2223)	292,035,200	295,193,300	295,503,300
Employee Recognition (2025)	9,300	9,300	9,300
Federal - Medicaid Direct Services (2120)	20,551,100	36,320,100	35,534,800
Federal Funds (2000)	6,422,000	198,000	198,000
Federal Grants - American Recovery & Reinvestment Act (2999)	62,983,500	38,612,500	31,562,500
Federal Medicaid Authority (2120/2223)	4,172,226,700	4,753,556,000	5,592,043,700
Healthcare Group (3197)	24,415,700	10,855,100	0
Hospital Assessment (9692)	0	75,339,400	188,627,300
Hospital Loan Residency (2532)	0	0	0
Intergovernmental Service (2438)	6,624,400	8,000,000	8,000,000
Nursing Facility Provider Assessment (2567)	7,165,800	17,698,000	17,171,800
Political Subdivision (1111)	202,153,200	138,181,000	58,121,000
Prescription Drug Rebate (2546)	133,422,400	178,543,000	212,459,300
Proposition 202 - Trauma & Emergency Services (2494)	21,267,000	24,454,700	25,685,600
Temporary Transaction Privilege & Use Tax - 1% (1032)	0	0	0
Third Party Liability and Recovery (3791/3019)	37,900	234,000	194,700
Tobacco Litigation Settlement, Arizona (TRA2561)	149,125,400	100,000,000	100,000,000
Tobacco Tax & Health Care - Medically Needy Account (1306)	0	0	0
Tobacco Products Tax Fund - Proposition 204 Protection Account (1303)	39,825,800	38,472,300	38,225,000
Total - AHCCCS	\$5,138,265,400	\$5,715,666,700	\$6,603,336,300
AZ Commission on the Arts (HUA)			
Arts Special Revenues (2116)	125,200	30,800	30,800
Arts Trust, Arizona (3014)	1,584,300	1,365,500	1,365,500
Federal Grant (2000)	808,400	756,000	756,000
State Poet Laureate (2569)	0	2,500	2,500
Total - AZ Commission on the Arts	\$2,517,900	\$2,154,800	\$2,154,800
Attorney General - Department of Law (AGA)			
Anti-Racketeering Revolving (2131)	19,749,900	22,291,200	22,291,200
Attorney General Expendable Trust (3102)	346,900	952,300	952,300
CJEF Distribution to County Attorneys (2068)	3,844,900	3,962,100	3,962,100
Colorado River Land Claims Revolving (2430)	0	0	0
Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving (2573)	0	0	0
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving (2573)	0	0	0
Court-Ordered Trust (3180)	1,427,000	4,756,900	4,756,900
Criminal Case Processing (2461)	80,000	82,600	82,600
Federal Grants (2000)	5,470,200	6,022,700	5,316,600
Indirect Cost Recovery (9000)	2,221,500	2,817,400	2,817,400
Intergovernmental Agreements (2500)	2,963,000	3,183,400	2,838,100
Microsoft Settlement (1992)	17,200	0	0
Motor Carrier Safety Revolving (2380)	0	0	0
Prosecuting Attorneys' Advisory Council Training (2057)	1,483,100	1,442,100	1,442,100
Victim Witness Assistance (2228)	47,300	58,000	58,000
Total - Attorney General - Department of Law	\$37,651,000	\$45,568,700	\$44,517,300
State Board for Charter Schools (CHA)			
Charter Arizona Online Instruction Processing (2319) Implementation Project (2025)	8,000	43,000	5,700
New Charter Application Processing (2568)	0	91,000	91,000
Total - State Board for Charter Schools	\$8,000	\$140,000	\$102,700
Citizens Clean Elections Commission (ECA)			
Citizens Clean Elections Fund (2425)	\$7,225,200	\$12,305,400	\$9,383,000
Arizona Commerce Authority (CAA)			
Application Fees (3005)	228,900	234,900	234,900
Commerce Authority Carryover, AZ (1001)	2,422,200	4,804,700	2,559,600
Commerce Authority, Arizona (8813)	0	0	0
Commerce Authority Local Communities, AZ (EPA2498)	0	0	0
Competes, Arizona (8814)	0	0	0
Commerce Development Bond (2196)	1,100	4,500	4,500
Commerce Workshops (2149)	0	0	0
Corporation for Skilled Workforce (1002)	107,900	0	0
Donations (3189)	138,700	0	0
Federal Funds (2000)	1,458,400	3,153,000	3,153,000
Innovation Accelerator, Arizona (2080)	221,500	232,500	232,500

	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Job Training (1237)	7,404,200	7,530,500	7,530,500
Twenty-First Century Competitive Initiative, Arizona (2524)	0	0	0
Total - Arizona Commerce Authority	\$11,982,900	\$15,960,100	\$13,715,000
Arizona Community Colleges (CMA)			
Tribal Assistance (NA)	738,400	726,900	726,900
Workforce Development Accounts (varies by account)	14,854,500	15,743,500	15,743,500
Total - Arizona Community Colleges	\$15,592,900	\$16,470,400	\$16,470,400
State Compensation Fund (TRA) 2/			
State Compensation Fund (9002)	\$252,200,000	\$0	\$0
Constable Ethics Standards & Training Board (CNA)			
Constable Ethics Standards & Training (2346)	\$184,700	\$324,500	\$324,500
Registrar of Contractors (RGA)			
Residential Contractors' Recovery (3155)	\$4,407,900	\$5,628,500	\$5,628,500
Corporation Commission (CCA)			
Federal (2000)	804,500	695,000	695,000
Federal Grants - American Recovery & Reinvestment Act (2999)	252,500	42,200	0
IGA and ISA (2500)	1,200	0	0
Utility Siting (2076)	50,400	0	0
Total - Corporation Commission	\$1,108,600	\$737,200	\$695,000
State Department of Corrections (DCA)			
Correctional Industries Revolving, Arizona (4002)	36,831,300	38,048,300	38,048,300
Community Corrections Enhancement (2395)	460,400	515,000	515,000
Corrections Donations (3147)	10,300	0	0
Criminal Justice Enhancement (2035)	0	0	0
Federal (2000)	7,645,300	5,343,200	4,981,400
Federal Grants - American Recovery & Reinvestment Act (2999)	0	0	0
Indirect Cost Recovery (9000)	0	531,100	531,100
Inmate Store Proceeds (2505)	3,903,000	4,616,000	4,616,000
Interagency Service Agreement (2500)	88,800	57,800	57,800
Prisoner Spendable Accounts (2428)	0	0	0
Special Services (3187)	1,894,800	4,280,000	4,280,000
State DOC Revolving (2515)	425,700	600,000	600,000
Statewide Employee Recognition Gifts/Donations (2449)	0	0	0
Temporary Transaction Privilege & Use Tax - 1% (1032)	0	0	0
Total - State Department of Corrections	\$51,259,600	\$53,991,400	\$53,629,600
Arizona Criminal Justice Commission (JCA)			
Drug & Gang Enforcement Account (2134)	5,924,900	6,100,900	6,100,900
Federal Grants (2000)	11,071,200	11,992,400	6,694,400
Federal Grants - American Recovery & Reinvestment Act (2999)	348,900	0	0
Total - Arizona Criminal Justice Commission	\$17,345,000	\$18,093,300	\$12,795,300
Arizona State Schools for the Deaf and the Blind (SDA)			
ASDB Classroom Site (2486)	1,517,700	1,853,100	1,853,100
Enterprise (4222)	117,500	97,900	97,900
Federal Grants (2000)	1,771,900	2,072,600	2,072,600
IGA and ISA (2500)	0	0	0
Instructional Improvement (2492)	88,200	77,200	77,200
Regional Cooperatives (4221)	15,913,400	16,767,000	16,767,000
State Grants (2011)	10,500	760,100	760,100
Trust (3148)	111,200	100,000	100,000
Total - Arizona State Schools for the Deaf and the Blind	\$19,530,400	\$21,727,900	\$21,727,900
Commission for the Deaf and the Hard of Hearing (DFA)			
Private Grants (2423)	\$0	\$3,500	\$0
Arizona Early Childhood Development & Health Board			
Early Childhood Development & Health (2542)	\$146,867,300	\$185,427,400	\$180,974,500
Department of Economic Security (DEA)			
Child Restraint (2192)	148,100	154,000	154,000
Child Protective Services Expedited Substance Abuse Treatment (2421)	0	0	0
Child Support Enforcement Administration (2091)	32,559,000	40,397,800	40,397,800
Children, Youth and Families, Division of (2009)	0	294,170,400	294,170,400
Client Trust (3152)	882,600	1,550,300	1,550,300
Developmentally Disabled Client Investment (3146)	9,700	9,900	9,900
Developmentally Disabled Client Services Trust (2019)	11,600	11,800	11,800
Donations (3145)	5,100	4,600	4,600
Economic Security Capital Investments (2093)	0	226,200	226,200
Federal Grants (2000)	963,385,000	611,204,200	495,753,500
Industries for the Blind, Arizona (4003)	20,607,800	20,924,900	20,924,900

	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Job Training, Arizona (1237)	1,021,000	976,300	976,300
Joint Substance Abuse Treatment (2429)	0	0	0
Long Term Care System - Federal Matched (2225)	559,489,100	680,341,400	751,670,300
Neighbors Helping Neighbors (2348)	45,000	40,000	40,000
Special Olympics Tax Refund (3207)	29,700	93,500	93,500
Temporary Transaction Privilege & Use Tax - 1% (1032)	0	0	0
Unemployment Insurance Benefits (7510)	389,660,900	534,000,000	291,600,000
Unemployment Special Assessment (2558)	41,730,300	6,606,800	335,300
Unemployment Special Assessment Notes Debt Service (5340)	0	0	0
Unemployment Special Assessment Proceeds (3340)	0	0	0
Total - Department of Economic Security	\$2,009,584,900	\$2,190,712,100	\$1,897,918,800
Department of Education (EDA)			
Academic Contest (1006)	0	0	0
Agricultural Youth Organization Special Plate, AZ (2650)	50,000	65,000	65,000
American Competitiveness Project (2361)	0	0	0
Assistance for Education (2420)	0	427,100	427,100
Character Education Special Plate (2522)	33,700	35,000	35,000
Charter Schools Stimulus (1007)	0	0	0
Classroom Site (2471)	332,542,500	404,714,800	404,714,800
Displaced Pupils Choice Grant (2533)	0	0	0
Early Graduation Scholarship (2364)	0	0	0
Education Commodity (4210)	27,000	33,100	33,100
Education Donations (2025)	191,900	147,200	147,200
Education Learning and Accountability (2552)	0	0	0
Failing Schools Tutoring (2470)	2,180,600	1,500,000	1,500,000
Federal (2000)	1,097,772,000	1,064,672,600	1,064,672,600
Federal Grants - American Recovery & Reinvestment Act (2999)	20,992,300	9,616,200	9,616,200
Golden Rule Special Plate (2366)	205,000	185,000	185,000
IGA and ISA (2500)	4,605,700	5,001,900	5,001,900
Indirect Cost Recovery (9000)	4,605,900	5,424,700	5,424,700
Instructional Improvement (2492)	43,089,500	48,909,000	48,909,000
Internal Services (4209)	3,023,200	3,697,700	3,697,700
Performance Incentive (2575)	0	0	0
Production Revolving (4211)	1,506,700	2,098,700	2,098,700
Proposition 301 (1014)	97,422,300	97,569,200	97,569,200
Scholarships for Pupils with Disabilities Program, AZ (2534)	0	0	0
Special Education (1009)	0	0	0
Structured English Immersion, Arizona (2535)	0	0	0
Temporary Transaction Privilege & Use Tax - 1% (1032)	0	0	0
Youth Farm Loan, Arizona (2136)	95,000	100,000	100,000
Total - Department of Education	\$1,608,343,300	\$1,644,197,200	\$1,644,197,200
Department of Emergency & Military Affairs (MAA)			
Camp Navajo (2106)	8,630,500	15,994,100	10,603,200
Emergency Management Training (2087)	0	0	0
Federal Funds - Emergency (2000)	10,469,400	9,883,400	10,962,100
Federal Funds - Military (2000)	50,566,800	48,054,800	27,918,800
Freedom Academy (2104)	0	3,600	0
Indirect Cost Recovery (9000)	820,700	902,400	902,400
Interagency Service Agreement (2500)	1,636,700	2,205,300	1,851,900
Military Installation (1010)	0	0	0
Morale, Welfare and Recreational (2124)	6,000	8,000	8,000
National Guard (2140)	120,600	100,000	100,000
National Guard Relief (2349)	0	60,000	60,000
Nuclear Emergency Management (2138)	0	0	0
State Armory Property (2146)	0	0	0
Statewide Donations (2025)	0	0	0
Total - Department of Emergency & Military Affairs	\$72,250,700	\$77,211,600	\$52,406,400
Department of Environmental Quality (EVA)			
Brownfields Cleanup Revolving Loan (2456)	0	0	0
Clean Water Revolving (2254)	64,623,600	125,245,600	125,245,600
Donations (2449)	6,100	2,600	2,600
Drinking Water Revolving (2307)	33,222,100	56,231,500	56,231,500
Federal (2000)	70,710,700	62,436,100	62,436,100
Federal Grants - American Recovery & Reinvestment Act (2999)	0	0	0
Greater AZ Development Authority Revolving (2311)	35,600	89,000	89,000
Hardship Grant (2437)	0	0	0
IGA & ISA (2500)	4,606,200	4,590,500	4,590,500

	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Institutional and Engineering Control (2563)	14,800	0	0
Intergovernmental Agreement (2180)	0	0	0
Monitoring Assistance (2308)	533,300	778,800	778,800
Regulated Substance (2545)	8,752,900	10,187,900	10,187,900
Small Water Systems (2225)	0	0	0
Specific Site Judgment (3006)	62,000	337,500	337,500
Underground Storage Tank Revolving Summary (2271)	6,393,400	7,154,900	7,154,900
Voluntary Lawn & Garden Equipment Emissions Reduction (2306)	0	0	0
Voluntary Remediation (2564)	208,300	356,800	356,800
Voluntary Vehicle Repair & Retrofit Program (2365)	0	0	0
Water Quality Assurance Revolving (2221)	11,167,100	16,334,600	16,334,600
Total - Department of Environmental Quality	\$200,336,100	\$283,745,800	\$283,745,800
Governor's Office of Equal Opportunity (AFA)			
Equal Employment & Economic Development (2000)	\$16,900	\$0	\$0
State Department of Financial Institutions (BDA)			
IGA and ISA (2500)	75,500	75,700	75,700
Mortgage Recovery (1997)	0	0	0
Receivership Revolving (3023)	953,900	1,425,100	129,100
Revolving (2126)	626,500	753,900	753,900
Total - State Department of Financial Institutions	\$1,655,900	\$2,254,700	\$958,700
Department of Fire, Building and Life Safety (MMA)			
Arson Detection Reward (2169)	4,500	0	0
Building and Fire Safety (2211)	0	0	0
Condominium and Planned Community Hearing Office (2537)	14,800	0	0
Consumer Recovery (3090)	106,800	0	0
Federal Grant (2000)	212,100	212,400	212,400
Interagency Service Agreement (2500)	62,200	57,000	57,000
Manufactured Housing Cash Bond (3722)	0	0	0
Mobile Home Relocation (2237)	392,800	437,600	437,600
Total - Department of Fire, Building and Life Safety	\$793,200	\$707,000	\$707,000
State Forester (FOA)			
Community Protection Initiative (2343)	0	0	0
Cooperative Forestry (2232)	5,559,400	5,069,000	5,069,000
Federal Grants - American Recovery & Reinvestment Act (2999)	350,700	0	0
Fire Suppression Revolving (2360)	23,893,900	14,961,400	14,961,400
Total - State Forester	\$29,804,000	\$20,030,400	\$20,030,400
Arizona Game & Fish Department (GFA)			
Big Game Permit (3712)	0	0	0
Conservation Development (2062)	2,220,000	1,504,800	1,504,800
Federal (2000)	0	0	0
Federal Grants - American Recovery & Reinvestment Act (2999)	313,200	700	700
Federal Revolving (2028)	33,672,900	38,233,700	38,233,700
Firearms Safety and Ranges (2442)	0	0	0
Game and Fish Publications Revolving (4007)	177,000	183,900	183,900
Game and Fish Trust (3111)	2,202,300	2,700,100	2,700,100
Heritage (2295)	9,240,000	13,837,600	13,837,600
IGA and ISA (2500)	0	0	0
Indirect Cost Recovery (9000)	2,664,600	4,297,600	4,297,600
Kaibab Co-op (3714)	12,900	0	0
Off Highway Vehicle Recreation (2253)	1,403,900	1,822,200	1,822,200
Wildlife Conservation (2497)	5,040,200	6,331,300	6,331,300
Wildlife Theft Prevention (2080)	163,200	165,900	165,900
Total - Arizona Game & Fish Department	\$57,110,200	\$69,077,800	\$69,077,800
Arizona Geological Survey (GSA)			
Federal Grants (2000)	820,400	2,367,200	1,672,500
Federal Grants - American Recovery & Reinvestment Act (2999)	7,212,000	6,402,700	0
Geological Survey (3030)	767,900	298,100	71,100
Indirect Cost Recovery (9000)	587,800	810,000	248,500
Total - Arizona Geological Survey	\$9,388,100	\$9,878,000	\$1,992,100
Office of the Governor (GVA)			
Biofuels Conversion Program, Arizona (6666)	0	0	0
Border Security, Immigration Legal Defense (3212)	0	0	0
County Fairs Livestock & Agriculture Promotion (2037)	0	0	0
Endowment Partnership (3206)	1,411,600	1,347,400	767,700
Energy Conservation (3209)	0	0	0
Energy Office Donations (EPA3189)	0	0	0

	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Federal Grants (2000)	31,727,600	22,211,100	16,101,300
Federal Grants - American Recovery & Reinvestment Act (2999)	19,390,500	4,829,200	0
Governor's Arizona Promotional & Public Service (3207)	0	0	0
IGA and ISA (2500)	488,700	749,300	749,300
Inauguration (3214)	0	0	0
Indirect Cost Recovery (9000)	1,132,900	1,074,500	1,074,500
Oil Overcharge (3171)	469,600	467,000	467,000
Other Non-Appropriated Funds (2038)	0	0	0
Prevention of Child Abuse (2439)	372,800	340,000	340,000
Statewide ARRA Administration SWCAP (2950)	153,200	34,400	0
Total - Office of the Governor	<u>\$55,146,900</u>	<u>\$31,052,900</u>	<u>\$19,499,800</u>
Department of Health Services (HSA)			
Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund (2513)	337,200	288,100	288,100
Childhood Cancer and Rare Childhood Disease Research (NA)	0	0	0
Disease Control Research (2090)	2,462,700	2,462,700	2,462,700
Donations - DHS (3010/2025)	185,000	181,400	181,400
Donations - Statewide (2025)	2,300	2,300	2,300
Federal Grants (2000)	311,830,100	310,371,800	310,579,700
Federal Grants - American Recovery & Reinvestment Act (2999)	1,386,900	201,300	201,300
Federal Medicaid Services (2500)	769,024,300	833,610,500	1,213,247,800
IGA/County Contributions (2144/2500)	91,498,200	90,493,500	90,493,500
Internal Services (4202)	0	0	0
Medical Marijuana (2544)	3,663,200	3,663,200	3,663,200
Medical Student Loan (3306)	0	0	0
Oral Health (3038)	201,000	201,000	201,000
Prescription Drug Rebate (2546)	0	0	0
Risk Assessment (2427)	16,100	16,100	16,100
Serious Mental Illness Services (2464)	0	0	0
Seriously Mentally Ill Housing Trust (2555)	586,800	586,800	586,800
Service Fees Increase (1050)	0	0	0
Smoke-Free Arizona (2541)	2,915,100	2,915,100	2,915,100
Temporary Transaction Privilege & Use Tax - 1% (1032)	0	0	0
Tobacco Tax & Health Care - Health Education Account (1308)	17,481,400	18,600,000	18,600,000
Tobacco Tax & Health Care - Health Research Account (DSA2096)	8,945,400	7,910,400	7,910,400
Tobacco Tax & Health Care - Medically Needy Account (1306)	0	0	0
Total - Department of Health Services	<u>\$1,210,535,700</u>	<u>\$1,271,504,200</u>	<u>\$1,651,349,400</u>
Arizona Historical Society (HIA)			
Federal Grants (2000)	0	0	0
Permanent Arizona Historical Society Revolving (2900)	425,700	453,800	437,500
Preservation and Restoration (2125)	45,100	42,700	42,200
Private (9447)	415,200	359,400	350,600
Private Grants (9449)	8,200	56,900	15,200
Restricted (9448)	231,600	170,000	84,500
Trust (9450)	1,700	11,900	11,900
Total - Arizona Historical Society	<u>\$1,127,500</u>	<u>\$1,094,700</u>	<u>\$941,900</u>
Prescott Historical Society of Arizona (PHA)			
Sharlot Hall Historical Society (9505)	\$182,000	\$182,400	\$182,400
Department of Homeland Security (HLA)			
Federal Funds (2000)	\$45,737,900	\$37,189,000	\$10,599,600
Arizona Department of Housing (HDA)			
Federal Funds (2000)	83,381,500	81,863,800	75,603,400
Federal Grants - American Recovery & Reinvestment Act (2999)	736,200	0	0
Housing Development (2313)	0	0	0
Housing Program (2200)	4,393,500	4,973,500	4,975,700
Housing Trust (2235)	6,088,200	7,516,200	7,945,300
IGA & ISA (2500)	283,300	234,300	238,300
Total - Arizona Department of Housing	<u>\$94,882,700</u>	<u>\$94,587,700</u>	<u>\$88,762,700</u>
Arizona Commission of Indian Affairs (IAA)			
IGA and ISA (2500)	0	0	0
Indian Town Hall, Arizona (4014)	0	0	0

	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Publications (4013)	0	1,500	1,500
Statewide Donations (2025)	10,200	13,000	13,000
Total - Arizona Commission of Indian Affairs	<u>\$10,200</u>	<u>\$14,500</u>	<u>\$14,500</u>
Industrial Commission of Arizona (ICA)			
Federal Grants (2000)	4,988,000	5,936,100	5,992,400
Revolving (2002)	135,100	140,000	140,000
Special (9003)	33,046,100	29,520,000	29,520,000
Total - Industrial Commission of Arizona	<u>\$38,169,200</u>	<u>\$35,596,100</u>	<u>\$35,652,400</u>
Department of Insurance (IDA)			
Assessment Fund for Voluntary Plans (2316)	138,500	141,800	141,800
Captive Insurance Regulatory/Supervision (2377)	158,100	185,600	185,600
Federal (2000)	612,900	1,794,500	293,700
Financial Surveillance (2473)	211,600	222,600	222,600
Health Care Appeals (2467)	196,100	212,500	212,500
Insurance Examiners' Revolving (2034)	4,299,600	4,643,100	4,643,100
Life and Disability Insurance Guaranty (2154)	1,886,400	1,322,900	1,322,900
Property and Casualty Insurance Guaranty, AZ (2114)	1,167,900	635,000	635,000
Receivership Liquidation (3104)	52,900	59,500	59,500
Total - Department of Insurance	<u>\$8,724,000</u>	<u>\$9,217,500</u>	<u>\$7,716,700</u>
Judiciary - Supreme Court (SPA)			
Alternative Dispute Resolution (3245)	149,100	229,800	229,800
Certified Reporters (2440)	115,700	120,000	120,000
Grants and Special Revenue (2084)	14,206,500	23,754,500	23,754,500
Lengthy Trial, Arizona (2382)	522,500	867,700	462,600
Public Defender Training (3013)	603,200	675,000	675,000
Total - Judiciary - Supreme Court	<u>\$15,597,000</u>	<u>\$25,647,000</u>	<u>\$25,241,900</u>
Judiciary - Superior Court (SPA)			
Community Punishment Program Fines (2119)	7,000	30,800	30,800
Drug and Gang Enforcement Account (2074)	1,606,700	1,364,400	1,364,400
Drug Treatment and Education (2277)	3,870,500	4,023,200	4,023,200
Grants and Special Revenue (2084)	1,458,400	1,277,200	1,277,200
Juvenile Probation Services (2193)	0	0	0
State Aid to Detention (2141)	0	0	0
Total - Judiciary - Superior Court	<u>\$6,942,600</u>	<u>\$6,695,600</u>	<u>\$6,695,600</u>
Department of Juvenile Corrections (DJA)			
DJC Career Technical Education (2326)	0	0	0
DJC Restitution (2476)	0	0	0
Employee Recognition (2449)	200	900	900
Federal (2000)	1,620,000	1,717,200	1,717,200
IGA and ISA (2500)	0	0	0
Indirect Cost Recovery (9000)	0	0	0
Instructional Improvement (2492)	0	0	0
Juvenile Corrections (3024)	85,100	77,500	77,500
State Education System for Committed Youth Classroom Site (2487)	118,000	142,400	142,400
Statewide Donations (2025)	14,300	14,300	14,300
Training Institute (2001)	0	0	0
Total - Department of Juvenile Corrections	<u>\$1,837,600</u>	<u>\$1,952,300</u>	<u>\$1,952,300</u>
State Land Department (LDA)			
CAP Municipal & Industrial Repayment (2129)	0	0	0
Federal Grants - American Recovery & Reinvestment Act (2999)	293,900	231,700	231,700
Federal Reclamation Trust (2024)	1,300	10,000	10,000
Interagency Agreements (2212)	50,700	10,900	10,900
Military Airport Land Exchange (NA)	0	0	0
Off-Highway Vehicle Recreation (2253)	146,700	290,000	290,000
Resource Analysis Division Revolving (4009)	82,100	91,500	91,500
Riparian Acquisition Trust (3201)	0	0	0
State Land Department (2451)	356,500	425,000	425,000
Universities Timber Land Account (3134)	0	0	0
Total - State Land Department	<u>\$931,200</u>	<u>\$1,059,100</u>	<u>\$1,059,100</u>
Legislature - Auditor General (AUA)			
Audit Services Revolving (2242)	\$1,864,200	\$1,997,800	\$1,997,800
Department of Liquor Licenses & Control (LLA)			
Anti-Racketeering Revolving (2131)	17,400	0	0
Audit Surcharge (3010)	178,800	176,300	176,300
Enforcement Surcharge - Enforcement Unit (3012)	461,900	459,000	459,000
Enforcement Surcharge - Multiple Complaints (3011)	346,900	339,900	339,900

	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Federal Grants (2000)	121,100	0	0
Total - Department of Liquor Licenses & Control	\$1,126,100	\$975,200	\$975,200
Arizona State Lottery Commission (LAO)			
State Lottery (2122)	428,624,000	445,333,300	474,107,500
Debt Service Fund (NA)	37,499,600	37,499,800	37,499,000
University Capital Improvement (NA)	11,161,000	18,759,800	19,487,700
Mass Transit (NA)	11,224,800	11,224,800	11,224,800
Total - Arizona State Lottery Commission	\$488,509,400	\$512,817,700	\$542,319,000
State Mine Inspector (MIA)			
Abandoned Mines Safety (2408)	12,200	104,500	104,500
Federal Education and Training (2400)	71,500	137,100	137,100
Federal Grants (2000)	352,200	118,400	118,400
IGA and ISA (2500)	0	0	0
Total - State Mine Inspector	\$435,900	\$360,000	\$360,000
State Board of Nursing (BNA)			
Nurse Aide Training & Registration (2000)	479,000	414,700	414,700
Statewide Donations (2025)	164,400	0	0
Total - State Board of Nursing	\$643,400	\$414,700	\$414,700
AZ Parents Commission on Drug Education & Prevention (PCA)			
Drug Treatment and Education (2277)	\$3,798,900	\$4,747,300	\$4,747,300
Arizona State Parks Board (PRA)			
Arizona Trail Fund (2525)	0	0	0
Federal (2000)	2,140,200	3,880,000	3,880,000
Land Conservation - Administration Account (2432)	547,600	1,250,000	1,250,000
Land Conservation - Donation Account (2432)	0	0	0
Land Conservation - Public Conservation Account (2432)	24,646,400	15,476,200	15,476,200
Off Highway Vehicle Recreation (2253)	1,504,400	4,096,900	4,096,900
Partnership (2448)	368,900	384,100	384,100
Publications and Souvenir Revolving (4010)	149,200	0	0
State Lake Improvement (2105)	3,587,600	8,400,000	8,400,000
State Parks Fund (3117)	111,000	50,000	50,000
Total - Arizona State Parks Board	\$33,055,300	\$33,537,200	\$33,537,200
Office of Pest Management (SBA)			
Federal Fund (2000)	96,600	113,500	113,500
Total - Office of Pest Management	\$96,600	\$113,500	\$113,500
Arizona State Board of Pharmacy (PMA)			
Controlled Substances Prescription Monitoring Program (2359)	451,100	482,300	482,300
Federal Grants (2000)	0	0	0
Total - Arizona State Board of Pharmacy	\$451,100	\$482,300	\$482,300
Arizona Pioneers' Home (PIA)			
IGA and ISA (2500)	0	0	0
Pioneers' Home Fund (Cemetery Proceeds) (3144)	17,000	17,700	17,700
Pioneers' Home Fund (Donations) (3143)	0	0	0
Statewide Employee Recognition Gifts (2449)	0	0	0
Total - Arizona Pioneers' Home	\$17,000	\$17,700	\$17,700
Commission for Postsecondary Education (PEA)			
Early Graduation Scholarship (2364)	0	0	0
Family College Savings Program Trust (3121)	438,900	417,200	417,200
Federal Grant Fund (2000)	1,263,600	1,328,200	1,228,200
IGA & ISA (2500)	543,900	546,800	0
Mathematics, Science, & Special Education			
Teacher Student Loan (2358)	0	0	0
Postsecondary Education (2405)	44,400	79,800	79,800
Postsecondary Education Grant Program (2530)	0	0	0
Private Postsecondary Education Student Financial Assistance (2128)	0	0	0
Teachers Incentive Program (2249)	0	0	0
Total - Commission for Postsecondary Education	\$2,290,800	\$2,372,000	\$1,725,200
Arizona Power Authority (PAA)			
Hoover Upgrading (1113)	35,311,300	34,402,700	34,402,700
Interest Income (1112)	11,800	6,800	6,800
Power Authority, Arizona (9506)	1,105,900	2,089,600	2,089,600
Total - Arizona Power Authority	\$36,429,000	\$36,499,100	\$36,499,100
State Board for Private Postsecondary Education (PVA)			
Student Tuition Recovery (3027)	\$72,200	\$103,100	\$103,100

	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Department of Public Safety (PSA)			
Anti-Racketeering Revolving (3123)	4,194,300	5,668,600	5,668,600
Capitol Police Administrative Towing (1999)	300	19,500	19,500
Conferences, Workshops, and Other Education (2700)	0	0	0
Criminal Justice Enhancement (3702)	0	0	0
DPS Administration (2322)	2,784,900	2,807,200	1,698,300
DPS Licensing Fund (2490)	1,004,700	1,166,100	1,166,100
Driving Under the Influence Abatement (2422)	1,053,200	1,049,000	1,049,000
Families of Fallen Police Officers Special Plate Fund (2386)	174,000	174,400	174,400
Federal Grants - American Recovery & Reinvestment Act (2999)	120,100	0	0
Federal Grants and Reimbursements (2000)	35,825,700	42,260,600	34,094,900
Fingerprint Clearance Card (2433)	4,281,900	4,789,200	4,789,200
Fingerprinting Fund, Board of (2435)	500,300	505,600	505,600
IGA and ISA (2500)	6,593,700	8,736,400	9,054,600
Indirect Cost Recovery (9000)	462,600	2,002,000	274,800
Motor Carrier Safety Revolving (2380)	12,500	5,600	5,600
Peace Officers' Training (2049)	6,722,200	7,918,000	7,618,000
Public Safety Equipment Fund (2391)	922,600	1,200,000	1,200,000
Records Processing (2278)	5,380,000	5,614,600	5,614,600
State Highway Work Zone Safety (2480)	0	0	0
Statewide Donations (2025)	0	0	0
State Traffic and Parking Control (ADA2453)	0	0	0
Total - Department of Public Safety	<u>\$70,033,000</u>	<u>\$83,916,800</u>	<u>\$72,933,200</u>
Public Safety Personnel Retirement System (NA)			
Fire Fighter and Peace Officer Cancer Insurance Policy Program Account (NA)	34,400	34,900	35,400
Investment and Administrative Expenses (NA)	39,215,600	39,785,400	40,363,500
Total - Public Safety Personnel Retirement System	<u>\$39,250,000</u>	<u>\$39,820,300</u>	<u>\$40,398,900</u>
Arizona Department of Racing (RCA)			
Breeders Award, Arizona (2206)	0	0	0
County Fair Racing (2170)	0	0	0
County Fairs Racing Betterment (2207)	0	0	0
Greyhound and Retired Racehorse Adoption (2015)	3,200	3,000	3,000
Racing Investigation (2369)	87,800	20,000	20,000
Racing Regulation Fund - Mixed Martial Arts Account (2393)	72,600	66,600	66,000
Stallion Award (2315)	0	0	0
Total - Arizona Department of Racing	<u>\$163,600</u>	<u>\$89,600</u>	<u>\$89,000</u>
Radiation Regulatory Agency (AEA)			
Federal Grants (2000)	234,000	234,000	234,000
Laser Safety (2138)	43,300	38,300	38,300
Nuclear Emergency Management (2138)	0	0	0
Total - Radiation Regulatory Agency	<u>\$277,300</u>	<u>\$272,300</u>	<u>\$272,300</u>
State Real Estate Department (REA)			
Education Revolving (4011)	1,300	19,000	19,000
Recovery (3119)	89,200	215,000	215,000
Total - State Real Estate Department	<u>\$90,500</u>	<u>\$234,000</u>	<u>\$234,000</u>
Arizona State Retirement System (RSA)			
Administration Account - Investment Expenses (1407)	76,606,000	82,757,000	87,044,000
Long-Term Disability Trust Fund Administration Account (1408)	0	0	0
Total - Arizona State Retirement System	<u>\$76,606,000</u>	<u>\$82,757,000</u>	<u>\$87,044,000</u>
Department of Revenue (RVA)			
Client County Equipment Capitalization (2457)	0	0	0
Escheated Estates (3745)	330,300	0	0
Estate and Unclaimed Property (1520)	40,013,500	42,000,000	43,000,000
I Didn't Pay Enough (6001)	0	0	0
IGA and ISA (2500)	178,500	150,000	150,000
Revenue Publications Revolving (2166)	17,600	0	0
Special Collections (2168)	0	0	0
Statewide Employee Recognition Gifts/Donations (2449)	3,100	0	0
Waste Tire (2356)	0	0	0
Total - Department of Revenue	<u>\$40,543,000</u>	<u>\$42,150,000</u>	<u>\$43,150,000</u>
School Facilities Board (SFA)			
Building Renewal (2465)	0	0	0
Building Renewal Grant (2392)	0	0	0
Deficiencies Correction (2455)	0	0	0
Emergency Deficiencies Correction (2484)	2,028,200	722,400	0
Land Trust Bond Debt Service (5030)	24,247,700	24,248,600	23,292,300

	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Lease-to-Own Debt Service (2373)	0	0	0
New School Facilities (2460)	18,682,500	5,483,900	9,300
School Improvement Revenue Bond Debt Service (5020)	57,945,700	57,007,000	64,904,400
Total - School Facilities Board	\$102,904,100	\$87,461,900	\$88,206,000
Secretary of State - Department of State (STA)			
Address Confidentiality Program (2557)	53,400	53,400	53,400
Blue Book Revolving, Arizona (2006)	0	0	0
Data Processing Acquisition (2265)	111,800	111,800	111,800
Election Training (2521)	0	0	0
Federal Grants (LAA2000)	3,550,100	3,648,600	3,648,600
Federal Grants - American Recovery & Reinvestment Act (2999)	798,400	0	0
Museum Gift Shop Revolving (LAA4008)	39,300	39,300	39,300
Health Care Directives Registry (2508)	0	0	0
IGA and ISA (2500)	0	175,000	0
Notary Bond (3000)	97,400	97,400	97,400
Standing Political Committee Administrative (2426)	0	0	0
State Library (LAA2115)	674,800	353,100	353,100
Total - Secretary of State - Department of State	\$5,325,200	\$4,478,600	\$4,303,600
Office of Tourism (TOA)			
Tourism (2236)	\$12,096,300	\$13,904,900	\$13,904,900
Department of Transportation (DTA)			
Highways Magazine, Arizona (2031)	4,403,800	5,010,000	5,010,000
Cash Deposits (2266)	17,300	15,000	15,000
Contract Counsel (4212)	0	0	0
ADOT Donations (3080)	0	0	0
Federal Grants (2097)	3,547,900	4,744,600	4,744,600
Highway Expansion & Extension Loan Program (2417)	0	6,250,000	6,250,000
International Development Authority, AZ (1994)	0	0	0
Local Agency Deposits (3701)	518,300	0	0
Maricopa Regional Area Road (2029)	8,929,400	2,550,900	2,550,900
Motor Carrier Safety Revolving (2380)	0	0	0
Railroad Corridor Acquisition Fund (2493)	1,000	146,200	146,200
Rental Tax and Bond Deposit (3737)	0	0	0
Shared Location and Advertising Agreements Expense (2414)	8,200	0	0
Statewide Employee Recognition Gifts/Donations (2449)	19,100	20,000	20,000
Statewide Special Plates (2650)	1,234,600	1,620,900	1,620,900
Underground Storage Tank Revolving (3728)	0	0	0
Total - Department of Transportation	\$18,679,600	\$20,357,600	\$20,357,600
State Treasurer (TRA)			
African-American Affairs, AZ Commission of (AMA2397)	0	0	0
Criminal Justice Enhancement (3702)	4,798,200	4,798,200	4,798,200
Public Deposit Administration (2574)	0	0	0
Total - State Treasurer	\$4,798,200	\$4,798,200	\$4,798,200
Arizona Board of Regents (BRA)			
Federal (2000)	2,509,400	1,368,500	892,300
Health Education Center Program, AZ (BRA2)	0	0	0
Regents Local (BRA1)	3,955,900	6,196,500	6,196,500
Technology and Research Initiative (2472)	2,089,000	3,976,500	2,000,000
Trust Land (3131/3132/3134/3136)	3,513,400	3,577,600	3,523,700
Total - Arizona Board of Regents	\$12,067,700	\$15,119,100	\$12,612,500
Arizona State University - Tempe/DPC (ASA)			
Auxiliary (UNI8906)	122,414,500	137,725,800	139,121,200
Designated (UNI8905)	431,625,300	470,811,500	534,680,000
Endowment and Life Income (UNI8904)	1,687,700	0	0
Federal Grants (UNI8903)	266,869,100	279,165,300	288,448,000
Federal Indirect Cost Recovery (UNI8902)	0	0	0
Indirect Cost Recovery (Non-Federal) (UNI8900)	28,379,600	30,643,500	27,632,000
Loan (UNI8901)	221,600	0	0
Restricted (Excluding Federal Funds) (UNI8907)	117,684,600	130,840,100	135,184,000
University Capital Improvement Lease-to-Own & Bond (BRA3042)	520,400	1,045,900	1,345,600
Total - Arizona State University - Tempe/DPC	\$969,402,800	\$1,050,232,100	\$1,126,410,800
Arizona State University - East Campus (ASA)			
Auxiliary (UNI8906)	130,800	152,700	152,100
Designated (UNI8905)	8,011,000	14,863,200	15,123,200
Endowment and Life Income (UNI8904)	20,200	0	0
Federal Grants (UNI8903)	4,964,500	5,667,900	5,850,000

	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Restricted (Excluding Federal Funds) (UNI8907)	2,700,900	3,257,700	3,359,000
Total - Arizona State University - East Campus	<u>\$15,827,400</u>	<u>\$23,941,500</u>	<u>\$24,484,300</u>
Arizona State University - West Campus (ASA)			
Auxiliary (UNI8906)	233,600	264,700	271,100
Designated (UNI8905)	10,324,900	13,916,000	14,192,800
Endowment and Life Income (UNI8904)	55,100	0	0
Federal Grants (UNI8903)	11,409,500	12,587,500	13,003,900
Federal Indirect Cost Recovery (UNI8902)	0	0	0
Indirect Cost Recovery (Non-Federal) (UNI8900)	0	0	0
Loan (UNI8901)	0	0	0
Restricted (Excluding Federal Funds) (UNI8907)	0	6,988,200	7,219,900
Total - Arizona State University - West Campus	<u>\$22,023,100</u>	<u>\$33,756,400</u>	<u>\$34,687,700</u>
Northern Arizona University (NAA)			
Auxiliary (UNI8906)	64,024,700	62,162,900	62,400,000
Designated (UNI8905)	93,647,500	101,870,800	104,586,700
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	68,964,300	69,654,200	70,525,300
Federal Indirect Cost Recovery (UNI8902)	4,155,800	4,197,300	4,064,500
Indirect Cost Recovery (Non-Federal) (UNI8900)	657,200	1,563,600	1,570,100
Loan (UNI8901)	220,300	224,000	232,000
Restricted (Excluding Federal Funds) (UNI8907)	20,575,000	20,830,600	20,988,400
University Capital Improvement Lease-to-Own & Bond (BRA3042)	513,400	2,005,800	1,280,400
Total - Northern Arizona University	<u>\$252,758,200</u>	<u>\$262,509,200</u>	<u>\$265,647,400</u>
University of Arizona - Main Campus (UAA)			
Auxiliary (UNI8906)	198,406,700	211,793,600	212,157,500
Designated (UNI8905)	492,951,900	500,583,200	500,720,800
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	227,965,300	239,556,700	241,951,900
Federal Indirect Cost Recovery (UNI8902)	50,842,500	50,842,500	50,842,500
Indirect Cost Recovery (Non-Federal) (UNI8900)	8,613,100	8,613,100	8,613,100
Loan (UNI8901)	1,109,300	1,143,700	1,155,200
Restricted (Excluding Federal Funds) (UNI8907)	151,567,700	155,271,000	156,821,900
University Capital Improvement Lease-to-Own & Bond (BRA3042)	1,617,600	2,353,200	2,242,500
Total - University of Arizona - Main Campus	<u>\$1,133,074,100</u>	<u>\$1,170,157,000</u>	<u>\$1,174,505,400</u>
University of Arizona - Health Sciences Center (UAA)			
Auxiliary (UNI8906)	10,594,000	13,248,400	13,341,000
Designated (UNI8905)	59,355,600	82,034,600	83,833,900
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	76,351,600	90,794,300	99,135,800
Federal Indirect Cost Recovery (UNI8902)	24,546,800	24,546,800	24,546,800
Indirect Cost Recovery (Non-Federal) (UNI8900)	2,319,200	2,319,200	2,319,200
Restricted (Excluding Federal Funds) (UNI8907)	104,580,500	105,817,500	115,996,700
Total - University of Arizona - Health Sciences Center	<u>\$277,747,700</u>	<u>\$318,760,800</u>	<u>\$339,173,400</u>
Department of Veterans' Services (VSA)			
Federal (2000)	458,900	392,600	392,600
Military Family Relief (2339)	433,700	443,600	443,600
Southern Arizona Veterans' Cemetery Trust (2499)	213,300	183,600	183,600
Statewide Employee Recognition Gifts (2449)	600	0	0
Veterans' Cemetery (2481)	1,722,100	2,160,800	7,421,200
Veterans' Donations (2441)	2,083,600	726,700	726,700
Total - Department of Veterans' Services	<u>\$4,912,200</u>	<u>\$3,907,300</u>	<u>\$9,167,700</u>
Department of Water Resources (WCA)			
Administrative (3025)	0	0	0
Augmentation and Conservation Assistance (2213)	49,900	668,000	668,000
Colorado River Water Use Fee Clearing Account (2538)	7,600	7,600	7,600
Dam Repair (2218)	23,400	259,000	259,000
Federal Grants (2000)	256,500	277,300	277,300
Flood Warning System (1021)	1,300	76,300	76,300
General Adjudications (2191)	3,300	4,000	4,000
Indirect Cost Recovery (9000)	0	500,000	500,000
Interagency Service Agreement (2500)	483,500	655,300	655,300
Production and Copying (2411)	100	5,100	5,100
Publication and Mailing (2410)	4,700	3,000	3,000
Purchase and Retirement Fund (2474)	0	0	0
Statewide Donations (2025)	8,600	156,000	156,000
Water Banking, Arizona (2110)	4,743,600	6,332,800	6,332,800
Water Protection, Arizona (1302)	1,620,700	964,300	964,300

	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Water Quality, Arizona (2304)	228,900	269,800	269,800
Well Administration and Enforcement (2491)	279,200	314,600	314,600
Total - Department of Water Resources	<u>\$7,711,300</u>	<u>\$10,493,100</u>	<u>\$10,493,100</u>
OPERATING TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	\$15,642,836,900	\$16,526,829,900	\$17,704,194,100
Subtotal - Other Funds	6,451,389,000	6,968,601,700	7,052,462,500
Subtotal - Federal Funds	9,191,447,900	9,558,228,200	10,651,731,600
OPERATING TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$15,642,836,900</u>	<u>\$16,526,829,900</u>	<u>\$17,704,194,100</u>
CAPITAL - NON-APPROPRIATED			
Aviation Federal Funds (DTA2267)	404,000	1,275,000	1,600,000
Federal Grants (DTA2097)	685,310,000	668,349,000	668,349,000
Economic Strength Project (DTA2244)	1,000,000	1,000,000	1,000,000
Highway Expansion & Extension Loan Program (DTA2417)	0	6,250,000	43,750,000
Local Agency Deposits (DTA3701)	104,913,000	100,000,000	100,000,000
Maricopa Regional Area Road (DTA2029)	216,729,000	542,463,000	420,107,000
Department of Public Safety Federal Funds (PSA2000)	153,800	204,000	0
CAPITAL TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	\$1,008,509,800	\$1,319,541,000	\$1,234,806,000
Subtotal - Other Funds	322,642,000	649,713,000	564,857,000
Subtotal - Federal Funds	685,867,800	669,828,000	669,949,000
CAPITAL TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$1,008,509,800</u>	<u>\$1,319,541,000</u>	<u>\$1,234,806,000</u>
GRAND TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	\$16,651,346,700	\$17,846,370,900	\$18,939,000,100
Subtotal - Other Funds	6,774,031,000	7,618,314,700	7,617,319,500
Subtotal - Federal Funds	9,877,315,700	10,228,056,200	11,321,680,600
GRAND TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$16,651,346,700</u>	<u>\$17,846,370,900</u>	<u>\$18,939,000,100</u>

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

2/ Represents Calendar Year 2012. As of January 1, 2013, the State Compensation is no longer a state entity.

NA = No Fund Number

STATE PERSONNEL SUMMARY

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

BUDGET UNITS	Fiscal Year 2014			Fiscal Year 2015		
	General	Other	Total	General	Other	Total
	Fund	Fund		Fund	Fund	
Accountancy, State Board of	0.0	13.0	13.0	0.0	13.0	13.0
Acupuncture Board of Examiners	0.0	1.0	1.0	0.0	1.0	1.0
Administration, Arizona Department of	90.2	417.9	508.1	90.2	417.9	508.1
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	90.2	497.9	588.1
Administrative Hearings, Office of	12.0	0.0	12.0	12.0	0.0	12.0
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	424.2	594.0	1,018.2
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	988.4	1,214.9	2,203.3
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	222.2	325.7	547.9
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	9.0	0.0	9.0
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, AZ	0.0	9.0	9.0	0.0	9.0	9.0
Deaf & the Blind, AZ 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 4/	2,411.4	4,007.1	6,418.5	2,411.4	4,007.1	6,418.5
Education, Department of	143.2	32.7	175.9	143.2	32.7	175.9
Emergency and Military Affairs, Department of 2/ 5/	66.6	0.0	66.6	66.6	0.0	66.6
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, AZ	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	12.0	58.1
Fire, Building and Life Safety, Department of	47.0	0.0	47.0	47.0	0.0	47.0
Forester, State	52.0	0.0	52.0	52.0	0.0	52.0
Funeral Directors & Embalmers, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Game and Fish Department, Arizona	0.0	273.5	273.5	0.0	273.5	273.5
Gaming, Department of	0.0	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 AZ, Prescott	13.0	0.0	13.0	13.0	0.0	13.0
Homeopathic & Integrated Medicine Examrs., Bd. of	0.0	1.0	1.0	0.0	1.0	1.0
Housing, Department of	0.0	3.0	3.0	0.0	3.0	3.0
Indian Affairs, AZ Commission of	3.0	0.0	3.0	3.0	0.0	3.0
Industrial Commission of Arizona	0.0	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	133.6	38.4	172.0
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	399.2	47.1	446.3
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	4.0	121.7	125.7
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	47.0	0.0	47.0
SUBTOTAL - Legislature	260.8	0.0	260.8	260.8	0.0	260.8
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
Medical Board, AZ	0.0	58.5	58.5	0.0	58.5	58.5

BUDGET UNITS	Fiscal Year 2014			Fiscal Year 2015		
	General	Other	Total	General	Other	Total
	Fund	Fund		Fund	Fund	
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, AZ	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, AZ 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, AZ 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, AZ	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	1,546.8	1,904.7
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	816.8	45.0	861.8
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 6/						
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	5,365.0	0.0	5,365.0
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	15,633.6	0.0	15,633.6
Veterans' Services, Department of	104.3	396.0	500.3	104.3	396.0	500.3
Veterinary Medical Examining Board, AZ. State	0.0	5.5	5.5	0.0	5.5	5.5
Water Resources, Department of	88.5	1.5	90.0	88.5	1.5	90.0
Weights and Measures, Department of	18.9	17.5	36.4	18.9	17.5	36.4
TOTAL APPROPRIATED FUNDS	33,665.3	16,009.7	49,675.0	33,815.3	16,050.7	49,866.0

- 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 FY 2015 in the Other Fund FTE Positions columns funded from the Federal Medicaid Expenditure Authority.
- 4/ Includes 1,689.9 FTE Positions in FY 2014 and 1,689.9 FTE Positions in FY 2015 funded by the Long Term Care System Fund and Federal Funds for Child Support Enforcement. In FY 2015, the amount in the Division of Children, Youth and Families also includes 764.4 FTE Positions that are funded with non-appropriated funds. The FY 2014 figure has been adjusted for comparability.
- 5/ 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.
- 6/ All university FTE Positions are attributed to the General Fund, although the universities fund these positions from Other Appropriated Funds as well.

FY 2015 BUDGET RECONCILIATION BILL PROVISIONS

The Baseline would include the enactment of statutory changes associated with its funding amount. The following provisions would be grouped by subject into Budget Reconciliation Bills (BRBs). New provisions in the Baseline are noted with an asterisk (*). Deleted BRB provisions are shown with strike-through text.

Statewide

1. As session law, continue to not withstand A.R.S. § 35-121 to permit annual budgets for all departments.
2. 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.
3. As session law, continue to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.
4. ~~As session law, exempt agencies that were added to the State Personnel System in FY 2013 from paying the required pro-rata assessment in FY 2013.~~

Counties

5. 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.

Arizona Department of Administration

6. * As permanent law, require all information technology projects with 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 Arizona Strategic Enterprise Technology Office staff through the Project Investment Justification process.
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.

Department of Agriculture

8. 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.

AHCCCS

Rates and Services

9. As session law, continue the FY 2010 risk contingency rate reduction for all managed care organizations. Continue to impose a reduction on funding for all managed care organizations administrative funding levels.
10. As session law, state that it is the intent of the Legislature that AHCCCS not increase capitation rates more than 3% in FY 2016 and FY 2017.
11. As session law, continue to allow AHCCCS to notwithstanding coverage exclusions in order to cover outpatient health services, medical supplies, durable medical equipment, and prosthetic devices under certain conditions. ~~Require AHCCCS to submit a report by January 1, 2016 on cost savings.~~

Counties

12. As session law, set FY 2015 county Arizona Long Term Care System (ALTCS) contributions at \$245,196,200.
13. 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. 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.
15. 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.
16. As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations.

Hospitals

17. 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. ~~Continue to cap the DSH payments from the Maricopa Special Health Care District at \$89.9 million and set the DSH payment to the Arizona State Hospital at \$28.5 million and private hospitals at \$9.3 million. Allow Maricopa Special HealthCare District to use uncompensated care expenditures above \$89.9 million for the Safety Net Care Pool.~~

18. As permanent session law, continue to permit local governments, tribal governments, and universities to contribute state match monies for disproportionate share hospital payments in FY 2014.
19. ~~As session law, extend hospitals' authority to partner with political subdivisions to provide coverage for individuals who no longer qualify for Proposition 204 from September 30, 2013 to December 31, 2013.~~
20. ~~As session law, allow Phoenix Children's Hospital to continue to participate in the Safety Net Care Pool (SNCP) program through December 31, 2017 if approved by the federal government. Limits the growth of supplemental payments from the SNCP and disproportionate share hospital payments to 3% annually.~~

Erroneous Payments

21. 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.
22. 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.

Available Funding

23. As session law, continue to state that it is the intent of the Legislature that AHCCCS implement a program within its available appropriation.

Medicaid Expansion

24. ~~As session law, appropriates sufficient expenditure authority funds to AHCCCS for implementing a program for the Proposition 204 and adult expansion populations.~~
25. ~~As session law, adds intent statement regarding purposes of expanded Medicaid coverage.~~

Hospital Assessment

26. ~~As session law, states that it is the intent of the Legislature that 1) The requirement that the hospital assessment is subject to approval by the federal government does not adopt federal law by reference, 2) That the requirement that AHCCCS establish a hospital assessment does not delegate legislative taxing authority to AHCCCS, and 3) That it is the intent of the Legislature that the hospital assessment is to be used for the benefit of hospitals for the purpose of providing health care for persons eligible for the assessment~~
27. ~~As session law, adds intent statement regarding purposes of hospital assessment.~~

Reports

28. 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.
29. As session law, require AHCCCS and DHS to submit a joint report by January 1, 2015 on hospital costs and charges.
30. ~~As session law, creates the Medicaid Federal Circuit Breaker and Outcomes Study Committee to evaluate the potential impact on the AHCCCS program if Federal Funding decreases. The Study Committee shall also assess the potential impact of restoring Medicaid coverage and the hospital assessment. Requires reports on these issues by October 1, 2014 and January 1, 2016.~~
31. ~~As session law, require AHCCCS to report annually from 2013–2017 on the change in uncompensated hospital costs and hospital profitability.~~
32. ~~As session law, require AHCCCS to report annually from 2014–2017 on the amount contributed for the assessment by each hospital and the estimated payments each hospital received.~~
33. ~~As session law, require AHCCCS to submit a report by December 31, 2013 on the cost, reimbursement, and utilization of air ambulances for AHCCCS enrollees.~~

Other

34. As session law require AHCCCS to pursue the maximum cost sharing allowable under federal law for AHCCCS enrollees. If approved by the federal government, charge the adult expansion population a premium of up to 2% of their income, a co-pay of \$200 for non-emergency use of the emergency room if the person is not admitted to the hospital, and a co-pay of \$200 for an emergency room if there is a community health center, rural health center, or urgent care center within 20 miles of the hospital. Exempts AHCCCS from rulemaking for 1 year.
35. ~~As session law, prohibits AHCCCS from enrolling new members or businesses in Healthcare Group, retroactive to August 1, 2013.~~

Arizona Commission on the Arts

36. ~~As session law, appropriate \$1,000,000 of Budget Stabilization Fund interest income in FY 2014 to the continuously appropriated Arts Fund.~~

Attorney General - Department of Law

37. As session law, permit the Attorney General to use State Aid to Indigent Defense Fund for capital postconviction prosecution activities in FY 2015.

Arizona Commerce Authority

38. ~~As session law, allow monies from the Arizona Competes Fund to be used for a loan not to exceed \$2,000,000 in Navajo County in FY 2014.~~

Arizona Community Colleges

39. 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.

State Department of Corrections

40. 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.
41. 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.
42. As session law, continue to allow 2 ADC special funds to be used for general operations.

Department of Economic Security

43. 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.
44. 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.
45. As session law, continue to allow use of the Long Term Care System Fund for any DES operational or programmatic expenses in FY 2015.
46. ~~As session law, evaluate reporting requirements for child protective services and make recommendations for adding, eliminating, and consolidating reports.~~
47. ~~As session law, require the Auditor General to evaluate certain expenditures for children support services.~~

Department of Education

Formula Requirements

48. 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%.

Funding Formula Changes

49. As session law, continue to fund state aid for Joint Technological Education Districts (JTEDs) in FY 2015 at 91% of the formula requirement for JTEDs with more than 2,000 students and reduce budget limits accordingly. Would continue to fund smaller JTEDs at 100%.
50. ~~As session law, address transition issues pertaining to the elimination of CORL and Soft Capital funding with respect to existing fund balances, current CORL overrides and correction of past over expenditures.~~
51. As session law, continue to reduce school districts' Additional Assistance funding by \$238,985,500 and reduce budget limits 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.
52. As session law, continue to reduce Charter Additional Assistance by \$15,656,000.
53. 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.
54. As session law, continue to cap total District Additional Assistance reductions for school districts with fewer than 1,100 students at \$5,000,000.

Other

55. 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.
56. ~~As session law, transfer \$10,000,000 from the Arizona Structured English Immersion Fund to the General Fund.~~
57. ~~As session law, stipulate that \$100,000 of the \$3,646,400 School Safety Program appropriation for FY 2014 is to be used for a pilot program on school emergency readiness and establish requirements for the pilot program.~~

Department of Environmental Quality

58. 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.
59. 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.

Department of Financial Institutions

60. ~~As session law, permit the agency to spend up to \$850,000 from the Receivership Revolving Fund in FY 2014 for information technology upgrades.~~

Department of Health Services

61. ~~As session law, allow DHS to set the percentage of the cost of care reimbursed by counties for the treatment and confinement for sexually violent persons in FY 2014. State that it is the intent of the Legislature that DHS set the percentage rate at a level that would increase the state share of the cost by \$1,800,000 in FY 2014. As session law, require all counties to pay 32% of the cost of care for the treatment and confinement of sexually violent persons (SVPs), excluding any indirect and administrative costs associated with DHS providing SVP treatment. This cost-sharing arrangement reflects the percentage counties would pay in FY 2014 less indirect and administrative costs. Allow counties to use any source of county revenue to make the transfers and exempt county contributions from county expenditure limitations.~~
62. 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.
63. 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.
64. * 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.
65. ~~As session law, transfer any unexpended monies in the Hearing and Speech Professionals Fund to the Health Services Licensing Fund.~~
66. ~~As session law, exempts DHS from rulemaking for purposes of this act for 1 year after the effective date of this act.~~
67. ~~As session law, appropriates sufficient expenditure authority funds to DHS for implementing a program for Proposition 204 and adult expansion populations.~~
68. ~~As session law, state that it is the intent of the Legislature that DHS may increase behavioral health service provider rates up to 3% beginning on October 1, 2013.~~
69. ~~As session law, extend DHS exemption from rulemaking from July 1, 2013 to April 30, 2014 for reducing regulatory costs, promotion of behavioral health organizations and facilitating licensure of integrated behavioral health programs.~~

Department of Insurance

70. 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.

Judiciary

71. 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.
72. As ~~session~~ permanent law, continue to suspend the requirement of 50% reimbursement to counties for grand jury expenses and for state-funded representation of indigent defendants in first-time capital post conviction relief proceedings and reimburse only the amount provided in the General Appropriation Act.

State Lottery Commission

73. * 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.

Massage Therapy, Board of

74. ~~As session law, transfer any unexpended monies in a subaccount previously used by the Board of Massage Therapy to the newly created Board of Massage Therapy Fund established by Laws 2013, Chapter 108.~~

Arizona Navigable Stream Adjudication Commission

75. As session law, continue to allow up to \$80,000 from the Risk Management Revolving Fund to be spent for the commission's unpaid legal obligations.

Arizona State Parks Board

76. As session law, continue to allow the use of \$692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs.
77. ~~As session law, appropriate \$1,000,000 from Budget Stabilization Fund interest income to the State Parks Revenue Fund in FY 2014. That funding is further appropriated in FY 2014 for State Parks capital improvement projects, subject to review by the Joint Committee on Capital Review.~~

Office of Pest Management

78. ~~As session law, continue fee raising authority and an exemption relating to establishing fees for the Office of Pest Management in FY 2014. The bill continues an intent clause that limits additional revenues to \$525,000.~~

Department of Public Safety

79. 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.

80. As session law, continue to suspend the schedule established by A.R.S. § 28-6537 governing the level of Highway User Revenue Fund (HURF) ~~and State Highway Fund~~ revenues available to fund DPS's Highway Patrol costs. Under the legislative 2-year HURF shift proposal, this language would be unnecessary.

Department of Racing

81. 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.

Radiation Regulatory Agency

82. As session law, continue fee raising authority and an exemption relating to establishing fees for the Radiation Regulatory Agency in FY 2014. The bill continues an intent clause that limits additional revenues to \$561,000.

School Facilities Board

83. ~~As session law, allow the board to refinance lease purchase in FY 2014, subject to JCCR review.~~

Secretary of State

84. ~~As session law, suspend the requirement that the Secretary of State register Professional Employer Organizations pursuant to A.R.S. § 23-563, until June 30, 2023. Retroactive to June 30, 2013.~~

Technical Registration, Board of

85. ~~As session law, phase in licensing cycle for alarm system installers. Retroactive to May 1, 2013.~~

Office of Tourism

86. As session law, continue to specify that General Fund allocations to the Office of Tourism in FY 2015 be deposited into the continuously-appropriated Tourism Fund.

Universities

87. As session law, continue to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into Arizona Financial Aid Trust (AFAT).

Department of Water Resources

88. 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.

89. 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.

GENERAL APPROPRIATION ACT PROVISIONS

Arizona Department of Administration

90. 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.

Arizona Commerce Authority

91. 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.

Department of Economic Security

92. 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.

Department of Education

93. 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.
94. 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.

Universities

95. 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.

Debt Service

96. 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.

Revenues

97. As session law, continue to specify revenue and expenditure estimates for FY 2014, FY 2015, FY 2016, and FY 2017.
98. 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.

Statewide

99. As session law, ex-appropriate \$(188,600) 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.
100. As session law, continue to specify FY 2015 individual agency charges totaling \$1,809,500 for general agency counsel provided by the Attorney General.
101. 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.
102. As session law, continue to require ADOA to compile a report on Full-Time Equivalent (FTE) Position usage in FY 2014 in all agencies and provide it to the JLBC Director by October 1, 2014. The Department of Economic Security, Universities, and Department of Environmental Quality are exempt from the report but are required to report separately.
103. As session law, continue to require each agency to submit a report to the JLBC Director by October 1, 2013 on the number of filled FTE Positions by fund source as of September 1, 2013.
104. 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.

General

105. As session law, continue to define "*" as designating an appropriation exempt from lapsing.
106. As session law, continue to define "expenditure authority" as continuously appropriated monies included in individual line items of appropriations.
107. 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.

MAJOR FOOTNOTE CHANGES

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

Arizona Department of Administration

- 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.
- 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.

Department of Education

- 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.

Department of Economic Security

- Adds footnote requiring the Department of Economic Security to report to JLBC on its progress in implementing the Auditor General's recommendations for foster home recruitment.

INDIVIDUAL AGENCY ESTIMATES

Arizona State Board of Accountancy

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	321,200
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	287,400
Equipment	15,000	21,600	21,600
AGENCY TOTAL	1,563,100	1,933,700	1,933,700

FUND SOURCES

<i>Other Appropriated Funds</i>			
Board of Accountancy Fund	1,563,100	1,933,700	1,933,700
SUBTOTAL - Other Appropriated Funds	1,563,100	1,933,700	1,933,700
SUBTOTAL - Appropriated Funds	1,563,100	1,933,700	1,933,700
TOTAL - ALL SOURCES	1,563,100	1,933,700	1,933,700

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

Operating Budget

* * *

The Baseline includes \$1,933,700 and 13 FTE Positions from the Board of Accountancy Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Board of Accountancy Fund (ABA2001/A.R.S. § 32-705)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of public accountants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate certified public accountants and public accountants, and for board administration.		
Funds Expended	1,563,100	1,933,700
Year-End Fund Balance	1,596,600	1,358,400

Acupuncture Board of Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	85,400	92,400	92,400
Employee Related Expenditures	17,600	18,000	18,000
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	20,700
Equipment	500	0	0
AGENCY TOTAL	128,800	150,200	145,200
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Acupuncture Board of Examiners Fund	128,800	150,200	145,200
SUBTOTAL - Other Appropriated Funds	128,800	150,200	145,200
SUBTOTAL - Appropriated Funds	128,800	150,200	145,200
TOTAL - ALL SOURCES	128,800	150,200	145,200

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

Operating Budget

The Baseline includes \$145,200 and 1 FTE Position from the Acupuncture Board of Examiners Fund in FY 2015 for the operating budget. FY 2015 adjustments would be as follows:

Remove One-time Funding OF (5,000)
The Baseline includes a decrease of \$(5,000) from the Acupuncture Board of Examiners Fund in FY 2015 to eliminate one-time expenses for rulemaking.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Acupuncture Board of Examiners Fund (ANA2412/A.R.S. § 32-3905)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of acupuncturists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate acupuncturists, and for board administration.		
Funds Expended	128,800	150,200
Year-End Fund Balance	126,600	126,900

Arizona Department of Administration

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	528.1	508.1	508.1
Personal Services	26,336,600	30,046,100	30,046,100
Employee Related Expenditures	9,874,700	11,771,700	11,771,700
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	27,956,900
Equipment	3,090,700	4,538,300	4,538,300
OPERATING SUBTOTAL	80,775,900	86,430,800	86,430,800
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
Named Claimants	283,700	0	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	549,700
Statewide Information Security and Privacy Office	690,600	871,700	871,700
Risk Management			
Federal Transfer Payment	3,727,200	0	0
Risk Management Administrative Expenses	5,769,000	8,746,100	8,746,100
Risk Management Losses and Premiums	26,956,900	45,656,200	45,656,200
Workers' Compensation Losses and Premiums	25,802,200	30,955,200	30,955,200
Support Services			
State Surplus Property Sales Proceeds	1,444,900	1,260,000	1,260,000
AGENCY TOTAL	160,270,700	183,958,500	183,958,500
FUND SOURCES			
General Fund	13,662,700	11,694,300	11,694,300
Other Appropriated Funds			
Air Quality Fund	641,400	927,100	927,100
Automation Operations Fund	17,167,100	19,108,000	19,108,000
Capital Outlay Stabilization Fund	16,859,500	18,070,700	18,070,700
Corrections Fund	449,800	572,900	572,900
Federal Surplus Materials Revolving Fund	86,500	464,100	464,100
Information Technology Fund	2,643,100	3,232,300	3,232,300
Motor Vehicle Pool Revolving Fund	8,878,700	10,155,800	10,155,800
Personnel Division Fund	14,304,700	12,898,700	12,898,700
Risk Management Revolving Fund	72,229,200	93,072,200	93,072,200
Special Employee Health Insurance Trust Fund	9,056,600	5,259,200	5,259,200
State Surplus Materials Revolving Fund	2,462,600	2,399,600	2,399,600
State Web Portal Fund	220,100	4,250,000	4,250,000
Telecommunications Fund	1,608,700	1,853,600	1,853,600
SUBTOTAL - Other Appropriated Funds	146,608,000	172,264,200	172,264,200
SUBTOTAL - Appropriated Funds	160,270,700	183,958,500	183,958,500
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	921,113,300	1,088,726,200

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.

Operating Budget

The Baseline includes \$86,430,800 and 501.1 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$9,305,700
Air Quality Fund	927,100
Automation Operations Fund	19,108,000
Capital Outlay Stabilization Fund (COSF)	10,420,800
Corrections Fund	572,900
Federal Surplus Materials Revolving Fund	464,100
Information Technology Fund	2,360,600
Motor Vehicle Pool Revolving Fund	10,155,800
Personnel Division Fund	12,898,700
Risk Management Revolving Fund	7,714,700
Special Employee Health Insurance Trust Fund	5,259,200
State Surplus Materials Revolving Fund	1,139,600
State Web Portal Fund	4,250,000
Telecommunications Fund	1,853,600

FY 2015 adjustments would be as follows:

AFIS FTE Realignment OF 0

The Baseline 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 Automation Projects Fund page for more details.)*

Facilities Management

Utilities

The Baseline 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 Baseline 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 and general enforcement of immigration related matters.

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, the remaining monies may be distributed to county attorneys and county sheriffs of counties with populations of less than 2,000,000 persons. FY 2013 distributions were not approved by JLBC due to an oversight.
- 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.

ADOA reported 4 main outcomes from its FY 2013 distribution:

1. 16 County Sheriffs' and Attorneys' Offices, for a total amount of \$169,500, either did not spend the funds or returned them to ADOA.
2. 11 offices, for a total amount of \$901,400, spent the funds investigating and enforcing employer sanctions laws, primarily by funding personal services, employee benefits, travel expenses and other related costs.
3. 2 offices, for a total amount of \$135,100, will or have used the funds to purchase technological equipment

such as new computers, tracking equipment and communication tools.

- 1 office, for a total amount of \$7,100, spent the funds to educate local businesses and community members about employer sanctions laws.

(Please see Other Issues for Legislative Consideration for more information.)

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.

Information Technology Services

Public Safety Communications

The Baseline includes \$549,700 and 4 FTE Positions from the General Fund in FY 2015 for Public Safety Communications. These amounts are unchanged from FY 2014.

The Public Safety Communications Program designs and implements a standard-based system that provides interoperability between statewide public safety agencies, and is administered by the Public Safety Communication Advisory Commission (PSCC).

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

Statewide Information Security and Privacy Office

The Baseline includes \$871,700 and 3 FTE Positions from the Information Technology Fund in FY 2015 for the Statewide Information Security and Privacy Office. These amounts are unchanged from FY 2014.

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

Risk Management

Federal Transfer Payment

The Baseline includes no funding from the Risk Management Fund in FY 2015 for payment to the federal government. Laws 2013, 1st Special Session, Chapter 1, Section 105 included an FY 2013 supplemental

appropriation of \$3,727,300 from the Risk Management Fund to repay 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 statewide Information Technology charges.
- \$2,767,500 for fund transfers prior to FY 2013.

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. *(Please see Other Issues for Legislative Consideration for more information.)*

Risk Management Administrative Expenses

The Baseline includes \$8,746,100 from the Risk Management Revolving Fund in FY 2015 for Risk Management Administrative Expenses. This amount is unchanged from FY 2014.

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

Risk Management Losses and Premiums

The Baseline includes \$45,656,200 from the Risk Management Revolving Fund in FY 2015 for Risk Management Losses and Premiums. This amount is unchanged from FY 2014.

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

Workers' Compensation Losses and Premiums

The Baseline includes \$30,955,200 from the Risk Management Revolving Fund in FY 2015 for Workers' Compensation Losses and Premiums. This amount is unchanged from FY 2014.

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

Support Services

State Surplus Property Sales Proceeds

The Baseline includes \$1,260,000 from the State Surplus Materials Revolving Fund in FY 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The department may collect an amount not to exceed \$1,762,600 from other funding sources, excluding Federal Funds, to recover pro rata costs of operating AFIS II.

Of the \$1,213,200 appropriated to the County Attorney Immigration Enforcement line item, \$200,000 shall be distributed to the county attorney of a county in this state having a population of 2,000,000 or more persons for the purpose of enforcing Title 23, Chapter 2, Article 2, Arizona Revised Statutes, and \$500,000 shall be distributed to the county sheriff of a county in this state having a population of 2,000,000 or more persons for the purpose of enforcing Title 23, Chapter 2, Article 2, Arizona Revised Statutes. Subject to the prior approval of the Joint Legislative Budget Committee, the remaining monies may be distributed to county attorneys and county sheriffs of counties with populations of less than 2,000,000 persons for the purpose of enforcing Title 23, Chapter 2, Article 2, Arizona Revised Statutes. This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. The appropriated monies may be spent in the sole discretion of the county attorney or county sheriff to whom the monies are distributed for the purpose of enforcing Title 23, Chapter 2, Article 2, Arizona Revised Statutes, without any further approval or other action by the county board of supervisors of the county. Each county shall submit an annual report to the Department of Administration on or before October 1, 2014 on the actual use of funds in the previous fiscal year and the projected use of 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.

All State Surplus Materials Revolving Fund revenues received by the Department of Administration in excess of the \$2,399,600 in FY 2015 are appropriated to the department. Before the expenditure of State Surplus Materials Revolving Fund receipts in excess of \$2,399,600 in FY 2015, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee.

The amounts appropriated for the State Employee Transportation Service Subsidy shall be used for up to a 50% subsidy of charges payable for transportation service expenses as provided in A.R.S. § 41-710.01, of non-university state employees in a vehicle emissions control area as defined in A.R.S. § 49-541, of a county with a population of more than 400,000 persons.

The appropriation for the Automation Operations Fund is an estimate representing all monies, including balance forward, revenue and transfers during FY 2015. These monies are appropriated to the Department of Administration for the purposes established in A.R.S. § 41-711. The appropriation shall be adjusted as necessary to reflect receipts credited to the Automation Operations Fund for Automation Operation Center projects. Before the expenditure of any Automation Operations Fund revenues in excess of \$19,108,000 in FY 2015, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee.

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

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Automation Projects

The Baseline includes \$32,633,000 from the Automation Projects Fund in FY 2015 for automation and information technology projects at ADOA. This amount consists of:

AFIS Replacement

The Baseline 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 Baseline includes \$6,100,000 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.

	<u>Estimated FY 2014</u>	<u>Estimated FY 2015</u>
Beginning Balance	\$324.6	\$297.7
Receipts	\$817.5	\$824.5
Expenses	\$757.9	\$828.6
FFP Repayment ^{1/}	12.9	0.0
Transfer	<u>73.5</u>	<u>0.0</u>
Net Expenses	\$844.3	\$828.6
HITF Ending Balance	\$297.7 ^{2/}	\$293.6

^{1/} Represents an estimated payment not yet authorized by the Legislature.
^{2/} Does not add due to rounding.

The FY 2014 General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) requires a \$68,000,000 transfer from the HITF balance to the General Fund. Some of the HITF revenues are generated from Federal Funds. As a result, the federal government requires that they receive a refund as well, known as a federal financial participation (FFP) repayment, when HITF monies are transferred to the General Fund. While not yet authorized by the Legislature, the FFP payment in FY 2014 is estimated to be \$12,900,000.

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. (Please see the ADOA - Automation Projects Fund page.)

In FY 2015, ADOA projects medical expenditures will increase by 9.7%, raising overall expenses to \$828,600,000. 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 reinsurance fee, 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, is \$63 per member and is expected to cost \$6,500,000 in FY 2015.

Despite the FY 2014 and previous balance reduction measures, HITF is expected to have a fund balance of \$293,600,000 at the end of FY 2015. After adjusting for expenses which are incurred but not received and a sufficient reserve, it is estimated that \$75,000,000 could potentially be transferred from HITF. 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.

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.

	<u>Actual FY 2013</u>	<u>Estimated FY 2014</u>	<u>Estimated FY 2015</u>
Beginning Balance	51,739.0	61,651.3	44,859.7
Revenues	<u>106,982.0</u>	<u>103,706.2</u>	<u>103,706.2</u>
<i>Total Funds Available</i>	<i>158,721.0</i>	<i>165,357.5</i>	<i>148,565.9</i>
Expenditures			
ADOA	68,502.0	93,072.2	93,072.2
Other Agencies	20,895.2	25,657.4 ^{1/}	10,639.4
Legislative Transfers	-	736.2	-
Federal Repayment	3,727.2	-	-
Admin Adjustment	<u>3,945.3</u>	<u>1,032.0</u>	-
<i>Total Expenditures</i>	<i>97,069.7</i>	<i>120,497.8</i>	<i>103,711.6</i>
Ending Balance	61,651.3	44,859.7	44,854.3
Spending Adjustment ^{2/}	-	(15,000.0)	(15,000.0)
Adjusted Expenditures	-	105,497.8	88,711.6
Revised Balance	61,651.3	59,859.7	74,854.3

^{1/} Incorporates shifting \$10,986,600 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.

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 \$59.9 million in FY 2014 and \$74.9 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 in FY 2009 through FY 2012 to the General Fund. 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 fund balance 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 oversight, because the costs to administer oversight are charged proportionately to all agencies, and are not based on a fee-for-service model.

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.

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

FY 2014

Based on prior experiences of federal repayment and estimates provided by ADOA, the federal government is likely to charge the state approximately \$6,010,800 for restricted use of Federal Funds, as follows:

- \$5,297,700 related to FY 2013 and FY 2014 fund transfers from 7 different funds.
- \$713,100 for disallowed costs related to Attorney General legal service charges in FY 2013, and statewide IT charges in FY 2013 and FY 2014.

This amount does not include fund transfers from the Special Employee Health Insurance Trust Fund (HITF). FY 2013 and FY 2014 fund transfers from HITF are estimated to result in the federal government billing the state for an additional \$12,862,500 for their proportionate share.

Electronic Transaction Reporting

The JLBC Staff recommends the elimination of an electronic transaction reporting requirement pursuant to A.R.S. § 35-142. Currently, agencies that accept credit cards as payment for services must report to the Governor, ADOA, and the JLBC annually by October 1, on the number of transactions, the number of electronic transactions, the total dollar amount of transactions processed, the total dollar amount on any discount fee, the total dollar amount of any processing fee, and the total dollar amount of any convenience fee charged, deducted or paid for the transaction. Further, if the percentage of electronic transactions comprises more than 30% of the total amount of transactions processed, then the agency must submit a cost-benefit report, including costs of convenience fees, the amount of revenue generated and any realized cost savings. Given that electronic transactions are now more generally cost-effective than non-electronic transactions, this reporting requirement has become outdated and would be deleted.

County Attorney Immigration Enforcement

In FY 2013 and FY 2014, a total of \$1,213,200 was appropriated from the General Fund for County Attorney Immigration Enforcement. ADOA has reported that, in FY 2013, 16 County Sheriffs' and Attorneys' Offices, for a total amount of \$169,500, either did not spend these funds

or returned them to ADOA due to a lack of complaints regarding employer sanctions violations. FY 2014 and FY 2015 distributions could be adjusted to reflect the fact that a portion of this money was unused or returned to ADOA.

There are 3 possible options, as follows:

1. Appropriate less funding in FY 2015, and adjust FY 2014 distributions, to exclude those County Attorneys' and Sheriffs' Offices which did not use their funding. This option would result in an annual General Fund savings of \$(169,500).
2. Redistribute the unused funds to the other County Attorneys' and Sheriffs' Offices based on population (excluding Maricopa County, whose amounts are specified in a General Appropriation Act footnote). This option would result in no annual savings, and the majority of the unused funds, an estimated 79%, would be redistributed to Pima and Pinal Counties.
3. Make the unused funds available to those County Attorneys' and Sheriffs' Offices that may have additional needs when enforcing employer sanctions laws through a grants-based program. This option would result in no annual savings.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Administration - AFIS II Collections Fund (ADA4203/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Financial transaction processing fees.		
Purpose of Fund: To operate the Arizona Financial Information System (AFIS) II.		
Funds Expended	996,700	2,810,000
Year-End Fund Balance	2,166,000	1,088,000
Air Quality Fund (ADA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Annual air quality and emissions fees assessed on motor vehicle registrations, as well as legislative appropriations.		
Purpose of Fund: To administer a travel reduction program, as defined by A.R.S. § 49-588, including bus ride subsidies for state employees.		
Funds Expended	641,400	927,100
Year-End Fund Balance*	(697,200)	(1,629,400)
Anti-Racketeering Fund (ADA2131/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Any prosecution and investigation costs recovered for the state as a result of enforcement of civil and criminal statutes pertaining to any racketeering offense. Includes \$2.2 million of federal anti-racketeering funds, originally awarded to DPS which have been subsequently transitioned to ADOA for the Public Safety Interoperability Communications Office.		
Purpose of Fund: Provides funding to ADOA's Public Safety Interoperability Communications Office for expanding standards-based P25 communications capability along the southern border.		
Funds Expended	75,300	49,400
Year-End Fund Balance	49,400	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Automation Operations Fund (ADA4230/A.R.S. § 41-711)		Appropriated
Source of Revenue: Charges to agencies and other political entities for information technology products and services. The fund has continuously appropriated sub-accounts for agreements made with other states and the Arizona Health Care Cost Containment System.		
Purpose of Fund: To provide agencies and other political entities data processing and information technology consulting services and to maintain the integrity and security of state information. Expenditures include a transfer into the Automation Projects Fund of \$4,200,000 in FY 2013 and \$8,130,000 in FY 2014. <i>(See the Automation Projects Fund page for more details.)</i>		
Funds Expended	17,167,100	19,108,000
Transfer to Automation Projects Fund	4,200,000	8,130,000
Year-End Fund Balance	11,541,200	9,191,700
Capital Outlay Stabilization Fund (ADA1600/A.R.S. § 41-792.01)		Appropriated
Source of Revenue: Rental and tenant improvement charges to agencies occupying Arizona Department of Administration (ADOA) owned buildings.		
Purpose of Fund: To pay maintenance, utilities, construction, and administrative costs for state-owned buildings.		
Funds Expended	16,859,500	18,070,700
Year-End Fund Balance	15,130,000	1,615,100
Certificate of Participation Fund (ADA5005/A.R.S. § 41-791.02)		Non-Appropriated
Source of Revenue: Rental and tenant improvement charges to agencies occupying buildings under Certificate of Participation (COP) lease-purchase agreements.		
Purpose of Fund: To make COP lease-purchase payments on buildings under such agreements. To prevent double counting, FY 2013 and FY 2014 expenditures exclude \$108.2 million and \$115.6 million, respectively.		
Funds Expended	0	0
Year-End Fund Balance	8,830,600	3,752,100
Construction Insurance Fund (ADA4219/A.R.S. § 41-622)		Non-Appropriated
Source of Revenue: Risk management charges to agencies for state construction projects. The construction and design insurance rate is set by ADOA and reviewed by the Joint Committee on Capital Review.		
Purpose of Fund: To self-insure state construction projects against tort losses from design and construction defects.		
Funds Expended	1,245,200	2,992,400
Year-End Fund Balance	8,845,200	8,831,300
Co-Op State Purchasing Agreement Fund (ADA4213/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Annual subscription fees paid by local governments for state purchasing records, fees paid by individuals for copies of public records, and fees paid by vendors participating in the State Contract Show.		
Purpose of Fund: To provide microfiche of state purchasing information to local governments, as well as to reproduce public records for local governments and the public.		
Funds Expended	2,249,800	3,113,300
Year-End Fund Balance	2,082,600	2,147,800
Corrections Fund (ADA2088/A.R.S. § 41-1641)		Appropriated
Source of Revenue: Luxury taxes on alcohol and tobacco products.		
Purpose of Fund: To pay for construction, major maintenance, lease, purchase, renovation, or conversion of Arizona Department of Corrections (ADC) and Department of Juvenile Corrections (DJC) facilities. ADOA uses these monies to oversee construction projects benefiting ADC or DJC.		
Funds Expended	449,800	572,900
Year-End Fund Balance*	(449,800)	(1,026,700)

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Electronic Commerce Fund (ADA2482/A.R.S. § 41-2673)		Non-Appropriated
Source of Revenue: Legislative appropriations, agency repayments, and 10% of any savings generated through the implementation of electronic commerce initiatives using fund monies.		
Purpose of Fund: To partially finance agency electronic commerce initiatives where other funding mechanisms do not exist.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Emergency Telecommunication Services Revolving Fund (ADA2176/A.R.S. § 41-704)		Non-Appropriated
Source of Revenue: The telecommunication services excise tax, currently 20¢ per wire or wireless account, levied on monthly telephone bills and remitted by telephone companies, as authorized by A.R.S. § 42-5252. Laws 2012, Chapter 198 established a tax equal to 0.8% of the gross income derived from the retail sale of prepaid wireless telecommunication services, effective December 31, 2013.		
Purpose of Fund: To aid the political subdivisions of the state in implementing and operating emergency telecommunication services (911); to purchase necessary equipment and consulting services (up from 3% to 5% of revenue beginning September 30, 2009); to pay monthly recurring costs for capital, maintenance, and operations; and to reimburse wireless carriers for the costs of compliance.		
Funds Expended	15,483,100	19,143,700
Year-End Fund Balance	3,564,300	1,140,700
Employee Related Expenditures/Benefits Administration Fund (ITA3035/A.R.S. § 38-651.05)		Non-Appropriated
Source of Revenue: State employer and state employee premium contributions for vision, flexible spending, disability, life, and accident insurance.		
Purpose of Fund: To administer state employee benefit plans and pay non-health insurance premiums.		
Funds Expended	34,289,300	32,740,800
Year-End Fund Balance	3,374,600	3,329,400
Federal Grants (ADA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants, including pass through grants from the several agencies.		
Purpose of Fund: To pay for security related equipment and programs, as well as to administer monies as sub-grantee for federal projects.		
Funds Expended	2,217,900	1,960,100
Year-End Fund Balance	164,300	30,300
Federal Grants - American Recovery and Reinvestment Act (ARRA) (ADA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used for the installation of solar panels in the Phoenix and Tucson complexes, the implementation of the statewide Health Information Exchange (HIE), and broadband development.		
Funds Expended	3,894,500	2,204,800
Year-End Fund Balance	193,000	39,300
Federal Surplus Materials Revolving Fund (ADA4215/A.R.S. § 41-2606)		Appropriated
Source of Revenue: Federal surplus property service and handling fees.		
Purpose of Fund: To collect, store, and administer the sale of federal surplus property. Federal regulations concerning the disposition of federal surplus property cap the year-end balance of this fund at \$50,000. When the fund exceeds this cap, the department must discount its service and handling charges for federal surplus materials transferred to agencies in the following fiscal year.		
Funds Expended	86,500	464,100
Year-End Fund Balance*	95,800	(269,500)
IGA and ISA Fund (ADA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: To execute various intergovernmental and interagency service agreements.		
Funds Expended	8,968,300	10,696,400
Year-End Fund Balance	3,262,600	1,007,900

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Information Technology Fund (ADA2152/A.R.S. § 41-3505)		Appropriated
Source of Revenue: A pro rata share of 0.2% of total payroll, charged to all budget units subject to oversight of information technology projects by ADOA's Arizona Strategic Enterprise Technology (ASET) Office or by the Information Technology Authorization Committee (ITAC).		
Purpose of Fund: Provides personnel funding for statewide information technology planning, coordinating, oversight, and consulting. The Statewide Strategic Information Technology Plan is prepared annually by Information Technology (IT) Fund personnel with input from state agency Chief Information Officers. Additionally, monies from the IT Fund also support the operation of the Statewide Information Security and Privacy Office (SISPO). Expenditures include a transfer into the Automation Projects Fund of \$1,500,000 in FY 2013 and \$345,000 in FY 2014. <i>(See the Automation Projects Fund page for more details.)</i>		
Funds Expended	2,643,100	3,232,300
Transfer to Automation Projects Fund	1,500,000	345,000
Year-End Fund Balance	720,700	161,600
Legislative, Executive, and Public Buildings Land Fund (ADA3127/A.R.S. § 37-525)		Appropriated
Source of Revenue: State trust land lease revenues.		
Purpose of Fund: To support state Legislative, Executive, and Judicial buildings. In FY 2005, to construct a new Library and Archives Building.		
Funds Expended	0	0
Year-End Fund Balance	291,300	291,300
Management Services Division Plan Deposits Fund (ADA3196/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Deposits for blueprints, paid by construction vendors and bidders.		
Purpose of Fund: To reimburse blueprint deposits.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Monument and Memorial Repair Fund (ADA2338/A.R.S. § 41-1365)		Appropriated
Source of Revenue: Monies derived from fundraising activities, monies that are collected by the proponents of a monument or memorial, grants, donations, and legislative appropriations.		
Purpose of Fund: For the maintenance, repair, reconditioning, or relocation of monuments or memorials and for supporting mechanical equipment in the Governmental Mall.		
Funds Expended	0	0
Year-End Fund Balance	25,300	25,300
Motor Vehicle Pool Revolving Fund (ADA4204/A.R.S. § 41-804)		Appropriated
Source of Revenue: Charges to agencies for the use of motor pool vehicles.		
Purpose of Fund: To operate the motor vehicle pool.		
Funds Expended	8,878,700	10,155,800
Year-End Fund Balance	951,600	58,500
Payroll Administration Fund (ADA9200/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Collects and pays out all monies associated with the statewide payroll functions. Fund 9200 incorporates several payroll funds (ADA9220, ADA9230, NAU9202, UAA9203, and ASU9221). Fund 9230 collects a one-time \$50 charge for setting up a garnishment, which is granted by the court, a \$5 employee fee for each non-exempt statement that is generated per payday, and a \$1 administrative fee for child and spousal support orders.		
Purpose of Fund: Generally, revenues and expenditures are not used for normal payroll activities. The only balance that accumulates in this fund is for Unemployment Tax. For Fund 9230, monies are used for administrative costs related to garnishments and child support.		
Funds Expended	139,000	150,800
Year-End Fund Balance	6,246,800	6,245,000

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Personnel Division Fund (ADA1107/A.R.S. § 41-750)		Appropriated
Source of Revenue: A 0.83% (permanent law) charge on the total payroll of each agency within the ADOA personnel system. This charge was lowered from 1.07% in the FY 2014 Budget Procedures Budget Reconciliation Bill (BRB) (Laws 2013, 1 st Special Session, Chapter 6).		
Purpose of Fund: To operate the ADOA Human Resources Division.		
Funds Expended	14,304,700	12,898,700
Year-End Fund Balance	2,155,300	554,000
Privatized Lease-To-Own Fund (ADA2495/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges to agencies occupying privatized lease-to-own (PLTO) buildings.		
Purpose of Fund: To operate, maintain, and make annual rent payments on PLTO buildings.		
Funds Expended	12,437,700	9,807,100
Year-End Fund Balance	642,700	540,500
Racing Investigation Fund (ADA2369/A.R.S. § 41-705)		Non-Appropriated
Source of Revenue: Monies collected from persons, partnerships, associations, or corporations that hold a permit for a racing meeting under Title 5.		
Purpose of Fund: To cover the cost of racing investigations by the Arizona Department of Racing. The fund is administered by ADOA and disbursements are made pursuant to instructions from the Director of the Department of Racing.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Retiree Accumulated Sick Leave Fund (ADA3200/A.R.S. § 38-616)		Non-Appropriated
Source of Revenue: A 0.40% charge on the total benefit-eligible payroll of each agency within the ADOA personnel system. By statute, the rate may not exceed 0.55% and is set by ADOA with Joint Legislative Budget Committee review.		
Purpose of Fund: To compensate eligible retiring state employees for accumulated sick leave, to pay insurance premiums, and to administer the program. Payments are calculated as a percentage, tiered according to accrual level of hourly salary. Payments to 1 individual shall not exceed \$30,000.		
Funds Expended	13,655,700	13,751,300
Year-End Fund Balance	2,040,000	700,500
Risk Management Revolving Fund (ADA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to all state agencies, boards, and commissions insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay claim costs, administrative program costs, and to purchase insurance for coverage for losses not covered under the self-insured limits.		
Funds Expended	72,229,200	93,072,200
Year-End Fund Balance	61,651,300	44,859,700
Special Employee Health Insurance Trust Fund (ADA3015/A.R.S. § 38-654)		Partially-Appropriated
Source of Revenue: Employer and employee medical and dental insurance contributions.		
Purpose of Fund: To administer and pay premiums and claims for state employee health insurance plans, as well as to operate the Wellness and Communications program. Only administrative expenditures from this fund are subject to legislative appropriation.		
Appropriated Funds Expended	9,056,600	5,259,200
Non-Appropriated Funds Expended	701,443,200	636,230,500
Year-End Fund Balance	324,577,000	311,937,900
Special Events Fund (ADA2503/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Set-up fees for special events on state property.		
Purpose of Fund: To set up special events on state property.		
Funds Expended	22,300	15,400
Year-End Fund Balance	24,900	24,900

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Special Services Revolving Fund (ADA4208/A.R.S. § 35-193)		Non-Appropriated
Source of Revenue: Payments by agencies using various centralized printing, copying, and repair services offered by ADOA.		
Purpose of Fund: To provide supplies, printing, copying, repair, and other office services for state agencies.		
Funds Expended	708,800	799,100
Year-End Fund Balance	128,300	66,200
State Employee Suggestion Program Award Fund (ADA3190/A.R.S. § 38-613)		Non-Appropriated
Source of Revenue: Savings transfers from appropriated or non-appropriated monies in a budget unit where cost saving is realized. Monies are not transferred from the General Fund.		
Purpose of Fund: To award state employees up to \$1,000 for a special act in the public interest or for an adopted idea resulting in state savings or improved operations. The award may not exceed 10% of the amount saved as a result of the suggestion. Up to \$50 per award may be used to purchase recognition materials and up to 6% of fund monies may be used to administer the program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
State Employee Travel Reduction Fund (ADA2261/A.R.S. § 41-101.03)		Non-Appropriated
Source of Revenue: Grants by the Maricopa Association of Governments, the State Travel Reduction Planning Office, and the Arizona Department of Environmental Quality.		
Purpose of Fund: To operate and administer a ride-sharing program for the transportation of state employees between home and work.		
Funds Expended	421,600	564,700
Year-End Fund Balance	457,600	418,700
State Surplus Materials Revolving Fund (ADA4214/A.R.S. § 41-2606)		Appropriated
Source of Revenue: State surplus property sales revenues.		
Purpose of Fund: To collect, store, and administer the sale of state surplus property. The majority of revenues are returned to donor agencies. The department retains a service and handling fee.		
Funds Expended	2,462,600	2,399,600
Year-End Fund Balance	599,100	1,044,000
State Web Portal Fund (ADA2531/A.R.S. § 41-3506)		Partially-Appropriated
Source of Revenue: Grants, donations, and web portal revenues, including any fees collected from the sale of certain types of motor vehicle records to commercial customers, less revenues deposited into the Highway User Revenue Fund, as stipulated in the FY 2014 Budget Procedures BRB (Laws 2013, 1 st Special Session, Chapter 6).		
Purpose of Fund: To maintain and upgrade the state's common web portal, including enhancement of existing products and the development of new applications. Monies received from private grants or donations, as well as federal grants, are non-appropriated. Expenditures include a transfer into the Automation Projects Fund of \$5,600,000 in FY 2013 and \$4,000,000 in FY 2014. Expenditures include a transfer into the Highway User Revenue Fund of \$8,173,900 in FY 2014. <i>(See the Automation Projects Fund page for more details.)</i>		
Funds Expended	220,100	4,250,000
Transfer to Automation Projects Fund	5,600,000	4,000,000
Transfer to Highway User Revenue Fund		8,173,900
Year-End Fund Balance*	0	(2,968,100)
Statewide ARRA Administration SWCAP Fund (GVA2950/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Indirect federal cost recoveries associated with the statewide cost allocation plan (SWCAP).		
Purpose of Fund: To defray administrative expenses of implementing the federal American Recovery and Reinvestment Act. These funds were transferred to ADOA from the Governor's Office in FY 2012.		
Funds Expended	230,100	113,000
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Statewide Donations Fund (ADA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Employee donations and other miscellaneous deposits. In FY 2005, a \$1,000,000 grant for wireless emergency telecommunications was deposited into this fund.		
Purpose of Fund: Employee donations are used to recognize outstanding employees. The \$1,000,000 grant received in FY 2005 is to be used for Geographic Information Systems and mapping support in the development of Wireless Phase II deployment in counties that have already deployed Wireless Phase I.		
Funds Expended	12,100	12,000
Year-End Fund Balance	226,300	214,300
Statewide E-Rate Program Fund (ADA2584/A.R.S. § 41-3508)		Non-Appropriated
Source of Revenue: The fund has 3 revenue sources: 1) monies received pursuant to the E-Rate Program under the Telecommunications Act of 1996 or other grants to assist this state in improving broadband internet and telecommunications access for public schools and libraries in this state, 2) monies received as a result of an intergovernmental agreements between ADOA's Arizona Strategic Enterprise Technology (ASET) Office and other political subdivisions of this state, and 3) monies received from private grants and donations if designated for the fund by the grantor or donor.		
Purpose of Fund: To assist public school districts, charter schools, and libraries in submitting applications for funding from the Universal Service Administrative Company (USAC). ADOA may enter into contracts with private organizations and intergovernmental agreements with other state agencies and political subdivisions of this state to administer the Statewide E-Rate Program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Telecommunications Fund (ADA4231/A.R.S. § 41-713)		Appropriated
Source of Revenue: Administrative surcharges on telecommunications services for agencies and other political entities. Additionally in FY 2006, a transfer of \$927,500 from the Technology and Telecommunications Fund, as stipulated by Laws 2005, Chapter 330.		
Purpose of Fund: To operate the Telecommunications Program Office, which manages and oversees statewide contracts for telecommunications products and services. The state's contractors operate and equip telecommunications voice, data, video, and graphics systems, allowing the collection, storage, interchange, retrieval, and transmission of information.		
Funds Expended	1,608,700	1,853,600
Year-End Fund Balance	1,250,700	585,300
Telecommunications Fund - Infrastructure Improvements Account (ADA4231B/A.R.S. § 35-142)		Appropriated
Source of Revenue: A portion of the rate charged to the state for telecommunications services.		
Purpose of Fund: To replace end-of-life voice and data equipment in state facilities.		
Funds Expended	0	0
Year-End Fund Balance	0	0

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

Arizona Department of Administration - Automation Projects Fund

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
INDIVIDUAL PROJECTS			
Department of Administration			
Full Time Equivalent Positions		20.0	75.0
AFIS Replacement	8,474,100	28,638,000	26,533,000
ASET Initiatives			
State Data Center	3,219,400	2,675,000	0
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	2,150,000
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	6,100,000
Department of Administration Subtotal	13,361,600	40,138,000	32,633,000
AHCCCS			
Data Security	775,600	0	0
Department of Corrections			
AIMS Replacement	0	8,000,000	8,000,000
Department of Environmental Quality			
E-Licensing	0	5,000,000	5,000,000
Department of Education			
Education Learning and Accountability System	0	7,000,000	7,000,000
Department of Revenue			
DOR Automation Projects	2,837,500	6,600,000	1,700,000
TOTAL - ALL PROJECTS ^{1/}	16,974,700	66,738,000	54,333,000
FUND SOURCES			
General Fund	16,800,000	18,400,000 ^{2/}	18,400,000 ^{2/}
<u>Other Appropriated Funds</u>			
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	54,333,000
SUBTOTAL - Other Appropriated Funds	11,300,000	66,738,000	54,333,000
SUBTOTAL - Appropriated Funds	28,100,000	85,138,000	72,733,000
Other Non-Appropriated Funds	16,974,700	0	0
TOTAL - ALL SOURCES	28,100,000	85,138,000	72,733,000

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.

^{1/} 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.”

^{2/} In addition to the \$18,400,000 direct General Fund appropriation for AFIS replacement, the FY 2015 Baseline continues to transfer \$7,100,000 from the General Fund into the Automation Projects Fund to pay for the cost of projects at ADE and DOR.

Background

The FY 2013 Government Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 298) established the APF, consisting of monies appropriated by the Legislature and administered by ADOA. 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. 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. In addition, a General Appropriation Act footnote requires ADOA to submit quarterly reports 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.

Department of Administration

AFIS Replacement

The Baseline 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).

The FY 2015 \$26,533,000 APF appropriation would be financed from the following sources:

- \$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.

FY 2015 adjustments would be as follows:

Expenditure Alignment OF (2,105,000)

The Baseline 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 Baseline 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.*)

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.

	Change in 4-year Chapter 294 General Fund Appropriation (\$ in thousands)		
	Chapter 294	Chapter 1	Difference
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 in FY 2015 and FY 2016, respectively. As a result, these monies would not appear in the General Appropriation Act.

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. The Baseline amends Chapter 1 to make this amount available for use through FY 2016 to account for any unforeseen costs throughout the 4-year timeframe of the project. *(Please see Other Issues for Legislative Consideration 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 Baseline includes \$6,100,000 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.

The FY 2015 \$6,100,000 APF appropriation would be financed from the following sources:

- \$6,100,000 transferred from the Automation Operations Fund.

FY 2015 adjustments would be as follows:

ASET Initiatives OF (5,400,000)

The Baseline includes a decrease of \$(5,400,000) 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.

In their FY 2015 budget request, ADOA requested a total of \$11,500,000 for ASET Initiatives. The Baseline includes \$6,100,000 from the APF to fund projects continuing from FY 2014, and to pay for Personal Services and Employee Related Expenditures to manage and oversee IT projects statewide. This \$6,100,000 consists of the following:

- \$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
 - Secure Data Protections Pilots
 - Data Center Network Managing/Monitoring
 - Security Assessment
 - Central Security Management
 - Incident Response
 - Security Awareness
 - Data Center Security Management
- \$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
 - Business and Technical Enterprise Architecture Training
- \$2,150,000 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
- APF Strategic Execution Team
- \$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

Department of Corrections

AIMS Replacement

The Baseline 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). These amounts are unchanged from FY 2014.

The FY 2015 \$8,000,000 APF appropriation would be financed from the following ADC funds:

- \$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.

As of December 2013, a contract has yet to be awarded. ADC is estimated to spend \$8 million annually; however, when the contract is awarded, expenditure estimates for FY 2015 and FY 2016 may be refined. These amounts would primarily be used for Professional and Outside Services to purchase the modified commercial, “off-the-shelf” system.

Given the complexity of large-scale IT projects, ADC contracted with a third-party vendor to assist in developing the request for proposals (RFP). The JLBC Staff recommends that third-party oversight remain in place during implementation of the new system. *(Please see the Footnotes section.)*

Department of Environmental Quality

E-Licensing

The Baseline includes \$5,000,000 from the APF in FY 2015 to continue to develop an e-licensing web portal at the Department of Environmental Quality (DEQ). FY 2015 funding is contingent upon the department contracting with an independent third party to provide oversight of the project. These amounts are unchanged from FY 2014.

The FY 2015 \$5,000,000 APF appropriation would be financed from the Vehicle Emissions Inspection Fund.

In FY 2014, \$5,000,000 was appropriated for this project, consisting of 3 components:

- Professional and Outside Services \$4.6 million
- Equipment \$321,000
- Software \$92,400

FY 2014 expenditures will be used to automate 27 business processes within DEQ, which will allow customers to conduct permitting, billing, payment and data submissions online. In FY 2015, DEQ is requesting \$6,800,000 to automate an additional 80 business processes. When the web portal is complete, an estimated 95% of DEQ’s business processes would be automated.

At its October 2013 meeting, the initial \$5,000,000 FY 2014 expenditure plan received a favorable review from the JLBC, with provisions that FY 2015 funding was contingent upon contracting with an independent third party to provide oversight of the project. The JLBC Staff recommends that third-party oversight remain in place during implementation of the new system. *(Please see the Footnotes section.)* The Baseline additionally amends permanent statute to require third-party review of large-scale IT projects. *(Please see the Statutory Changes section for more information.)*

Department of Education

Education Learning and Accountability System

The Baseline includes \$7,000,000 from the APF in FY 2015 for further revisions to the Education Learning and Accountability System (ELAS) at the Department of Education (ADE). These amounts are unchanged from FY 2014.

The FY 2015 \$7,000,000 APF appropriation would be financed from the following 2 sources:

- \$5,400,000 from the General Fund.
- \$1,600,000 from the ELAS Fund.

In addition, the Baseline would continue 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 is requesting \$14.3 million from the General Fund to continue work on the project. ADE plans on completing the implementation of data visualization dashboards statewide, replace a majority of the Student Accountability Information System (SAIS), and provide a variety of teacher tools to districts and charters.

A 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 and any ongoing oversight will be the responsibility of ADOA.

Department of Revenue

DOR Automation Projects

The Baseline includes \$1,700,000 from the APF in FY 2015 for tax analysis IT projects at the Department of Revenue.

The FY 2015 \$1,700,000 APF appropriation would be financed from the General Fund.

FY 2015 adjustments would be as follows:

Remove One-Time Costs OF (4,900,000)

The Baseline includes a decrease of \$(4,900,000) from the APF in FY 2015 for the elimination of 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.

In FY 2015, \$1,700,000 would be devoted to 2 separate projects. Both projects would fund staff and software that would allow DOR to improve their ability to analyze tax data.

The first project would allow DOR to determine the impact of the recent reduction of long-term capital gains subject to individual income tax, as required by Laws 2012, Chapter 343. The second project would allow 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 (TAS).

FY 2015 funding would 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.

FORMAT — Lump Sum by Project

FOOTNOTES

Standard Footnotes

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, shall not be used for projects at any other state agency without prior review by the Joint Legislative Budget Committee.

In addition to the \$7,000,000, any remaining balances as of June 30, 2014 from fees collected from universities and community college districts from 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 to A.R.S. § 15-249.02.

The Department of Administration shall submit to the Joint Legislative Budget Committee within 30 days following the last day of each calendar quarter, quarterly reports on the implementation of projects described in this section, including the projects' expenditures to date, deliverables, timeline for completion, and current status.

New Footnotes

Any remaining balances on June 30, 2014 in the Automation Projects Fund established by A.R.S. § 41-714 from funds appropriated in FY 2014 are appropriated to the Arizona Department of Administration in FY 2015 for the same respective purposes as specified in FY 2014. The Arizona Department of Administration shall report any FY 2015 expenditure of remaining balances from FY 2014 in the Automation Projects Fund established by A.R.S. § 41-714, in their quarterly report to the Joint Legislative Budget Committee. *(Please see Remaining Balances section for more details.)*

The funding for the Department of Environmental Quality automation project is contingent upon 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 report on their plans for use of the consultant when seeking Joint Legislative Budget Committee review of the \$5,000,000 FY 2015 expenditure from the Automation Projects Fund, as required by A.R.S. § 41-714.

The funding for the Department of Corrections automation project is contingent upon 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 Corrections shall report on their plans for use of the consultant when seeking Joint Legislative Budget Committee review of the \$8,000,000 FY 2015 expenditure from the Automation Projects Fund, as required by A.R.S. § 41-714.

STATUTORY CHANGES

The Baseline would:

- As permanent law, modify A.R.S. § 41-3504 to require all IT projects with a multi-year cost of \$5 million or greater to contract with a third-party vendor

for review and guidance before receiving approval from the ASET Office within ADOA through the Project Investment Justification (PIJ) Process. Additionally, allow ASET or the Information Technology Authorization Committee (ITAC) to require contracted third-party review of IT projects with a multi-year cost of less than \$5 million. *(Please see Other Issues for Legislative Consideration for more information.)*

- As session law, amend Laws 2013, 1st Special Session, Chapter 1, to make \$4,132,000 of the \$28,638,000 FY 2014 appropriation for AFIS replacement available for use by ADOA through FY 2016 for unforeseen contingency costs.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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 Baseline includes a statutory change that would modify A.R.S. § 41-3504 to require large-scale IT projects with a multi-year cost greater than \$5 million to receive relevant third-party analysis from an independent contracted vendor before receiving approval from ASET through the PIJ process. In addition, ASET and ITAC may require an independent contracted vendor to review IT projects with a multi-year cost of less than \$5 million. *(Please see the Statutory Changes section for more information.)*

AFIS Contingency Costs

The AFIS replacement project is estimated to cost a total of \$73 million. Of this amount, \$4.1 million 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 \$28.6 million to ADOA for AFIS replacement, which included the \$4.1 million for contingency purposes.

ADOA now reports that the \$4.1 million contingency amount is unlikely to be needed during FY 2014. The Baseline modifies Laws 2013, 1st Special Session, Chapter 1 to allow ADOA to utilize the \$4.1 million contingency

amount from the FY 2014 appropriation through FY 2016, for the remainder of the project's 4-year timeframe. (Please see the *Statutory Changes* section 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 - BRITS	<u>4,900,000</u>
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. The remaining amount of \$5.9 million is expected to be spent in FY 2014 to complete unfinished FY 2013 projects.

Due to the complexity of large-scale IT projects, completion of such projects often takes longer than 1 fiscal year. As such, the Baseline continues the practice of appropriating remaining balances from the current fiscal year into the next fiscal year. Specifically, the Baseline provides FY 2015 appropriation authority for ADOA to spend any remaining balances in the fund as of June 30, 2014 associated with FY 2014 projects not completed in FY 2014. (Please see the *New Footnotes Section* for more information.)

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 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. The FY 2015 Baseline continues to include \$27,857,300 of transfers into the APF, as delineated in *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	0.0
Revenues				
General Fund Appropriation	16,800.0	18,400.0	18,400.0	9,202.0
General Fund Transfer (ADE)		5,400.0	5,400.0	
General Fund Transfer (DOR)		1,700.0	1,700.0	
Automation Charges		17,013.6		
ADOA Automation Operations Fund	4,200.0	8,130.0	6,157.3	
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	
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	54,333.0	9,202.0
Total Expenditures (Current FY Appropriation)	16,974.7	66,738.0	54,333.0	9,202.0
Total Expenditures (Previous FY Appropriation)		5,900.2		
Total Expenditures	16,974.7	72,638.2	54,333.0	9,202.0
Ending Balance	11,125.3	8,075.7	0.0	0.0

^{1/} FY 2016 only displays funding for those projects which have already been authorized by the Legislature.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Automation Projects Fund (ADA2566/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects for any state agency. The FY 2014 Budget Procedures Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 6) subjected this fund to legislative appropriation.		
Appropriated Funds Expended	0	66,738,000
Non-Appropriated Funds Expended	16,974,700	0
Year-End Fund Balance	11,125,300	8,075,700

Office of Administrative Hearings

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	217,200
Other Operating Expenditures	85,400	94,300	94,300
AGENCY TOTAL	841,100	874,500	874,500
FUND SOURCES			
General Fund	827,800	862,200	862,200
<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	874,500
Other Non-Appropriated Funds	1,052,700	1,103,600	1,103,600
TOTAL - ALL SOURCES	1,893,800	1,978,100	1,978,100

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

Operating Budget

The Baseline includes \$874,500 and 12 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

FORMAT — Lump Sum by Agency

	<u>FY 2015</u>
General Fund	\$862,200
Healthcare Group Fund	12,300

These amounts are unchanged from FY 2014.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Healthcare Group Fund (HCA3197/A.R.S. § 36-2912.01)		Appropriated
Source of Revenue: Interagency Agreement with AHCCCS.		
Purpose of Fund: To reimburse the Office of Administrative Hearings (OAH) for hearings and associated personnel cost for grievances related to Healthcare Group, which is AHCCCS' health insurance plan for small businesses.		
Funds Expended	13,300	12,300
Year-End Fund Balance	0	0
IGA and ISA Fund (HGA2500/A.R.S. § 41-1092.01)		Non-Appropriated
Source of Revenue: Monies received by OAH for contractual, administrative law judge services provided to state agencies.		
Purpose of Fund: To cover actual expenses of providing personnel and services to state agencies on a contractual basis.		
Funds Expended	1,052,700	1,103,600
Year-End Fund Balance	0	0

Arizona Department of Agriculture

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	161.0	162.9	162.9
Personal Services	4,249,100	4,529,300	4,529,300
Employee Related Expenditures	1,838,400	1,927,500	1,927,500
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	7,881,800
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
Red Imported Fire Ant	23,200	23,200	23,200
AGENCY TOTAL	7,989,900	8,320,200	8,320,200
FUND SOURCES			
General Fund	7,989,900	8,320,200	8,320,200
SUBTOTAL - Appropriated Funds	7,989,900	8,320,200	8,320,200
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	24,319,600

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

Operating Budget

The Baseline includes \$7,881,800 and 161 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

Agricultural Consulting and Training Pari-Mutuel

The Baseline 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 and for consultation, interpreting, and applying alternative methods of complying with statutes, rules, regulations, and standards relating to compliance.

Agricultural Employment Relations Board

The Baseline includes \$23,300 from the General Fund in FY 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 Baseline 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 Baseline includes \$198,434 and 1.88 FTE Positions from the General Fund in FY 2015 for the Nuclear Emergency Management Fund (NEMF). This amount is 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 Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

STATUTORY CHANGES

The Baseline would, as session law, permit the Director, upon recommendation from the Agricultural Advisory Council, to continue to allow special fee authority in FY 2015. The Baseline would also include legislative intent that the fees would not generate more than \$218,000 to the General Fund, \$113,000 to the Pesticide Fund, and \$26,000 to the Dangerous Plants, Pests, and Diseases Fund, which was also included in last year's bill.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Administrative Support Fund (AHA2436/A.R.S. § 3-108)		Non-Appropriated
Source of Revenue: Monies are collected from each commodity council based on annually negotiated interagency agreements.		
Purpose of Fund: For costs incurred by the department in providing administrative support.		
Funds Expended	47,100	38,400
Year-End Fund Balance	38,800	40,300
Agricultural Consulting and Training Trust Fund (AHA1239/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To fund the agricultural consulting and training program established by A.R.S. § 3-109.01. Appropriated expenditures are not displayed in FY 2013 and FY 2014 to avoid double counting of the General Fund.		
Funds Expended	12,500	16,500
Year-End Fund Balance	33,000	16,500

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Agricultural Products Marketing (AHA2368/A.R.S. § 3-419)		Non-Appropriated
Source of Revenue: Assessments on the Arizona Leafy Green Products Shipper Marketing Agreement commodities.		
Purpose of Fund: To fund the Arizona Leafy Green Products Shipper Marketing Committee and to ensure compliance with the accepted food safety practices through mandatory government audits.		
Funds Expended	361,300	957,500
Year-End Fund Balance	519,600	138,100
Agricultural Protection Fund (AHA2381/A.R.S. § 3-3304)		Non-Appropriated
Source of Revenue: Gifts, grants, or donations.		
Purpose of Fund: To award grants to state agencies, political subdivisions, and non-profit conservation groups for the establishment of agricultural easements.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Aquaculture Trust Fund (AHA2297/A.R.S. § 3-2913)		Non-Appropriated
Source of Revenue: Fees resulting from the regulation of aquaculture. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. Subsequently, Laws 2012, Chapter 248 permanently made this fund a non-appropriated trust fund.		
Purpose of Fund: To administer and enforce the provisions of A.R.S. Title 3, Chapter 16, relating to aquaculture. Aquaculture is the controlled growth and harvest of aquatic plants and animals such as fish, shellfish, and algae.		
Funds Expended	0	4,900
Year-End Fund Balance	11,400	12,000
Beef Council (Livestock Board Collection and Administration) Fund (AHA2083/A.R.S. § 3-1236)		Non-Appropriated
Source of Revenue: \$1 per head surcharge collected on behalf of the Arizona Beef Council when animals are inspected by the department for sale. The department retains 5 cents per dollar, while 95 cents per dollar is forwarded to this fund.		
Purpose of Fund: For collection and administration costs.		
Funds Expended	276,700	275,000
Year-End Fund Balance	15,000	0
Citrus, Fruit and Vegetable Trust Fund (AHA2260/A.R.S. § 3-447)		Non-Appropriated
Source of Revenue: Assessments, fees, and civil penalties relating to the standardization of citrus, other fruits, and vegetables. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. Subsequently, Laws 2012, Chapter 248 permanently made this fund a non-appropriated trust fund.		
Purpose of Fund: To enable producers and shippers to develop uniform grades and standards for citrus, fresh fruit, and vegetables and to allow field and shed inspections of commodities produced in the state.		
Funds Expended	280,200	351,400
Year-End Fund Balance	80,100	41,600
Citrus Trust Fund (AHA2299/A.R.S. § 3-468.04, 3-468.06)		Non-Appropriated
Source of Revenue: An assessment on citrus produced in the state, as well as fines, other charges, and interest.		
Purpose of Fund: To support research, development, and survey programs concerning varietal development, eradication of citrus pests, and other programs deemed appropriate to production, harvesting, handling, and hauling from field to market.		
Funds Expended	5,800	64,500
Year-End Fund Balance	58,100	23,900

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Commercial Feed Trust Fund (AHA2012/A.R.S. § 3-2607)		Non-Appropriated
Source of Revenue: Licensing fees and fees collected for the inspection of animal and bird feeds. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. Subsequently, Laws 2012, Chapter 248 permanently made this fund a non-appropriated trust fund.		
Purpose of Fund: To regulate animal and bird feeds.		
Funds Expended	241,800	299,700
Year-End Fund Balance	182,500	124,100
Commodity Promotion Fund (AHA2458/A.R.S. § 3-109.02)		Non-Appropriated
Source of Revenue: Proceeds of a fee collected for a Certificate of Free Sale and any sales of merchandise with the Arizona Grown trademark. A Certificate of Free Sale is a document authenticating that a commodity is generally and freely sold in domestic channels of trade. Many countries require this documentation before allowing a shipment of consumable products to enter their borders and markets.		
Purpose of Fund: To provide for programs to promote the production and consumption of Arizona agricultural products domestically and abroad.		
Funds Expended	8,900	7,500
Year-End Fund Balance	3,200	2,700
Cotton Research and Protection Council Fund (AHA2013/A.R.S. § 3-1085)		Non-Appropriated
Source of Revenue: Assessments on each bale of cotton produced in the state, as well as fines and interest earnings.		
Purpose of Fund: To support research programs related to cotton production or protection and to provide a program to refund collected fees as an incentive for boll weevil control.		
Funds Expended	2,644,000	2,819,800
Year-End Fund Balance	2,198,800	1,866,500
Dangerous Plants, Pests and Diseases Trust Fund (AHA2054/A.R.S § 3-214.01)		Non-Appropriated
Source of Revenue: Certification fees on and reimbursements for the destruction of dangerous plants, pests, and diseases. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. Subsequently, Laws 2012, Chapter 248 permanently made this fund a non-appropriated trust fund.		
Purpose of Fund: To prevent the introduction and propagation of, and to control and destroy, dangerous plants, pests, and diseases.		
Funds Expended	57,100	75,000
Year-End Fund Balance	56,900	51,800
Designated Fund (AHA3011/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Fees for laboratory services and phytosanitary certifications (certifying produce that is sent overseas), industry contributions for the Arizona Grown Program, 5% of Beef Council surcharges, a Risk Management grant from the Arizona Department of Administration, and other grants and contributions.		
Purpose of Fund: To administer the purpose for which the fee, grant, or contribution is intended.		
Funds Expended	383,200	542,000
Year-End Fund Balance	559,800	489,900
Egg Inspection Trust Fund (AHA2022/A.R.S. § 3-717)		Non-Appropriated
Source of Revenue: Fees resulting from the regulation of eggs and egg products. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. Subsequently, Laws 2012, Chapter 248 permanently made this fund a non-appropriated trust fund.		
Purpose of Fund: To administer the Egg Inspection Program.		
Funds Expended	856,200	1,010,400
Year-End Fund Balance	526,400	521,800

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Equine Inspection Fund (AHA2489/A.R.S. § 3-1345.01)		Non-Appropriated
Source of Revenue: Inspection fees for processing ownership and transportation of horses.		
Purpose of Fund: To fund the issuance of horse ownership and transportation certificates.		
Funds Expended	1,300	700
Year-End Fund Balance	200	300
Federal Fund (AHA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: As determined by federal law with regard to exotic pest control (e.g., fire ant, gypsy moth, medfly), agricultural chemicals regulation, farm mediation, endangered species, and meat, poultry, and egg inspection. (The meat and poultry inspection amounts are a reimbursement to the General Fund and, therefore, pass through this fund without a net impact on expenditures shown here.)		
Funds Expended	5,745,100	5,107,400
Year-End Fund Balance	115,600	257,200
Federal - State Inspection Fund (AHA2113/A.R.S. § 3-499)		Non-Appropriated
Source of Revenue: Fees for inspection of domestic produce imported from Mexico pursuant to a cooperative agreement with the U.S. Department of Agriculture.		
Purpose of Fund: As determined by a cooperative agreement with the U.S. Department of Agriculture. On July 1, 1996, the Arizona Department of Agriculture became the fiduciary of this program, which monitors produce being imported from Mexico at the Nogales Port of Entry.		
Funds Expended	2,897,100	2,974,700
Year-End Fund Balance	1,185,800	770,600
Fertilizer Materials Trust Fund (AHA2081/A.R.S. § 3-269)		Non-Appropriated
Source of Revenue: A portion of the fertilizer manufacturer's license fee and fees collected for the inspection of materials. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. Subsequently, Laws 2012, Chapter 248 permanently made this fund a non-appropriated trust fund.		
Purpose of Fund: To regulate fertilizers.		
Funds Expended	292,100	326,900
Year-End Fund Balance	170,500	168,500
Grain Trust Fund (AHA2201/A.R.S. § 3-590)		Non-Appropriated
Source of Revenue: An assessment on commercial grain sales.		
Purpose of Fund: To support the Grain Research and Promotion Council's promotion and research activities with public or private organizations. Such activities relate to reducing fresh water consumption, developing new varieties, improving production and handling methods, researching and designing new or improved harvesting and handling equipment, and similar programs.		
Funds Expended	119,100	142,400
Year-End Fund Balance	50,800	56,200
Iceberg Lettuce Trust Fund (AHA2259/A.R.S. § 3-526.06)		Non-Appropriated
Source of Revenue: An assessment on iceberg lettuce prepared for market.		
Purpose of Fund: To support research, development, and survey programs concerning varietal development, including programs for pest eradication, production harvesting, handling and hauling from field to market, and other activities deemed appropriate.		
Funds Expended	63,600	100,000
Year-End Fund Balance	63,300	63,300
IGA & ISA Fund (AHA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through an interagency agreement with the Office of Pest Management.		
Purpose of Fund: To provide administrative services to the Office of Pest Management, including acting director, accounting, information technology, human resources, and legal services.		
Funds Expended	104,100	104,100
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Indirect Cost Recovery Fund (AHA9000/A.R.S. § 3-107)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: For indirect costs associated with administration of federal grants.		
Funds Expended	98,600	146,900
Year-End Fund Balance	366,900	344,000
Livestock and Crop Conservation Fund (AHA2378/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: \$2 million annually from the Land Conservation Fund through FY 2011, as established by A.R.S. § 41-511.23.		
Purpose of Fund: Continuously appropriated for grants to landowners, as well as to grazing and agricultural lessees of state or federal land, who implement conservation measures.		
Funds Expended	1,047,000	1,322,300
Year-End Fund Balance	2,394,200	1,086,900
Livestock Custody Trust Fund (AHA2065/A.R.S. § 3-1377)		Non-Appropriated
Source of Revenue: Fines assessed for and proceeds resulting from the sale of mistreated or stray livestock. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. Subsequently, Laws 2012, Chapter 248 permanently made this fund a non-appropriated trust fund.		
Purpose of Fund: To enforce any of the provisions of Title 3, relating to agriculture and dairying.		
Funds Expended	30,500	60,000
Year-End Fund Balance	149,700	134,700
Nuclear Emergency Management Fund (AHA2138/A.R.S. § 26-306.02)		Non-Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station. Laws 2013, Chapter 13 appropriated \$198,434 to the Arizona Department of Agriculture in both FY 2014 and FY 2015.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	12,900	0
Pesticide Trust Fund (AHA2051/A.R.S. § 3-350)		Non-Appropriated
Source of Revenue: A portion of pesticide registration fees. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. Subsequently, Laws 2012, Chapter 248 permanently made this fund a non-appropriated trust fund.		
Purpose of Fund: To regulate pesticides.		
Funds Expended	282,900	323,800
Year-End Fund Balance	158,800	144,000
Protected Native Plant Trust Fund (AHA2298/A.R.S. § 3-913)		Non-Appropriated
Source of Revenue: Fees from permits issued for the removal or salvage of protected native plants. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. Subsequently, Laws 2012, Chapter 248 permanently made this fund a non-appropriated trust fund.		
Purpose of Fund: For the protection of native plants.		
Funds Expended	77,900	83,700
Year-End Fund Balance	39,600	38,700

SUMMARY OF FUNDS

**FY 2013
Actual****FY 2014
Estimate**

Seed Law Trust Fund (AHA2064/A.R.S. § 3-234)**Non-Appropriated**

Source of Revenue: Seed dealers' and labelers' license fees and penalties. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. Subsequently, Laws 2012, Chapter 248 permanently made this fund a non-appropriated trust fund.

Purpose of Fund: To regulate seeds, including all agricultural, vegetable, and ornamental plant seed, transported or offered for sale in this state.

Funds Expended

49,000

53,300

Year-End Fund Balance

65,300

100,400

Arizona Health Care Cost Containment System

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,217.3	2,217.3	2,203.3
Personal Services	35,431,600	38,964,400	38,380,300
Employee Related Expenditures	14,731,000	17,350,700	17,102,300
Professional and Outside Services	4,222,800	5,657,100	5,567,100
Travel - In State	57,000	63,900	63,900
Travel - Out of State	30,700	36,100	36,100
Other Operating Expenditures	24,498,100	14,427,600	14,259,500
Equipment	1,533,400	1,901,700	1,895,100
OPERATING SUBTOTAL	80,504,600	78,401,500	77,304,300
SPECIAL LINE ITEMS			
Administration			
DES Eligibility	60,941,200	54,867,700	54,867,700
Proposition 204 - AHCCCS Administration	9,201,000	6,863,100	6,863,100
Proposition 204 - DES Eligibility	17,854,500	38,354,100	38,354,100
Medical Services			
Traditional Medicaid Services	3,223,412,300	3,630,655,800	3,934,375,600
Proposition 204 Services	1,113,353,400	1,323,587,300 ^{1/}	1,829,631,300
Adult Expansion	0	65,931,900 ^{1/}	227,369,700
Children's Rehabilitative Services	114,789,800	111,736,400	197,070,000
KidsCare Services	18,577,600	12,081,300	6,223,000
KidsCare II	47,737,600	26,825,700	0
ALTCS Services	1,136,911,400	1,271,574,100	1,335,149,600
Payments to Hospitals			
Disproportionate Share Payments	10,300,600	13,487,100	13,487,100
DSH Payments - Voluntary Match	49,268,900	43,318,000 ^{2/}	19,373,400
Rural Hospitals	13,008,100	13,858,100	13,858,100
Graduate Medical Education	167,561,500	186,490,100 ^{2/}	165,918,500
Safety Net Care Pool	361,954,900	166,000,000	0
AGENCY TOTAL	6,425,377,400	7,044,032,200	7,928,845,500
FUND SOURCES			
General Fund	1,267,202,100	1,334,933,400	1,285,049,500
<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	32,139,100	6,649,300
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	187,260,500	141,449,900
SUBTOTAL - Appropriated Funds	1,436,588,700	1,522,193,900	1,426,499,400
<u>Expenditure Authority Funds</u>			
County Funds	292,035,200	295,193,300	295,503,300
Federal Medicaid Authority	4,172,226,700	4,753,556,000 ^{2/}	5,592,043,700
Hospital Assessment Fund	0	0	188,627,300
Nursing Facility Provider Assessment Fund	0	17,698,000	17,171,800
Political Subdivision Funds	202,153,200	138,181,000 ^{2/}	58,121,000
Prescription Drug Rebate Fund - Federal	133,422,400	178,543,000	212,459,300

^{1/} Laws 2013, 1st Special Session, Chapter 10 appropriated "sufficient monies" from the Expenditure Authority fund source for the purposes of implementing A.R.S. § 36-2901.01 and A.R.S. § 36-2901.07. Includes an additional \$275,619,700 in the Proposition 204 Services line item and \$65,931,900 in the Adult Expansion line item.

^{2/} This amount has been adjusted from the amount in the FY 2014 Appropriations Report (see Graduate Medical Education and DSH Payments – Voluntary Match for additional detail).

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	5,521,838,300	6,502,346,100
SUBTOTAL - Appropriated/Expenditure Authority Funds	6,425,377,400	7,044,032,200	7,928,845,500
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	7,237,860,600	8,029,835,700

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.

AHCCCS' FY 2015 General Fund spending would decrease by \$(49,883,900) or (3.7)%. The \$(49,883,900) includes:

- \$(23,149,900) for formula adjustments.
- \$99,668,900 for the annualization of costs associated with mandatory federal health care legislation.
- \$62,224,400 for the annualization of costs associated with Medicaid expansion and the childless adult restoration.
- \$(188,627,300) for hospital assessment savings.

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

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 shift of 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, and adjustments in other appropriated funds which result in an adjustment to the General Fund. *Table 1* summarizes the formula adjustments.

FY 2014 Balance and FY 2015 Caseload Growth

Aside from 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*), Traditional acute care and Proposition 204 populations are projected to increase by 1.0%, Arizona Long Term Care System (ALTCS) populations are

projected to increase by 2.5%, and KidsCare populations are expected to decline by (20)% in FY 2015.

Table 1

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

Formula Adjustments

FY 2014 Balance and FY 2015 Caseload Growth	\$ (64)
FY 2015 3% Capitation Rate Increase	27
FY 2015 Federal Match Rate Increase	(16)
CRS Integration	8
Ambulance Rate Increase	2
Prescription Drug Rebate Fund Decrease	16
Tobacco Tax Decline	4
<i>Subtotal</i>	\$ (23)

Mandatory Federal Health Care Changes

Child Expansion	\$ 15
Currently Eligible But Not Enrolled	77
Provider Rate Increase	(2)
Health Insurer Fee	9
<i>Subtotal</i> ^{1/}	\$ 100

Optional Medicaid Expansion

Childless Adult Restoration, 0-100% FPL	\$ 62
Adult Expansion, 100-133% FPL	0
<i>Subtotal</i>	\$ 62

Hospital Assessment Savings

\$(189)

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

In addition to forecasted caseload changes, FY 2014 is expected to be overfunded since General Fund monies were not reduced to account for the hospital assessment. The FY 2014 balance, coupled with changes in the FY 2015 caseloads, results in General Fund savings of \$(64,383,600) 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	967,161	1,039,030	7.4%
Prop 204 Childless Adults ^{5/}	75,650	136,164	234,673	72.3
Other Proposition 204	147,885	166,865	184,405	10.5
Adult Expansion ^{6/}	0	24,121	58,894	144.2
KidsCare ^{4/}	7,185	3,060	2,448	(20.0)
KidsCare II ^{4/7/}	36,026	0	0	--
ALTCS - Elderly & Physically Disabled ^{8/}	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	1,394,970	1,621,213	16.2%

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) are transferred to the Traditional program on January 1, 2014.

5/ Program frozen until January 1, 2014.

6/ Parents and Childless Adults 100%-133% FPL.

7/ Program ends 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 99,882 as a result of Medicaid expansion and childless adult restoration. By June 2015, these amounts are estimated to grow to 169,665 and 246,168, 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 \$27,241,800 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 \$(16,209,500) in General Fund spending to reflect savings from the federal rate increase.

Children's Rehabilitative Services Integration (CRS)

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 an interagency agreement. In FY 2015, the Baseline shifts these costs between line items. The Baseline also includes an increase of \$8,250,000 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 Baseline 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.

Prescription Drug Rebate Fund Decrease

The Baseline 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 Baseline 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 beginning 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 requires the expansion for children under age 19 to 133% of the Federal Poverty Level (FPL) (\$31,300 for a family of 4) beginning on 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 Baseline assumes that on January 1, 2014, 2,700 children on KidsCare and 16,700 children on KidsCare II will transfer from their respective programs to the Traditional program, and these children will continue to receive an approximate 3:1 federal match rate. The Baseline includes the annualization of these costs for FY 2015.

In addition to the transfer of children, the Baseline 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 Baseline includes an additional \$15,196,700 from the General Fund for the annualization of these costs in FY 2015.

Currently Eligible But Not Enrolled

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

Most individuals eligible for Medicaid but not enrolled will not be 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 Baseline 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 Baseline includes an additional \$76,677,700 for the phased in enrollment and annualization of these costs in FY 2015. The federal government will provide 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 will pay 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.

Although the provider rate increase was originally scheduled to be paid out in 2013 and 2014, a lengthy delay in federal approval has delayed these payments. AHCCCS expects that there will be a 2 quarter lag in the increased rate. Therefore, final payments will not be made until the last quarter of FY 2015. The Baseline includes a decrease of \$(1,689,600) 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

Federal health care legislation places an \$8 billion annual fee on the health insurance industry nationwide beginning in 2014. The fee grows to \$14.3 billion in 2018 and is indexed to inflation thereafter. The fee will be 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 Baseline includes an increase of \$9,484,100 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. Beginning in 2014, the ACA requires 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 Baseline.

Disproportionate Share Hospital Payments

Federal health care legislation reduces 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. This is expected to reduce the maximum amount of voluntary payments which can be provided to hospitals in FY 2015 (*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.

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	\$ 250	\$ 158	\$ 526	\$ 163	\$ 410
Children, and increase from eligible but not enrolled ^{4/}	DHS	16	34	53	117	59	139
	Total	\$ 75	\$ 284	\$ 211	\$ 643	\$ 222	\$ 549
Full Expansion to 133% FPL and Childless Adult Restoration ^{5/6/}	AHCCCS	\$ (4)	\$ 342	\$ 63	\$1,050	\$ 49	\$1,349
	DHS	(1)	54	16	289	12	371
	Total	\$ (5)	\$ 396	\$ 79	\$1,339	\$ 61	\$1,720
Estimated Assessment ^{6/7/}	Total	63	-	189	-	174	-
GF Savings With Assessment ^{8/}	Total	(58)	-	(110)	-	(113)	-
Mandatory and Full Expansion, net of Assessment Savings	Total	17	-	111	-	109	-

- ^{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 JLBC Staff estimates. The FY 2014 budget was not adjusted for expansion/restoration and the hospital assessment. FY 2015 estimates are adjusted for the expansion, restoration and hospital assessment.
- ^{7/} The FY 2014 budget included a hospital assessment that would cover 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. The FY 2014 budget was not adjusted to reflect the net FY 2014 savings. The Baseline does reflect net FY 2015 savings.

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 needed to be restored. While the childless adult population from 0-100% FPL will not receive the 100% match rate, it will 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 Baseline 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 76,000 adults will be added to the program. This number will grow to a total of 187,000 by June 2015. The Baseline includes an increase of \$62,224,400 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 allows states to expand Medicaid coverage for adults up to 133% FPL beginning on 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 Baseline assumes that the newly eligible adults will enroll over a 12-month period; by June 2014, an additional 24,000 adults will be added to the program. This number will 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.

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 beginning 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 Baseline assumes the assessment will grow to \$188,627,300 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 Baseline converts this to the regular budget structure as expenditure authority.

	June 2014	June 2015	June 2016
Mandatory Expansion	91,000	170,000	175,000
Childless Adult Restoration	76,000	187,000	197,000
Adult Expansion 100%- 133% FPL	<u>24,000</u>	<u>59,000</u>	<u>61,000</u>
Total	191,000	416,000	433,000

^{1/} Population changes which would have occurred absent federal legislation are not included.

Operating Budget

The Baseline includes \$77,304,300 and 890.2 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$28,735,000
Children's Health Insurance Program (CHIP) Fund	1,683,500
Prescription Drug Rebate Fund (PDRF) - State	116,100
Federal Medicaid Authority (FMA)	46,769,700

FY 2015 adjustments would be as follows:

Discontinue Healthcare Group OF (1,097,200)

The Baseline 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 repeals 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 creates health care exchanges that provide health insurance beginning in 2014. The exchanges are expected to provide a marketplace for uninsured individuals to obtain health insurance as well as provide community-rated health insurance for small business owners. Beginning on January 1, 2014, AHCCCS assumes that currently enrolled members in Healthcare Group will shift into health insurance offered in the healthcare exchange, making Healthcare Group no longer necessary.

Administration

DES Eligibility

The Baseline includes \$54,867,700 and 885 FTE Positions in FY 2015 for Department of Economic Security (DES) Eligibility services. These amounts consist of:

General Fund	25,487,800
Federal Medicaid Authority	29,379,900

These amounts are unchanged from FY 2014.

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

Proposition 204 - AHCCCS Administration

The Baseline includes \$6,863,100 and 128 FTE Positions in FY 2015 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	2,320,500
Federal Medicaid Authority	4,542,600

These amounts are unchanged from FY 2014.

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

Proposition 204 - DES Eligibility

The Baseline includes \$38,354,100 and 300.1 FTE Positions in FY 2015 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	17,335,500
Budget Neutrality Compliance Fund	3,384,400
Federal Medicaid Authority	17,634,200

FY 2015 adjustments would be as follows:

Statutory Adjustment **GF (80,500)**
BNCF 80,500

The Baseline includes a decrease of \$(80,500) from the General Fund and a corresponding 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.)

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

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

Medical Services

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

Traditional Medicaid Services

The Baseline includes \$3,943,375,600 in FY 2015 for Traditional Medicaid Services. This amount consists of:

General Fund	975,054,900
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	2,611,322,500
PDRF - Federal	198,561,200

FY 2015 adjustments would be as follows:

Formula Adjustments **GF 61,995,500**
OF (17,851,600)
EA 268,575,900

The Expenditure Authority (EA) amount consists of \$236,523,300 in Federal Medicaid Authority, \$(190,100) in County Funds, and \$32,242,700 from the federal portion of the Prescription Drug Rebate Fund (PDRF). The OF amount consists of \$(14,641,100) from the state portion of the PDRF and \$(3,210,500) from the TTHCF Medically Needy Account. The formula adjustments include:

- 1.0% enrollment growth after the continuation of the FY 2014 caseload savings.
- 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.
- The shift of acute care services for children with CRS conditions to the CRS line item.
- \$(297,300) 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.

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”).

Proposition 204 Services

The Baseline includes \$1,829,631,300 in FY 2015 for Proposition 204 Services. This amount consists of:

Hospital Assessment Fund	188,627,300
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	1,484,576,600

FY 2015 adjustments would be as follows:

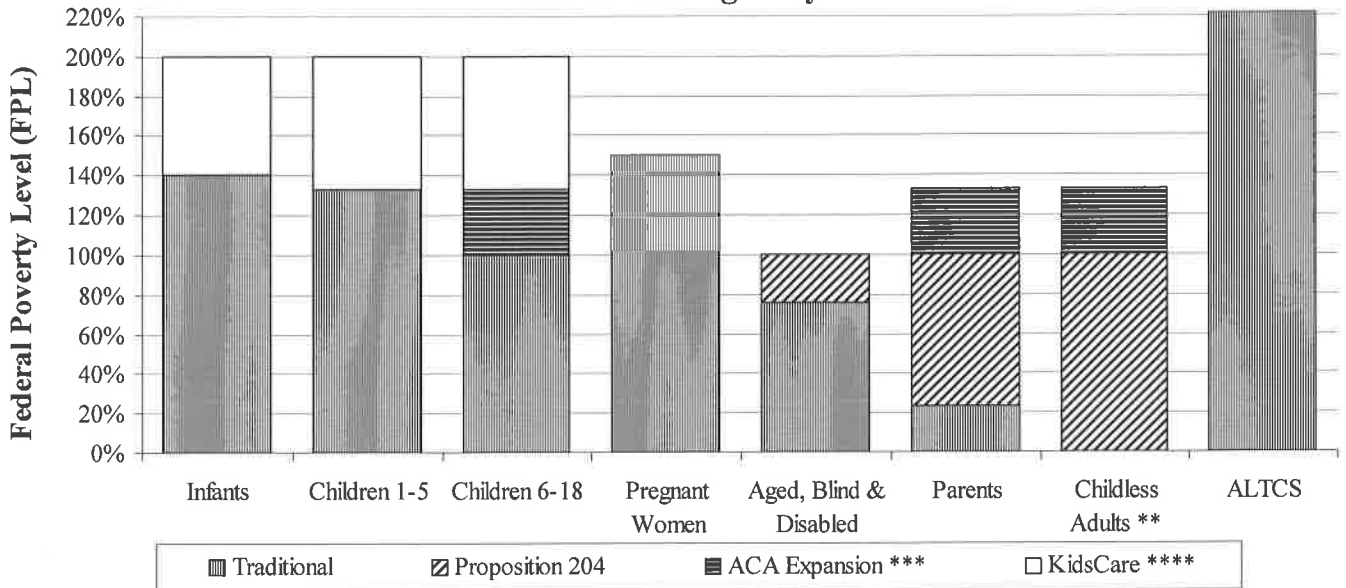
Formula Adjustments **GF (138,506,000)**
OF (117,700)
EA 644,667,700

The EA amount consists of \$188,627,300 from the Hospital Assessment Fund, \$(247,300) from the TPTF Proposition 204 Protection Account, and \$456,287,700 in Federal Medicaid Authority. The formula adjustments include:

- 1.0% enrollment growth after the continuation of the FY 2014 caseload savings.
- A change in the federal match rate for the non-childless adult population from 66.84% to 68.15%. A

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 has had an enrollment freeze since July 8, 2011. The freeze will be lifted on January 1, 2014.
 *** Beginning January 1, 2014.
 **** The KidsCare program has had an enrollment freeze since January 1, 2010. From May 1, 2012 to December 31, 2013, the KidsCare II program will average approximately 25,000 per month.

change in the federal match rate for childless adults from 83.62% to 85.48%.

- 3% capitation rate increase.
- The annualization of costs associated with federal health care legislation and childless adult restoration.
- 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 will be 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 Baseline includes \$227,369,700 from Federal Medicaid Authority in FY 2015 for the Adult Expansion. FY 2015 adjustments would be as follows:

Formula Adjustments

EA 161,437,800

The formula adjustments include 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 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 Baseline 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

FY 2015 adjustments would be as follows:

Formula Adjustments GF (1,395,700)
 FMA 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.

CRS Integration GF 27,108,600
 EA 55,792,600

The Baseline includes an increase of \$82,901,200 in FY 2015 to shift acute care and behavioral health services to the CRS line item. Included in this amount is a \$25,229,400 total fund shift from the Department of Health Services (DHS). A corresponding decrease can be found in DHS.

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

KidsCare Services

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

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

FY 2015 adjustments would be as follows:

Formula Adjustments GF (1,292,500)
 CHIP (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 Baseline includes no funding for KidsCare II in FY 2015. FY 2015 adjustments would be as follows:

Expiration of Program PSF (5,901,700)
 CHIP (20,924,000)

The Baseline includes a decrease of \$(26,825,700) in FY 2015 for the KidsCare II program. The program was initially scheduled to end on December 31, 2013, but the program has been extended for 1 month in order to provide additional time to transition to the federal health care exchange.

The KidsCare II program expands 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 will shift to the Traditional program, and those with incomes from 133%-200% will be eligible for a subsidy to purchase health insurance through the new federal health insurance exchange.

ALTCS Services

The Baseline includes \$1,335,149,600 in FY 2015 for Arizona Long Term Care System (ALTCS) expenditures. This amount consists of:

General Fund 164,797,400
 County Contributions 245,196,200
 PDRF - State 5,162,500
 Federal Medicaid Authority 888,923,600
 PDRF - Federal 13,898,100
 Nursing Facility Provider Assessment Fund 17,171,800

FY 2015 adjustments would be as follows:

Formula Adjustments GF 2,571,300
 OF (1,334,800)
 EA 62,339,000

The EA amount consists of \$60,691,500 in Federal Medicaid Authority, \$500,100 in County Funds, \$1,673,600 from the federal portion of the Prescription Drug Rebate Fund and \$(526,200) from the Nursing Facility Provider Assessment Fund. 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.
- 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.)

Background – ALTCS provides coverage for individuals up to 222% of the FPL, or \$25,508 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 \$8,618 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 Baseline 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

FY 2015 adjustments would be as follows:

Formula Adjustments	GF (114,200)
	FMA 114,200

The formula adjustment represents a change in the match rate.

Background – This line item represents supplementary payments to hospitals that serve a large, or disproportionate, number of low-income patients. Table 5 displays the allocation of Disproportionate Share Funding.

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).

Table 5
Disproportionate Share Hospital Program

Eligible Funding	FY 2014	FY 2015
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
Distribution of Funding		
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

DSH Payments - Voluntary Match

The Baseline 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

FY 2015 adjustments would be as follows:

Reduced Funding	PSF (8,915,200)
	FMA (15,029,400)

The Baseline 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*). 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. In FY 2013, 11 hospitals contributed the state match for \$49,268,900 in total DSH payments.

Rural Hospitals

The Baseline includes \$13,858,100 in FY 2015 for Rural Hospitals. This amount consists of:

General Fund	4,370,900
Federal Medicaid Authority	9,487,200

FY 2015 adjustments would be as follows:

Formula Adjustment	GF (170,400)
	FMA 170,400

The formula adjustment represents a change in match rate.

Background – This line item is comprised of 2 programs. The Rural Hospital Reimbursement program increases inpatient reimbursement rates for qualifying rural hospitals. The Critical Access Hospitals program provides increased reimbursement to small rural hospitals that are federally designated as critical access hospitals. In FY 2013, 21 hospitals qualified for funding from Rural Hospital Reimbursement and 10 from Critical Access Hospitals.

Graduate Medical Education

The Baseline 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

FY 2015 adjustments would be as follows:

Decreased Funding	PSF (8,271,900)
	FMA (12,299,700)

The Baseline includes a decrease of \$(20,571,600) in FY 2015 for a reduction in GME payments. 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 Baseline includes no funding in FY 2015 for the Safety Net Care Pool (SNCP) program. FY 2015 adjustments would be as follows:

Expiration of Program	PSF (56,971,200)
	FMA (109,028,800)

The Baseline includes a decrease of \$(166,000,000) in FY 2015 for the SNCP program which ended on December 31, 2013.

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 allows Phoenix Children’s Hospital to continue to participate in the SNCP program through December 31, 2017 if approved by the federal government. If the continuation is approved, additional expenditure authority monies will need to be added to the AHCCCS budget.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Operating Budget

The amounts appropriated for the Department of Economic Security Eligibility line item shall be used for intergovernmental agreements with the Department of Economic Security for the purpose of eligibility determination and other functions. The General Fund share may be used for eligibility determination for other programs administered by the Division of Benefits and Medical Eligibility based on the results of the Arizona Random Moment Sampling Survey.

The amounts included in the Proposition 204 - AHCCCS Administration, Proposition 204 - DES Eligibility, and Proposition 204 Services Special Line Items includes all available sources of funding consistent with A.R.S. § 36-2901.01B.

Medical Services

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

The Arizona Health Care Cost Containment System Administration shall report to the Joint Legislative Budget Committee by March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the

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

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

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.

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

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 and Disproportionate Share Payments - Voluntary Match line items are included in the Expenditure Authority fund source.

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.

The Arizona Health Care Cost Containment System Administration shall transfer up to \$1,200,000 from the Traditional Medicaid Services line item for FY 2014 to the Attorney General for costs associated with tobacco settlement litigation.

Payments to Hospitals

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 Healthcare District and \$9,284,800 for private qualifying disproportionate share hospitals.

Any monies received for Disproportionate Share Payments from political subdivisions of this state, tribal governments and any university under the jurisdiction of the Arizona Board of Regents, and any federal monies used to match those payments, that are received in FY 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.

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.

Other Reports

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 by that date since July 1, 2014. On June 30, 2015, the Administration shall report the same information for all of FY 2015.

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.

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 Health Authority unless the Administration already provided the report in FY 2014.

New Footnotes

The Hospital Assessment Fund is included in the Expenditure Authority fund source.

Deletion of Prior Year Footnotes

The Baseline would delete the footnotes on KidsCare II, the Safety Net Care Pool Program, and the City of Phoenix Access to Care Assessment expenditures since the programs end in FY 2014.

STATUTORY CHANGES

The Baseline would:

Rates and Services:

- As session law, continue 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.
- As session law, state that it is the intent of the Legislature that AHCCCS not increase capitation rates more than 3% in FY 2016 and FY 2017.
- As session law, continue to allow AHCCCS to notwithstand coverage exclusions in permanent law in order to cover outpatient health services, medical supplies, durable medical equipment, orthotics, and prosthetic devices if the preferred treatment option is consistent with Medicare guidelines and are less expensive than all other treatment options or surgical procedures to treat the same diagnosed condition.

Counties

- As session law, set county Arizona Long Term Care System (ALTCS) contributions at \$245,196,200 (see Table 6).
- As session law, set the County Acute Care contribution at \$47,553,700 (see Table 6).
- As session law, continue the collection of \$2,646,200 in DUC pool contributions from all counties other than Maricopa County (see Table 6).
- As session law, continue to exclude Proposition 204 administrative costs from county expenditure limitations.
- 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.

Hospitals

- As session law, establish FY 2015 disproportionate share distributions to the Maricopa County Hospital District, the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center (does not continue to allow Maricopa Special Healthcare District to use uncompensated care expenditures above \$89.9 million for SNCP since SNCP expires in FY 2014.)
- As permanent law, continue to permit local governments, tribal governments, and universities to contribute state match monies for disproportionate share hospital payments, subject to legislative appropriation.

Erroneous Payments

- As session law, continue to state that it is the intent of the Legislature that AHCCCS comply with the

Federal False Claims Act, achieve the maximum savings as possible under the federal act, and to consider best available technologies to reduce fraud.

- As session law, continue to permit AHCCCS to recover erroneous Medicare payments the state has made due to errors on behalf of the federal government. Credits may be used to pay for the AHCCCS program in the year they are received.

Available Funding

- As session law, continue to state that it is the intent of the Legislature that AHCCCS implement a program within its available appropriation.

Reports

- As session law, require AHCCCS to submit a report by December 1, 2014 on the use of emergency departments for non-emergency use by AHCCCS enrollees.
- As session law, require AHCCCS, in conjunction with DHS, to submit a report by January 1, 2015 on hospital costs and charges.

Other

- As session law, require AHCCCS to pursue the maximum cost sharing allowable under federal law for AHCCCS enrollees. If approved by the federal government, charge the adult expansion population a premium of up to 2% of their income, and a \$200 co-pay for non-emergency use of the emergency room. Exempt AHCCCS from rulemaking for 1 year.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2014 Balance

AHCCCS' estimated FY 2014 expenditures are projected to be \$(73) million less than appropriated. The balance 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. A portion of AHCCCS' overfunded amount could potentially be used to address \$18 million in underfunding projected for DHS in FY 2014.

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.

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	\$ 616,900
Cochise	203,100	2,214,800	162,700	5,179,900	208,100	2,214,800	162,700	5,138,300
Coconino	200,400	742,900	160,500	1,841,200	205,300	742,900	160,500	1,851,400
Gila	82,300	1,413,200	65,900	2,126,000	84,300	1,413,200	65,900	2,107,400
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	19,523,400	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	2,552,500
Pima	1,393,200	14,951,800	1,115,900	39,129,200	1,427,200	14,951,800	1,115,900	38,919,400
Pinal	272,600	2,715,600	218,300	15,246,800	279,200	2,715,600	218,300	15,294,300
Santa Cruz	64,400	482,800	51,600	1,908,200	66,000	482,800	51,600	1,914,800
Yavapai	257,500	1,427,800	206,200	8,382,500	263,800	1,427,800	206,200	8,314,700
Yuma	229,600	1,325,100	183,900	7,832,000	235,200	1,325,100	183,900	8,062,700
Subtotal	\$3,303,900	\$47,851,000	\$2,646,200	\$244,696,100	\$3,384,400	\$47,553,700	\$2,646,200	\$245,196,200
Total				\$298,497,200				\$298,780,500

- The counties' portion is allocated among the counties based on their FY 2013 ALTCS utilization.
- 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.
- 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 \$15,765,700 in relief.
- 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.
- 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 \$10,180,600 in relief.

In FY 2015, provisions 3 through 6 of the ALTCS formula result in the state providing a total of \$31,887,800 in relief to 10 counties.

Program Components

Traditional Medicaid, Proposition 204, 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 \$321 per member per month

(or \$3,856 annually). Of that amount, \$93 is from state match and \$228 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 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>
Medically Needy Account		
<u>Funds Available</u>		
Balance Forward	\$ 4,120,900	\$ 387,000
Transfer In - Tobacco Tax and Health Care Fund	46,966,400	42,747,000
Transfer In - Tobacco Products Tax Fund	25,607,000	24,732,200
Interest & Refunds	2,100	0
Total Funds Available	\$ 76,696,400	\$ 67,866,200
<u>Allocations</u>		
<u>AHCCCS</u>		
AHCCCS State Match Appropriation	\$ 38,295,800	\$ 37,389,300
Administrative Adjustments	2,930,600	0
Total AHCCCS Allocations	\$ 41,226,400	\$ 37,389,300
<u>DHS</u>		
Behavioral Health GF Offset	\$ 34,767,000	\$ 34,767,000
Folic Acid	316,000	400,000
Renal, Dental Care, and Nutrition Supplements	0	300,000
Total DHS Allocations	35,083,000	35,467,000
Balance Forward	\$ 387,000	\$ (4,990,100) ^{1/}
AHCCCS Proposition 204 Protection Account		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 0
Transfer In - Tobacco Products Tax Fund	39,831,900	38,472,300
Total Funds Available	\$ 39,831,900	\$ 38,472,300
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 39,825,800	38,472,300
Administrative Adjustments	6,100	0
Balance Forward	\$ 0	\$ 0
AHCCCS Emergency Health Services Account		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 0
Transfer In - Tobacco Products Tax Fund	18,967,600	18,320,100
Total Funds Available	\$ 18,967,600	\$ 18,320,100
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 18,964,600	\$ 18,320,100
Administrative Adjustments	3,000	0
Balance Forward ^{2/}	\$ 0	\$ 0
DHS Health Education Account		
<u>Funds Available</u>		
Balance Forward	\$ 7,741,000	\$ 7,731,700
Transfer In - Tobacco Tax and Health Care Fund	15,575,300	14,045,400
Transfer In - Tobacco Products Tax Fund	1,896,800	1,832,000
Total Funds Available	\$ 25,213,100	\$ 23,609,100
<u>Allocations</u>		
Tobacco Education and Prevention Program	\$ 14,141,100	\$ 16,200,000
Leading Causes of Death - Prevention and Detection	3,340,300	2,400,000
Balance Forward	\$ 7,731,700	\$ 5,009,100
Health Research Account		
<u>Funds Available</u>		
Balance Forward	\$ 3,395,100	\$ 1,573,500
Transfer In - Tobacco Tax and Health Care Fund	3,249,500	3,053,400
Transfer In - Tobacco Products Tax Fund	4,874,300	4,580,000
Total Funds Available	\$ 11,518,900	\$ 9,206,900
<u>Allocations</u>		
Biomedical Research	\$ 8,945,400	\$ 7,910,400
Alzheimer's Disease Research	1,000,000	1,000,000
Balance Forward	\$ 1,573,500	\$ 296,500

^{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.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Budget Neutrality Compliance Fund (HCA2478/A.R.S. § 36-2928)		Appropriated
Source of Revenue: County contributions.		
Purpose of Fund: To provide administrative funding for costs associated with the implementation of the Proposition 204 expansion. Proposition 204 shifted some county administrative functions to the state, for which the counties now compensate the state.		
Funds Expended	3,221,100	3,303,900
Year-End Fund Balance	7,700	7,700
Children's Health Insurance Program Fund (HCA2409/A.R.S. § 36-2995)		Appropriated
Source of Revenue: Includes Medicaid matching monies for Arizona's State Children's Health Insurance Program (CHIP), called KidsCare and KidsCare II. General Fund monies are used to leverage federal monies for KidsCare and contributions from political subdivisions are used to leverage federal monies for KidsCare II. General Fund monies and political subdivision contributions are not included in the reported CHIP Fund expenditures.		
Purpose of Fund: To provide health insurance for low-income children 19 years of age and under. The eligibility limit for the KidsCare program has been set at 200% of the Federal Poverty Level (FPL), which is approximately \$47,100 for a family of 4. KidsCare II expires on December 31, 2013. The eligibility level for KidsCare II was originally set at 175% FPL, but it was later expanded to 200% FPL.		
Funds Expended	53,782,300	32,139,100
Year-End Fund Balance	2,028,500	2,028,500
County Funds (HCA2120 Acute Care/HCA2223 Long Term Care/ A.R.S. § 36-2912 Acute Care/ A.R.S. § 36-2953 Long Term Care)		Expenditure Authority
Source of Revenue: Statutorily prescribed county contributions.		
Purpose of Fund: For the provision of acute medical and long term care services to Arizona Health Care Costs Containment System (AHCCCS) eligible populations. County contributions and state General Fund appropriations serve as the state match for federal Medicaid dollars.		
Funds Expended	292,035,200	295,193,300
Year-End Fund Balance	0	0
Employee Recognition Fund (HCA2025/A.R.S. § 36-2903)		Non-Appropriated
Source of Revenue: Private donations.		
Purpose of Fund: To be used for the agency's employee recognition program.		
Funds Expended	9,300	9,300
Year-End Fund Balance	9,200	8,400
Federal - Medicaid Direct Services (HCA2120/A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
Purpose of Fund: To reimburse schools participating in the Direct Services Claiming program for services provided to children with disabilities who are Medicaid eligible. All federal Medicaid monies must flow through AHCCCS, therefore, these monies are obtained by AHCCCS and then passed on to the participating schools.		
Funds Expended	20,551,100	36,320,100
Year-End Fund Balance	0	0
Federal Funds (HCA2000 Acute Care/A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Federal grant monies.		
Purpose of Fund: To provide federal match for non-appropriated state expenditures.		
Funds Expended	6,422,000	198,000
Year-End Fund Balance	1,675,300	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Federal Grants - American Recovery and Reinvestment Act (ARRA) (HCA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: Federal Funds to assist Medicaid providers in adopting electronic medical records.		
Funds Expended	62,983,500	38,612,500
Year-End Fund Balance	0	0
Federal Medicaid Authority (HCA2120/HCA2223 Long Term Care/ A.R.S. § 36-2913 Acute Care/ A.R.S. § 36-2953 Long Term Care)		Expenditure Authority
Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
Purpose of Fund: For AHCCCS' administrative costs and for the provision of acute and long term services to eligible populations.		
Funds Expended	4,172,226,700	4,753,556,000
Year-End Fund Balance	41,644,500	41,644,500
Healthcare Group Fund (HCA3197/A.R.S. § 36-2912.01)		Partially-Appropriated
Source of Revenue: Premiums paid by employers and employees enrolled in Healthcare Group, including monies to fund the administration of the Healthcare Group program.		
Purpose of Fund: A portion of this fund is appropriated to fund the administrative costs of Healthcare Group. The rest of the fund is non-appropriated and used to pay medical claims for members of Healthcare Group. Healthcare Group is operated by AHCCCS and is a premium based health insurance program available to small businesses and self-employed persons. The Healthcare Group program is repealed on January 1, 2014, and the Healthcare Group Fund is repealed on January 1, 2015.		
Appropriated Funds Expended	1,133,500	1,097,200
Non-Appropriated Funds Expended	24,415,700	10,855,100
Year-End Fund Balance	9,894,200	6,092,900
Hospital Assessment Fund (HCA9692/A.R.S. § 36-2901.09)		Non-Appropriated
Source of Revenue: An assessment on hospital revenues, discharges, or beds days.		
Purpose of Fund: For funding the non-federal share of Proposition 204 services and the adult population who becomes eligible for AHCCCS services on January 1, 2014. This amount is displayed as Expenditure Authority in FY 2015.		
Funds Expended	0	75,339,400
Year-End Fund Balance	0	0
Hospital Loan Residency Fund (HCA2532/A.R.S. § 36-2921)		Non-Appropriated
Source of Revenue: Received a \$1,000,000 deposit from the General Fund in FY 2007. In future years, will also include any repaid loan money received from the participating hospitals.		
Purpose of Fund: To provide interest free loans to fund start-up and ongoing costs for residency programs in accredited hospitals, with priority given to rural areas.		
Funds Expended	0	0
Year-End Fund Balance	600,000	900,000
Intergovernmental Service Fund (HCA2438/A.R.S. § 36-2927)		Non-Appropriated
Source of Revenue: Monies collected from the State of Hawaii.		
Purpose of Fund: To be used for costs associated with information technology services provided by AHCCCS to the State of Hawaii for the design, development, implementation, operation, and maintenance of a Medical Management Information System.		
Funds Expended	6,624,400	8,000,000
Year-End Fund Balance	2,071,000	1,376,500

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Nursing Facility Provider Assessment Fund (HCA2567/A.R.S. § 36-2999.53)		EA/Non-Appropriated
Source of Revenue: Assessment on health care items and services provided by some nursing facilities, nursing facility penalties, grants, gifts, and contributions from public or private sources.		
Purpose of Fund: To qualify for federal matching funds for supplemental payments for nursing facility services, to reimburse the Medicaid sharer of the assessment, to provide Medicaid supplemental payments to fund covered nursing facility services for Medicaid beneficiaries, and to pay up to a 1% in administrative expenses incurred by AHCCCS for administering this fund. Beginning in FY 2014, these funds are listed as Expenditure Authority.		
Expenditure Authority Funds Expended	0	17,698,000
Non-Appropriated Funds Expended	7,165,800	0
Year-End Fund Balance	0	0
Political Subdivision Funds (HCA1111/A.R.S. § 36-2927)		Expenditure Authority
Source of Revenue: Monies voluntarily given to AHCCCS from local governments, tribal communities, or Arizona public universities in order to obtain a federal match.		
Purpose of Fund: To expand funding for hospitals or to increase enrollment for KidsCare or Proposition 204.		
Funds Expended	202,153,200	138,181,000
Year-End Fund Balance	0	0
Prescription Drug Rebate Fund (HCA2546/ A.R.S. § 36-2930)		EA/Appropriated
Source of Revenue: Prescription drug rebate collections, interest from prescription drug rebate late payments and Federal monies made available to this state for the operation of the AHCCCS Prescription Drug Rebate Program.		
Purpose of Fund: To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. Also used to return the federal share of Prescription Drug Rebate collections and interest from late payments to the federal Centers for Medicare and Medicaid Services by offsetting future federal draws. Federal monies are listed as Expenditure Authority. All other monies are appropriated.		
State Funds Expended	53,989,300	95,010,900
Federal Funds Expended	133,422,400	178,543,000
Year-End Fund Balance	0	0
Proposition 202 -Trauma and Emergency Services Fund (HCA2494/A.R.S. § 36-2903.07)		Non-Appropriated
Source of Revenue: Gaming monies received from the Arizona Benefits Fund.		
Purpose of Fund: For unrecovered trauma center readiness and emergency services costs.		
Funds Expended	21,267,000	24,454,700
Year-End Fund Balance	15,277,100	15,292,600
Temporary Transaction Privilege and Use Tax - 1% Fund (HCA1032/Article IX, Section 12.1 of State Constitution)		Non-Appropriated
Source of Revenue: Temporary 3-year 1-cent sales and use tax authorized by voters during the May 2010 special election. The tax expires after May 31, 2013.		
Purpose of Fund: To provide funding for primary and secondary education, health and human services and public safety. Expenditures are not displayed to avoid double counting General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Third Party Liability and Recovery Fund (HCA3791 Acute Care/HCA3019 Long Term Care/A.R.S. § 36-2913)		EA/Non-Appropriated
Source of Revenue: Collections from third-party payers and revenues from lien and estate recoveries.		
Purpose of Fund: To provide acute medical services to AHCCCS members.		
Expenditure Authority Funds Expended	0	194,700
Non-Appropriated Funds Expended	37,900	39,300
Year-End Fund Balance	1,555,900	1,521,900

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Tobacco Litigation Settlement Fund (TRA2561/A.R.S. § 36-2901.02)		Expenditure Authority
Source of Revenue: Monies received from tobacco companies as part of a lawsuit settlement.		
Purpose of Fund: Established by Proposition 204 (enacted in the 2000 General Election) to provide funding to expand the AHCCCS program to 100% of the Federal Poverty Level and for 6 public health programs.		
Funds Expended	149,125,400	100,000,000
Year-End Fund Balance	0	0
Tobacco Tax and Health Care Fund* (RVA1306/A.R.S. § 36-771)		Non-Appropriated
Source of Revenue: The fund consists of certain tax monies collected on cigarettes, cigars, smoking tobacco, plug tobacco, snuff and other forms of tobacco, and all interest earned on these monies.		
Purpose of Fund: To AHCCCS for the Medically Needy Account (70%), the Arizona Department of Health Services (DHS) for the Health Education Account (23%), the Health Research Account (5%), and the State Department of Corrections (DOC) for the Corrections Fund Adjustment Account (2%). Under A.R.S. § 36-775, the amount transferred to the Corrections Fund Account is to reflect only the actual amount needed to offset decreases in the Corrections Fund resulting from lower tax revenues. Any unexpended Corrections Fund Adjustment Account amounts are to be transferred out proportionally to the other 3 accounts. These taxes were enacted in Proposition 200 and approved by voters in the 1994 General Election.		
Tobacco Tax and Health Care Fund - Medically Needy Accounts* (HCA1306/A.R.S. § 36-774)		Partially-Appropriated
Source of Revenue: The account receives 70¢ of each dollar deposited in the Tobacco Tax and Health Care Fund, administered by the Department of Revenue, and 27¢ of each dollar deposited into the Tobacco Products Tax Fund, also administered by the Department of Revenue. The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account and an allocation from the Healthcare Adjustment Account. These taxes were enacted in Proposition 200 and approved by voters in the 1994 General Election.		
Purpose of Fund: For health care services including, but not limited to, preventive care, transplants and the treatment of catastrophic illness or injury. Eligible recipients include persons statutorily determined to be medically indigent, medically needy, or low-income children. A portion of the monies is transferred to DHS for statutorily established services, grants and pilot programs.		
Tobacco Products Tax Fund - Emergency Health Services Account* (HCA1304/A.R.S. § 36-776)		Appropriated
Source of Revenue: This account receives 20¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
Purpose of Fund: For primary care services, reimbursement of uncompensated care costs, and trauma center readiness costs.		
Tobacco Products Tax Fund - Proposition 204 Protection Account* (HCA1303/A.R.S. § 36-778)		Expenditure Authority
Source of Revenue: This account receives 42¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
Purpose of Fund: To fund state match costs in AHCCCS for the Proposition 204 program. These monies must be spent before any other state monies on the Proposition 204 program.		

*See Table 7

State Board of Appraisal

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	186,700
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	46,800
Equipment	7,800	44,000	44,000
AGENCY TOTAL	725,200	851,600	821,600

FUND SOURCES

Other Appropriated Funds

Board of Appraisal Fund	725,200	851,600	821,600
SUBTOTAL - Other Appropriated Funds	725,200	851,600	821,600
SUBTOTAL - Appropriated Funds	725,200	851,600	821,600
TOTAL - ALL SOURCES	725,200	851,600	821,600

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

Operating Budget

The Baseline includes \$821,600 and 8 FTE Positions from the Board of Appraisal Fund in FY 2015 for the operating budget. FY 2015 adjustments would be as follows:

Remove One-Time Funding OF FY 2015 (30,000)

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

Regulation of Appraiser Training OF 0
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*.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Board of Appraisal Fund (APA2270/A.R.S. § 32-3608)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of real estate appraisers and tax agents. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate real estate appraisers and property tax agents, and for board administration.		
Funds Expended	725,200	851,600
Year-End Fund Balance	305,200	230,100

Arizona Commission on the Arts

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

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 Baseline includes no funding from the Budget Stabilization Fund in FY 2015 for deposit into the non-appropriated Arts Trust Fund. FY 2015 adjustments would be as follows:

Remove One-Time Funding OF (1,000,000)

The Baseline includes a decrease of \$(1,000,000) from the Budget Stabilization Fund in FY 2015 for the elimination of one-time funding. The FY 2014 Revenue Budget

Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 9) appropriated this one-time 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 used to provide grants to organizations representing handicapped persons or racial or ethnic minorities and organizations representing rural areas.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Arts Special Revenues Fund (HUA2116/A.R.S. § 41-983)		Non-Appropriated
Source of Revenue: Public and private grants, donations, exhibit rentals, admissions and charges for services.		
Purpose of Fund: To award grants to arts programs in all areas of the state. The applicant organizations must contribute to each grant awarded by the Arts Commission.		
Funds Expended	125,200	30,800
Year-End Fund Balance	18,800	68,400
Arts Trust Fund (HUA3014/A.R.S. § 41-983.01)		Non-Appropriated
Source of Revenue: An annual report filing fee from domestic and foreign for profit corporations.		
Purpose of Fund: To award grants to organizations with the purpose of advancing and fostering the arts in Arizona. A portion of the funds are to be used to provide grants to: 1) organizations representing handicapped persons, 2) racial or ethnic minorities; and 3) organizations representing rural areas. The FY 2014 Revenue Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 9) appropriated \$1,000,000 to the Arts Trust Fund from interest income earned on the Budget Stabilization Fund. This amount is not displayed to avoid double counting of appropriations with the Budget Stabilization Fund below.		
Funds Expended	1,584,300	1,365,500
Year-End Fund Balance	86,700	149,200

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Budget Stabilization Fund (TRA3034/A.R.S. § 35-144)		Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: Laws 2013, 1st Special Session, Chapter 9 provided a one-time transfer of \$1,000,000 in interest income earned on the Budget Stabilization Fund for deposit into the non-appropriated Arts Trust Fund.		
Funds Expended	0	1,000,000
Year-End Fund Balance	0	456,300
Federal Grant Fund (HUA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants from the National Endowment for the Arts.		
Purpose of Fund: To award grants to non-profits, schools and government entities in the state. A state funding match is required.		
Funds Expended	808,400	756,000
Year-End Fund Balance	0	0
State Poet Laureate Fund (HUA2569/A.R.S. § 41-988)		Non-Appropriated
Source of Revenue: Gifts, grants, and donations.		
Purpose of Fund: To pay costs of the State poet laureate.		
Funds Expended	0	2,500
Year-End Fund Balance	0	0

Board of Athletic Training

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	17,600	30,600
Travel - In State	1,600	1,100	1,100
Other Operating Expenditures	15,900	21,000	21,000
AGENCY TOTAL	100,600	105,200	118,200

FUND SOURCES

Other Appropriated Funds

Athletic Training Fund	100,600	105,200	118,200
SUBTOTAL - Other Appropriated Funds	100,600	105,200	118,200
SUBTOTAL - Appropriated Funds	100,600	105,200	118,200
TOTAL - ALL SOURCES	100,600	105,200	118,200

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

Operating Budget

The Baseline includes \$118,200 and 1.5 FTE Positions from the Athletic Training Fund in FY 2015 for the operating budget. FY 2015 adjustments would be as follows:

ERE Adjustment **OF** **FY 2015** **13,000**
 The Baseline includes an increase of \$13,000 from the Athletic Training Fund in FY 2015 to fund increased Employee Related Expenditures from a new employee. The Baseline also includes a FY 2014 supplemental

increase for the same purpose. (See FY 2014 Supplemental Appropriation for details.)

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FORMAT — Lump Sum by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2014 Supplemental Appropriation

The Baseline includes a supplemental increase of \$13,000 from the Athletic Training Fund in FY 2014 to fund increased Employee Related Expenditures from a new employee.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Athletic Training Fund (BAA2583/A.R.S. § 32-4105)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of athletic trainers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate athletic trainers, and for board administration.		
Funds Expended	100,600	105,200
Year-End Fund Balance	137,100	154,500

Attorney General - Department of Law

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	547.9	547.9	547.9
Personal Services	28,343,900	28,846,700	28,846,700
Employee Related Expenditures	10,020,500	11,055,200	11,055,200
Professional and Outside Services	563,500	603,500	603,500
Travel - In State	142,000	137,400	137,400
Travel - Out of State	115,900	209,200	209,200
Other Operating Expenditures	6,335,300	6,021,600	6,021,600
Equipment	1,125,900	71,000	71,000
OPERATING SUBTOTAL	46,647,000	46,944,600	46,944,600
SPECIAL LINE ITEMS			
Capital Postconviction Prosecution	0	500,000	500,000
Military Airport Planning	84,700	90,000	90,000
National Mortgage Settlement Distribution	612,500	0	0
Risk Management ISA	8,453,100	9,439,500	9,439,500
State Grand Jury	176,700	181,100	181,100
Victims' Rights	3,224,700	3,997,800	3,758,400
AGENCY TOTAL	59,198,700	61,153,000	60,913,600
FUND SOURCES			
General Fund	23,366,000	22,464,600	22,464,600
Other Appropriated Funds			
Antitrust Enforcement Revolving Fund	143,700	244,200	244,200
Attorney General Legal Services Cost Allocation Fund	2,073,400	2,087,500	2,087,500
Collection Enforcement Revolving Fund	5,347,300	5,387,800	5,387,800
Consumer Protection - Consumer Fraud Revolving Fund	3,360,900	3,506,200	3,506,200
Court-Ordered Trust Fund	612,500	0	0
Interagency Service Agreements Fund	12,617,100	13,525,400	13,525,400
Risk Management Revolving Fund	8,453,100	9,439,500	9,439,500
State Aid to Indigent Defense Fund	0	500,000	500,000
Victims' Rights Fund	3,224,700	3,997,800	3,758,400
SUBTOTAL - Other Appropriated Funds	35,632,700	38,688,400	38,449,000
SUBTOTAL - Appropriated Funds	59,198,700	61,153,000	60,913,600
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	106,721,700	105,430,900

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

Operating Budget

The Baseline includes \$46,944,600 and 446.3 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$22,193,500
Antitrust Enforcement Revolving Fund	244,200
Attorney General Legal Services Cost Allocation Fund	2,087,500

Collection Enforcement Revolving Fund	5,387,800
Consumer Protection-Consumer Fraud Revolving Fund	3,506,200
Interagency Service Agreements Fund	13,525,400

These amounts are unchanged from FY 2014.

Capital Postconviction Prosecution

The Baseline includes \$500,000 from the State Aid to Indigent Defense Fund in FY 2015 for Capital

Postconviction Prosecution. This amount is unchanged from FY 2014.

This line item funds costs associated with prosecuting capital cases after the initial conviction.

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 now states 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.

In determining the FY 2015 appropriation, the Legislature will need to determine whether to concur with the Attorney General's latest position or to transition capital postconviction relief responsibilities to Maricopa County.

Military Airport Planning

The Baseline 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.

Risk Management ISA

The Baseline includes \$9,439,500 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2015 for the Risk Management ISA. These amounts are unchanged from FY 2014.

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 Baseline 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 Baseline includes \$3,758,400 and 6 FTE Positions from the Victims' Rights Fund in FY 2015 for Victims' Rights. FY 2015 adjustments would be as follows:

Remove One-Time Funding OF (239,400)

The Baseline 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.

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.

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

In addition to the \$13,525,400 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 shall include the name of the agency or entity with which the agreement is made, the dollar amount of the contract by fiscal year and the number of associated FTE Positions.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote concerning the one-time report on capital postconviction prosecution.

STATUTORY CHANGES

The Baseline would:

- As session law, continue the same level of Attorney General Legal Service charges set by the FY 2014 General Appropriation Act. (*See discussion in Other Issues for Legislative Consideration.*)
- As session law, continue to permit the Attorney General to use \$500,000 from the State Aid to Indigent Defense Fund for Capital Postconviction Prosecution in FY 2015.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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 2014 General Appropriation Act set the level of charges at \$1,809,500 and specified the charge per agency as required by Chapter 302. The FY 2015 Baseline would continue the same level of charges at \$1,809,500. The FY 2015 General Appropriation Act would include language setting the charges as required by Chapter 302. Charges for agencies will be found in their individual agency narratives.

See *Table 1* for a list of agencies and their corresponding Attorney General Legal Services charge.

Consumer Restitution and Remediation Revolving Fund

Laws 2013, Chapter 143 established the Consumer Restitution and Remediation Revolving Fund. In addition, the statute directs any monies resulting from compromises or settlements by or against the state, excluding restitution and reimbursement funds, 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.

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 requires 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 Consumer Protection - Consumer Fraud 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 is auditing the reported consumer relief activities and is expected to issue a report in 2014 verifying whether the banks met 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 I

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

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Anti-Racketeering Revolving Fund (AGA2131/A.R.S. § 13-2314.01)		Non-Appropriated
<i>Source of Revenue:</i> Forfeitures of property and assets to satisfy judgments pursuant to anti-racketeering statutes.		
<i>Purpose of Fund:</i> To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
Funds Expended	19,749,900	22,291,200
Year-End Fund Balance	39,987,500	37,170,000
Antitrust Enforcement Revolving Fund (AGA2016/A.R.S. § 41-191.02)		Appropriated
<i>Source of Revenue:</i> Monies recovered for the state as a result of antitrust, restraint of trade or price-fixing activity enforcement.		
<i>Purpose of Fund:</i> For antitrust enforcement expenses, excluding attorney compensation.		
Funds Expended	143,700	244,200
Year-End Fund Balance	157,400	111,500
Attorney General Expendable Trust Fund (AGA3102/A.R.S. § 35-149)		Non-Appropriated
<i>Source of Revenue:</i> Restricted donations and gifts from individuals and corporations.		
<i>Purpose of Fund:</i> For purposes specified by donors or grantors.		
Funds Expended	346,900	952,300
Year-End Fund Balance	220,100	214,700
Attorney General Legal Services Cost Allocation Fund (AGA4240/A.R.S. § 41-191.09)		Appropriated
<i>Source of Revenue:</i> Flat dollar amount from agencies as annually specified by the General Appropriation Act.		
<i>Purpose of Fund:</i> To fund non-contracted Attorney General Legal Services.		
Funds Expended	2,073,400	2,087,500
Year-End Fund Balance	1,210,500	932,500
CJEF Distribution to County Attorneys Fund (AGA2068/A.R.S. § 41-2401)		Non-Appropriated
<i>Source of Revenue:</i> 9.35% of the Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
<i>Purpose of Fund:</i> To enhance prosecutorial efforts of county attorneys.		
Funds Expended	3,844,900	3,962,100
Year-End Fund Balance	0	0
Collection Enforcement Revolving Fund (AGA2132/A.R.S. § 41-191.03)		Appropriated
<i>Source of Revenue:</i> The fund receives 35% of monies recovered by the Attorney General from debts owed to the state.		
<i>Purpose of Fund:</i> For expenses related to debt collection owed to the state, including reimbursement of other accounts within the department. Also can be used for operating expenses, including any costs associated with the Tobacco Master Settlement Agreement arbitration. The FY 2014 Criminal Justice BRB (Laws 2013, 1st Special Session, Chapter 5) permanently raised the non-lapsing cap from \$100,000 to \$500,000.		
Funds Expended	5,347,300	5,387,800
Year-End Fund Balance	1,636,300	1,056,200
Colorado River Land Claims Revolving Fund (AGA2430/A.R.S. § 41-191.05)		Non-Appropriated
<i>Source of Revenue:</i> Receives 25% of monies recovered by the state from the settlement of the State of Arizona's sovereign land claims.		
<i>Purpose of Fund:</i> To pay ownership claims near the Colorado River.		
Funds Expended	0	0
Year-End Fund Balance	12,300	12,300

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Consumer Protection - Consumer Fraud Revolving Fund (AGA2014/A.R.S. § 44-1531.01)		Appropriated
Source of Revenue: Any monies recovered for the state from investigative or court costs, attorney fees or civil penalties pertaining to consumer protection or consumer fraud.		
Purpose of Fund: For consumer fraud education and for investigative and enforcement operations of the Consumer Protection Division, excluding attorney compensation. Also can be used for operating expenses, including any costs associated with the Tobacco Master Settlement Agreement arbitration.		
Funds Expended	3,360,900	3,506,200
Year-End Fund Balance	12,817,500	10,895,300
Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)		Non-Appropriated
Source of Revenue: Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
Purpose of Fund: Laws 2013, Chapter 143 established the Consumer Restitution and Remediation Revolving Fund, which is separated into 2 subaccounts: the Consumer Restitution Subaccount and the Consumer Remediation Subaccount. The Consumer Restitution Subaccount 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.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)		Partially-Appropriated
Source of Revenue: Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
Purpose of Fund: Laws 2013, Chapter 143 established the Consumer Restitution and Remediation Revolving Fund, which is separated into 2 subaccounts: the Consumer Restitution Subaccount and the Consumer Remediation Subaccount. The Consumer Remediation Subaccount 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 person. Monies in the Consumer Remediation Subaccount up to \$3,500,000 are continuously appropriated. Any amount of money collected over that amount is subject to legislative appropriation.		
Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	0	0
Court-Ordered Trust Fund (AGA3180/A.R.S. § 35-142)		Partially-Appropriated
Source of Revenue: Court-ordered deposits held in trust for parties to lawsuits. Includes funds from a 2012 nationwide settlement between numerous states and mortgage loan services. Arizona residents will receive a total of \$1.6 billion from the settlement, of which \$97 million is available to the Attorney General.		
Purpose of Fund: To assure funds are available to pay judgments. Future payments are dependent on case settlements. Laws 2013, Chapter 118 appropriated an estimated \$47,000,000 of the National Mortgage Settlement proceeds to the Attorney General in FY 2013 as a non-lapsing appropriation. In FY 2013, the agency expended \$612,500 to provide assistance to homeowners affected by fraudulent mortgage servicing and foreclosure practices. In FY 2014, the Attorney General plans to expend \$15,522,400 of the non-lapsing appropriation for similar purposes. To avoid double counting, the FY 2014 expenditure is not displayed below. In addition, the FY 2013 budget directed the transfer of \$50,000,000 of these monies to the General Fund. Due to litigation, the transfer did not occur until FY 2014 and is reflected in the FY 2014 General Fund ending balance. The non-appropriated expenditures in FY 2013 and FY 2014 reflect court-ordered settlements other than the National Mortgage Settlement.		
Appropriated Funds Expended	612,500	0
Non-Appropriated Funds Expended	1,427,000	4,756,900
Year-End Fund Balance	118,935,100	50,155,800
Criminal Case Processing Fund (AGA2461/A.R.S. § 41-2421)		Non-Appropriated
Source of Revenue: A portion of redirected court collections and 0.35% of the surcharge on criminal, motor vehicle, and game and fish statute violations.		
Purpose of Fund: For the processing of criminal cases.		
Funds Expended	80,000	82,600
Year-End Fund Balance	77,100	77,100

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Federal Grants (AGA2000/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Grants awarded by various federal agencies and state agencies which pass through federal monies.		
<i>Purpose of Fund:</i> To be used in accordance with the terms of the individual grants.		
Funds Expended	5,470,200	6,022,700
Year-End Fund Balance	611,700	250,200
Indirect Cost Recovery Fund (AGA9000/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Federal grant monies and other appropriated and non-appropriated funds.		
<i>Purpose of Fund:</i> To pay administrative costs not directly attributable to any single agency program.		
Funds Expended	2,221,500	2,817,400
Year-End Fund Balance	103,300	702,900
Interagency Service Agreements Fund (AGA2657/A.R.S. § 41-192)		Appropriated
<i>Source of Revenue:</i> Any monies received by the Attorney General from charges to state agencies for legal services related to interagency service agreements.		
<i>Purpose of Fund:</i> To provide contracted legal services to state agencies and political subdivisions.		
Funds Expended	12,617,100	13,525,400
Year-End Fund Balance	878,800	510,100
Intergovernmental Agreements Fund (AGA2500/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Any monies received from state agencies for specialized projects.		
<i>Purpose of Fund:</i> For costs associated with approved projects.		
Funds Expended	2,963,000	3,183,400
Year-End Fund Balance	252,300	0
Microsoft Settlement Fund (AGA1992/A.R.S. § 44-1531.01)		Non-Appropriated
<i>Source of Revenue:</i> State agencies' settlement proceeds from <i>Daisy Mountain Fire District v. Microsoft</i> lawsuit.		
<i>Purpose of Fund:</i> Settlement monies intended to cover software and allowable costs of purchases in FY 2011. The General Accounting Office will reimburse state agencies for approved purchases according to their allotted settlement limits.		
Funds Expended	17,200	0
Year-End Fund Balance	0	0
Motor Carrier Safety Revolving Fund (AGA2380/A.R.S. § 28-5203)		Non-Appropriated
<i>Source of Revenue:</i> This fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste, as required by A.R.S. Title 28, Chapter 14; and monies received from private grants or donations.		
<i>Purpose of Fund:</i> The Department of Public Safety conducts motor carrier safety investigations, the Motor Vehicle Division of the Department of Transportation administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Prosecuting Attorneys' Advisory Council Training Fund (AGA2057/A.R.S. § 41-1830.03)		Non-Appropriated
<i>Source of Revenue:</i> 3.03% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
<i>Purpose of Fund:</i> For costs of training, technical assistance for prosecuting attorneys of the state and any political subdivision, and expenses for the operation of the council.		
Funds Expended	1,483,100	1,442,100
Year-End Fund Balance	600	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Risk Management Revolving Fund (AGA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay for the legal services ISA contract between the Attorney General and ADOA.		
Funds Expended	8,453,100	9,439,500
Year-End Fund Balance	942,000	0
State Aid to Indigent Defense Fund (AGA2445/A.R.S. § 11-588)		Appropriated
Source of Revenue: Legislative appropriations, a 14.66% allocation of a 7% penalty assessment on fines, penalties and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and a 20.53% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: See <i>Arizona Criminal Justice Commission</i> . The FY 2014 Criminal Justice Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 5) permitted the Attorney General to use State Aid to Indigent Defense Fund monies in FY 2014 for capital postconviction prosecution.		
Funds Expended	0	500,000
Year-End Fund Balance	0	0
Victim Witness Fund (AGA2228/A.R.S. § 41-2407)		Non-Appropriated
Source of Revenue: Grants from the Victim Compensation and Assistance Fund and the Victims of Crime Act Fund.		
Purpose of Fund: To assist crime victims and surviving family members who are involved in felony cases and appellate matters.		
Funds Expended	47,300	58,000
Year-End Fund Balance	0	0
Victims' Rights Fund (AGA3215/A.R.S. § 41-191.08)		Appropriated
Source of Revenue: 7.68% of Criminal Justice Enhancement Fund monies and an assessment on parents of juvenile offenders. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For states and local entities that provide victims' rights services and assistance.		
Funds Expended	3,224,700	3,997,800
Year-End Fund Balance	4,460,100	3,910,500

Automobile Theft Authority

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	120,800
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	639,900
SPECIAL LINE ITEMS			
Automobile Theft Authority Grants	3,606,400	4,607,700	4,607,700
Reimbursable Programs	0	50,000	50,000
AGENCY TOTAL	4,216,800	5,297,600	5,297,600
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Automobile Theft Authority Fund	4,216,800	5,297,600	5,297,600
SUBTOTAL - Other Appropriated Funds	4,216,800	5,297,600	5,297,600
SUBTOTAL - Appropriated Funds	4,216,800	5,297,600	5,297,600
TOTAL - ALL SOURCES	4,216,800	5,297,600	5,297,600

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

Operating Budget

The Baseline includes \$639,900 and 6 FTE Positions from the ATA Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

Automobile Theft Authority Grants

The Baseline 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 \$3,103,500 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 to establish a border squad for the Vehicle Theft Task Force and to provide training grants.

Reimbursable Programs

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

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 (*see Footnotes Section below.*)

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The Automobile Theft Authority shall pay 75% of the Personal Services and Employee Related Expenses for city

and county sworn officers who participate in the Arizona Vehicle Theft Task Force.

Automobile Theft Authority grants shall be awarded with consideration given to areas with greater automobile theft problems and shall be used to combat economic automobile theft operations.

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

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Automobile Theft Authority Fund (ATA2060/A.R.S. § 41-3451)		Appropriated
Source of Revenue: A semi-annual fee of \$0.50 per vehicle insured under a motor vehicle liability insurance policy for vehicles with a gross weight under 26,000 pounds.		
Purpose of Fund: To allocate monies to public agencies for the purpose of establishing, maintaining and supporting programs that are designed to prevent motor vehicle theft, and to cover the costs of administration not to exceed 10% of the fund.		
Funds Expended	4,216,800	5,297,600
Year-End Fund Balance	1,598,900	1,652,100

Board of Barbers

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	68,500
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	333,800

FUND SOURCES

Other Appropriated Funds

Board of Barbers Fund	291,900	333,800	333,800
SUBTOTAL - Other Appropriated Funds	291,900	333,800	333,800
SUBTOTAL - Appropriated Funds	291,900	333,800	333,800
TOTAL - ALL SOURCES	291,900	333,800	333,800

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

Operating Budget

* * *

The Baseline includes \$333,800 and 4 FTE Positions from the Board of Barbers Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Board of Barbers Fund (BBA2007/A.R.S. § 32-305)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of barbers, barber schools, and barbering establishments. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate barbers, barber schools, and barbering establishments, and for board administration.		
Funds Expended	291,900	333,800
Year-End Fund Balance	358,200	413,000

Board of Behavioral Health Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	368,400
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	1,758,100
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Behavioral Health Examiners Fund	1,487,300	1,758,100	1,758,100
SUBTOTAL - Other Appropriated Funds	1,487,300	1,758,100	1,758,100
SUBTOTAL - Appropriated Funds	1,487,300	1,758,100	1,758,100
TOTAL - ALL SOURCES	1,487,300	1,758,100	1,758,100

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

Operating Budget

* * *

The Baseline includes \$1,758,100 and 17 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Board of Behavioral Health Examiners Fund (BHA2256/A.R.S. § 32-3254)		Appropriated
Source of Revenue: Monies collected by the board from the certification and regulation of behavioral health professionals in the fields of social work, counseling, marriage and family therapy, and substance abuse counseling. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, certify, investigate, and regulate behavioral health professionals, and for board administration.		
Funds Expended	1,487,300	1,758,100
Year-End Fund Balance	1,111,400	976,500

State Board for Charter Schools

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9.0	9.0	9.0
Personal Services	450,900	455,600	455,600
Employee Related Expenditures	179,800	188,900	188,900
Professional and Outside Services	15,800	38,500	38,500
Travel - In State	3,200	3,100	3,100
Other Operating Expenditures	91,600	136,300	136,300
Equipment	17,500	0	0
AGENCY TOTAL	758,800	822,400	822,400

FUND SOURCES

General Fund	758,800	822,400	822,400
SUBTOTAL - Appropriated Funds	758,800	822,400	822,400
Other Non-Appropriated Funds	8,000	140,000	102,700
TOTAL - ALL SOURCES	766,800	962,400	925,100

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

Operating Budget

The Baseline includes \$822,400 and 9 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Charter Arizona Online Instruction Processing Fund (CHA2319/A.R.S. § 15-183W)		Non-Appropriated
Source of Revenue: Consists of fees collected and administered by the State Board for Charter Schools.		
Purpose of Fund: To fund the processing of contract amendments for charter schools participating in Arizona online instruction.		
Funds Expended	0	6,000
Year-End Fund Balance	6,000	3,000
Implementation Project Fund (CHA2025/A.R.S § 15-182)		Non-Appropriated
Source of Revenue: Consists of funds from private donations and Governor's Office of Education Innovation.		
Purpose of Fund: To fund the creation of the board's Performance Framework, automation of the academic dashboard development, improvements to online modules, conferences, and training.		
Funds Expended	8,000	43,000
Year-End Fund Balance	8,700	5,700
New Charter Application Processing Fund (CHA2568/A.R.S. § 15-183.01)		Non-Appropriated
Source of Revenue: Consists of fees collected and administered by the State Board for Charter Schools.		
Purpose of Fund: To fund the processing of applications submitted for new charters.		
Funds Expended	0	91,000
Year-End Fund Balance	0	0

State Board of Chiropractic Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	88,400
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	450,400
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Chiropractic Examiners Fund	444,900	469,400	450,400
SUBTOTAL - Other Appropriated Funds	444,900	469,400	450,400
SUBTOTAL - Appropriated Funds	444,900	469,400	450,400
TOTAL - ALL SOURCES	444,900	469,400	450,400

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

Operating Budget

The Baseline includes \$450,400 and 5 FTE Positions from the Board of Chiropractic Examiners Fund in FY 2015 for the operating budget. FY 2015 adjustments would be as follows:

to add \$5,000 for one-time moving expenses and \$1,000 for increased rent.

* * *

FORMAT — Lump Sum by Agency

Resource Reallocation OF FY 2015 (19,000)

The Baseline includes a decrease of \$(19,000) from the Board of Chiropractic Examiners Fund in FY 2015 to reallocate board resources. The agency requested the reduction in order to align revenues with expenditures. The reduction, however, still provides sufficient resources

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Board of Chiropractic Examiners Fund (CEA2010/A.R.S. § 32-906)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of chiropractors. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate chiropractors, and for board administration.		
Funds Expended	444,900	469,400
Year-End Fund Balance	168,100	125,400

Citizens Clean Elections Commission

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Citizens Clean Elections Fund (ECA2425/A.R.S. § 16-949)		Non-Appropriated
Source of Revenue: Election-related civil penalties; civil and criminal fine and penalty surcharges; and "qualifying contributions" on behalf of candidates who seek public campaign funding. Prior to FY 2013, the Commission also generated revenues from a check-off box on state income tax forms and tax credits. Laws 2012, Chapter 257 repealed these provisions.		
Purpose of Fund: To fund administrative costs of the Citizens Clean Election Commission, campaigns of candidates who qualify for public campaign funding under A.R.S. § 16-950, and activities pertaining to voter education.		
Funds Available		
Balance Forward	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 Funds Available	28,649,400	30,139,200
Expenditures:		
Operating Funds Expended	4,491,000	7,305,400
Candidate Funding	2,734,200	5,000,000
Total Funds Expended	7,225,200	12,305,400
Transfer Out to General Fund	0	0 *
Year-End Fund Balance	21,424,200	17,833,800

* The 1998 ballot initiative establishes a formula for the reversion of unused Clean Elections funds to the General Fund. The ballot language makes the commission solely responsible for calculating the reversion amount. The commission currently projects that the ballot formula will not require a reversion in FY 2014 or FY 2015.

Arizona Commerce Authority

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET	10,000,000	10,000,000	10,000,000
SPECIAL LINE ITEMS			
Arizona Competes Fund Deposit	21,500,000	21,500,000	21,500,000
AGENCY TOTAL	31,500,000	31,500,000	31,500,000
FUND SOURCES			
General Fund	31,500,000	31,500,000	31,500,000
SUBTOTAL - Appropriated Funds	31,500,000	31,500,000	31,500,000
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	45,215,000

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

Arizona Commerce Authority

A.R.S. § 41-1502 established the Arizona Commerce Authority (ACA) in place of the Department of Commerce. The ACA's main purpose is to attract and retain business in Arizona and is governed by a board of directors. In addition to attracting businesses, ACA is responsible for the following functions:

- 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.

Of the \$75,000,000 appropriated to the Arizona Competes Fund from FY 2012 through FY 2014, ACA has expended \$9,590,000 through October 23, 2013. Of the \$10,000,000 FY 2013 operations allocation, ACA expended \$9,774,400 in FY 2013.

* * *

FOOTNOTES

Standard Footnotes

In accordance with A.R.S. § 43-409, \$31,500,000 of state General Fund withholding tax revenue is allocated in FY 2015 to the Arizona Commerce Authority, of which \$10,000,000 shall be credited to the Arizona Commerce Authority Fund established by A.R.S. § 41-1506, and \$21,500,000 shall be credited to the Arizona Competes Fund established by A.R.S. § 41-1545.01.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Application Fees Fund (CAA3005/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: A processing fee equal to 1% of the relevant tax credit being refunded per tax credit application.		
Purpose of Fund: To provide funding for staff to determine if taxpayers who qualify for a tax credit for increased research activities qualify for other income tax refunds.		
Funds Expended	228,900	234,900
Year-End Fund Balance	146,000	376,100
Arizona Commerce Authority Carryover Fund (CAA1001/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: The remaining \$13,991,325 in left-over funds transferred from various funds belonging to the Arizona Department of Commerce and any residual FY 2011 revenue that is collected in FY 2012.		
Purpose of Fund: To provide deal closing grants to businesses for the purpose of attracting, expanding or retaining businesses and to support programs and projects for rural Arizona and small businesses that enhance economic development.		
Funds Expended	2,422,200	4,804,700
Year-End Fund Balance	7,312,100	2,542,300
Arizona Commerce Authority Fund (CAA8813/A.R.S. § 41-1506)		Non-Appropriated
Source of Revenue: An annual deposit of \$10 million in corporate income tax withholding revenues, gifts, grants, and other donations. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund. Expenditures from this fund totaled \$9.8 million in FY 2013.		
Purpose of Fund: To fund the operating costs of the Authority.		
Funds Expended	0	0
Year-End Fund Balance	472,600	472,400
Arizona Commerce Authority Local Communities Fund (EPA2498/A.R.S. § 41-1505.12)		Non-Appropriated
Source of Revenue: Tribal contributions from gaming revenue. The Tribal-State Gaming Compact dictates that 12% of revenues received by the state be utilized for government services benefiting the general public. The tribes can grant funds directly to communities or deposit revenues into the CEDC Local Communities Fund. Any monies remaining in this fund at the end of FY 2011 were transferred to the Arizona Commerce Authority Carryover Fund. Beginning in FY 2012, any remaining revenues to this fund were redirected to the Arizona Commerce Authority Carryover Fund.		
Purpose of Fund: To provide grants to cities, towns and counties for government services that benefit the general public including public safety, the mitigation of impacts of gaming or the promotion of commerce and economic development. All grant applications must have a written endorsement of a nearby Indian tribe to receive an award from the commission.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Competes Fund (CAA8814/A.R.S. § 41-1545.01)		Non-Appropriated
Source of Revenue: Receives an annual deposit of \$21.5 million in income tax withholding revenues, \$3.5 million in lottery ticket sales revenues, filing fees, gifts, grants, and other donations. Expenditures of the income tax withholding revenues are not displayed to avoid double counting the original General Fund appropriation to this fund. Expenditures from this fund totaled \$6.9 million in FY 2013.		
Purpose of Fund: To provide deal closing grants to businesses for the purpose of attracting, expanding or retaining businesses and to support programs and projects for rural Arizona and small businesses that enhance economic development.		
Funds Expended	0	0
Year-End Fund Balance	45,837,100	59,055,400
Arizona Innovation Accelerator Fund (CAA2080/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: The U.S. Department of Treasury State Small Business Credit Initiative Act of 2010.		
Purpose of Fund: To fund state created programs that increase the amount of capital made available by private lenders to small businesses.		
Funds Expended	221,500	232,500
Year-End Fund Balance	5,497,300	11,598,700

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Arizona Twenty-First Century Competitive Initiative Fund (CAA2524/A.R.S. § 41-1506.01)		Non-Appropriated
Source of Revenue: Legislative appropriations, earnings from the fund, gifts, and donations.		
Purpose of Fund: One-time monies used to build and strengthen medical, scientific, and engineering research programs with an emphasis in bioscience for the purpose of promoting statewide economic development.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Commerce Development Bond Fund (CAA2196/A.R.S. § 41-1504)		Partially-Appropriated
Source of Revenue: Filing fees and charges for services related to the provision of a registry of bond allocations.		
Purpose of Fund: To pay for the review and approval of all corporate bond financing related to the construction of multi-family apartments, sanitariums, clinics, medical hotels, retirement homes, skilled nursing facilities and life-care centers.		
Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	1,100	4,500
Year-End Fund Balance	80,400	115,900
Commerce Workshops (CAA2149/A.R.S. § 41-1503)		Non-Appropriated
Source of Revenue: Workshop registration fees, publication fees, and environmental certification fees. Any monies remaining in this fund at the end of FY 2011 were transferred to the Arizona Commerce Authority Carryover Fund. Beginning in FY 2012, any remaining revenues to this fund were redirected to the Arizona Commerce Authority Carryover Fund.		
Purpose of Fund: To pay expenses incurred for workshops, the production and distribution of publications, and the monitoring of recycling industry development.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Corporation for Skilled Workforce Fund (CAA1002/A.R.S. § 41-1502)		Non-Appropriated
Source of Revenue: Pass-thru federal funding to the Department of Economic Security.		
Purpose of Fund: To fund the Re-inventing Arizona's Human Services System which helps the Arizona Commerce Authority, Department of Education, the Community Colleges, and the Department of Economic Security to coordinate efforts to align Arizona's human capital development efforts with its economic growth and job creation efforts.		
Funds Expended	107,900	0
Year-End Fund Balance	0	0
Donations Fund (CAA3189/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Gifts, grants, and donations.		
Purpose of Fund: To be expended in accordance with the restrictions placed on the respective gift, grant, or donation.		
Funds Expended	138,700	0
Year-End Fund Balance	50,000	50,000
Federal Funds (CAA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for community development, job training, and home programs.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	1,458,400	3,153,000
Year-End Fund Balance*	(296,300)	3,600

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Job Training Fund (CAA1237/A.R.S. § 41-1544)		Non-Appropriated
<p>Source of Revenue: Legislative appropriations, gifts, grants, interest earned on investments and, primarily, proceeds from a 0.1% employers' wage tax. Tax revenues collected in FY 2013 were \$13,600,400 and are estimated to be \$14,996,700 in FY 2014. Interest earned on the fund in FY 2013 was \$365,400.</p> <p>Purpose of Fund: To provide training and retraining for specific employment opportunities with new and expanding businesses or businesses undergoing economic conversion. Training shall be through the community college system, a licensed private postsecondary educational institution, or a community college operated by a tribal government, unless the employer requests another qualified training provider. Of the monies appropriated to the fund, 25% is set aside for small and rural businesses.</p>		
Funds Expended	7,404,200	7,530,500
Year-End Fund Balance	46,800,900	54,567,100

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

Arizona Community Colleges

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	401,800
Coconino	0	147,500	138,700
Gila	0	50,000	46,400
Graham	0	218,100	208,100
Mohave	0	211,700	192,900
Navajo	0	122,600	122,000
Pinal	0	257,700	327,900
Santa Cruz	0	16,700	14,700
Yavapai	0	248,600	260,800
Yuma/La Paz	0	276,700	286,700
<i>Subtotal - STEM and Workforce Programs State Aid</i>	0	2,000,000	2,000,000
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	3,268,400
Rural County Reimbursement Subsidy	848,000	848,000	848,000
Tribal Community Colleges	1,750,000	2,625,000	2,625,000
AGENCY TOTAL	68,932,800	69,508,700	65,398,200
FUND SOURCES			
General Fund	68,932,800	69,508,700	65,398,200
SUBTOTAL - Appropriated Funds	68,932,800	69,508,700	65,398,200
Other Non-Appropriated Funds	15,592,900	16,470,400	16,470,400
TOTAL - ALL SOURCES	84,525,700	85,979,100	81,868,600

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 Associate's degree, Certificate of Completion, or transfer to a Baccalaureate degree-granting college or university.

Operating State Aid

The Baseline includes \$32,476,700 from the General Fund in FY 2015 for Operating State Aid. FY 2015 adjustments would be as follows:

Enrollment Growth GF (1,988,100)

The Baseline 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	FY2013 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	<u>5,636</u>	<u>5,537</u>	<u>(1.8)%</u>
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 Baseline includes \$2,000,000 from the General Fund in FY 2015 for STEM and Workforce Programs State Aid (formerly Capital Outlay State Aid). This amount is unchanged from FY 2014.

Laws 2013, Chapter 223 replaced state aid for community college capital outlay with aid for Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs. The funding name and allowed uses changed, but the funding formula remains the same.

The Baseline continues to suspend formula funding for STEM and Workforce Programs State Aid for FY 2015, but assumes a continuation of the \$2,000,000 non-formula appropriation for rural community college districts (all districts excluding Maricopa and Pima) from FY 2014. The \$2,000,000 would be distributed to each district proportionally based on a 67.5% reduction to their full formula amounts. The formula funding has been suspended since FY 2009. If fully funded in FY 2015, the formula would provide the districts with \$21,930,500 in state aid.

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.

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 Baseline includes \$24,179,300 from the General Fund in FY 2015 for Equalization Aid. FY 2015 adjustments would be as follows:

Property Value Growth GF (2,122,400)

The Baseline includes a decrease of \$(2,112,400) 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	<u>5,514,200</u>	<u>(230,900)</u>	<u>5,283,300</u>
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	Equalization Growth Factor for Tax Years (TY) 2012-2013		TY 2012-2013 % Growth
	TY 2012 Primary AV	TY 2013 Primary AV	
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 Baseline includes \$3,268,400 from the General Fund in FY 2015 for Rural County Allocation. This amount is unchanged from FY 2014.

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 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. Due to calculation error, the amount was subsequently revised to \$3,268,400.

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 Baseline includes \$848,800 from the General Fund in FY 2015 for Rural County Reimbursement Subsidy. This amount is unchanged from FY 2014.

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

Tribal Community Colleges

The Baseline 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.

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	3,031,100	13,507,600	30,128,100	20,000,000	4,063,500	70,730,300	78,912,500	(10.4)%
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.

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 Baseline 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.

FORMAT — District by District Special Line Items

FOOTNOTES

Standard Footnotes

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

STATUTORY CHANGES

The Baseline would:

- As session law, continue to suspend STEM and Workforce Programs state aid formula funding and instead fund the amounts specified in the General Appropriation Act for FY 2015.

- As session law, continue to require each university and community college to deposit \$6 per each full-time student into the Department of Education's Education Learning and Accountability Fund by December 1, 2014. This assessment is expected to generate \$795,200 from the universities and \$848,800 from the community colleges. (Please see Arizona Department of Education budget narrative for more information.)

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Community College Revenue Sources

In addition to state General Fund monies, Arizona's community colleges receive revenues from a number of other sources, including student tuition and fees, local property taxes, grants, and other monies generated by the colleges. Of the total, the community colleges receive 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.

Table 5
Community College Tax Rates – FY 2014

<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%

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.

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 2014 weighted average tuition was \$2,334, an increase of 5.8% from FY 2013. Full-time annual tuition costs range from \$1,920 at Graham, to \$2,610 at Coconino. (See Table 6 for FY 2014 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

Table 6
Community College Resident Tuition and Fees – FY 2014

<u>District</u>	<u>Cost Per Credit Hour</u>	<u>Annual Cost^{1/}</u>	<u>% Change from FY 2013</u>
Cochise	\$73	\$2,190	4.3%
Coconino	87	2,610	2.4%
Gila	66	1,976	(20.0)%
Graham	64	1,920	20.0%
Maricopa	81	2,430	6.6%
Mohave	85	2,550	1.2%
Navajo	66	1,990	3.1%
Pima	72	2,150	4.4%
Pinal	77	2,310	10.0%
Santa Cruz	73	2,190	4.3%
Yavapai	70	2,100	0.0%
Yuma/La Paz	72	2,160	0.0%
Weighted Average	\$78	\$2,334	5.8%

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

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.

Table 7
Community Colleges - FY 2014 Budgeted Expenditures

<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	79,847,800	3%
Subtotal	\$1,685,900,300	67%
Auxiliary Enterprises Fund	\$ 188,277,600	7%
Plant Fund	456,664,000	18%
Debt Service	179,545,300	7%
Total	\$ 2,510,387,200	100%

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Tribal Assistance Fund (No Fund Number/A.R.S. § 42-5029)		Non-Appropriated
Source of Revenue: A portion of the 0.6% education sales tax. The law directs each qualifying tribal community college to receive distributions in the same manner as the transfers to individual community college district workforce development accounts. A "qualifying Indian tribe" is an Indian tribe that owns, operates, and charters any community college located on its own reservation in this state.		
Purpose of Fund: To fund workforce development and job training activities at a community college owned, operated, or chartered by a qualifying Indian tribe.		
Funds Expended	738,400	726,900
Year-End Fund Balance	0	0
Workforce Development Accounts (varies by account/A.R.S. § 15-1472)		Non-Appropriated
Source of Revenue: Three percent of collections from the 0.6% education sales tax, after debt service on state school facilities revenue bonds has been paid. This funding was authorized by voter approval of Proposition 301 in the November 2000 General Election.		
Purpose of Fund: To fund workforce development and training activities at the community college districts. From FY 2002 to FY 2014, the first \$1,000,000 is to be distributed to bring the state into compliance with the matching capital requirements for new community college campuses prescribed in A.R.S. § 15-1463.		
Funds Expended	14,854,500	15,743,500
Year-End Fund Balance	0	0

Constable Ethics Standards and Training Board

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Constable Ethics Standards and Training (CNA2346/A.R.S. § 22-137)		Non-Appropriated
Source of Revenue: Fees collected for every writ served on behalf of a Justice of the Peace.		
Purpose of Fund: 80% to fund constable training, equipment and related grants and 20% to fund operating expenses for the board.		
Funds Expended	184,700	324,500
Year-End Fund Balance	412,800	368,300

Registrar of Contractors

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	2,354,700
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	11,175,700
SPECIAL LINE ITEMS			
Office of Administrative Hearings Costs	363,200	1,017,600	1,017,600
Residential Contractors' Recovery Fund Deposit	0	2,700,000	0
AGENCY TOTAL	7,246,700	14,893,300	12,193,300
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Registrar of Contractors Fund	7,246,700	14,893,300	12,193,300
SUBTOTAL - Other Appropriated Funds	7,246,700	14,893,300	12,193,300
SUBTOTAL - Appropriated Funds	7,246,700	14,893,300	12,193,300
Other Non-Appropriated Funds	4,407,900	5,628,500	5,628,500
TOTAL - ALL SOURCES	11,654,600	20,521,800	17,821,800

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

Operating Budget

The Baseline includes \$11,175,700 and 105.6 FTE Positions from the Registrar of Contractors Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

Office of Administrative Hearings Costs

The Baseline 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 Baseline includes no funding in FY 2015 for Residential Contractors' Recovery Fund Deposit. FY 2015 adjustments would be as follows:

FY 2015

Remove One-Time Funding OF (2,700,000)

The Baseline 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.

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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Registrar of Contractors Fund (RGA2406/A.R.S. § 32-1107)		Appropriated
Source of Revenue: Monies collected from the examination and licensing of contractors. The agency retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate contractors, and for board administration.		
Funds Expended	7,246,700	14,893,300
Year-End Fund Balance	12,190,600	6,754,900
Residential Contractors' Recovery Fund (RGA3155/A.R.S. § 32-1132)		Non-Appropriated
Source of Revenue: An assessment, not to exceed \$600 per biennial license period, paid by residential contractors and other monies.		
Purpose of Fund: To compensate anyone who is injured by an act, a representation, a transaction, or the conduct of a residential contractor. Compensation for damages to any one individual cannot exceed \$30,000. Laws 2013, 1st Special Session, Chapter 9 amends A.R.S. § 32-1134 to allow up to 14% of prior fiscal year revenue to be used to administer the fund.		
Funds Expended	4,407,900	5,628,500
Year-End Fund Balance	225,800	1,712,800

Corporation Commission

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	297.9	300.9	300.9
Personal Services	14,377,900	16,671,300	16,671,300
Employee Related Expenditures	5,539,300	6,121,800	6,121,800
Professional and Outside Services	1,033,500	178,500	178,500
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	2,612,800
Equipment	797,300	275,000	275,000
OPERATING SUBTOTAL	25,215,600	26,111,800	26,111,800
SPECIAL LINE ITEMS			
Corporation Filings, Same Day Service	0	400,400	400,400
Utilities Audits, Studies, Investigations & Hearings	0	380,000	380,000
AGENCY TOTAL	25,215,600	26,892,200	26,892,200
FUND SOURCES			
General Fund	600,300	609,700	609,700
<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	715,400
Public Access Fund	5,983,600	6,535,500	6,535,500
Securities Regulatory and Enforcement Fund	4,658,400	4,787,500	4,787,500
Utility Regulation Revolving Fund	13,215,500	14,194,000	14,194,000
SUBTOTAL - Other Appropriated Funds	24,615,300	26,282,500	26,282,500
SUBTOTAL - Appropriated Funds	25,215,600	26,892,200	26,892,200
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	27,587,200

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

Operating Budget

The Baseline includes \$26,111,800 and 298.9 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$609,700
Arizona Arts Trust Fund	50,100
Investment Management Regulatory and Enforcement Fund	715,400
Public Access Fund	6,135,100
Securities Regulatory and Enforcement Fund	4,787,500
Utility Regulation Revolving Fund	13,814,000

These amounts are unchanged from FY 2014.

Corporation Filings, Same Day Service

The Baseline 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.

Utilities Audits, Studies, Investigations, & Hearings

The Baseline 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 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 SLI between FY 2007 and FY 2013 totaled \$3,029,618. The remaining spending authority from this SLI at the end of

FY 2013 was \$1,520,000, and the remaining spending authority as of October 31 was \$1,718,432.

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The \$400,400 appropriated from the Public Access Fund for the Corporation Filings, Same Day Service line item shall revert to the Public Access Fund at the end of FY 2015 if the commission has not established a same day service pursuant to section A.R.S. § 10-122.

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

Deletion of Prior Year Footnotes

The Baseline would delete the one-time footnote requiring the Corporation Commission and the General Accounting Office of the Arizona Department of Administration to develop an expenditures report from the Utilities Audits, Studies, Investigations, & Hearings Special Line Item.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Arizona Arts Trust Fund (CCA3014/A.R.S. § 41-983.01)		Appropriated
<i>Source of Revenue:</i> One-third of the filing fees for the annual report of domestic and foreign corporations.		
<i>Purpose of Fund:</i> For grants under the Arizona arts program and for other expenditures as authorized by the chairman of the Arizona Arts Commission. The Corporation Commission funds 1 FTE Position with these monies to assist in collecting the fee, with the remainder transferred to the Arts Commission.		
Funds Expended	50,200	50,100
Year-End Fund Balance*	(50,200)	(100,700)
Federal Funds (CCA2000/A.R.S. § 40-441)		Non-Appropriated
<i>Source of Revenue:</i> U.S. Department of Transportation grants.		
<i>Purpose of Fund:</i> To pay up to 50% of the costs associated with the inspection of interstate pipelines transporting gas and hazardous liquids, and conduction of a pipeline safety program.		
Funds Expended	804,500	695,000
Year-End Fund Balance	2,098,600	2,653,600
Federal Grants - American Recovery and Reinvestment Act (ARRA) (CCA2999/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
<i>Purpose of Fund:</i> One-time Federal Funds to be used by the commission for the weatherization of homes, energy efficiency and usage reduction, and appliance rebates.		
Funds Expended	252,500	42,200
Year-End Fund Balance	12,200	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
IGA and ISA Fund (CCA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	1,200	0
Year-End Fund Balance	4,800	4,800
Investment Management Regulatory and Enforcement Fund (CCA2404/A.R.S. § 44-3298)		Appropriated
Source of Revenue: Fees from licensing of investment advisors and investment advisor representatives, and from costs recovered from enforcement actions associated with the licensing.		
Purpose of Fund: For education, regulatory, investigative and enforcement operations in the Securities Division.		
Funds Expended	707,600	715,400
Year-End Fund Balance	1,326,100	1,355,800
Pipeline Safety Revolving Fund (CCA2174/A.R.S. § 40-443)		Appropriated
Source of Revenue: Revenues from civil penalties and fines assessed for the violation of any law, rule, or order pertaining to the safety of the transportation of gas and hazardous liquids, and pipeline facilities.		
Purpose of Fund: For expenses associated with gas and hazardous liquids pipeline facilities safety, including public education, training, purchasing equipment, and inspections.		
Funds Expended	0	0
Year-End Fund Balance	144,200	144,200
Public Access Fund (CCA2333/A.R.S. § 10-122.01)		Appropriated
Source of Revenue: Fees for expedited service for the filing of articles of incorporation and other documents.		
Purpose of Fund: To cover a part of the commission's administrative and legal expenses as well as costs associated with an improved data processing system that allows direct, online access by any person at a remote location to all public records concerning corporations and associations.		
Funds Expended	5,983,600	6,535,500
Year-End Fund Balance	1,160,800	563,400
Securities Regulatory and Enforcement Fund (CCA2264/A.R.S. § 44-2039)		Appropriated
Source of Revenue: Registration and transfer of registration fees for securities dealers and salesmen, and from registration fees for securities exchanges established in the state.		
Purpose of Fund: For education, regulatory, investigative, and enforcement operations in the Securities Division.		
Funds Expended	4,658,400	4,787,500
Year-End Fund Balance	1,191,900	1,158,600
Utility Regulation Revolving Fund (CCA2172/A.R.S. § 40-408)		Appropriated
Source of Revenue: Assessments against public utilities regulated by the commission, as defined by A.R.S. § 40-401.		
Purpose of Fund: For all expenses incurred by the Utilities Division, including attorneys and legal staff, auditors, economists and other staff employed by the division.		
Funds Expended	13,215,500	14,194,000
Year-End Fund Balance	4,594,900	2,656,000
Utility Siting Fund (CCA2076/A.R.S. § 40-360.09)		Non-Appropriated
Source of Revenue: Fees paid for applications to the Power Plant and Transmission Line Siting Committee for proposed and expanded power plants and transmission lines.		
Purpose of Fund: For costs incurred by the Power Plant and Transmission Line Siting Committee in connection with the activities of the committee.		
Funds Expended	50,400	0
Year-End Fund Balance	12,200	12,200

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

State Department of Corrections

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	322,458,100
Health Care Personal Services	2,493,500	2,457,400	2,457,400
All Other Personal Services	60,300,100	64,694,900	65,220,500
Personal Services Subtotal	369,523,300	385,258,000	390,136,000
Employee Related Expenditures	173,968,700	194,654,400	197,146,900
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	6,120,600
Travel - In State	148,700	221,400	225,200
Travel - Out of State	53,200	119,100	119,100
Food	41,667,300	40,944,600	41,244,200
Other Operating Expenditures	108,954,700	109,208,100	110,208,900
Equipment	12,373,200	3,655,700	4,877,800
Non-Health Care Operating Subtotal	169,856,000	160,186,300	162,795,800
OPERATING SUBTOTAL	740,638,000	759,000,500	769,220,200
SPECIAL LINE ITEMS			
Private Prison Per Diem	126,978,700	132,380,300	144,321,300
Inmate Health Care Contracted Services ^{1/}	118,998,500	125,274,900	127,847,400
AGENCY TOTAL	986,615,200	1,016,655,700	1,041,388,900
FUND SOURCES			
General Fund	946,358,800	971,743,900	996,477,100
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
Prison Construction and Operations Fund	8,499,600	12,499,400	12,499,400
State Charitable, Penal and Reformatory Institutions Land Fund	173,500	360,000	360,000
State Education Fund for Correctional Education	451,800	516,200	516,200
Transition Program Fund	2,905,300	2,485,000	2,485,000
Transition Services Fund	0	0	0
SUBTOTAL - Other Appropriated Funds	40,256,400	44,911,800	44,911,800
SUBTOTAL - Appropriated Funds	986,615,200	1,016,655,700	1,041,388,900
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	1,095,018,500

^{1/} The FY 2013 General Appropriation Act did not include the Inmate Health Care Contracted Services line item. The FY 2013 monies have been reallocated to this line item for comparability. (Please see the Inmate Health Care Contracted Services Special Line Item section for further details.)

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

Operating Budget

The Baseline includes \$769,220,200 and 9,534.0 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$759,804,600
Alcohol Abuse Treatment Fund	554,400
Corrections Fund	3,000,600
Prison Construction & Operation Fund	2,499,400
State Charitable, Penal and Reformatory Institutions Land Fund	360,000
State Education Fund for Correctional Education	516,200
Transition Program Fund	2,485,000

FY 2015 adjustments would be as follows:

500 Maximum Security Beds GF 9,830,800

The Baseline includes an increase of \$9,830,800 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. Of the \$9,830,800, \$1,328,200 is for one-time start-up costs. This funds 3 months of start-up time for the Correctional Officers preceding the opening of the prison and about 6 weeks of start-up time for All Other Personal Services. The net cost of annualizing the beds in FY 2016 will be \$193,800.

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 construction to be complete in time to accept prisoners by December 1, 2014.

Population Growth GF 347,400

The Baseline includes an increase of \$347,400 from the General Fund in FY 2015 for population growth to cover the non-health care marginal costs of \$1,613 per inmate. The \$347,400 would provide funding for adding 800 inmates across the year, adjusted for the transfer of the 500 prisoners to new privately-operated beds. During FY 2013, the increase of 809 inmates reversed a 3-year trend of a flat or declining inmate population. These marginal costs include expenditures for food, and are accounted for in the Non-Health Care All Other Operating Expenditure

line. In addition to the operating budget, inmate population growth will increase the costs of the private prison health contract that is paid on a per diem basis. (Please see *Inmate Growth Rate in the Other Issues for Legislative Consideration* section and the *Inmate Health Care Contracted Services* for further details on the population growth.)

Private Prison Monitoring GF 41,500

The Baseline includes a net increase of \$41,500 from the General Fund in FY 2015 to annualize costs of contractual oversight and other state-provided services associated with the addition of 500 medium-security private prison beds starting in January 2014, and 500 more in January 2015.

Private Prison Per Diem

The Baseline 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

FY 2015 adjustments would be as follows:

500 Medium-Security Beds GF 11,941,000

The Baseline includes an increase of \$11,941,100 from the General Fund in FY 2015 to annualize the cost of 500 medium-security beds opening 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 Budget Reconciliation Bill (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 2014 Criminal Justice BRB (Laws 2013, 1st Special Session, Chapter 5) prohibits 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.

<i>Inmate Health Care Contracted Services</i>
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The Baseline includes \$127,847,400 in FY 2015 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	117,847,400
Prison Construction and Operations Fund	10,000,000

FY 2015 adjustments would be as follows:

Population Growth	GF	2,572,500
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The Baseline includes an increase of \$2,572,500 from the General Fund in FY 2015 for funding the private health care contract costs from population growth in the state-operated correctional facilities. The FY 2014 budget provided funding for 33,982 inmates. The Baseline presumes the average monthly population within state prisons will be 34,680 in FY 2015, reaching 34,790 by June 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. *(Please see Inmate Growth Rate in the Other Issues for Legislative Consideration and the Inmate Health Care Contracted Services for further details on population growth.)*

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Before placing any inmates in out-of-state provisional beds, the department shall place inmates in all available prison beds in facilities that are located in this state and that house Arizona inmates, unless the out-of-state provisional beds are of a comparable security level and price.

A monthly report comparing State Department of Corrections expenditures for the month and year-to-date as compared to prior year expenditures shall be forwarded to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee on or before the 30th of the following month. The report shall be in the same format as the prior fiscal year and shall include an estimate of potential shortfalls, potential surpluses that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation.

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 shall 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 shall 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.

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

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

Before the expenditure of any State Education Fund for Correctional Education receipts in excess of \$516,200, the State Department of Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote concerning the one-time Transition Program Fund report.

STATUTORY CHANGES

The Baseline would:

- As session law, continue to require the department to report FY 2014 actual expenditures, FY 2015 estimated expenditures, and FY 2016 requested expenditure amounts for each line item as delineated in the prior year when the department submits its FY 2016 budget request pursuant to A.R.S. § 35-113.
- As session law, continue to permit the department to use the Transition Program Fund and the non-appropriated Inmate Store Proceeds Fund for department operating expenses in FY 2015.
- As session law, continue to permit the department to award contracts only with legislative authorization for the remaining 1,000 beds from the 2,000-bed RFP for medium-security beds issued by the department in February 2012.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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

The Baseline assumes that the inmate population will increase about 67 prisoners per month through the end of FY 2015, for a total of 800 prisoners a year. During FY

2013, the inmate population increased by 809 from 39,877 to 40,686. In November 2013, the average monthly growth for the previous 12 months was 70 inmates.

The FY 2015 Baseline uses the departmental assumptions regarding the rate of growth by gender and custody level. The projected population growth presumes 716 male inmates and 84 female inmates are gained in a year. 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	<u>54.0</u>	<u>4.8</u>	<u>58.8</u>
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 will add 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.

Table 2

Projected Operational Capacity Surplus/Shortfall - Male Beds				
Custody	FY 2013	FY 2014	FY 2015	FY 2016
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

Transition Program Fund

Pursuant to a FY 2014 General Appropriation Act footnote, ADC submitted a report to the Joint Legislative Budget Committee in October 2013 concerning the uses of the Transition Program Fund (TPF) to allow the Legislature to consider returning the use of these monies to the intended statutory purpose in the FY 2015 budget. For FY 2013, the fund started with a balance of \$1,175,100, and generated \$1,903,700 from statutory sources and received \$533,300 from the one-time transfer of all revenues from the Transition Services Fund, which was merged into the TPF. ADC expended \$1,758,300 for operating expenses for offender operations and community correction services and \$1,146,900 for the Transition Program, leaving a year-end balance of \$706,900. For FY 2014, the fund revenue will consist of \$1,866,600. The FY 2014 budget reduced the amount available for operating expenditures to \$1.2 million. The fund will expend \$1.3 million for operating the Transition Program. This will leave the TPF with a balance of \$63,400 at the end of FY 2014. At the current appropriation and revenue levels, the TPF will face a \$55,100 shortfall in FY 2015.

Arizona Inmate Management System

In FY 2014, \$8,000,000 was transferred to the Automation Projects Fund from the Inmate Store Proceeds Fund and the Department of Corrections Revolving Fund for the first year of replacement of the Adult Inmate Management System, which was estimated to cost \$24,000,000 over 3 years. ADC is currently evaluating vendor bids for the project. In the FY 2015 Baseline, the \$8 million would be funded by using \$5.5 million from the Prison Construction and Operation Fund and \$2.5 million from the Corrections Fund. (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	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 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 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 are scheduled to open in January 2014, and another 500 beds in January 2015.

^{6/} Excludes special use beds totaling 1,553 in FY 2013, 1,553 in FY 2014, 1,633 in FY 2015.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Alcohol Abuse Treatment Fund (DCA2204/A.R.S. § 31-255)		Appropriated
Source of Revenue: The lesser of \$0.50 per hour or 67% of wages earned by inmates convicted of driving under the influence (DUI) offenses. The average charge for inmate labor is \$0.75 per hour.		
Purpose of Fund: To provide alcohol abuse treatment and rehabilitation services for DUI inmates.		
Funds Expended	363,000	554,400
Year-End Fund Balance	890,900	819,600

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Arizona Correctional Industries Revolving Fund (DCA4002/A.R.S. § 41-1624)		Non-Appropriated
Source of Revenue: Sale of Arizona Correctional Industries (ACI) goods and services and interest earnings.		
Purpose of Fund: To compensate state employees and inmates employed at ACI; purchase materials for the manufacture of goods for resale, equipment, and supplies; maintain and repair ACI's buildings and equipment; and pay other associated ACI operational costs. A.R.S. § 41-1624 authorizes an annual \$1,000,000 transfer into the Department of Corrections Building Renewal Fund.		
Funds Expended	36,831,300	38,048,300
Year-End Fund Balance	8,250,200	5,295,800
Community Corrections Enhancement Fund (DCA2395/ARS § 31-418)		Non-Appropriated
Source of Revenue: A portion (30%) of a monthly supervision fee of at least \$65 paid by the prisoner. The departments may require payment of a lesser amount. Beginning in FY 2013, revenues also include a monthly drug testing fee pursuant to Laws 2012, Chapter 208.		
Purpose of Fund: To pay for costs related to community corrections.		
Funds Expended	460,400	515,000
Year-End Fund Balance	314,200	293,400
Corrections Donations Fund (DCA3147/A.R.S. § 41-1605)		Non-Appropriated
Source of Revenue: Private grants and monies received from the disposal of donated properties.		
Purpose of Fund: To be used as specified by the particular donation.		
Funds Expended	10,300	0
Year-End Fund Balance	500	500
Corrections Fund (DCA2088/A.R.S. § 41-1641)		Appropriated
Source of Revenue: Luxury taxes on alcohol and tobacco products.		
Purpose of Fund: For the construction, major maintenance, lease-purchase or lease of correctional or state-operated juvenile facilities. The Legislature may also appropriate monies in this fund for the operation of these facilities. The FY 2014 Criminal Justice Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 5) authorizes an annual transfer of \$2,500,000 from the Corrections Fund to the Department of Corrections Building Renewal Fund. This makes permanent a transfer of \$2,500,000 from the same fund authorized pursuant to Laws 2012, Chapter 294, Section 127. In addition to the funds expended, \$750,000 is transferred from this fund into the Building Renewal Fund pursuant to the FY 2014 General Appropriation Act. This transfer funds a portion of the \$8,000,000 appropriation for the repair of ASPC-Yuma Cheyenne as authorized by the FY 2014 Capital Bill (Laws 2013, 1st Special Session, Chapter 8, Section 3).		
Funds Expended	26,884,000	27,517,600
Year-End Fund Balance	7,214,700	6,005,500
Criminal Justice Enhancement Fund (DCA2035/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: The fund receives 11.7% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. Beginning in FY 2010, these monies are no longer allocated through ADC.		
Purpose of Fund: For distribution to counties for the training of detention officers, county jail operational enhancement, and ADC administrative expenses.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Department of Corrections Building Renewal Fund (DCA2551/A.R.S. § 41-797)		Appropriated
Source of Revenue: Monies transferred annually from the following funds: Inmate Store Proceeds Fund (\$500,000), Special Services Fund (\$500,000), Arizona Correctional Industries Revolving Fund (\$1,000,000), Corrections Fund (\$2,500,000). The FY 2014 Criminal Justice Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 5) authorizes an annual transfer of \$2,500,000 from the Corrections Fund to the Department of Corrections Building Renewal Fund. This makes permanent a transfer of \$2,500,000 from the same fund authorized pursuant to Laws 2012, Chapter 294, Section 127. Also includes monies from a visitation background check fee and a 1% fee on inmate deposits.		
Purpose of Fund: For capital projects and preventive maintenance (up to 8% of the annual expenditures). The FY 2013 Criminal Justice Budget Reconciliation Bill (Laws 2012, Chapter 302) transfers the administration of this fund from the Arizona Department of Administration (ADOA) Director to the ADC Director.		
Funds Expended	0	0
Year-End Fund Balance	3,400,900	1,528,300

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Federal Funds (DCA2000/A.R.S. § 35-142 and A.R.S. § 41-1605)		Non-Appropriated
Source of Revenue: Law enforcement related federal grants.		
Purpose of Fund: For inmate education and school breakfast and lunch programs. The amounts do not include General Fund reimbursements for the incarceration of illegal aliens from the State Criminal Alien Assistance Program.		
Funds Expended	7,645,300	5,343,200
Year-End Fund Balance	306,900	100
Federal Grants - American Recovery and Reinvestment Act (ARRA) (DCA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for 6 capital improvement projects in FY 2011. Previous one-time distributions were used for Correctional Officer Personal Services.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (DCA9000/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay department-wide administrative and overhead costs.		
Funds Expended	0	531,100
Year-End Fund Balance	1,996,300	1,986,100
Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)		Non-Appropriated
Source of Revenue: Profit resulting from the privatization of inmate stores.		
Purpose of Fund: For inmate activities, incentive pay increases for Corrections Officers, equipment to enhance safety for both department personnel and inmates or other official needs as required, at the discretion of the Director of ADC. A.R.S. § 41-1604.02 authorizes an annual \$500,000 transfer into the Department of Corrections Building Renewal Fund. The FY 2014 General Appropriation Act transfers \$5,500,000 into the Automation Projects Fund.		
Funds Expended	3,903,000	4,616,000
Year-End Fund Balance	6,833,900	1,227,900
Interagency Service Agreement Fund (DCA2500/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Intergovernmental agreements between ADC and other state and local entities.		
Purpose of Fund: To be used as specified in the grant or agreement. The FY 2014 Criminal Justice Budget Reconciliation Bill (Laws 2013, 1 st Special Session, Chapter 5) continues to permit the department to use the non-appropriated Interagency Service Agreement Fund for department operating expenses in FY 2014.		
Funds Expended	88,800	57,800
Year-End Fund Balance*	(2,100)	0
Penitentiary Land Fund (DCA3140/A.R.S. § 37-525)		Appropriated
Source of Revenue: Interest on the Penitentiary Land Fund, as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penitentiaries. The department uses appropriations from this fund for building maintenance.		
Funds Expended	979,200	979,200
Year-End Fund Balance	1,583,500	1,945,500

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Prison Construction and Operations Fund (DCA2504/A.R.S. § 41-1651)		Appropriated
<i>Source of Revenue:</i> Assessment (ranging from \$500 to \$1,500) paid by persons convicted of DUI offenses.		
<i>Purpose of Fund:</i> To pay for any costs related to prison overcrowding and department support and maintenance. In addition to the funds expended, \$6,000,000 is transferred from this fund into the Department of Corrections Building Renewal Fund pursuant to the FY 2014 General Appropriation Act.		
Funds Expended	8,499,600	12,499,400
Year-End Fund Balance	11,576,500	6,863,800
Prisoner Spendable Accounts Fund (DCA2428/A.R.S. § 31-230)		Non-Appropriated
<i>Source of Revenue:</i> Monies received by a prisoner and that are not required to be deposited into another account.		
<i>Purpose of Fund:</i> To pay court-ordered restitution pursuant to A.R.S. § 13-603. Each month, a minimum of 20%, or the balance owed on the restitution amount, up to a maximum of 50% of the monies available in the prisoner's spendable account.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Special Services Fund (DCA3187/A.R.S. § 41-1604.03)		Non-Appropriated
<i>Source of Revenue:</i> Profits from canteens, hobby shops, and commissions on telephone service.		
<i>Purpose of Fund:</i> For the benefit, education, and welfare of committed offenders, and operating expenses of canteens and hobby shops. A major portion of the Special Services Fund is maintained in banks outside the state treasury system, and the transactions are not processed through the Arizona Financial Information System. As a result, the information for this fund is reported on an accrual accounting basis. In the addition to the funds expended, A.R.S. § 41-1604.03 also authorizes an annual \$500,000 transfer into the Department of Corrections Building Renewal Fund.		
Funds Expended	1,894,800	4,280,000
Year-End Fund Balance	6,293,200	5,816,500
State Charitable, Penal and Reformatory Institutions Land Fund (DCA3141/A.R.S. § 37-525)		Appropriated
<i>Source of Revenue:</i> Twenty-five percent of monies received from interest on the State Charitable, Penal, and Reformatory Institutions Land Fund, as established through Arizona's Enabling Act, Section 25; and 25% of monies derived from the rental of these lands and property.		
<i>Purpose of Fund:</i> To provide a continuous source of monies for the benefit and support of state penal institutions. In addition to the funds expended, \$1,125,000 is transferred from this fund to the Department of Corrections Building Renewal Fund pursuant to the FY 2014 General Appropriation Act.		
Funds Expended	173,500	360,000
Year-End Fund Balance	2,804,000	2,505,200
State DOC Revolving Fund (DCA2515/A.R.S. § 42-3106)		Non-Appropriated
<i>Source of Revenue:</i> The fund receives 3% of tax revenue collected on spirituous liquors and 7% of tax revenue collected on vinous and malt liquor.		
<i>Purpose of Fund:</i> To provide rehabilitation programs and counseling for inmates who have a history of substance abuse and are released on parole. The FY 2014 General Appropriation Act transfers \$2,500,000 into the Automation Projects Fund.		
Funds Expended	425,700	600,000
Year-End Fund Balance	3,519,500	3,063,200
State Education Fund for Correctional Education (DCA2107/A.R.S. § 15-1372)		Appropriated
<i>Source of Revenue:</i> "Basic State Aid" funding that ADC receives from the Arizona Department of Education based on the number of Average Daily Membership pupils attending ADC education programs pursuant to A.R.S. § 15-1372.		
<i>Purpose of Fund:</i> To provide education to inmates under the age of 18 years and inmates with disabilities who are age 21 or younger.		
Funds Expended	451,800	516,200
Year-End Fund Balance	590,600	791,000

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
State Employee Recognition Gifts/Donations Fund (DCA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
Funds Expended	0	0
Year-End Fund Balance	200	200
Temporary Transaction Privilege and Use Tax - 1% Fund (DCA1032/Article IX, Section 12.1 of State Constitution)		Non-Appropriated
Source of Revenue: Temporary 3-year 1 cent sales and use tax authorized by voters during the May 2010 special election. The tax expires after May 31, 2013.		
Purpose of Fund: To provide funding for primary and secondary education, health and human services and public safety. Expenditures are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Transition Program Fund (DCA2379/A.R.S. § 31-284)		Appropriated
Source of Revenue: A 5% allocation of wages earned from inmates who earn at least \$2.00 per hour.		
Purpose of Fund: To pay for costs related to the administration of the transition program and for transition program services. Prior to Laws 2010, 2 nd Regular Session, Chapter 54, this fund was known as the Transition Office Fund. Laws 2013, 1 st Special Session, Chapter 1, Section 21 includes an appropriation shift for FY 2014 of \$1,000,000 from the Transition Program Fund to the Prison Construction and Operation Fund. The FY 2014 Criminal Justice Budget Reconciliation Bill (Laws 2013, 1 st Special Session, Chapter 5, Section 11) continues to permit the department to use the Transition Program Fund for department operating expenses in FY 2014.		
Funds Expended	2,905,300	2,485,000
Year-End Fund Balance	706,900	63,400
Transition Services Fund (DCA2383/A.R.S. § 31-286)		Appropriated
Source of Revenue: Cost savings resulting from implementation of a transition drug treatment program.		
Purpose of Fund: To be distributed to entities that provide transition services to nonviolent offenders. Prior to Laws 2010, Chapter 54, this fund was known as the Transition Program Drug Treatment Fund. Laws 2012, Chapter 302 eliminated the Transition Services Fund and transferred all revenues, expenditures, and fund balances into the Transition Program Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

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

Board of Cosmetology

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	330,300
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	1,784,500
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Cosmetology Fund	1,757,900	1,784,500	1,784,500
SUBTOTAL - Other Appropriated Funds	1,757,900	1,784,500	1,784,500
SUBTOTAL - Appropriated Funds	1,757,900	1,784,500	1,784,500
TOTAL - ALL SOURCES	1,757,900	1,784,500	1,784,500

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

Operating Budget

* * *

The Baseline includes \$1,784,500 and 24.5 FTE Positions from the Board of Cosmetology Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Board of Cosmetology Fund (CBA2017/A.R.S. § 32-505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of cosmetologists, salons, and cosmetology schools. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate cosmetologists, salons, and cosmetology schools, and for board administration.		
Funds Expended	1,757,900	1,784,500
Year-End Fund Balance	3,866,400	4,870,100

County Funding

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
FUND SOURCES			
General Fund	0	7,150,500	7,150,500
SUBTOTAL - Appropriated Funds	0	7,150,500	7,150,500
TOTAL - ALL SOURCES	0	7,150,500	7,150,500

AGENCY DESCRIPTION — The Arizona Department of Administration (ADOA) distributes these monies to counties for maintenance of essential county services.

Essential County Services

The Baseline includes \$7,150,500 from the General Fund in FY 2015 for essential county services. This amount is unchanged from FY 2014.

These monies are appropriated to ADOA and are 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 would receive \$550,038. 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 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9.0	9.0	9.0
Personal Services	411,200	420,100	420,100
Employee Related Expenditures	151,800	143,100	143,100
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	110,500
Equipment	2,700	3,000	3,000
OPERATING SUBTOTAL	707,100	888,100	888,100
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	5,954,200

FUND SOURCES

Other Appropriated Funds

Criminal Justice Enhancement Fund	572,000	649,200	649,200
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
Victim Compensation and Assistance Fund	3,495,300	4,092,500	4,092,500
SUBTOTAL - Other Appropriated Funds	5,176,000	5,954,200	5,954,200
SUBTOTAL - Appropriated Funds	5,176,000	5,954,200	5,954,200
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	18,749,500

AGENCY DESCRIPTION — The commission was created to enhance the effectiveness and coordination of the criminal justice system in Arizona. The commission may identify needed revisions in the system and make reports. It receives 1.57% of Criminal Justice Enhancement Fund (CJEF) monies.

Operating Budget

The Baseline includes \$888,100 and 9 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
CJEF	\$649,200
Drug and Gang Prevention Resource Center Fund	238,900

These amounts are unchanged from FY 2014.

State Aid to County Attorneys

The Baseline 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 Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

All State Aid to 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 County Attorneys Program. Before the expenditure of any State Aid to 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.

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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Indigent Defense

The FY 2014 budget included a \$500,000 one-time transfer from the State Aid to Indigent Defense Fund to fund capital postconviction prosecutions for the state. Laws 2013, 1st Special Session, Chapter 5 permits the Attorney General to use State Aid to Indigent Defense Fund monies for this purpose. The FY 2014 General Appropriations Act (Laws 2013, 1st Special Session, Chapter 1) directs 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 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 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 the Department of Public Safety's (DPS) Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount. Chapter 308 intended the use of these monies in DPS as one-time. 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.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)		Appropriated
Source of Revenue: A 1.57% allocation of the Criminal Justice Enhancement Fund (CJEF). <i>(See below for additional information on statewide CJEF maintained in the Treasurer's Office but shown under ACJC as Arizona Revised Statute requires the commission to annually report on CJEF).</i> CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To cover the operating costs of ACJC.		
Funds Expended	572,000	649,200
Year-End Fund Balance	159,200	139,500

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
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Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)

Partially-Appropriated

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

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

	<u>FY 2013</u>	<u>FY 2014</u>	<u>% of CJEF</u>	<u>Approp.</u>
Funds Transferred ^{1/2/}				
Attorney General				
AZ Prosecuting Attorneys Advisory Council (4)	1,246,000	1,246,000	3.03	no
County Attorneys (7)	3,844,900	3,844,900	9.35	no
Victim's Rights Implementation (13)	3,158,200	3,158,200	7.68	yes ^{3/}
AZ Criminal Justice Commission				
Operation Costs (10)	645,600	645,600	1.57	yes
Victim Compensation (14)	1,891,600	1,891,600	4.60	yes ^{3/}
Department of Public Safety				
Crime Lab Assessment Fund (12)	945,800	945,800	2.30	yes ^{3/}
Crime Lab Operations Fund (11)	3,701,000	3,701,000	9.00	yes ^{3/}
DNA Identification System (6)	526,400	526,400	1.28	yes ^{3/}
Fingerprinting Identification System (1)	2,656,500	2,656,500	6.46	yes
Peace Officers' Training Fund (3)	6,842,700	6,842,700	16.64	no
State/Local Grants (6)	2,993,700	2,993,700	7.28	^{4/}
Department of Juvenile Corrections (2)	662,100	662,100	1.61	yes
State Treasurer				
County Sheriffs (9)	4,823,300	4,823,300	11.70	no
Supreme Court				
Case Processing (8)	2,475,500	2,475,500	6.02	yes
Juvenile Crime (5)	3,844,900	3,844,900	9.35	yes
Community Punishment Program (15)	<u>875,900</u>	<u>875,900</u>	2.13	yes
Total Funds Transferred	41,134,100	41,134,100		

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

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

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

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

Drug and Gang Enforcement Account (JCA2134/A.R.S. § 41-2402)

Non-Appropriated

Source of Revenue: Drug fees and fines (A.R.S. § 13-811), selected Superior Court fees (A.R.S. § 12-284), and local matching funds.

Purpose of Fund: To make grants in amounts not to exceed the percentages shown to enhance efforts to prosecute (50%), adjudicate (30%), and punish (30%) drug offenders and members of criminal street gangs, as well as to enhance investigations and education programs relating to drug and gang activities (50%), and to improve criminal justice records integration (30%).

Funds Expended	5,924,900	6,100,900
Year-End Fund Balance	2,749,300	2,560,700

Drug and Gang Prevention Resource Center Fund (JCA2280/A.R.S. § 41-2402)

Appropriated

Source of Revenue: 1.31% of fee collections and filings in the Superior Court, 1.31% of notary bond fees, and public and private gifts or grants, excluding federal monies.

Purpose of Fund: To fund the Arizona Youth Survey, a statutorily required survey of 8th, 10th, and 12th grade students in schools across Arizona. The survey measures alcohol and drug use, gang affiliation, and weapons within schools.

Funds Expended	135,100	238,900
Year-End Fund Balance	846,900	1,163,100

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Federal Grants (JCA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Revenue from federal grants.		
Purpose of Fund: To improve the criminal justice records system in Arizona; to fund state and local correction and detention agencies' substance abuse programs for incarcerated offenders; and to provide support dealing with criminal justice issues.		
Funds Expended	11,071,200	11,992,400
Year-End Fund Balance	7,183,700	4,661,900
Federal Grants - American Recovery and Reinvestment Act (ARRA) (JCA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the commission for criminal justice related purposes.		
Funds Expended	348,900	0
Year-End Fund Balance	0	0
State Aid to County Attorneys Fund (JCA2443/A.R.S. § 11-539)		Appropriated
Source of Revenue: Legislative appropriations, a 15.44% allocation of a 7% penalty assessment on fines, penalties and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and a 21.61% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: To provide state aid to county attorneys to improve the processing of criminal cases in the Superior and Justice Courts. ACJC administers the fund and distributes the monies to each county based on a composite index formula using felony filings and population.		
Funds Expended	973,600	973,600
Year-End Fund Balance	115,700	99,100
State Aid to Indigent Defense Fund (JCA2445/A.R.S. § 11-588)		Appropriated
Source of Revenue: Legislative appropriations, a 14.66% allocation of a 7% penalty assessment on fines, penalties and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and a 20.53% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: To provide state aid to county public defenders, legal defenders and contract indigent counsel for the processing of criminal cases. ACJC administers the fund and distributes the monies to each county based on a composite index formula using felony filings and population. No funding was appropriated to the State Aid to Indigent Defense Fund in FY 2013. The FY 2014 General Appropriation Act appropriated \$500,000 from this fund to the State Attorney General's Office for capital postconviction prosecution activities.		
Funds Expended	0	0
Year-End Fund Balance	935,000	1,259,300
Victim Compensation and Assistance Fund (JCA2198/A.R.S. § 41-2407)		Appropriated
Source of Revenue: The fund consists of 2 sub-accounts. The Victim Compensation sub-account receives a 4.6% distribution from CJEF, monies collected from a 10% assessment of a working prisoner's gross compensation, and unclaimed restitution. The Victim Assistance sub-account receives revenue derived from community supervision fees and interstate compact fees.		
Purpose of Fund: To establish, maintain and support programs that compensate and assist victims of crime.		
Funds Expended	3,495,300	4,092,500
Year-End Fund Balance	3,547,600	2,828,700

Arizona State Schools for the Deaf and the Blind

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
PROGRAM BUDGET			
Administration/Statewide Programs	2,779,400	3,778,500	3,778,500
Phoenix Day School for the Deaf	9,902,500	10,336,100	9,336,100
Preschool/Outreach Programs	4,927,800	5,554,300	5,554,300
Regional Cooperatives	1,006,200	832,400	832,400
Tucson Campus	14,455,700	14,879,500	14,879,500
AGENCY TOTAL	33,071,600	35,380,800	34,380,800
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	541.2	541.2	541.2
Personal Services	17,053,200	19,151,500	19,151,500
Employee Related Expenditures	8,290,600	9,328,600	9,328,600
Professional and Outside Services	1,959,700	2,202,700	2,202,700
Travel - In State	43,700	24,000	24,000
Travel - Out of State	18,700	13,000	13,000
Food	64,400	65,000	65,000
Other Operating Expenditures	4,335,700	3,308,100	3,308,100
Equipment	589,100	549,900	549,900
OPERATING SUBTOTAL	32,355,100	34,642,800	34,642,800
SPECIAL LINE ITEMS			
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	34,380,800
FUND SOURCES			
General Fund	19,775,500	21,795,300	21,795,300
Other Appropriated Funds			
Schools for the Deaf and the Blind Fund	13,296,100	13,585,500	12,585,500
SUBTOTAL - Other Appropriated Funds	13,296,100	13,585,500	12,585,500
SUBTOTAL - Appropriated Funds	33,071,600	35,380,800	34,380,800
Other Non-Appropriated Funds	17,758,500	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	56,108,700

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 approximately 2,093 children: 460 students in the K-12 programs (177 in Tucson and 283 in Phoenix), 104 children in preschools, 351 infant/toddlers in regional areas, and 1,178 children through the 5 existing regional cooperatives.

Operating Budget

The Baseline includes \$34,642,800 and 541.2 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$21,057,300
Schools for the Deaf and the Blind Fund	13,585,500

These amounts are unchanged from FY 2014.

Assistive Technology Devices GF 0

The Baseline includes no change in funding from the General Fund in FY 2015 for assistive technology devices. The Baseline includes a total of \$253,100 from the General Fund in FY 2015 for assistive technology devices. Assistive technology devices include: electronic dictionaries for visually impaired students, mobile classroom computer labs for visually disabled students, interactive whiteboards for hearing impaired students, and computer and software upgrades for computers used by visually impaired students.

Foundation for Blind Children OF 0

The Baseline maintains funding in FY 2015 for the preschool program at the Foundation for Blind Children at the previously appropriated level of \$1,054,100.

School Bus Replacement

The Baseline includes \$738,000 from the General Fund in FY 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 Baseline includes \$(1,000,000) from the Schools for the Deaf and the Blind Fund in FY 2015 for a Voucher Fund Adjustment. FY 2015 adjustments would be as follows:

Realign ASDB Fund Expenditures With Revenue OF (1,000,000)

The Baseline 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, 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 Legislative Consideration* 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

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

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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 Baseline 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

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
ASDB Classroom Site Fund (SDA2486/A.R.S. § 15-1305)		Non-Appropriated
Source of Revenue: Monies transferred to the fund pursuant to A.R.S. § 15-1305 from a 0.6% sales tax and growth in the Permanent State School Fund expendable earnings above the FY 2001 level. Funding level is determined by the "Group A" and "Group B" weighted student count, as specified in A.R.S. § 15-943.		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases (20%); and class size reduction, AIMS intervention programs, teacher development, dropout prevention, and teacher liability insurance premiums (40%).		
Funds Expended	1,517,700	1,853,100
Year-End Fund Balance	563,000	705,300
Enterprise Fund (SDA4222/A.R.S. § 15-1323)		Non-Appropriated
Source of Revenue: Monies received from fees, rentals, and other charges from the non-school use of facilities.		
Purpose of Fund: To defray the costs of operating those facilities (i.e. auditorium).		
Funds Expended	117,500	97,900
Year-End Fund Balance	187,700	160,800
Federal Grants (SDA2000/A.R.S. § 15-1303)		Non-Appropriated
Source of Revenue: Federal grants - Title I aid to schools; vocational rehabilitation; National School Lunch and Breakfast programs; Arizona deaf-blind project; preschool services; and Arizona Early Intervention program.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	1,771,900	2,072,600
Year-End Fund Balance	693,000	925,700
IGA and ISA Fund (SDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
Funds Expended	0	0
Year-End Fund Balance	46,000	46,000
Instructional Improvement Fund (SDA2492/A.R.S. § 15-979)		Non-Appropriated
Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts.		
Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
Funds Expended	88,200	77,200
Year-End Fund Balance	154,600	77,400
State Grants Fund (SDA2011/A.R.S. § 15-1303)		Non-Appropriated
Source of Revenue: "Direct Services Claiming" (DSC) reimbursements and grants by private corporations and other state agencies.		
Purpose of Fund: To reimburse ASDB for DSC-related expenditures and to accomplish specific projects of interest to the donor and ASDB.		
Funds Expended	10,500	760,100
Year-End Fund Balance	34,700	30,000
Regional Cooperatives Fund (SDA4221/Laws 1987, Chapter 363)		Non-Appropriated
Source of Revenue: Monies in the fund come from special education voucher funds as well as tuition and fees that school districts pay to ASDB in order to reimburse it for costs of providing services to their students.		
Purpose of Fund: The Regional Cooperative Fund is used to support ASDB's Regional Cooperatives program, which provides educational services to sensory impaired pupils who attend school at their local school districts rather than at an ASDB campus.		
Funds Expended	15,913,400	16,767,000
Year-End Fund Balance	2,049,700	1,037,300

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Schools for the Deaf and the Blind Fund (SDA2444/A.R.S. § 15-1304)		Appropriated
Source of Revenue: "Special Education Fund" monies that ASDB receives from the Arizona Department of Education under the formula prescribed in A.R.S. § 15-1204. This formula is based on the number of pupils attending ASDB and the various special education "Group B" funding categories that those pupils qualify for under A.R.S. § 15-943(2b). This fund also receives expendable land endowment earnings pursuant to A.R.S. § 15-1304 and over-age and non-resident tuition income pursuant to A.R.S. § 15-1345.		
Purpose of Fund: To cover the cost of educating students receiving special education services at ASDB.		
Funds Expended	13,296,100	13,585,500
Year-End Fund Balance *	734,800	(836,000)
Trust Fund (SDA3148/A.R.S. § 15-1323)		Non-Appropriated
Source of Revenue: Monies received from private endowment, which are outside the control of the State Treasurer and are held by the ASDB Board.		
Purpose of Fund: Spent at the discretion of ASDB.		
Funds Expended	111,200	100,000
Year-End Fund Balance	1,800	0

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

Commission for the Deaf and the Hard of Hearing

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	354,000
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	1,630,400
Equipment	162,300	197,100	197,100
AGENCY TOTAL	3,235,300	3,776,400	3,776,400
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Telecommunication Fund for the Deaf	3,235,300	3,776,400	3,776,400
SUBTOTAL - Other Appropriated Funds	3,235,300	3,776,400	3,776,400
SUBTOTAL - Appropriated Funds	3,235,300	3,776,400	3,776,400
Other Non-Appropriated Funds	0	3,500	0
TOTAL - ALL SOURCES	3,235,300	3,779,900	3,776,400

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

Operating Budget

* * *

The Baseline includes \$3,776,400 and 15 FTE Positions from the Telecommunication Fund for the Deaf in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Private Grants (DFA3000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grant from St. Luke's Health Initiatives and grant from the Arizona Community Foundation.		
Purpose of Fund: The St. Luke's grant is to form and fund a round table for hearing loss. The grant from the Arizona Community Foundation is used to research and review a state model to provide hearing aids to state residents. The grant is also to be used to study the needs of Native Americans who are deaf, hard of hearing, blind, or speech impaired.		
Funds Expended	0	3,500
Year-End Fund Balance	3,500	0
Telecommunication Fund for the Deaf (DFA2047/A.R.S. § 36-1947)		Appropriated
Source of Revenue: Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills.		
Purpose of Fund: To operate the Arizona Relay System, support community outreach and education, purchase, repair, and distribute telecommunication devices for the deaf, hard of hearing, blind, and speech impaired, and operating costs of the commission.		
Funds Expended	3,235,300	3,776,400
Year-End Fund Balance	4,785,900	5,532,800

State Board of Dental Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	153,700
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	1,214,800
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Dental Board Fund	1,029,000	1,214,800	1,214,800
SUBTOTAL - Other Appropriated Funds	1,029,000	1,214,800	1,214,800
SUBTOTAL - Appropriated Funds	1,029,000	1,214,800	1,214,800
TOTAL - ALL SOURCES	1,029,000	1,214,800	1,214,800

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

Operating Budget

* * *

The Baseline includes \$1,214,800 and 11 FTE Positions from the Dental Board Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Dental Board Fund (DXA2020/A.R.S. § 32-1212)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of dentists, denturists, dental hygienists, and dental assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate dentists, denturists, dental hygienists, and dental assistants, and for board administration.		
Funds Expended	1,029,000	1,214,800
Year-End Fund Balance	2,955,400	3,350,400

Arizona Early Childhood Development and Health Board

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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.

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.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Early Childhood Development and Health Fund (CDA2542/A.R.S. § 8-1181)		Non-Appropriated
Source of Revenue: A 4¢ tax per cigarette as well as various increases on other tobacco products.		
Purpose of Fund: To fund the administrative and programmatic costs of the Arizona Early Childhood Development and Health Board. Monies from the fund may supplement, but not supplant, existing early childhood development programs. Up to 10% of the funds each year are deposited into the Administrative Costs Account and at least 90% are deposited into the Program Account for early childhood development programs and grants. The fund was created as a result of a voter initiative in the 2006 election.		
Funds Available		
Balance Forward	434,437,800	421,626,400
Revenue:		
Administrative Costs Account	13,243,200	12,820,000
Program Account	119,188,900	115,380,000
Other (Donations/Grants/Federal Funds)	<u>1,623,800</u>	<u>1,398,300</u>
Total Funds Available	568,493,700	551,224,700
Expenditures:		
Administrative Expenditures	13,037,000	14,572,500
Programmatic Expenditures	<u>133,830,300</u>	<u>170,854,900</u>
Total Funds Expended	146,867,300	185,427,400
Year-End Fund Balance	421,626,400	365,797,300

Department of Economic Security

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,503.5	5,654.1	6,418.5
Personal Services	74,082,200	85,965,000	85,954,000
Employee Related Expenditures	34,539,600	39,624,000	39,638,400
Professional and Outside Services	19,396,800	21,766,900	21,850,200
Travel - In State	1,016,200	1,122,400	1,111,900
Travel - Out of State	40,600	36,800	36,800
Other Operating Expenditures	45,414,700	52,978,000	53,084,300
Equipment	4,390,300	4,199,500	4,226,000
OPERATING SUBTOTAL	178,880,400	205,692,600	205,901,600
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	20,301,200	10,673,500	11,324,500
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
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
Children, Youth and Families^{1/}			
Division of Children, Youth and Families Operating Lump Sum Appropriation	107,131,700	193,215,300	190,266,000
Division of Children, Youth and Families Attorney General Legal Services	0	18,260,500	18,260,500
Children Support Services	92,182,000	147,940,900	147,940,900
CPS Emergency and Residential Placement	40,101,700	68,617,000	68,617,000
Foster Care Placement	24,712,600	48,228,400	48,228,400
Grandparent Stipends	0	1,000,000	1,000,000
Intensive Family Services	0	5,000,000	5,000,000
Independent Living Maintenance	1,669,300	3,469,300	3,469,300
Permanent Guardianship Subsidy	10,471,600	11,215,300	11,215,300
Adoption Services	74,372,000	176,410,200	176,410,200
Developmental Disabilities			
Case Management - Medicaid	44,095,900	47,727,500	47,727,500
Home and Community Based Services - Medicaid	630,432,900	764,575,500	832,526,600
Institutional Services - Medicaid	17,553,100	17,416,500	18,964,400
Medical Services - Medicaid	120,148,000	127,287,600	138,600,200
Arizona Training Program at Coolidge - Medicaid	16,091,500	15,903,500	15,903,500
Medicare Clawback Payments	2,848,400	3,072,000	2,902,400
Case Management - State Only	2,846,000	3,926,600	3,926,600
Home and Community Based Services - State Only	18,515,300	33,443,400	34,446,700
State-Funded Long Term Care Services	29,428,100	26,527,900	26,527,900
Employment and Rehabilitation Services			
JOBS	12,772,700	13,005,600	11,005,600
Day Care Subsidy	96,685,000	130,396,600	130,396,600
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

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
Agencywide			
Contingency Funding	0	10,500,000	13,449,300
AGENCY TOTAL	1,679,723,000	2,226,577,700	2,308,223,000
FUND SOURCES			
General Fund	618,264,400	690,112,900	735,249,200
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	0	1,459,100	1,459,100
Child Support Enforcement Administration Fund	10,049,300	16,787,400	16,787,400
Children and Family Services Training Program Fund	68,300	207,700	207,700
Domestic Violence Shelter Fund	2,220,000	2,220,000	2,220,000
Federal CCDF Block Grant	107,671,200	130,769,700	130,769,700
Federal TANF Block Grant	245,836,300	221,007,100	221,007,100
Long Term Care System Fund (Non-Federal Matched)	49,248,800	86,912,600	52,092,700
Public Assistance Collections Fund	18,800	427,000	427,000
Special Administration Fund	1,129,900	2,829,900	2,829,900
Spinal and Head Injuries Trust Fund	1,861,100	1,874,700	1,874,700
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	51,306,800	56,060,000	56,060,000
SUBTOTAL - Other Appropriated Funds	469,410,500	521,555,200	486,735,300
SUBTOTAL - Appropriated Funds	1,087,674,900	1,211,668,100	1,221,984,500
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund (EA)	32,559,000	40,397,800	40,397,800
Division of Children, Youth, and Families Expenditure Authority	0	294,170,400	294,170,400
Developmental Disabilities Medicaid Expenditure Authority [Long Term Care System Fund (Federal Match)]	559,489,100	680,341,400	751,670,300
SUBTOTAL - Expenditure Authority Funds	592,048,100	1,014,909,600	1,086,238,500
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,679,723,000	2,226,577,700	2,308,223,000
Other Non-Appropriated Funds	454,151,800	564,598,300	315,926,800
Federal Funds	963,385,000	611,204,200	495,753,500
TOTAL - ALL SOURCES	3,097,259,800	3,402,380,200	3,119,903,300

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; Children, Youth and Families (DCYF); and Employment and Rehabilitation Services.

Summary

The Department of Economic Security's (DES) FY 2015 General Fund Baseline spending would increase by \$45,136,300, or 6.5% above FY 2014, for changes in the Developmental Disabilities (DD) program and the Long Term Care System Fund backfill. (See the *Children, Youth and Families* section, *Developmental Disabilities* section and *Agencywide* section for more information.)

Operating Budget

The Baseline includes \$205,901,600 and 2,193.5 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$93,272,900
Child Support Enforcement Administration Fund	13,232,100
Child Support Enforcement Administration Fund (EA)	27,544,300

1/ Beginning in FY 2014, these levels reflect total expenditure authority and not solely appropriated funds.

Federal Temporary Assistance for Needy Families (TANF) Block Grant	20,240,400
Federal Child Care and Development Fund (CCDF) Block Grant	12,073,200
Long Term Care System Fund (EA)	33,532,300
Public Assistance Collections Fund	335,400
Special Administration Fund	1,719,000
Spinal and Head Injuries Trust Fund	546,600
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,405,400

FY 2015 adjustments would be as follows:

Pinal County	OF	169,000
Child Support	EA	1,040,000

The Baseline includes an increase of \$1,209,000 in FY 2015 to realign funds so that Pinal County can revert control of its 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 Special Line Item and County Participation Special Line Item in the Division of Child Support Enforcement for corresponding information.)

Funding Realignment	GF	(1,000,000)
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The Baseline 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 Special 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.

Administration

Attorney General Legal Services

The Baseline includes \$11,324,500 and 160.1 FTE Positions in FY 2015 for Attorney General Legal Services. These amounts consist of:

General Fund	1,377,000
Child Support Enforcement Administration Fund	2,476,200
Federal TANF Block Grant	169,600
Federal CCDF Block Grant	17,700
Federal Expenditure Authority	7,192,400
Public Assistance Collections Fund	91,600

FY 2015 adjustments would be as follows:

Pinal County	OF	91,000
Child Support	EA	560,000

The Baseline includes an increase of \$651,000 in FY 2015 to realign funds so that Pinal County can revert control of its 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.)

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

Aging and Adult Services

Adult Services

The Baseline includes \$7,924,100 from the General Fund in FY 2015 for Adult Services. FY 2015 adjustments would be as follows:

Funding Realignment	GF	1,000,000
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The Baseline 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 Special 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 Baseline 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 Baseline 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 Baseline 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.

Benefits and Medical Eligibility

TANF Cash Benefits

The Baseline includes \$44,999,400 from the Federal TANF Block Grant in FY 2015 for TANF Cash Benefits. This amount is unchanged from FY 2014.

As of October 2013, there was a regular TANF Cash Benefit caseload of 34,109 individual recipients and 717 Diversion cases. The JLBC Staff projects a regular TANF Cash Benefits caseload of approximately 34,450 individual recipients in June 2014, or 0.5% higher than June 2013. The regular TANF Cash Benefits caseload is forecasted to be approximately 35,070 recipients in June 2015, an increase of 620 recipients or 1.8% above June 2014.

The TANF Diversion program diverts applicants from long-term regular TANF Cash Benefits by offering immediate, one-time assistance to resolve a financial crisis. Due to the department's policy change in December 2011 limiting applicants to 1 grant diversion per year, the number of diversion cases decreased from 2,100 per month in November 2011 to 717 in October 2013. The JLBC Staff projects the average number of diversion cases will be 926 in FY 2014 and FY 2015.

Based on the projected enrollment levels, total FY 2014 TANF Cash Benefits including Diversion payments are projected to cost \$45,468,400 or \$469,000 above the budget, while in FY 2015 benefits are projected to cost \$45,659,300 or \$659,900 above the Baseline. Year-to-date, TANF Cash Benefits caseloads are trending downward. While the forecast assumes eventual growth in benefits, caseloads could continue to decline so that demand for benefits does not exceed the appropriation. In the event that TANF Cash Benefits caseloads grow, the department may have to reduce monthly benefit payments or transfer resources from other programs, as it did in FY 2013 when it spent \$47,491,400, which was \$2,492,000 over its appropriation.

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 Baseline 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 Baseline 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>4,630,700</u>
Total	\$19,202,700
Uses	
DCSE Administration	\$16,787,400
Administration (Non-Appropriated)	<u>2,415,300</u>
Total	\$19,202,700

County Participation

The Baseline 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

FY 2015 adjustments would be as follows:

Pinal County	OF	(260,000)
Child Support	EA	(1,600,000)

The Baseline includes a decrease of \$(1,860,000) in FY 2015 to realign funds so that Pinal County can revert control of its 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.

Children, Youth and Families

Starting in FY 2014, the Legislature appropriated the division's resources on a Total Expenditure Authority basis. The Total Expenditure approach acknowledges all of the resources available to the Division of Children, Youth and Families (DCYF) but does not appropriate any specific non-appropriated fund. Table 15 in the *Other Issues for Legislative Consideration* section shows the total funds spending high point before the recession (FY 2008), the total funds spending low point (FY 2012), and the latest total funds appropriation (FY 2014).

During the 2013 Legislative Session, the Legislature appropriated \$69.1 million in new state funding for CPS for FY 2014. *(Please see Table 3.)*

<u>Uses</u>	<u>FY 2014</u>
CPS Group Homes	\$13,000,000
CPS Staff	17,332,500
Children Support Services	4,000,000
Intensive Family Services	5,000,000
Child Care Caseload	9,000,000
Foster Care/Adoption	7,679,500
Grandparent Stipend	1,000,000
CPS Legal Support	1,549,300
Contingency	<u>10,500,000</u>
Total	\$69,061,300

The Baseline provides funding of \$670,407,600 for DCYF in 10 separate line items *(see Table 4)*. Child Protective Services (CPS) is functionally equivalent to DCYF.

Table 4

DCYF Funding Sources and Uses ^{1/}

Sources	FY 2015
General Fund	\$243,779,400
Federal TANF Block Grant	130,791,000
Children and Family Services Training Program Fund	207,700
Child Abuse Prevention Fund	1,459,100
DCYF Expenditure Authority	<u>294,170,400</u>
Total	\$670,407,600
Uses	
DCYF Operating Budget	\$190,266,000
DCYF Attorney General Legal Services	18,260,500
Children Support Services	147,940,900
CPS Emergency & Residential Placement	68,617,000
Foster Care Placement	48,228,400
Grandparent Stipends	1,000,000
Intensive Family Services	5,000,000
Independent Living Maintenance	3,469,300
Permanent Guardianship Subsidy	11,215,300
Adoption Services	<u>176,410,200</u>
Total	\$670,407,600

^{1/} Does not include \$13,449,300 from the Contingency Funding Special Line Item.

The Auditor General is in the process of completing a series of reports about CPS. (Please see *Other Issues for Legislative Consideration for the Auditor General's recommendations.*)

The federal TANF Block Grant is a major funding source for DCYF. A comprehensive view of the federal TANF Block Grant in DCYF is also found in *Table 14* in the *Other Issues for Legislative Consideration* section.

DES deposits TANF into the federal Social Services Block Grant (SSBG); once deposited, the monies are spent on the Children Services program. The federal government caps the amount of TANF Block Grant monies that can be transferred to the SSBG at 10%. A footnote in the General Appropriation Act allows DES to make this transfer of TANF monies in the Children Support Services, CPS Emergency and Residential Placement, and Foster Care Placement line items to the SSBG. This amount is estimated at \$20,014,100 in FY 2015. The transfer to SSBG provides additional funding flexibility to DES.

DCYF Operating Lump Sum Appropriation

The Baseline includes \$190,266,000 and 2,273.9 FTE Positions in FY 2015 for the DCYF operating budget. These amounts consist of:

General Fund	64,479,800
Children and Family Services Training Program Fund	207,700
Federal TANF Block Grant	52,872,900
DCYF Expenditure Authority	72,705,600

FY 2015 adjustments would be as follows:

Remove One-Time Funding GF (2,949,300)
 The Baseline includes a decrease of \$(2,949,300) from the General Fund in FY 2015 to transfer savings related to one-time equipment funding from the DCYF operating budget to the Contingency Funding Special Line Item. The one-time funding was for equipment and vehicles added with 200 CPS staff during the 2013 Legislative Session. (Please see the *Contingency Funding Special Line Item* for more information.)

Expenditure Authority OF 0
FTE Positions
 The Baseline includes an increase of 711.5 FTE Positions from DCYF Expenditure Authority in FY 2015 to display the staff associated with expenditure authority funding added in the FY 2014 budget.

DCYF Attorney General Legal Services

The Baseline includes \$18,260,500 and 219 FTE Positions in FY 2015 for DCYF Attorney General Legal Services. These amounts consist of:

General Fund	12,658,100
Federal TANF Block Grant	52,600
DCYF Expenditure Authority	5,549,800

FY 2015 adjustments would be as follows:

Expenditure Authority OF 0
FTE Positions
 The Baseline includes an increase of 52.9 FTE Positions from DCYF 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 all Attorney General Legal Services for DCYF.

Children Support Services

The Baseline includes \$147,940,900 and 1 FTE Position in FY 2015 for Children Support Services. These amounts consist of:

General Fund	49,925,900
Federal TANF Block Grant	32,080,700
Child Abuse Prevention Fund	1,459,100
DCYF Expenditure Authority	64,475,200

FY 2015 adjustments would be as follows:

Long Term Care GF 11,957,900
System Fund Backfill OF (11,957,900)
 The Baseline 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 for Legislative Consideration for a comprehensive discussion of the Long Term Care System Fund Backfill.*)

The Children Support Services line item provides support services for both in-home and out-of-home clients. This does not include the cost of residential placement. For August 2013, the department reported 14,835 out-of-home children and 5,271 in-home cases.

The JLBC Staff recommends splitting the Children Support Services line item into 2 new line items to reflect this allocation between in-home and out-of-home services. The latter reflects supplemental services to children placed outside of their homes in settings such as emergency shelters and foster care. In-home services are provided to families who may have been reported to CPS, but an out-of-home placement was not warranted. The in-home services are designed to prevent the need for out-of-home placement in the future. For purposes of the Baseline display, all resources remain in a single line item. (Please see *Table 5 for the proposed allocation.*)

DCYF's current accounting system does not clearly delineate between in-home and out-of-home spending as part of the Children Support Services line item. As a result, resources in *Table 5* were allocated between in-home and out-of-home based on the likelihood of usage and department input as to whether each category of service was provided in one location or both.

This line item also funds 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 CPS 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 6*. This funding is part of the Substance Abuse Treatment and Lab Services categories in *Table 5*.

In FY 2013, 6,200 CPS clients were referred to the Arizona Families F.I.R.S.T. program for substance abuse treatment services, and it is anticipated that 6,200 CPS clients will be referred to the program in FY 2014 and FY 2015.

Table 5

**In-Home vs. Out-of-Home Expenditures
from Children Support Services
(Total Expenditure Authority)**

<u>In-Home/Preventive Services</u>	<u>FY 2015</u>
Parent Aide	\$ 7,434,100
In-Home ^{1/}	10,240,600
Counseling/Psychology	1,345,900
Lab Services	1,240,500
Miscellaneous	1,766,600
Substance Abuse Treatment	<u>5,231,900</u>
Subtotal - In-Home	\$ 27,259,600
<u>Out-of-Home Services</u>	
Allowances	\$ 8,085,500
Parent Aide	22,302,300
Transportation	13,545,300
In-Home ^{1/}	3,413,500
Counseling/Psychology	4,037,600
Lab Services	3,721,400
Independent Living	230,700
Miscellaneous	1,766,600
Foster Home Recruitment	24,142,900
Substance Abuse Treatment	5,231,900
CMDP	<u>34,203,600</u>
Subtotal - Out-of-Home	\$120,681,300
FY 2015 Children Support Services Baseline Total	\$147,940,900

^{1/} In-home services can include crisis intervention counseling, marital and family therapy, respite care, home management and nutrition, and linkages with community resources.

Table 6

Arizona Families F.I.R.S.T.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<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	-	-	-	-
Joint Substance Abuse Trtmt Fund	-	610,800	-	-
Total	\$9,543,500	\$11,391,300	\$12,520,500	\$12,725,400

The Children 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 Baseline 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 the same amount for FY 2015 to FY 2016. As a result, the FY 2015 General Fund amount of \$49,923,900 would

consist of \$10,300,000 from Chapter 1 and \$39,625,900 from the FY 2015 General Appropriation Act.

CPS Emergency and Residential Placement

The Baseline includes \$68,617,000 in FY 2015 for CPS Emergency and Residential Placement. This amount consists of:

General Fund	20,578,700
Federal TANF Block Grant	16,423,000
DCYF Expenditure Authority	31,615,300

These amounts are unchanged from FY 2014.

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

In August 2013, 333 children were reported in emergency placements at an average monthly cost of \$2,530 per child, while 1,758 children were reported in residential placements at an average monthly cost of \$3,440 per child. At these rates, the estimated total cost for FY 2015 is \$82,680,100 or \$14,063,100 higher than the total available funds for this line in *Table 4*. In previous years, DES transferred resources from other programs to address this issue. *(Please see Other Issues for Legislative Consideration for a discussion of the FY 2014 shortfall.)*

The Baseline 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 \$20,578,700 would consist of \$1,800,000 from Chapter 1 and \$18,778,700 from the FY 2015 General Appropriation Act.

Foster Care Placement

The Baseline includes \$48,228,400 in FY 2015 for Foster Care Placement. This amount consists of:

General Fund	20,943,600
Federal TANF Block Grant	6,973,100
DCYF Expenditure Authority	20,311,700

These amounts are unchanged from FY 2014.

The Foster Care Placement line provides funding for the placement of children in the CPS system into foster homes. This line item only includes the cost of the maintenance payments, not additional support services. In August 2013, 11,890 children were reported in foster care. Of that number, 5,912 children were placed with relatives in unlicensed foster care. The remaining 5,978 children were

in licensed foster care at an average monthly cost of \$657 per child.

The Baseline 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 \$20,943,600 would consist of \$1,900,000 from Chapter 1 and \$19,043,600 from the FY 2015 General Appropriation Act.

Grandparent Stipends

The Baseline 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 will begin receiving the \$75-a-month stipend in February.

Intensive Family Services

The Baseline includes \$5,000,000 from the General Fund in FY 2015 for Intensive Family Services. This amount is unchanged from FY 2014.

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 imminent 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 JLBC Staff recommends shifting these resources to the potential new In-Home Services/Preventive Services line item so that all in-home services are consolidated into a single line item.

Independent Living Maintenance

The Baseline includes \$3,469,300 in FY 2015 for Independent Living Maintenance. This amount consists of:

General Fund	2,719,300
DCYF Expenditure Authority	750,000

These amounts are unchanged from FY 2014.

The Independent Living Maintenance program provided stipends to 304 former foster youth between 18 and 21 in August 2013. These youth are living on their own and are either enrolled in a postsecondary program or employed.

Permanent Guardianship Subsidy

The Baseline includes \$11,215,300 in FY 2015 for 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 August 2013, 2,460 clients received permanent guardianship subsidies.

Adoption Services

The Baseline includes \$176,410,200 in FY 2015 for Adoption Services. This amount consists of:

General Fund	57,001,700
Federal TANF Block Grant	20,645,700
DCYF Expenditure Authority	98,762,800

FY 2015 adjustments would be as follows:

Long Term Care	GF	4,730,400
System Fund Backfill	OF	(4,730,400)

The Baseline 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 for Legislative Consideration for a comprehensive discussion of the Long Term Care System Fund Backfill.)

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 August 2013, 18,195 clients received adoption subsidies.

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 November 2013, the Division of Developmental Disabilities serves 33,063 clients, which includes 26,080 clients in the LTC program and 6,983 clients in the state-only portion. The primary disabilities are shown in Table 7.

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Cognitive Disability	14,481	44%
At Risk	7,460	23%
Autism	6,391	19%
Cerebral Palsy	3,152	10%
Epilepsy	1,465	4%
Not Indicated	114	<1%
Total	33,063	

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

Overall DES Formula Adjustments

The Baseline includes an increase of \$9,636,300 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 Baseline 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 28,196 in June 2015.

Table 8 summarizes the average monthly caseload estimates for the Special Line Items (SLIs). All clients are eligible for Medical Services and Case Management as necessary, but not all clients access other services in any particular month.

<u>Special Line Item</u>	<u>Clients</u>
Home and Community Based Services	24,603
Institutional Services	110
Arizona Training Program at Coolidge	100
Subtotal	24,813
Case Management/Medical Services only	3,383
Total	28,196

FY 2015 Capitation Rate Adjustments

The Baseline includes a 3% net capitation rate increase beginning July 1, 2014. The increased capitation rate results in an additional General Fund cost of \$10,083,000 in FY 2015. Capitation rates include a 3% increase to providers as well as adjustments for utilization of services and other factors.

Case Management - Medicaid

The Baseline includes \$47,727,500 and 755.5 FTE Positions in FY 2015 for Medicaid Case Management. These amounts consist of:

General Fund	15,200,000
Long Term Care System Fund	32,527,500

FY 2015 adjustments would be as follows:

Formula Adjustments	GF 3,823,600
	FMA (3,823,600)

This formula adjustment consists of the federal match rate change.

Background – In addition to providing case management services to an estimated 24,813 clients receiving direct services, this line item also funds “case management only” services to another 3,383 clients.

Home and Community Based Services - Medicaid

The Baseline includes \$832,526,600 and 94.5 FTE Positions in FY 2015 for Medicaid Home and Community Based Services (HCBS). These amounts consist of:

General Fund	265,138,900
Long Term Care System Fund	567,387,700

FY 2015 adjustments would be as follows:

Formula Adjustments	GF 4,997,400
	FMA 62,953,700

The formula adjustments include 4.5% enrollment growth in FY 2015, a 3% capitation rate increase, and changes to the federal match rate.

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 24,603 individuals are expected to receive Medicaid home and community based services in June 2015.

Of the \$832,526,600 in this line item, \$820,217,900 funds HCBS services to clients enrolled in the LTC program; the other \$12,308,700 funds program staff.

The Baseline 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 \$265,138,900 would consist of \$20,000,000 from Chapter 1 and \$245,138,900 from the FY 2015 General Appropriation Act.

Institutional Services - Medicaid

The Baseline includes \$18,964,400 and 74 FTE Positions in FY 2015 for Medicaid Institutional Services. These amounts consist of:

General Fund	6,039,700
Long Term Care System Fund	12,924,700

FY 2015 adjustments would be as follows:

Formula Adjustments	GF	447,900
	FMA	1,100,000

The formula adjustments include 4.5% enrollment growth in FY 2015, a 3% capitation rate increase, and changes to the federal match rate.

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 110 individuals are expected to receive Medicaid institutional services in June 2015.

Of the \$18,964,400 in this line item, \$13,398,900 funds Institutional Services to clients enrolled in the LTC program; the other \$5,565,500 funds program staff.

Medical Services

The Baseline includes \$138,600,200 and 35.4 FTE Positions in FY 2015 for Medical Services. These amounts consist of:

General Fund	44,140,700
Long Term Care System Fund	94,459,500

FY 2015 adjustments would be as follows:

Formula Adjustments	GF	(10,300)
	FMA	11,322,900

The formula adjustments include 4.5% enrollment growth in FY 2015, a 3% capitation rate increase, and changes to the federal match rate.

Background – Of the \$138,600,200 in this line item, \$134,122,200 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 Baseline includes \$15,903,500 and 383.7 FTE Positions in FY 2015 for the Arizona Training Program at Coolidge (ATP-C). These amounts consist of:

General Fund	5,064,900
Long Term Care System Fund	10,838,600

These amounts fund the following adjustments:

Formula Adjustments	GF	224,100
	FMA	(224,100)

This formula consists of the federal match rate change.

Background – Monies in this line item fund an entire range of services for DD clients residing at the ATP-C campus,

either in ICF-IDs or state-operated group homes (SOGHs). The June 2015 caseload is estimated at 100. At that caseload, the blended cost per DD client at ATP-C will be \$159,000.

Medicare Clawback Payments

The Baseline includes \$2,902,400 from the General Fund in FY 2015 for Medicare Clawback Payments. FY 2015 adjustments would be as follows:

Formula Adjustments	GF	54,000
	OF	(223,600)

The Baseline includes an increase of \$54,000 from the General Fund and a decrease of \$(223,600) from the Long Term Care System Fund in FY 2015 for formula adjustments associated with Medicare Clawback Payments.

Long Term Care System Fund Backfill	GF	2,848,400
	OF	(2,848,400)

The Baseline 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. *(Please see Other Issues for Legislative Consideration for a comprehensive discussion of the Long Term Care System Fund Backfill.)*

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 Baseline includes \$3,926,600 and 79.3 FTE Positions from the General Fund in FY 2015 for state-only case management. These amounts are unchanged from FY 2014.

Background – This line item funds case management services to clients in the state-only DD program.

Home and Community Based Services - State-Only

The Baseline includes \$34,446,700 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	8,881,900
Long Term Care System Fund	25,564,800

FY 2015 adjustments would be as follows:

Formula Adjustments	GF	99,600
	OF	903,700

The Baseline includes an increase of \$99,600 from the General Fund and an increase of \$903,700 from the Long Term Care System Fund in FY 2015 for a 3% capitation rate adjustment.

Long Term Care	GF	5,463,300
System Fund Backfill	OF	(5,463,300)

The Baseline includes an increase of \$5,463,300 from the General Fund and a corresponding decrease of \$(5,463,300) 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 for Legislative Consideration for a comprehensive discussion of the Long Term Care System Fund Backfill.)*

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 November 2013, there are approximately 6,983 clients in the state-only program

Of the \$34,446,700 in this line item, \$29,429,600 funds Home and Community Based Services to clients enrolled in the DD program, \$1,698,100 funds program staff, and \$3,319,000 funds the Arizona Early Intervention Program.

State-Funded Long Term Care Services

The Baseline includes \$26,527,900 and 2 FTE Positions from the Long Term Care System Fund in FY 2015 for State-Funded Long Term Care Services. These amounts are unchanged from FY 2014.

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 \$26,527,900 in this line item, \$26,466,100 funds State-Funded Long Term Care Services to clients enrolled in the DD program; the other \$61,800 funds program staff.

Employment and Rehabilitation Services

JOBS

The Baseline 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

FY 2015 adjustments would be as follows:

Funding Shift	OF	(2,000,000)
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The Baseline 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 9 highlights total estimated expenditures for the JOBS line item.

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$ 7,900,000
Job Training	1,400,300
FLSA Supplement	150,000
Work-Related Transportation	1,345,300
Job Search Stipends	210,000
Total	\$11,005,600

Day Care Subsidy

The Baseline includes \$130,396,600 in FY 2015 for the Day Care Subsidy. This amount consists of:

General Fund	9,000,000
Federal CCDF Block Grant	118,678,800
Federal TANF Block Grant	2,717,800

These amounts are unchanged from FY 2014.

This line item funds child care subsidies to TANF clients engaged in job activities, low-income working individuals under 165% of the FPL, and children in the CPS program.

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

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

Subsidy Rates - The average subsidy paid to providers per child is projected to be approximately \$354 per month in FY 2015. The maximum reimbursement rate paid by the

state for a 2-year-old child in Maricopa County is \$26.60 per day.

Families in non-mandatory categories are required to make co-payments to defray the state's share of the cost of care. For families with an income level at or below 100% of the FPL, the required daily co-payment for their first child in care is \$2.00. Using the \$26.60 Maricopa rate, this \$2.00 co-payment would account for 7.5% of the total cost of care (with the state paying the other 92.5%). By comparison, a family at 165% FPL is required to make a co-payment of \$10.00 per child. Using the same scenario as above, a family at 165% FPL would contribute 37.6% of the child's day care costs.

Caseloads – The estimated average number of children receiving child care services in FY 2015 is projected to be 26,000 (see Table 10). DES initiated a waiting list for the Low-Income Working category of child care services on February 18, 2009. According to DES, as of November 2013, approximately 6,435 children had been found eligible for child care services and placed on the waiting list. It is unknown whether those children remain eligible.

<u>Category</u>	<u>Estimated FY 2015</u> ^{1/}
TANF	3,200
CPS	9,800
Low-Income Working	7,600
Transitional Child Care SLI	5,400
Total Served	26,000

^{1/} Represents DES' projected average caseload.

Rehabilitation Services

The Baseline 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 Baseline 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 Baseline 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 Baseline includes \$53,654,600 from the Workforce Investment Act (WIA) Grant in FY 2015 for the Workforce Investment Act Services line item. FY 2015 adjustments would be as follows:

Funding Shift OF 2,000,000
The Baseline 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 11.

<u>Category</u>	<u>Amount</u>
WIA SLI	\$53,654,600
Administration	2,405,400 ^{1/}
Total	\$56,060,000

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

Agencywide

Contingency Funding

The Baseline includes \$13,449,300 from the General Fund in FY 2015 for Contingency Funding. FY 2015 adjustments would be as follows:

Long Term Care	GF	10,500,000
System Fund Backfill	OF	(10,500,000)

The Baseline 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 for Legislative Consideration for a comprehensive discussion of the Long Term Care System Fund Backfill.)*

One-Time Savings	GF	2,949,300
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The Baseline includes an increase of \$2,949,300 from the General Fund in FY 2015. These savings are from one-time equipment costs, such as equipment and vehicles, for the 200 CPS staff added during the 2013 Legislative Session.

The line item provides funding to address unanticipated shortfalls in CPS or in the Day Care Subsidy Special Line Item.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes
Administration

In accordance with A.R.S. § 35-142.01, the Department of Economic Security shall remit to the Department of Administration any monies received as reimbursement from the federal government or any other source for the operation of the Department of Economic Security West Building and any other building lease-purchased by the State of Arizona in which the Department of Economic Security occupies space. The Department of Administration shall deposit these monies in the state General Fund.

Aging and Adult Services

All Domestic Violence Shelter Fund monies above \$2,220,000 received by the Department of Economic Security are appropriated for the Domestic Violence Prevention line item. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of monies above \$2,220,000 to the Joint Legislative Budget Committee.

The Department of Economic Security shall report to the Joint Legislative Budget Committee on the amount of state and federal monies available statewide for domestic violence funding on or before December 15, 2014. The report shall include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies.

Benefits and Medical Eligibility

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

Child Support Enforcement

All state share of retained earnings, fees and federal incentives above \$16,787,400 received by the Division of Child Support Enforcement are appropriated for operating expenditures. New full-time equivalent positions may be authorized with the increased funding. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of the monies to the Joint Legislative Budget Committee.

Children, Youth and Families

Of the amounts appropriated for Children Support Services, CPS Emergency and Residential Placement and Foster Care Placement, the department may transfer up to 10% of the total amount of Federal Temporary Assistance for Needy Families Block Grant monies appropriated to the Department of Economic Security to the Social Services Block Grant for use in the following line items in the Division of Children, Youth and Families: Children Support Services, CPS Emergency and Residential Placement and Foster Care Placement. Before transferring Federal Temporary Assistance for Needy Families Block Grant monies to the Social Services Block Grant, the department shall report the proposed amount of the transfer to the Director of the Joint Legislative Budget Committee. This report may be in the form of an expenditure plan that is submitted at the beginning of the fiscal year and updated, if necessary, throughout the fiscal year.

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

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

Before the expenditure of monies from the Intensive Family Services Special Line Item in FY 2015, the Department of Economic Security shall submit an expenditure plan for review by the Joint Legislative Budget Committee. The expenditure plan shall include an

estimate of any comparable funding in the Children Support Services Special Line Item.

The amount appropriated for Grandparent Stipends shall be used for a monthly stipend for a grandparent or a ~~great-grandparent~~ ANY LEVEL OF GREAT-GRANDPARENT if a dependent child is placed in the ~~grandparent's or great-grandparent's~~ THAT PERSON'S care pursuant to department guidelines or as directed by legislation enacted in the 51st Legislature, 1st Regular Session.

Developmental Disabilities

The Department of Economic Security shall report all new placements into a state-owned ICF-MR or the Arizona Training Program at Coolidge Campus in FY 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 the developmentally disabled, was deemed as the most appropriate placement. The department shall also report if no new placements were made. This report shall be made available on or before July 15, 2015.

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.

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

Prior to the implementation of any developmentally disabled or Long Term care statewide provider rate adjustments not already specifically authorized by the Legislature, court mandates or changes to federal law, the department shall submit a report for review by the Joint Legislative Budget Committee. The report shall include,

at a minimum, the estimated cost of the provider rate adjustment and the ongoing source of funding for the adjustment, if applicable.

Employment and Rehabilitation Services

Of the \$130,396,600 appropriated for Day Care Subsidy, plus any funding authorized to be deferred to FY 2016, \$115,119,900 is for a program in which the upper income limit is no more than 165% of the federal poverty level.

All Federal Workforce Investment Act monies that are received by this state in excess of \$56,060,000 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 \$56,060,000 to the Joint Legislative Budget Committee.

Departmentwide

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

A monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals shall be forwarded to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee on or before the 30th of the following month. The report shall include an estimate of potential shortfalls in entitlement programs and potential federal and other funds, such as the statewide assessment for indirect costs, and any projected surplus in state supported programs that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation.

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 \$221,007,100 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 \$221,007,100 appropriated, minus any FY 2014 revertsments expected to be spent as administrative adjustments in FY 2015, there shall be a corresponding dollar reduction in the department's Long Term Care System Fund appropriation. The department 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 its FY 2014 revertment 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 shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of Long Term Care System Fund monies, if any, that will not be expended under this provision.

Before the expenditure of monies from the Contingency Funding Special Line Item in FY 2015, the Department of Economic Security shall submit an expenditure plan to the Joint Legislative Budget Committee for its review. Monies in the Contingency Funding Special Line Item shall be spent only to address unanticipated shortfalls in Child Protective Services or in the Day Care Subsidy Special Line Item.

Deletion of Prior Year Footnotes

The Baseline would delete the FY 2014 developmental disabilities provider rate footnote.

New Footnotes

The Department of Economic Security 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. (See Auditor General Recommendation section in Other Issues for Legislative Consideration for more information.)

STATUTORY CHANGES

The Baseline would:

- As session law, continue to allow DES use of the Long Term Care System Fund for any DES operational or programmatic expenses in FY 2015.
- As session law, continue a provision requiring recipients of TANF Cash Benefits to pass a drug test in order to be eligible for benefits if DES has reasonable cause to believe that the recipient uses illegal drugs.
- As session law, continue to permit DES to reduce income eligibility levels for all child care programs if the program has insufficient resources. DES would be required to report to JLBC within 15 days of any such change in levels.
- As session law, in the General Appropriation Act, continue to defer \$35,000,000 in General Fund payments for FY 2015 until FY 2016. Appropriate \$35,000,000 in FY 2016 for these deferred payments.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral

The Baseline continues the \$35.0 million payment deferral from FY 2015 to FY 2016. DES plans to defer a total of \$35.0 million in payments from the Special Line Items specified below:

Children Support Services	10,300,000
Emergency and Residential Placement	1,800,000
Foster Care Placement	1,900,000
Home and Community Based Services - Medicaid	20,000,000
Rehabilitation Services	1,000,000

The \$35.0 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 the General Appropriation Act; however, the amount is included in the General Fund amount for DES in this section. As a result, the FY 2015 General Fund amount of \$735.2 million would consist of \$35.0 million from the deferral appropriation and \$700.2 million from the General Appropriation Act.

Long Term Care System Fund Backfill

The Long Term Care System Fund (LTCSF) consists of 2 main revenue components: State-Funded Long Term Care (SFLTLC) monies and LTCSF equity. In FY 2014, the LTCSF appropriation is \$86.9 million, which includes \$26.5 million for SFLTLC Services and \$60.4 million for CPS and Home and Community Based Services - State Only.

SFLTLC Services

The state deposits SFLTLC revenues in LTCSF. SFLTLC revenues, as seen in Table 12, include client billing revenue from room and board charges, one-time monies, and interest. These ongoing monies total \$27.1 million in FY 2015. SFLTLC revenues primarily fund the SFLTLC Services line item. The department did not ask that these monies be backfilled.

	FY 2013 Actual	FY 2014 Estimate	FY 2015 Baseline
Sources			
Carry-Forward	\$ 7,708,600	\$ 4,400,000	\$ 1,872,100
Client Billing Revenue	21,047,100	17,600,000	22,800,000
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	\$27,072,100
Uses			
SFLTLC Services	29,428,100	26,527,900	26,527,900
Total	\$29,428,100	\$26,527,900	\$26,527,900
Ending Balance	\$ 4,400,000	\$ 1,872,100	\$ 544,200

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.” In addition and unrelated to the LTCSF equity, the state deposited one-time revenue from the Disproportionate Share Hospital payments program into the LTCSF for FY 2014. (See Table 13.)

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 accumulates a significant amount of equity, as it did for FY 2014.

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. The FY 2015 Baseline reduces the LTCSF equity appropriation by \$34.8 million to reflect the reduced level of revenues (\$25.6 million in FY 2015 vs. \$60.4 million in FY 2014). The entire \$34.8 million LTCSF reduction is replaced with General Fund in the FY 2015 Baseline. (Please see Table 13).

DES’ FY 2015 budget request includes a General Fund backfill of \$56.4 million to replace most of the LTCSF equity. The state, however, has consistently generated over \$18 million in profit from LTCSF for the past 4 years, so the Baseline essentially backfills the difference between the requested backfill and the assumed FY 2015 profit margin of \$26 million.

CPS - Auditor General Recommendation

The FY 2014 Health and Welfare BRB instructed the Auditor General to evaluate and report on certain expenditures for Children Support Services. In October 2013, the Auditor General published its first report addressing expenditures for the recruitment, retention, training, licensing and tracking of foster care families as part of Children Support Services. In FY 2012, DES spent \$18.9 million for contracted foster home recruitment-related services. The Auditor General believes the current contract process of home recruitment study and supervision is the most appropriate means to provide these services.

In order to better improve its performance-based contracting for foster home-related services, the Auditor General recommends that DES develop a mechanism to use performance measure data to monitor and assess

Table 13

Long Term Care System Fund Equity			
Sources and Uses			
	FY 2013	FY 2014	FY 2015
	Actual	Estimate	Baseline
Sources			
LTCSF Carry - Forward	\$25,486,900	\$25,486,900	\$ 0
LTCSF Equity	18,730,400	23,366,000	25,564,800
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	\$25,564,800
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	25,564,800 ^{1/}
Case Management- State Only	500,000	0	0
Contingency Funding	0	10,500,000	0 ^{1/}
Total	\$19,820,700	\$60,384,700	\$25,564,800
Ending Balance	\$25,486,900	\$ 0	\$ 0
^{1/} Reduction from FY 2014 replaced with General Fund in FY 2015 Baseline.			

contractor performance, building greater incentives into contracts that focus on DES’ critical goals, such as the retention of foster parents.

This is the first of 3 audits on CPS. The next 2 reports will focus on transportation spending and emergency and residential placement and will be published in March 2014 and October 2014, respectively.

CPS - Uninvestigated Reports

In November, DES announced that 6,554 reports of child abuse and neglect had not been investigated. As a result of this discovery, the Department of Public Safety (DPS) and the Child Advocate Response Examination Team (CARE Team) have been instructed to look into the “not investigated” cases, as well as CPS operations.

DPS will conduct an independent review of the uninvestigated cases, while also looking at the processes in CPS that led to the situation. The CARE Team will oversee the investigation of the uninvestigated cases; the team will also examine the CPS system to identify areas of concern, such as personnel, operations, and policies. The CARE Team is made up of elected officials, professionals with expertise in child welfare, and members of child advocacy groups.

Both DPS and the CARE Team expect to report their findings at the end of January.

CPS - FY 2014 Shortfall

DES projects shortfalls of an unknown magnitude for the Children Support Services line item and the Emergency and Residential Placement line item in FY 2014. Using the caseload information DES provided for the Emergency and Residential Placement line item, DES' shortfall for that line item is \$14,063,100. The shortfall amount for Children Support Services is unknown. *(Please see the Emergency and Residential Placement line item for caseload information.)*

TANF Block Grant

The Baseline appropriates \$221.0 million of the state's federal TANF Block Grant allocation in FY 2015. *Table 14* 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 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. In the event that DES receives more TANF monies than anticipated, a General Appropriation Act footnote requires DES to revert LTCSF monies dollar for dollar for TANF Block Grant monies received above \$221.0 million, including the beginning balance.

DES is forecast to receive only \$218.7 million from the TANF Block Grant in FY 2014 and FY 2015, meaning revenue from the TANF Block Grants will be about \$(2) million less than the appropriation.

For FY 2015, the TANF Block Grant permanent revenues are projected to be \$(20.9) million less than permanent spending. The Contingency Fund revenues are not included in the permanent revenue calculation.

Table 14

TANF Block Grant Spending

Revenues	Actual FY 2013	Estimate FY 2014	Estimate FY 2015
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	18,564,100	18,564,100
Total TANF Available	<u>\$ 247,008,800</u>	<u>\$ 218,876,200</u>	<u>\$ 218,705,400</u>
Expenditures			
Operating ^{3/}	\$ 73,287,100	\$ 20,240,400	\$ 20,240,400
Special Line Item			
Administration			
Attorney General Legal Services	\$ 222,000	\$ 169,600	\$ 169,600
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	<u>\$ 11,994,200</u>	<u>\$ 11,994,200</u>	<u>\$ 11,994,200</u>
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	<u>\$ 45,499,400</u>	<u>\$ 45,499,400</u>	<u>\$ 45,499,400</u>
Children, Youth and Families			
DCYF Operating ^{3/}	\$ -	\$ 52,872,900	\$ 52,872,900
DCYF Attorney General Legal Services	-	52,600	52,600
Children Support Services	32,754,800	32,080,700	32,080,700
CPS 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 - Children, Youth and Families	<u>\$ 77,696,300</u>	<u>\$ 130,791,000</u>	<u>\$ 130,791,000</u>
Employment and Rehabilitation Services			
JOBS	\$ 9,594,700	\$ 9,594,700	\$ 9,594,700
Day Care Subsidy	2,717,800	2,717,800	2,717,800
Total - Employment and Rehabilitation Services	<u>\$ 12,312,500</u>	<u>\$ 12,312,500</u>	<u>\$ 12,312,500</u>
SUBTOTAL	<u>\$ 221,011,500</u>	<u>\$ 221,007,100</u>	<u>\$ 221,007,100</u>
Administrative Adjustments	-	- ^{1/}	-
General Appropriation Act Footnote Additional Authority ^{2/}	24,824,800	-	-
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	<u>\$ 245,836,300</u>	<u>\$ 221,007,100</u>	<u>\$ 221,007,100</u>
Ending Balance ^{4/}	<u>\$ 1,172,500</u>	<u>\$ (2,130,900)</u>	<u>\$ (2,301,700)</u>
Permanent Revenues vs. Expenditures ^{5/}	<u>\$ (20,870,200)</u>	<u>\$ (20,865,800)</u>	<u>\$ (20,865,800)</u>

^{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. Therefore, the difference between the total TANF available and that fiscal year's TANF appropriation is included in the annual budget, and the department's LTCSF appropriation is reduced by the same amount.

^{3/} The DCYF 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.

^{5/} Difference between Base Revenues and Expenditure Subtotal. Contingency Fund Revenues are not included in Permanent Revenues.

Table 15

Division of Children, Youth & Families Summary

	FY 2008 Actual	FY 2012 Actual	FY 2014 Appropriation
Operating Budget			
General Fund	\$ 56,600,600	\$ 46,004,600	\$ 67,429,100
TANF	31,444,200	48,282,200	52,872,900
LTCSF/Other Appropriated Funds	123,100	72,100	207,700
Non-Appropriated/Expenditure Authority	45,736,700	42,724,100	46,179,500
Operating Budget Total	\$ 133,904,600	\$ 137,083,000	\$ 166,689,200
Special Line Items			
Children Support Services 1/			
General Fund 2/	\$ 50,143,900	\$ 17,804,400	\$ 36,954,400
TANF	36,645,200	52,530,000	32,754,700
LTCSF/Other Appropriated Funds	39,400	-	13,798,700
Non-Appropriated/Expenditure Authority	50,092,600	69,146,000	71,545,600
	<u>\$ 136,921,100</u>	<u>\$ 139,480,400</u>	<u>\$ 155,053,400</u>
CPS Emergency & Residential Placement			
General Fund 3/	\$ 8,723,500	\$ 19,578,700	\$ 24,578,700
TANF	14,056,900	14,369,300	12,423,000
Non-Appropriated/Expenditure Authority	27,425,300	27,800,200	43,967,600
	<u>\$ 50,205,700</u>	<u>\$ 61,748,200</u>	<u>\$ 80,969,300</u>
Foster Care Placement			
General Fund 4/	\$ 17,567,500	\$ 12,639,500	\$ 16,943,600
TANF	7,190,500	4,520,900	10,973,100
Non-Appropriated/Expenditure Authority	17,770,200	18,522,800	24,334,500
	<u>\$ 42,528,200</u>	<u>\$ 35,683,200</u>	<u>\$ 52,251,200</u>
Intensive Family Services			
General Fund	\$ 1,985,600	\$ -	\$ 5,000,000
	<u>\$ 1,985,600</u>	<u>\$ -</u>	<u>\$ 5,000,000</u>
Grandparent Stipends			
General Fund			\$ 1,000,000
			<u>\$ 1,000,000</u>
Permanent Guardianship Subsidy			
General Fund	\$ 6,308,200	\$ 7,072,300	\$ 9,472,300
TANF	859,300	4,211,400	1,743,000
	<u>\$ 7,167,500</u>	<u>\$ 11,283,700</u>	<u>\$ 11,215,300</u>
Adoption Services 5/			
General Fund	\$ 37,158,700	\$ 53,942,200	\$ 50,947,100
TANF	12,368,000	9,802,400	19,802,400
LTCSF	-	-	6,897,900
Non-Appropriated/Expenditure Authority	54,036,300	84,504,800	99,907,200
	<u>\$ 103,563,000</u>	<u>\$ 148,249,400</u>	<u>\$ 177,554,600</u>
Attorney General Legal Services			
General Fund 6/	\$ 11,882,100	\$ 11,252,900	\$ 12,768,500
TANF	52,200	54,500	52,600
Non-Appropriated/Expenditure Authority	4,376,800	6,568,900	7,486,000
	<u>\$ 16,311,100</u>	<u>\$ 17,876,300</u>	<u>\$ 20,307,100</u>
Independent Living Maintenance			
General Fund	\$ 3,062,800	\$ 1,671,600	\$ 2,719,300
Non-Appropriated/Expenditure Authority	2,106,800	19,800	750,000
	<u>\$ 5,169,600</u>	<u>\$ 1,691,400</u>	<u>\$ 3,469,300</u>
Contingency Funding			
LTCSF			\$ 10,500,000
			<u>\$ 10,500,000</u>
Special Line Item Total	\$ 363,851,800	\$ 416,012,600	\$ 517,320,200

(table continued on next page)

Table 15 (Continued)

Division of Children, Youth & Families Total

	FY 2008 Actual	FY 2012 Actual	FY 2014 Appropriation
General Fund	\$ 193,432,900	\$ 169,966,200	\$ 227,813,000
TANF	102,616,300	133,770,700	130,621,700
LTCSE/Other Appropriated Funds	162,500	72,100	31,404,300
Non-Appropriated/Expenditure Authority	201,544,700	249,286,600	294,170,400
Division Total	\$ 497,756,400	\$ 553,095,600	\$ 684,009,400

1/ FY 2008 amount includes \$26.4 million in expenditures from the following programs: Education & Training Vouchers, Healthy Families, Family Builders, and Child Abuse Prevention.

2/ Includes \$10.3 million in deferral spending in FY 2012 & 2014.

3/ Includes \$1.8 million in deferral spending in FY 2012 & 2014.

4/ Includes \$1.9 million in deferral spending in FY 2012 & 2014.

5/ FY 2008 amount includes \$481,900 from the Adoption Services Preservation Projects program.

6/ FY 2012 amount per the CPS Financial & Program Accountability Report.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Child Abuse Prevention Fund (DEA2162/A.R.S. § 8-550.01)		Appropriated
Source of Revenue: A portion of monies (1.93%) from statutory filing and copy fees collected by the Superior Court and all funds received through check-off contributions on the Arizona tax form. Monies also may come from a surcharge on certified copies of death certificates when revenues from the surcharge exceed \$100,000 for the year.		
Purpose of Fund: To provide financial assistance to community treatment programs, benefiting abused children and their parents or guardians. An amount of not more than 5% may be expended for administrative expenses related to the fund.		
Funds Expended	0	1,459,100
Year-End Fund Balance	1,140,400	222,200
Child Protective Services Expedited Substance Abuse Treatment Fund (DEA2421/A.R.S. § 8-812)		Non-Appropriated
Source of Revenue: An annual appropriation from the state General Fund.		
Purpose of Fund: To provide expedited drug treatment to guardians and parents when a dependency case plan calls for treatment. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Child Restraint Fund (DEA2192/A.R.S. § 28-907)		Non-Appropriated
Source of Revenue: Fines or penalties from parents, guardians, or legal custodians who fail to sufficiently restrain in motor vehicles children under the age of 4 or weighing less than 40 pounds.		
Purpose of Fund: To purchase child passenger restraint systems and provide them to hospitals for loan to indigent persons. Monies in the fund shall not exceed \$20,000. All monies collected over \$20,000 shall be deposited in the Arizona Highway User Revenue Fund.		
Funds Expended	148,100	154,000
Year-End Fund Balance	47,400	0
Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406)		Partially-Appropriated
Source of Revenue: State Share of Retained Earnings from child support collections, federal incentives, and fees.		
Purpose of Fund: To fund the statewide Child Support Enforcement program.		
Appropriated Funds Expended	10,049,300	16,787,400
Expenditure Authority Funds Expended	32,559,000	40,397,800
Year-End Fund Balance*	1,245,300	(4,938,100)

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Children and Family Services Training Program Fund (DEA2173/A.R.S. § 8-503.01)		Appropriated
Source of Revenue: A portion of monies collected from fees charged for copies of Child Protective Services (CPS) files and assessments against legally responsible parties for the support of a child in the state's custody. The fund receives 90% of the revenues collected. The remaining 10% of revenues are credited to the General Fund.		
Purpose of Fund: To administer training for child protective service workers and employees in related programs. The monies cannot be used to pay salaries or expenses of the training staff. Up to 10% of the monies may be used to enhance the collection of monies owed to the agency. Any monies collected from fees for copies of CPS files may be used only for reimbursing the department for its cost.		
Funds Expended	68,300	207,700
Year-End Fund Balance	265,400	187,300
Division of Children, Youth, and Families Expenditure Authority (DEA2009/A.R.S. § 41-101.01)		Expenditure Authority
Source of Revenue: All non-appropriated funds, including Federal Funds, for the Division of Children, Youth and Families (DCYF).		
Purpose of Fund: To fund DCYF.		
Funds Expended	0	294,170,400
Year-End Fund Balance*	0	(16,495,700)
Client Trust Fund (DEA3152/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DES.		
Purpose of Fund: To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
Funds Expended	882,600	1,550,300
Year-End Fund Balance	3,094,400	3,059,100
Developmentally Disabled Client Investment Fund (DEA3146/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Consists of client monies, such as Social Security, earnings, etc.		
Purpose of Fund: If consumers need assistance in handling their funds and no other person is available, the division is appointed to be the representative payee and is authorized to administer the personal funds of these consumers.		
Funds Expended	9,700	9,900
Year-End Fund Balance	1,463,500	1,467,400
Developmentally Disabled Client Services Trust Fund (DEA2019/A.R.S. § 36-572)		Non-Appropriated
Source of Revenue: Proceeds from the sale or lease of the real property and buildings used by the department for the Arizona Training Program at Phoenix (ATP-P) and the interest earned in those funds.		
Purpose of Fund: To enhance services presently available to the developmentally disabled and to extend services to developmentally disabled persons not presently served.		
Funds Expended	11,600	11,800
Year-End Fund Balance	135,100	124,700
Domestic Violence Shelter Fund (DEA2160/A.R.S. § 36-3002)		Appropriated
Source of Revenue: A portion of monies (8.87%) from statutory filing and copy fees collected by the Superior Court. Another portion of monies is from a \$50 fee for aggravated harassment, stalking, and other violent family offences. Monies also come from voluntary contributions using tax returns or federal grants, private grants, or other private gifts or contributions.		
Purpose of Fund: To fund grants to qualified shelters for victims of domestic violence.		
Funds Expended	2,220,000	2,220,000
Year-End Fund Balance	1,482,000	1,661,000

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Donations Fund (DEA3145/A.R.S. § 36-571, 41-1954)		Non-Appropriated
Source of Revenue: Grants, gifts, or bequests.		
Purpose of Fund: To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest. Monies received for developmental disabilities purposes are maintained in a separate account.		
Funds Expended	5,100	4,600
Year-End Fund Balance	363,200	362,600
Economic Security Capital Investment Fund (DEA2093/A.R.S. § 4-116)		Non-Appropriated
Source of Revenue: Receipts received from club license and application fees by organizations selling spirituous liquor as defined in A.R.S. § 4-101.		
Purpose of Fund: To be used by the department for buildings, equipment, and other capital investments.		
Funds Expended	0	226,200
Year-End Fund Balance	346,800	174,800
Federal CCDF Block Grant (DEA2008/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To be used for developing child care programs and policies that promote parental choice; providing consumer education to help parents make informed choices on child care; providing child care to welfare recipient parents; and implementing health, safety, licensing, and registration standards under state law for child care. Up to 5% of the aggregate amount of funds expended can be used for administrative costs. At least 4% of funds must be used for consumer education and activities for improving the quality and availability of child care. No monies can be used for purchasing land or building facilities to provide child care.		
Funds Expended	107,671,200	130,769,700
Year-End Fund Balance*	(2,900,500)	(22,181,000)
Federal Grants (DEA2000/A.R.S. § 41-101.01)		Non-Appropriated
Source of Revenue: Federal grants, excluding Temporary Assistance for Needy Families, Child Care and Development Fund, and Workforce Investment Act Block Grants, DCYF Expenditure Authority, and Medicaid-related funds.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the availability of the federal monies. Some major expenditure items include Food Stamp administration and the Social Services Block Grant.		
Funds Expended	963,385,000	611,204,200
Year-End Fund Balance	19,265,000	19,133,900
Federal TANF Block Grant (DEA2007/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of 2-parent families.		
Funds Expended	245,836,300	221,007,100
Year-End Fund Balance*	1,172,500	(2,130,900)
Arizona Industries for the Blind Fund (DEA4003/A.R.S. § 41-1975)		Non-Appropriated
Source of Revenue: Proceeds from sales of products of Arizona Industries for the Blind, as well as interest earned on the fund balance.		
Purpose of Fund: To provide funds for the wages and salaries of production workers, inspectors, and other employees necessary for the operation of the training centers, workshops, or home industries; supplies, equipment or other incidental costs.		
Funds Expended	20,607,800	20,924,900
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Arizona Job Training Fund (DEA1237/A.R.S. § 41-1544)		Non-Appropriated
Source of Revenue: DES collects one-tenth of one percent of taxable wages per A.R.S. § 23-622 from employers for the job training tax and transfers all funds to the Arizona Commerce Authority. The revenue received by DES in this fund is the reimbursement for expenditures incurred for the purpose of collecting the job training tax.		
Purpose of Fund: To collect the job training tax.		
Funds Expended	1,021,000	976,300
Year-End Fund Balance*	34,300	(58,000)
Joint Substance Abuse Treatment Fund (DEA2429/A.R.S. § 8-881)		Non-Appropriated
Source of Revenue: Legislative appropriations from the General Fund and the Federal Temporary Assistance to Needy Families Block Grant.		
Purpose of Fund: To be jointly administered by DES and the Department of Health Services for services to families and Federal Temporary Assistance for Needy Families recipients involved with Child Protective Services and whose substance abuse is a significant barrier to maintaining, preserving, or reunifying the family. An amount of not more than 5% can be used for program development costs. Up to 10% can be used for evaluating community programs delivering the services. Expenditures from this fund are not displayed to avoid double counting appropriated monies.		
Funds Expended	0	0
Year-End Fund Balance	610,800	0
Long Term Care System Fund (Federal Match) (DEA2225/A.R.S. § 36-2953)		Expenditure Authority
Source of Revenue: Federal Medicaid Authority monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system.		
Funds Expended	559,489,100	680,341,400
Year-End Fund Balance	0	0
Long Term Care System Fund (Non-Federal Matched) (DEA2224/A.R.S. § 36-2953)		Appropriated
Source of Revenue: Client revenue for room and board, third-party recovery, interest, and miscellaneous federal monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system. These monies are used to offset costs of services provided to Long Term Care clients which are not reimbursed by the federal government, such as room and board.		
Funds Expended	49,248,800	86,912,600
Year-End Fund Balance	92,389,000	16,131,900
Neighbors Helping Neighbors Fund (DEA2348/A.R.S. § 46-741)		Non-Appropriated
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To provide assistance in paying utility bills, conserving energy and weatherization to eligible individuals. Fund monies are available to designated community action or other agencies currently providing energy assistance services to eligible individuals. An amount of not more than 2% of the fund monies may be used by DES, and an amount of not more than 8% of the fund monies may be used by the designated agencies for administrative costs.		
Funds Expended	45,000	40,000
Year-End Fund Balance	43,200	35,100
Public Assistance Collections Fund (DEA2217/A.R.S. § 46-295)		Appropriated
Source of Revenue: A portion of monies collected in recovery payments from ineligible or overpaid public assistance recipients and reimbursements received from persons legally responsible for support of public assistance recipients. The fund receives 25% of the monies collected. The remaining 75% of revenues are credited to the General Fund.		
Purpose of Fund: To improve public assistance collection activities.		
Funds Expended	18,800	427,000
Year-End Fund Balance*	55,300	(271,700)

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Special Administration Fund (DEA2066/A.R.S. § 23-705)		Appropriated
Source of Revenue: Monies are from interest charges and employers' penalty fees assessed on late unemployment payments.		
Purpose of Fund: To defray administration costs found not to have been properly and validly chargeable against Federal grants or other funds.		
Funds Expended	1,129,900	2,829,900
Year-End Fund Balance	5,983,000	7,808,300
Special Olympics Tax Refund Fund (DEA3207/A.R.S. § 41-173)		Non-Appropriated
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To contract with a nonprofit entity for delivery of those services essential to the Arizona Special Olympics' programs and to cover the Department of Revenue's costs for administering the refund checkoff.		
Funds Expended	29,700	93,500
Year-End Fund Balance	59,200	29,600
Spinal and Head Injuries Trust Fund (DEA2335/A.R.S. § 41-3203)		Appropriated
Source of Revenue: The fund receives 22% of monies deposited in the Medical Services Enhancement Fund (MSEF). MSEF revenues consist of a 13% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses, civil motor statute violations, and game and fish violations.		
Purpose of Fund: For 1) prevention and education of spinal and head injuries; 2) rehabilitation, transitional living and equipment necessary for daily living activities; 3) a portion of the cost of the disease surveillance system and statewide referral services for those with head injuries and spinal cord injuries; 4) costs incurred by the Advisory Council on Spinal and Head Injuries; and 5) DES' costs for administering the provisions.		
Funds Expended	1,861,100	1,874,700
Year-End Fund Balance	1,735,600	2,253,200
Statewide Cost Allocation Plan Fund (DEA1030/A.R.S. § 41-1954)		Appropriated
Source of Revenue: Federal reimbursement.		
Purpose of Fund: General operations.		
Funds Expended	0	1,000,000
Year-End Fund Balance	0	0
Temporary Transaction Privilege and Use Tax - 1% Fund (DEA1032/Article IX, Section 12.1 of State Constitution)		Non-Appropriated
Source of Revenue: Temporary 3-year 1-cent sales and use tax authorized by voters during the May 2010 special election. The tax expired after May 31, 2013.		
Purpose of Fund: To provide funding for primary and secondary education, health and human services and public safety. Expenditures are not displayed to avoid double counting General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Unemployment Insurance Benefits Fund (DEA7510/A.R.S. § 23-701)		Non-Appropriated
Source of Revenue: Employer contributions and interest earnings. The monies are maintained and tracked in 2 separate accounts: one by the U.S. Treasury and one by the state, which is used for clearing and paying benefits. The majority of the funds available are in the U.S. Treasury account. DES, as federally required, deposits all employer contributions, other than those retained for immediate benefit payments, in the U.S. Treasury, which tracks each state's account separately.		
Purpose of Fund: To retain and invest formula-determined employer unemployment contributions to be used for payment of future unemployment benefits and refunds pursuant to § 903 of the federal Social Security Act. This fund provides regular unemployment benefits up to 26 weeks. Benefits extended beyond that time are federally funded and included in the Federal Grants fund.		
Funds Expended	389,660,900	534,000,000
Year-End Fund Balance*	(184,451,400)	(51,269,800)

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Unemployment Special Assessment Fund (DEA2558/A.R.S. § 23-730.01 [repealed])		Non-Appropriated
Source of Revenue: A Special Assessment (SA) on taxable wages paid in calendar years 2011 and 2012 only. In 2011 and 2012, the assessment was 0.4% and 0.5% respectively.		
Purpose of Fund: The Director of DES had the discretion to set a SA in order to pay interest owed to the U.S. Department of the Treasury due to borrowing to continue to pay Unemployment Insurance (UI) benefits as well as to return the UI Trust Fund to solvency and avoid the loss of employer federal UI tax credits. Revenue in this fund was transferred to the UI Special Assessment Proceeds Fund. Statute establishing the fund was eliminated at the end of calendar year 2012 by Laws 2011, Chapter 218.		
Funds Expended	41,730,300	6,606,800
Year-End Fund Balance	0	0
Unemployment Special Assessment Notes Debt Service Fund (DEA5340/A.R.S. § 23-665.03)		Non-Appropriated
Source of Revenue: Monies from the Unemployment Special Assessment Proceeds Fund and the Unemployment Trust Fund.		
Purpose of Fund: To pay interest, expenses, and principal on the unemployment insurance tax anticipation notes.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Unemployment Special Assessment Proceeds Fund (DEA3340/A.R.S. § 23-665.02)		Non-Appropriated
Source of Revenue: Monies transferred from the Unemployment Special Assessment Fund.		
Purpose of Fund: To pay interest or principal on the federal unemployment insurance (UI) loan. Since the director of DES issued UI tax anticipation notes, resources from this fund may be transferred to the Unemployment Special Assessment Notes Debt Service Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Workforce Investment Act Grant (DEA2001/U.S. P.L. 105-220)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs.		
Funds Expended	51,306,800	56,060,000
Year-End Fund Balance	24,968,100	20,223,700

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

Department of Education

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	171.4	175.9	175.9
Personal Services	3,908,600	4,844,800	4,844,800
Employee Related Expenditures	1,412,000	1,826,400	1,826,400
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	8,599,100
SPECIAL LINE ITEMS			
Formula Programs			
Basic State Aid	3,107,154,500	3,206,155,100	3,359,610,300
K-3 Reading	39,972,700	40,007,600	40,007,600
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	10,223,600
Adult Education	0	4,500,000	4,500,000
Arizona Structured English Immersion Fund	8,791,400	8,791,400	8,791,400
Education Learning and Accountability System	6,200,000	0	0
English Learner Administration	4,002,500	4,016,200	4,016,200
Innovative Education Program Grants	2,845,300	0	0
Performance Incentive Fund Deposit	0	2,400,000	2,400,000
School Safety Program	0	3,646,400	3,646,400
State Block Grant - Vocational Education	11,504,000	11,575,400	11,575,400
Teacher Certification	1,639,900	1,841,900	1,841,900
State Board of Education			
State Board of Education	1,564,400	1,614,400	1,614,400
AGENCY TOTAL	3,519,980,000	3,676,866,400	3,843,554,300
FUND SOURCES			
General Fund	3,464,988,900	3,620,831,200	3,787,519,100
Other Appropriated Funds			
Department of Education Empowerment Scholarship Account Fund	62,100	200,000	200,000
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
Teacher Certification Fund	2,100,900	2,359,700	2,359,700
SUBTOTAL - Other Appropriated Funds	54,991,100	56,035,200	56,035,200
SUBTOTAL - Appropriated Funds	3,519,980,000	3,676,866,400	3,843,554,300
Other Non-Appropriated Funds	489,579,000	569,908,400	569,908,400
Federal Funds	1,118,764,300	1,074,288,800	1,074,288,800
TOTAL - ALL SOURCES	5,128,323,300	5,321,063,600	5,487,751,500

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.

Summary

ADE's FY 2015 General Fund Baseline spending would increase by \$166,687,900, or 4.6%. The Baseline includes:

- An increase of \$10,000,000 to offset an estimated Basic State Aid shortfall for FY 2014.
- A decrease of \$(10,212,500) to offset a Homeowner's Rebate funding surplus from FY 2014.
- 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 \$(42,349,400) for local property tax growth due to new construction (includes related Homeowner's Rebate impact).
- An increase of \$33,300,000 for charter school conversions.
- An increase of \$22,300,000 for higher Basic State Aid and Homeowner's Rebate costs due to recent statutory changes.
- A decrease of \$(5,247,600) for fourth year of 5-year Career Ladder phase out.

Operating Budget

The Baseline includes \$8,599,100 and 90.9 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$8,261,000
Department of Education Empowerment	
Scholarship Account Fund	200,000
Teacher Certification Fund	138,100

These amounts are unchanged for FY 2015.

Formula Programs

Basic State Aid

The Baseline includes 3,359,610,300 in FY 2015 for Basic State Aid. This amount consists of:

General Fund	3,313,134,800
Permanent State School Fund	46,475,500

The \$3,359,610,300 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 \$40,007,600 continued in the budget for costs of the K-3 Reading weight established by Laws 2012, Chapter 300, as those monies are appropriated to a separate special line item (see narrative for "K-3 Reading" Special Line Item below).

The \$3,359,610,300 Baseline total would include a net General Fund increase of \$153,455,200 and no change from the Permanent State School Fund for FY 2015. FY 2015 adjustments would be as follows:

Table 1	
FY 2015 Basic State Aid Formula Summary	
General Fund	
FY 2014 Appropriation	\$3,159,679,600
Base Adjustment – FY14 shortfall	10,000,000
Enrollment Growth @ 1.1%	62,470,400
Higher Average Cost Per Pupil	21,817,400
1.4% Inflator	74,609,600
Property Taxes - New Construction	(47,294,600)
Property Taxes - Statutory Changes	3,800,000
Charter Conversions	33,300,000
Career Ladder Phase Out	(5,247,600)
FY 2014 budget	3,313,134,800
K-3 Reading Program (separate Special Line Item)	40,007,600
Permanent State School Fund (no change)	46,475,500
Prop 301 Sales Tax (no change) ^{1/}	86,280,500
Local Property Taxes ^{1/}	
FY 2013 Base	2,343,289,400
Property Taxes - New Construction	47,294,600
Property Taxes – Homeowner's Rebate	(3,800,000)
FY 2015 Estimated ^{2/}	2,386,784,000
Grand Total (all sources) ^{3/}	\$5,872,682,400

^{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.
^{3/} Statutory formula cost would be approximately \$276,000,000 higher without the District Additional Assistance, and charter school Additional Assistance and JTED reductions that are continued in the Baseline on a session law basis, including the impact on non-state aid districts.

Base Adjustment GF 10,000,000

The Baseline includes an increase of \$10,000,000 from the General Fund in FY 2015 in order to adjust the program's base budget for a projected \$(10,000,000) shortfall in program funding for FY 2014. That shortfall would increase starting point costs for the program for FY 2015 by \$10,000,000. The \$(10,000,000) shortfall estimate for FY 2014 is preliminary in nature and subject to substantial revision as additional FY 2014 data becomes available. (See "Other Issues for Legislative Consideration" for more information.)

Enrollment Growth GF 62,470,400

The Baseline 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.

Table 2

Fiscal Year	K-12 ADM (unweighted) ^{1/}				
	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 GF 21,817,400

The Baseline 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" 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

Fiscal Year	Special Education ADM (weighted) ^{1/}				
	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.

The Baseline also provides additional funding for the conversion of existing district schools to charter status ("charter conversions"). (See "Charter Conversions" narrative below for additional information.)

1.4% Inflation Adjustment GF 74,609,600

The Baseline 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 would result in a "base level" of \$3,373.11 per pupil for FY 2015 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 assumed FY 2015 Baseline 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" annually, as well as transportation and charter

Additional Assistance. The Baseline does not include retroactive payments for FY 2011 through FY 2013.

Property Taxes from New Construction **GF (47,294,600)**

The Baseline 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 7.0% in FY 2015, resulting in a net 9.0% NAV increase for new construction and existing property combined for FY 2015.

The projected 7.0% 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 \$3.97 (from \$4.25 currently) and the SETR will decrease to \$0.48 (from \$0.51 currently) in FY 2015 in order to offset the estimated 7.0% NAV increase for existing property (see Table 4).

Tax Rate	TNT Tax Rates	
	FY 2014	FY 2015
Qualifying Tax Rate (QTR)		
• High School districts and elementary districts located within a high school district	\$2.1265	\$1.9868
• Unified districts and elementary districts not located within a high school district	\$4.2530	\$3.9736
• State Equalization Tax Rate (SETR)	\$0.5123	\$0.4787

Additional K-12 property tax impacts will occur in FY 2015 due to statutory changes discussed separately below.

Property Taxes - Statutory Changes **GF 3,800,000**

The Baseline 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.

Charter Conversions **GF 33,300,000**

The Baseline includes an increase of \$33,300,000 from the General Fund in FY 2015 for Basic State Aid costs related to converting existing district schools into charter schools (“charter conversions”). 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 \$33,300,000 increase for FY 2015 includes an estimated \$5,800,000 for second year costs of schools converted in FY 2014 and \$27,500,000 for first year costs of additional charter conversions in FY 2015. These estimates assumed that the number of students in converted schools will double annually through FY 2017 (see Table 5).

ADE data indicate that 57 schools in 18 school districts converted to charter status or opened as brand new charter schools (5 of the 57) for FY 2014. Under preliminary data, these conversions involve approximately 33,300 ADM, which is expected to increase Basic State Aid costs over a 2-year period by approximately \$33,300,000 (33,300 ADM X \$1,000 more per pupil = \$33,300,000). This increase will appear over a 2-year period. Most of the estimated \$33,300,000 cost for conversions taking place in FY 2014 will occur in the first year (during FY 2014) because current law funds non-growing districts based on their prior year non-charter ADM plus their current year charter ADM. (See “Other Issues for Legislative Consideration” for more information.)

The estimated \$27,500,000 first year cost for FY 2014 assumes an average cost of \$5,000 per pupil for the estimated 5,500 ADM in “charter conversions” that qualify for funding under the charter formula in FY 2014 (5,500 ADM X \$5,000 = \$27,500,000). The average cost per charter school pupil in FY 2014 is currently estimated at \$6,300, but a \$5,000 average per pupil is assumed above for the following reasons: 1) the average per pupil impact would be less for growing districts, since they are funded based on current year counts only; 2) most charter conversions serve elementary pupils, who typically receive less funding than high school pupils; 3) the projected \$6,300 charter school per pupil average for FY 2014 includes funding for “small school weights,” which do not apply to district sponsored charter schools; and 4) ADM growth in district-sponsored charter school could reduce ADM growth in non-district charter schools.

Most charter schools are sponsored by the State Board for Charter Schools (SBCS), but they also can be sponsored by a school district governing board pursuant to A.R.S. § 15-183C. The main difference between district-sponsored and non-district sponsored charters from a funding perspective is that only district-sponsored charter schools are eligible for K-12 override and general obligation bond funding, whereas only non-district charters are eligible for “small school weight” funding pursuant to A.R.S. § 15-185A3b.

District-sponsored charter schools typically have served fewer than 1,000 ADM pupils statewide in recent years, but that number is expected to reach almost 38,000 in FY 2014 (including an estimated 2,339 students already in district sponsored charter schools in FY 2013 and their FY 2014 growth) due to rapid growth in charter conversions (see Table 5). These assumptions are highly speculative and are subject to substantial revision as additional information on planned charter conversions becomes available. Comprehensive information on the number of district schools that will be converted to charter status for FY 2015 is not anticipated for several months, however, as current law only requires school districts to provide advance notice of their charter conversion plans by June 30 for the upcoming school year.

Table 5
District-Sponsored Charter ADM (unweighted) ^{1/}

Fiscal Year	K-8	High School	Total	Change	% Change
2008	77	490	567	(115)	(16.9)%
2009	86	469	555	(12)	(2.1)%
2010	100	490	590	35	6.3%
2011	315	536	851	261	44.2%
2012	546	521	1,067	216	25.4%
2013	1,897	442	2,339	1,272	119.2%
2014 est	34,765	3,149	37,914	35,575	1,521%
2015 est	69,530	6,298	75,828	37,914	100.0%
2016 est	139,060	12,596	151,656	75,828	100.0%
2017 est	278,120	25,192	303,312	151,656	100.0%

^{1/} Actuals for FY 2008 through FY 2013 are from ADE payment data. Estimates for FY 2014 are preliminary projections based on ADE data from December 2013. Estimates for FY 2015 through FY 2017 assume an annual doubling of district sponsored charter ADM. Figures include all students attending district charters, including those who are not funded under the charter formula until "year 2" pursuant to A.R.S. § 15-185A3a.

Career Ladder Phase Out GF (5,247,600)

The Baseline 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 OF 0

The Baseline 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 GF 0

The Baseline 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 Baseline would continue to exempt small districts from the K-12 rollover in FY 2015, which would continue 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 will not appear in the FY 2015 General Appropriation Act. The Act, however, would be expected to advance appropriate \$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 would include \$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.

Empowerment Scholarship GF 0
Accounts

The Baseline 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 with a portion of the Basic State Aid monies that a school district or charter school otherwise would have received for the student if they had remained in public school. As a result, ESAs typically have not increased state costs for Basic State Aid, since participants otherwise generally would be attending public schools. Laws 2013, Chapter 250, however, exempts incoming Kindergartners from the requirement of being former public school students in order to qualify for an ESA starting in FY 2015. Kindergartners 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 in a manner that funds all ESA recipients at essentially 90% of what they would cost under the charter school rather than school district ESA funding formula, which is increasing ESA costs by approximately \$1,700 per pupil starting in FY 2014. As a result, the ESA formula now probably results in a new state cost for some participants. A non-disabled pupil who otherwise would attend a traditional public school, for example, typically would receive approximately \$5,400 in FY 2015 under the Basic State Aid funding formula versus approximately \$5,800 (90% of the charter school average of about \$6,400) under the revised ESA formula. 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 currently estimates that 2,000 students will receive \$25,000,000 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)	2,000	\$25,000,000

^{1/} ADE data and estimates as of November 2013

A.R.S. § 15-2402C authorizes the department to retain for administration up to 5% of the BSL 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 Baseline would continue to appropriate \$200,000 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 Baseline likewise would continue 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 Baseline pages*).

(For additional ESA information, see the “Empowerment Scholarship Accounts” policy issue in the Department of Education section of the FY 2014 Appropriations Report.)

Continuation of Prior Year Session Law

The FY 2015 Baseline would continue the following session law changes from FY 2014 (*see “Statutory Changes” section for more information*):

- District Additional Assistance (DAA) - Continue a DAA funding reduction of \$(238,985,500) for state aid districts and continue to reduce local DAA funding for non-state aid districts accordingly.
- Charter Additional Assistance (CAA) - Continue a CAA funding reduction of \$(15,656,000).
- Joint Technological Education Districts - Continue to fund state aid for “large” JTEDs (ones with more than 2,000 ADM) at 91% of the amount that otherwise would be provided by law.

K-3 Reading

The Baseline includes \$40,007,600 and 2 FTE Positions from the General Fund in FY 2015 for the K-3 Reading program. These amounts are unchanged from FY 2014.

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 Baseline would continue 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.

Additional State Aid

The Baseline includes \$352,502,000 from the General Fund in FY 2015 for Additional State Aid (ASA). FY 2015 adjustments would be as follows:

Base Adjustment **GF (10,212,500)**

The Baseline 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. (See “Other Issues for Legislative Consideration” for FY 2014 summary.)

New Homes **GF 4,945,200**

The Baseline 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 **GF 18,500,000**

The Baseline 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 Baseline 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 Baseline 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 Baseline includes \$10,223,600 and 2 FTE Positions in FY 2015 for Accountability and Achievement Testing. These amounts consist of:

General Fund	3,223,600
Proposition 301 Fund	7,000,000

These amounts are unchanged from FY 2014.

Achievement testing costs are expected to increase in FY 2015 under new “Arizona College and Career Ready” (Common Core) tests to be implemented starting in FY 2015. The Baseline maintains program funding at the FY 2014 level, however, pending resolution of various unresolved issues describe below. These include 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. (See “Other Issues for Legislative Consideration” for more information.)

On a related note, an existing General Appropriation Act footnote requires the State Board of Education to report to the JLBC the estimated fiscal impact of any changes to the Achievement Testing program that will increase program

costs. The Baseline recommends modifying this footnote to instead require JLBC review of such changes.

This Special Line Item funds costs of developing, administering and scoring achievement tests required by A.R.S. § 15-741. The Proposition 301 amount of \$7,000,000 for Achievement Testing is from the “up to \$7 million” allowable appropriation for School Accountability in A.R.S. § 42-5029E7.

Adult Education

The Baseline 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.

Arizona Structured English Immersion Fund

The Baseline includes \$8,791,400 from the General Fund in FY 2015 for the Arizona Structured English Immersion Fund. This amount is unchanged from FY 2014.

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.

The FY 2014 K-12 Education BRB (Laws 2013, 1st Special Session, Chapter 3) requires the department to transfer \$10,000,000 from the fund to the state General Fund in FY 2014 in order to draw down accumulated balances. The department currently projects that the fund will have no carry forward balance at the end of FY 2014.

Education Learning and Accountability System

The Baseline 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.*)

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 Baseline includes \$4,016,200 and 19 FTE Positions from the General Fund in FY 2015 for English Learner Programs. These amounts are unchanged from FY 2014.

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

Performance Incentive Fund Deposit

The Baseline includes \$2,400,000 from the General Fund in FY 2015 for the Performance Incentive Fund Deposit Special Line Item. These amounts are unchanged from FY 2014.

A.R.S. § 15-917 establishes the Performance Incentive Fund and requires ADE to distribute its monies to school districts and charter schools starting in FY 2015 based on achievement and improvement on the assigned achievement profile pursuant to A.R.S. § 15-241. A.R.S. § 35-125 requires each year’s budget process to provide 3-year funding estimates. Supporting material for the FY 2014 budget assumed a \$35,000,000 cost for this program

for FY 2015's 3-year projections. There is no statutory requirement, however, to fund the \$35,000,000 amount. The Baseline maintains program funding the FY 2014 level of \$2,400,000 pending resolution of key issues needed for program implementation. The program is not operational for FY 2014 and current law does not prescribe a formula for allocating program funding to individual school districts and charter schools.

School Safety Program

The Baseline 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. The FY 2014 K-12 Education BRB (Laws 2013, 1st Special Session, Chapter 3) requires \$100,000 of the \$3,646,400 appropriation to be used for a pilot program on school emergency readiness and establishes requirements for that program. In addition, the FY 2014 General Appropriation Act requires at least 25% of the appropriated amount (\$911,600) to be spent on security hardware. The remaining \$2,600,000 is being used in FY 2014 to fund 19 new sites, resulting in 53 total sites being funded. In FY 2013, a total of 35 sites received program funding.

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 Baseline includes \$11,575,400 and 28 FTE Positions from the General Fund in FY 2015 for the State Block Grant for Vocational Education. These amounts are unchanged from FY 2014.

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.

Teacher Certification

The Baseline includes \$1,841,900 and 23 FTE Positions from the Teacher Certification Fund in FY 2015 for Teacher Certification. These amounts are unchanged from FY 2014.

The program processes applications for teacher and administrator certification, including certification renewal. It is funded through fees paid by certification applicants pursuant to A.R.S. § 15-531.

State Board of Education

State Board of Education

The Baseline includes \$1,614,400 and 10 FTE Positions in FY 2015 for the State Board of Education. These amounts consist of:

General Fund	1,234,700
Teacher Certification Fund	379,700

These amounts are unchanged from FY 2014.

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.)*

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Operating Budget

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.

Basic State Aid

The above appropriation provides basic state support to school districts for maintenance and operations funding as provided by A.R.S. § 15-973, and includes an estimated \$46,475,500 in expendable income derived from the Permanent State School Fund and from state trust lands pursuant to A.R.S. § 37-521B for FY 2015.

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

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.

K-3 Reading Weight

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.

Achievement Testing

Before making any changes to the Achievement Testing program that will increase program costs, the State Board of Education shall ~~report~~ SUBMIT the estimated fiscal impact of those changes to the Joint Legislative Budget Committee FOR REVIEW. *(The modified language would require JLBC review of the estimated fiscal impact of changes to the Achievement Testing program that would increase program costs, rather than requiring only a report of that fiscal impact to the Committee.)*

English Learner Administration

The appropriated amount is to be used by the Department of Education to provide English language acquisition services for the purposes of A.R.S. § 15-756.07 and for the costs of providing English language proficiency assessments, scoring and ancillary materials as prescribed by the Department of Education to school districts and charter schools for the purposes of Title 15, Chapter 7, Article 3.1, Arizona Revised Statutes. The Department of Education may use a portion of the appropriated amount to hire staff or contract with a third party to carry out the purposes of A.R.S. § 15-756.07. Notwithstanding A.R.S. § 41-192, the Superintendent of Public Instruction also may use a portion of the appropriated amount to contract with one or more private attorneys to provide legal services in connection with the case of Flores v. State of Arizona, No. CIV 92-596-TUC-RCC.

School Safety

At least 25% of the appropriated amount shall be spent on security hardware

State Board of Education

The State Board of Education program may establish its own strategic plan separate from that of the Department of Education and based on its own separate mission, goals and performance measures.

Other

The department shall provide an updated report on its budget status every 3 months for the first half of each fiscal year and every month thereafter to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees, the Director of the Joint Legislative Budget Committee and the Director of the Governor's Office of Strategic Planning and Budgeting. Each report shall include, at a minimum, the department's current funding surplus or shortfall projections for Basic State Aid and other major formula-based programs and shall be due 30 days after the end of the applicable reporting period

Within 15 days of each apportionment of state aid that occurs pursuant to A.R.S. § 15-973B, the department shall post on its website the amount of state aid apportioned to each recipient and the underlying data.

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. ~~The quarterly report~~

~~shall include an assessment of progress from an independent third party that is not affiliated with state government. (The modified language would eliminate a requirement for independent 3rd party review of AELAS from an entity not affiliated with state government, as a contracted vendor report issued in September 2013 fulfilled that requirement.)~~

Deletion of Prior Year Footnotes

The Baseline would delete the footnote indicating that \$82,000,000 of the appropriated amount for Basic State Aid was available for increased operating costs of school districts and charter schools, as that footnote was one-time in nature.

STATUTORY CHANGES

The Baseline would:

- As permanent law, increase the base level (A.R.S. § 15-901B2), the transportation funding levels (A.R.S. § 15-945A5) and the Charter Additional Assistance amounts (A.R.S. § 15-185B4) by 1.4%.
- As session law, continue to reduce state aid for District Additional Assistance by \$238,985,500 and reduce budget limits 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.
- As session law, continue to reduce Charter Additional Assistance by \$15,656,000.
- As session law, continue to reduce Charter Additional Assistance funding to school districts with charter schools that do not receive state aid in FY 2015 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.
- As session law, continue to cap total District Additional Assistance reductions for school districts with fewer than 1,100 students at \$5,000,000.
- As session law, continue to fund state aid for Joint Technological Education Districts (JTEDs) in FY 2015 at 91% of the formula requirement for JTEDs with more than 2,000 students and reduce budget limits accordingly. Would continue to fund smaller JTEDs at 100%.
- 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.
- As session law in the General Appropriation Act, continue to defer \$930,727,700 in Basic State Aid payments for FY 2015 until FY 2016. Appropriate \$930,727,700 in FY 2015 for these deferred Basic State Aid payments. Continue to exempt school districts with less than 600 students from the K-12 rollover. Allow the State Board of Education to make the rollover payment no later than July 12, 2015.

- As session law in the General Appropriation Act, 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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2014 Funding Summary

The JLBC Staff currently estimates that the department will experience a \$10,000,000 shortfall for Basic State Aid and \$(10,000,000) surplus for Additional State Aid for a net change of \$0 for FY 2014. These estimates are based on state aid payment data from December 2013 and are subject to substantial revision as additional information becomes available.

Charter Conversions

The Baseline includes a General Fund increase of \$33,300,000 in FY 2015 for estimated costs of charter conversions (see “Charter Conversions” policy issue in the Basic State Aid Special Line Item narrative above). These costs are partly attributable to the fact that current law holds school districts “harmless” for 1 year for declines in their non-charter ADM counts because it funds Basic State Aid on the higher of their current or prior year non-charter ADM counts. It funds all charter ADM (including ADM in district-sponsored charter schools), however, on a current year basis, which means that school districts with charter conversions are funded on a mix of prior and current year ADM counts during their first year of operation. This is causing non-growing districts with “charter conversions” to be funded in FY 2014 for more students than they actually enroll. For example, a district with 1,000 non-charter ADM in FY 2013 that enrolls 100 incoming kindergartners into a newly-converted district sponsored charter school in FY 2014 will be funded under current law in FY 2014 for 1,100 ADM (1,000 from its prior year non-charter count + 100 new charter students), even if it actually enrolls only 1,000 students (900 existing ADM in Grades 1-12 plus 100 new charter school ADM in kindergarten). In this case, individual students are not “double funded,” but new kindergartners entering a converted school are funded a year earlier than normal because they are now funded on a “current year” rather than “prior year” basis. (Non-growing districts typically receive Basic State Aid funding based only on their prior year ADM counts.) As a result, the affected district receives funding for 14 total grades (prior year K-12 students plus new current year kindergartners) rather than the normal 13 grades during the first year of a charter conversion. This “early funding” does not occur in rapidly growing districts, as they are funded based on “current year” ADM counts only. It partially affects districts that grow by less than the number of pupils in their converted schools. In the latter case, the same number of kindergartners are “early funded” as if the district was non-growing, but those students offset what otherwise would be an increase in the district’s current year non-charter

ADM count for the year, which likewise would generate more funding for the district. (Growing districts initially are funded based on their prior year ADM counts, but later receive additional funding for ADM growth in the current year.)

The cost of funding kindergartners 1 year earlier than normal for non-growing districts under charter conversions will be partially offset in the long run because existing district students who are “converted” will eventually end up being funded for 1 less year (12 rather than 13) because of the charter conversion. An existing district student who is “converted” as a 1st grader, for example, will be counted as a “prior year” kindergartner during their first grade year and as a “current year” student for their second through twelfth grade years for a total of 12 (rather than 13) funded years. The year of foregone funding for such students, however, typically would not occur until the year after the student graduated from high school, which would be many years later for students “converted” during as early elementary school pupils. (Non-growing districts receive funding for prior year seniors [but not their current year kindergartners] even though they have already graduated, since those districts are funded on their “prior year” rather than “current year” ADM counts. Prior year seniors, however, are no longer funded once a school converts to charter status, since charter schools are funded on current year ADM counts only. As a result, non-growing districts forego “Grade 13” funding for existing district students who are “converted” partway through their time in a school district.)

Students who forego a year of funding because of charter conversions nonetheless are expected to increase net state costs over the long run. This is because the roughly \$5,000 in foregone funding from 1 less year being funded for them generally would be more than offset by the additional \$1,000 (roughly) that their school district would receive for each year that they remained in their school district after being converted to charter status. A student who was converted as a 1st grader, for example, would receive approximately \$7,000 more over the course of their time in the school district (11 years X \$1,000 more per year minus \$5,000 foregone cost from funding 12 rather than 13 years = \$7,000 net additional cost).

An additional factor that could increase short-term costs of charter conversions is that current law does not prohibit a school district from converting only part of a school to charter status in “year 1” and then converting all remaining grades to charter status in “year 2.” Under this scenario, students in grades not converted in “year 1” would be funded as both prior year district students and current year charter students in “year 2,” since current law (A.R.S. § 15-185A3a) only prohibits a school district from including existing students in the converted school’s charter ADM “during the first year of the charter school’s operation.” On a related note, it is unclear whether schools that convert only some grades to charter status would be subject to the

repayment penalty for later converting the school back to a non-charter school that otherwise would be required pursuant to A.R.S. § 15-185A7. ADE indicates that in the distant past it interpreted current law in this regard as not applying to “partial conversions.”

Most of the additional cost from charter conversions accrues to the state because “local share” funding from the K-12 QTR and SETR typically does not increase when a school district converts existing schools to charter status. QTR and SETR funding instead is based solely on the size of a school district’s property tax base and the QTR and SETR tax rates themselves, none of which change when a district school is converted into a charter school. Non-state aid districts are an exception, as they have “unused QTR” capacity available to self-fund their own charter conversions. A portion of increased QTR taxes for charter conversions in non-state aid district, however, is funded by the state through the Homeowner’s Rebate. The state, therefore, pays a portion of increased costs for charter conversions even in non-state aid districts.

Current law does not require school districts to provide the state with advance notice of their charter conversion plans for the upcoming budget year. As a result, the number of district schools that will be converted to charter status in FY 2015 will not be known until after the start of that fiscal year.

Achievement Testing

The department will be implementing a new statewide achievement test in FY 2015 (*see narrative for Accountability and Achievement Testing Special Line Item above*). While the new test has not yet been selected, ADE will align it to new “Arizona College and Career Ready” (Common Core) standards adopted by the State Board of Education in December 2010. There is no specific state statutory requirement regarding implementation of the Arizona College and Career Ready (ACCR) standards. The State Board of Education, however, adopted the ACCR standards 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.”

The ACCR standards list knowledge and skills that students are expected to learn each year in English language arts and Math in the 46 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 is one of 23 member states for PARCC. 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.

Although Arizona is a member of the PARCC, the state procurement process will determine whether Arizona will use “Common Core” tests developed by PARCC, SMARTER Balanced, or an independent entity. As a result, the cost of the new testing contract is uncertain at this time. In their September budget proposal, ADE requested a \$15,000,000 increase in General Fund funding for the new tests in FY 2015 based on cost estimates developed by PARCC. ADE plans to issue a Request for Information (RFI) for the new testing contract in the fall of 2013 and complete the procurement process during the spring of 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 currently estimates that the Achievement Testing program as a whole will cost \$29,854,600 in FY 2015. This amount would be \$15,000,000 above what ADE expects to spend on the program from all sources (including Federal Funds) for FY 2014. ADE has requested a \$15,000,000 increase from the state General Fund in FY 2015 to address this difference.

Assuming that the state proceeds with ACCR, the amount of new 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. Additional information will be needed regarding each of these items in order to resolve the actual state General Fund level for the program for FY 2015.

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’s requested \$15,000,000 increase in state General Fund funding for the program for FY 2015 does not include any funding for this issue. 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.

Transportation Funding

A December 2013 Auditor General performance audit for the McNeal Elementary District indicates that the district transports both its own elementary students and students from a neighboring high school district on the same buses with both districts claiming full transportation funding for their respective students. The report states that there is potential for increased cost to the state if more districts began operating their transportation programs in this manner. The Auditor General indicates that the Legislature may want to consider whether the intent of current law is to allow districts to jointly operate transportation programs but continue to receive full funding as if they were operating those programs separately.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Academic Contest Fund (EDA1006/A.R.S. § 15-1241)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund. The Legislature no longer provides funding for this program.		
Purpose of Fund: To pay for sending state level winners of academic contests and their chaperons to national contests. Expenditures are not displayed to avoid double counting General Fund.		
Funds Expended	0	0
Year-End Fund Balance	21,000	21,000
Agricultural Youth Organization Special Plate Fund (EDA2650/A.R.S. § 15-791)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal Arizona agricultural youth organization special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Arizona agricultural youth organization special plates. ADOT is to annually deposit these monies, excluding administrative fees, into the Arizona Agricultural Youth Organization Special Plate Fund for disbursement by the State Board of Education acting as the State Board for Vocational and Technological Education.		
Funds Expended	50,000	65,000
Year-End Fund Balance	0	0
American Competitiveness Project Fund (EDA2361/A.R.S. § 15-245)		Non-Appropriated
Source of Revenue: Donations, grants, gifts, contributions and devises from individuals, corporations and nonprofit organizations.		
Purpose of Fund: To fund technical assistance and distribute grants to schools and other local educational agencies that offer academic programs that emphasize foreign language acquisition, international business and world history.		
Funds Expended	0	0
Year-End Fund Balance	800	800
Assistance for Education Fund (EDA2420/A.R.S. § 15-973.01)		Non-Appropriated
Source of Revenue: State income tax refunds that are donated to the fund via a check-off box on state income tax forms pursuant to A.R.S. § 43-617.		
Purpose of Fund: To fund solutions teams assigned to schools pursuant to A.R.S. § 15-241.		
Funds Expended	0	427,100
Year-End Fund Balance	575,900	219,100

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Character Education Special Plate Fund (EDA2522/A.R.S. § 15-719)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Character Education license plates.		
Purpose of Fund: To fund character education programs in schools. Not more than 10% of monies deposited in the fund annually shall be used for the cost of administering the fund.		
Funds Expended	33,700	35,000
Year-End Fund Balance	14,500	22,300
Charter Schools Stimulus Fund (EDA1007/A.R.S. § 15-188)		Non-Appropriated
Source of Revenue: Legislative appropriations from the State General Fund. The Legislature no longer provides funding for this program.		
Purpose of Fund: To encourage the establishment of charter schools by assisting with charter school start-up costs.		
Funds Expended	0	0
Year-End Fund Balance	3,600	3,600
Classroom Site Fund (EDA2471/A.R.S. § 15-977)		Non-Appropriated
Source of Revenue: A portion of the Proposition 301 sales tax, pursuant to A.R.S. § 42-5029E10, and Permanent State School Fund expendable earnings that exceed the FY 2001 level, pursuant to A.R.S. § 37-521B4.		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases (20%); and class size reduction, AIMS intervention programs, teacher development, dropout prevention and teacher liability insurance premiums (40%).		
Funds Expended	332,542,500	404,714,800
Year-End Fund Balance	38,064,900	37,840,300
Department of Education Empowerment Scholarship Account Fund (EDA2570/A.R.S. § 15-2402)		Appropriated
Source of Revenue: Monies transferred from Basic State Aid pursuant to A.R.S. § 15-2402C.		
Purpose of Fund: To fund ADE's costs of administering the Empowerment Scholarships Accounts program authorized by A.R.S. § 15-2402. ADE also transfers Basic State Aid monies to the State Treasurer each quarter to fund Empowerment Scholarship Accounts for individual students (the total FY 2013 scholarships account transfer was approximately \$5.2 million). The student account monies are not displayed to avoid double counting of the General Fund (<i>see also the "State Treasurer Empowerment Scholarship Account Fund" in the Summary of Funds for the State Treasurer</i>).		
Funds Expended	62,100	200,000
Year-End Fund Balance	137,900	136,500
Displaced Pupils Choice Grant Fund (EDA2533/A.R.S. § 15-817.06)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund. Due to a court decision, the Legislature no longer provides funding for this program.		
Purpose of Fund: To provide qualifying displaced pupils with grants to be applied toward tuition and fees charged by nongovernmental schools. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Early Graduation Scholarship Fund (EDA2364/A.R.S. § 15-105L [repealed])		Non-Appropriated
Source of Revenue: Monies deposited into the fund by the Arizona Department of Education pursuant to A.R.S. § 15-105F & J. The Early Graduation Scholarship Fund was repealed by the K-12 Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 3).		
Purpose of Fund: To provide postsecondary education scholarships to individuals who graduated at least 1 year early from a public high school. (<i>See Fund PEA 2364 in the Summary of Funds for the Commission for Postsecondary Education for more information.</i>)		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Education Commodity Fund (EDA4210/A.R.S. § 15-1152)		Non-Appropriated
Source of Revenue: Fees from school districts participating in the federal Food Commodities Program.		
Purpose of Fund: To pay for costs of administering the federal Food Commodities Program.		
Funds Expended	27,000	33,100
Year-End Fund Balance	87,100	76,500
Education Donations Fund (EDA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants received by the department from foundations or other private sector donors.		
Purpose of Fund: To help pay for conferences, programs or other activities that are sponsored by donor organizations.		
Funds Expended	191,900	147,200
Year-End Fund Balance	420,500	366,900
Education Learning and Accountability Fund (EDA2552/A.R.S. § 15-249.02)		Partially-Appropriated
Source of Revenue: In FY 2013, the appropriated portion of the fund received a transfer of \$6 per Full-Time Student Equivalent (FTSE) from Arizona public universities and community colleges pursuant to Laws 2012, Chapter 300, Section 19. (A \$6 per pupil transfer also occurred in FY 2012.) The non-appropriated portion received \$5,000,000 in state General Fund monies in FY 2013 (unchanged from FY 2012). For FY 2014, fund monies are administered by the Arizona Department of Administration (ADOA) rather than ADE and Section 115 (G)(2) of the General Appropriation Act appropriates any remaining FY 2013 balance in the fund to the ADOA Automation Projects Fund for use in FY 2014 (<i>see the "Automation Projects Fund" in the Arizona Department of Administration Summary of Funds for more information</i>). Expenditures of non-appropriated monies are not displayed to avoid double counting of the General Fund.		
Purpose of Fund: To develop and implement the Education Learning and Accountability System (ELAS) pursuant to A.R.S. § 15-249.		
Appropriated Funds Expended	1,200,000	0
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	1,971,700	0
Failing Schools Tutoring Fund (EDA2470/A.R.S. § 15-241)		Non-Appropriated
Source of Revenue: A portion of the 0.6% Proposition 301 sales tax, pursuant to A.R.S. § 42-5029E8 .		
Purpose of Fund: To fund tutoring for students who have not yet passed portions of the high school AIMS test or who attend "failing" schools, pursuant to A.R.S. § 15-241R, and to purchase materials designed to help students meet the Arizona Academic Standards and pass the AIMS test, pursuant to A.R.S. § 15-241CC.		
Funds Expended	2,180,600	1,500,000
Year-End Fund Balance	211,000	211,000
Federal Funds (EDA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To be expended as stipulated by federal statutes that authorize the Federal grants.		
Funds Expended	1,097,772,000	1,064,672,600
Year-End Fund Balance	2,008,400	1,900,500
Federal Grants - American Recovery and Reinvestment Act (ARRA) (EDA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department to offset state reductions and enhance funding for programs such as Special Education and Title I.		
Funds Expended	20,992,300	9,616,200
Year-End Fund Balance	6,300	0
Golden Rule Special Plate Fund (EDA2366/A.R.S. § 15-243)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Golden Rule license plates.		
Purpose of Fund: To fund programs that demonstrate the promotion of the golden rule in schools and communities.		
Funds Expended	205,000	185,000
Year-End Fund Balance	0	5,000

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
IGA and ISA Fund (EDA2500/A.R.S. § 35-142E)		Non-Appropriated
Source of Revenue: Monies transferred into the fund from Federal Funds (EDA2000) and the Internal Services Fund (EDA4209).		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
Funds Expended	4,605,700	5,001,900
Year-End Fund Balance	222,900	141,000
Indirect Cost Recovery Fund (EDA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To fund overhead and other indirect costs associated with state level administration of federal programs.		
Funds Expended	4,605,900	5,424,700
Year-End Fund Balance	1,445,000	611,300
Instructional Improvement Fund (EDA2492/A.R.S. § 15-979)		Non-Appropriated
Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts.		
Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
Funds Expended	43,089,500	48,909,000
Year-End Fund Balance	36,000	36,100
Internal Services Fund (EDA4209/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal indirect cost monies and intra-office fees for copier services, MIS maintenance, postage and other miscellaneous expenditures.		
Purpose of Fund: Clearing fund for federal indirect costs and miscellaneous intra-office revenues and expenditures.		
Funds Expended	3,023,200	3,697,700
Year-End Fund Balance	563,600	374,100
Performance Incentive Fund (EDA2575/A.R.S. § 15-917)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To provide funding to school districts and charter holders based on achievement and improvement on the assigned achievement profile pursuant to A.R.S. § 15-241. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	2,400,000
Permanent State School Fund (EDA3138/A.R.S. § 37-521)		Partially-Appropriated
Source of Revenue: Monies received from the sale or lease of state school trust lands and investment earnings on principal balances in the fund. Under A.R.S. § 37-521, expendable earnings in the fund, up to the amount generated in FY 2001 (\$72,263,000), are automatically appropriated first to pay for debt service on State School Facilities Revenue Bonds, Qualified Zone Academy Bonds (QZAB) or State School Trust Revenue Bonds. Any remaining monies from the \$72,263,000 baseline total are then subject to appropriation to ADE to help fund Basic State Aid pursuant to A.R.S. § 15-971H. Expendable earnings beyond the \$72,263,000 baseline total from FY 2001 are automatically deposited into the Classroom Site Fund, as required by A.R.S. § 37-521B4.		
In the display below, the "Funds Expended" total equals the amount used for Basic State Aid. Not included are monies automatically appropriated into the Classroom Site Fund pursuant to A.R.S. § 37-521B4. (See "State Land Trust Bond Debt Service Fund" and "School Improvement Revenue Bond Debt Service Fund" in the Summary of Funds for the School Facilities Board budget for information on other uses of expendable monies from this fund.)		
Purpose of Fund: To support common schools.		
Funds Expended	46,406,900	46,475,500
Year-End Fund Balance	100	100

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Production Revolving Fund (EDA4211/A.R.S. § 15-237)		Non-Appropriated
Source of Revenue: Print shop collections from in-house and interagency publishing.		
Purpose of Fund: To fund agency print shop expenditures.		
Funds Expended	1,506,700	2,098,700
Year-End Fund Balance	1,237,400	1,024,200
Proposition 301 Fund (EDA1014/A.R.S. § 42-5029E7) (EDA 1015, 1016 & 1017/A.R.S. § 42-5029E5 & E6)		Partially-Appropriated
Source of Revenue: A portion of the Proposition 301 sale tax pursuant to A.R.S. § 42-5029E5-7. The appropriated portion of the fund receives "up to \$7 million" monies appropriated by the Legislature pursuant to A.R.S. § 42-5029E7. The non-appropriated portion receives monies automatically appropriated by Proposition 301 for additional school days, School Safety and Character Education, plus any unspent "up to \$7 million" monies from the prior year.		
Purpose of Fund: To pay for K-12 Achievement Testing (appropriated) and additional school days, School Safety and Character Education (non-appropriated).		
Appropriated Funds Expended	5,221,200	7,000,000
Non-Appropriated Funds Expended	97,422,300	97,569,200
Year-End Fund Balance	11,009,800	7,721,100
Scholarships for Pupils With Disabilities Program Fund (EDA2534/A.R.S. § 15-891.04)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund. Due to a court decision, the Legislature no longer provides funding for this program.		
Purpose of Fund: To provide disabled pupils with scholarships to attend the public or non-public school of their choice. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Special Education Fund (EDA1009/A.R.S. § 15-1182)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To provide voucher funding for students attending the ASDB pursuant to A.R.S. § 15-1182 or who are placed in a private special education facility pursuant to A.R.S. § 15-1202. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	2,202,600	5,080,400
Structured English Immersion Fund (EDA2535/A.R.S. § 15-756.04)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To fund additional instructional costs of English Language Learners. Expenditures are not displayed to avoid double counting General Fund. The K-12 Education BRB (Laws 2013, 1 st Special Session, Chapter 3) requires ADE to transfer \$10,000,000 from the fund to the state General Fund during FY 2014 in order to draw down accumulated balances.		
Funds Expended	0	0
Year-End Fund Balance	8,068,900	0
Teacher Certification Fund (EDA2399/A.R.S. § 15-531)		Appropriated
Source of Revenue: Fees collected by the State Board of Education from teachers and other school personnel who apply for professional certification.		
Purpose of Fund: To provide monies for operation of the department's Teacher Certification program.		
Funds Expended	2,100,900	2,359,700
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Temporary Transaction Privilege and Use Tax - 1% Fund (EDA1032/Article IX, Section 12.1 of State Constitution)		Non-Appropriated
Source of Revenue: Temporary 3-year 1-cent sales and use tax authorized by voters during the May 2010 special election. The tax expires after May 31, 2013.		
Purpose of Fund: To provide funding for primary and secondary education, health and human services and public safety. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Youth Farm Loan Fund (EDA2136/A.R.S. § 15-1172)		Non-Appropriated
Source of Revenue: The investment of trust funds held by the United States as trustee for the Arizona Rural Rehabilitation Corporation.		
Purpose of Fund: To furnish financial assistance to deserving young persons, under 25 years of age, who are students or former students of vocational education or to young farmers in organized vocational agriculture classes who are interested in becoming established in farming. The financial assistance is provided as guaranteed loans for those who cannot obtain financing elsewhere.		
Funds Expended	95,000	100,000
Year-End Fund Balance	260,300	163,800

Department of Emergency and Military Affairs

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
PROGRAM BUDGET			
Administration	1,643,500	1,895,700	1,895,700
Emergency Management	2,730,600	6,121,700	6,237,300
Military Affairs	2,672,000	2,427,700	2,427,700
AGENCY TOTAL	7,046,100	10,445,100	10,560,700
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	66.6	66.6	66.6
Personal Services	1,483,700	1,674,400	1,674,400
Employee Related Expenditures	531,600	611,900	611,900
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	5,095,300
SPECIAL LINE ITEMS			
Governor's Emergency Fund	901,700	4,000,000	4,000,000
Nuclear Emergency Management Fund	1,001,700	1,259,800	1,375,400
Military Airport Planning	51,400	90,000	90,000
AGENCY TOTAL	7,046,100	10,445,100	10,560,700
FUND SOURCES			
General Fund	6,928,600	10,312,400	10,428,000
<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	10,560,700
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	62,967,100

AGENCY DESCRIPTION — The department's Emergency Management Program prepares and coordinates emergency response plans for the state. The Military Affairs Program operates the Arizona National Guard, the Military Installation Fund Program and Project Challenge, an educational program for at-risk youth.

Operating Budget

The Baseline includes \$5,095,300 and 61.1 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$4,962,600
Emergency Response Fund	132,700

These amounts are unchanged from FY 2014.

Governor's Emergency Fund

The Baseline 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 Baseline includes \$1,375,402 and 4.5 FTE Positions from the General Fund in FY 2015 for the Nuclear Emergency Management Fund (NEMF). FY 2015 adjustments would be as follows:

NEMF Increase	GF	115,600
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The Baseline 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 Baseline 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.

The FY 2012 General Government Budget Reconciliation Bill (BRB) eliminated the annual deposit into the Military Installation Fund in statute. A.R.S. § 26-263 retains the annual \$90,000 and 1 FTE Position administrative appropriation to the department and an annual \$85,000 appropriation to the Attorney General. Since these monies are appropriated in statute, they do not appear in the General Appropriation Act.

Previously, permanent law appropriated \$5,000,000 annually from the General Fund for military installation preservation projects. Of the \$5,000,000:

- \$4,825,000 was allocated to the Military Installation Fund. The Department of Emergency and Military Affairs was required to award 80% to acquire private property, real estate, property rights, and related infrastructure. The remaining 20% was awarded to cities, towns, and counties. The FY 2012 General Government BRB eliminated this amount.
- \$90,000 and 1 FTE Position is appropriated to the Department of Emergency and Military Affairs for administration.

The remaining \$85,000 for Military Airport Planning is appropriated to the Office of the Attorney General.

FORMAT — Lump Sum by Program

FOOTNOTES

Standard Footnotes

The Department of Emergency and Military Affairs appropriation includes \$1,215,000 for service contracts. This amount is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all FY 2015 monies remaining unexpended and unencumbered on October 31, 2015, revert to the state General Fund.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Camp Navajo Fund (MAA2106/A.R.S. § 26-152)		Non-Appropriated
Source of Revenue: Federal fees for storage and use of Camp Navajo, a munitions storage depot and National Guard training site.		
Purpose of Fund: To operate and maintain the Camp Navajo National Guard training and storage facility.		
Funds Expended	8,630,500	15,994,100
Year-End Fund Balance	6,730,000	6,710,800
Emergency Management Training Fund (MAA2087/A.R.S. § 26-305)		Non-Appropriated
Source of Revenue: Emergency management course fees paid by private sector participants.		
Purpose of Fund: To pay for the costs of administering the emergency management course.		
Funds Expended	0	0
Year-End Fund Balance	2,100	2,100
Emergency Response Fund (MAA3031/A.R.S. § 26-352)		Appropriated
Source of Revenue: The fund receives 10% of the Department of Environmental Quality's Hazardous Waste Management Fund.		
Purpose of Fund: To develop and administer a hazardous materials emergency management program, equip local emergency planning committees for the development of hazardous materials emergency response teams, and assist local agencies in providing adequate response to emergency situations.		
Funds Expended	117,500	132,700
Year-End Fund Balance	18,400	18,400
Federal Funds - Emergency (MAA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal program grants. Homeland Security funds received by Arizona after FY 2006 are reported in the Arizona Department of Homeland Security's budget.		
Purpose of Fund: To pay for the federal share of emergency planning, response and management programs.		
Funds Expended	10,469,400	9,883,400
Year-End Fund Balance	400,400	0
Federal Funds - Military (MAA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal Service Contracts for security, maintenance and operations of the National Guard.		
Purpose of Fund: To provide the federal share of costs for Army National Guard and Air National Guard positions, capital and operating expenses.		
Funds Expended	50,566,800	48,054,800
Year-End Fund Balance	4,619,100	3,591,800
Freedom Academy Fund (MAA2104/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Governor's Office for Drug Policy and the Joint Counter Narcotics Task Force (federal Department of Justice, through the Department of Defense).		
Purpose of Fund: To provide middle and high school students with anti-drug and gang information. Student representatives throughout the state are invited to participate in the weekend programs at Camp Navajo.		
Funds Expended	0	3,600
Year-End Fund Balance	3,600	0
Indirect Cost Recovery Fund (MAA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal FEMA Grants and Non-Appropriated Funds.		
Purpose of Fund: To pay administrative expenditures not directly attributable to any one program, but associated with Federal Grant and Non-Appropriated funds.		
Funds Expended	820,700	902,400
Year-End Fund Balance	198,400	127,300

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Interagency Service Agreement Fund (MAA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Funds from federal grants.		
Purpose of Fund: Support of the agency's centralized personnel plan which allocates support staff costs to National Guard grants and the agency's mail distribution program in addition to agreements within and outside the agency.		
Funds Expended	1,636,700	2,205,300
Year-End Fund Balance	621,800	212,500
Military Installation Fund (MAA1010/A.R.S. § 26-262)		Non-Appropriated
Source of Revenue: Laws 2011, Chapter 34 eliminated the statutory, annual, General Fund deposit of \$4,825,000 into the Military Installation Fund. Currently, the fund's sole revenue source is the collection of interest from the balance in the fund. Expenditures from this fund are not displayed below to avoid double counting.		
Purpose of Fund: Grants for military installation preservation and enhancement projects as well as costs associated with administering the fund. DEMA must utilize 80% of the monies to acquire private property, real estate, property rights and related infrastructure to preserve, support, or enhance a military installation. Up to 20% of this amount may be awarded to cities, towns, and counties for land acquisition purposes. The remaining 20% is awarded to cities, towns, and counties for military installation preservation and enhancement projects. In addition, \$90,000 is appropriated to the department for the costs associated with 1 FTE Position to administer the fund.		
Funds Expended	0	0
Year-End Fund Balance	5,136,400	100,100
Morale, Welfare and Recreational Fund (MAA2124/A.R.S. § 26-153)		Non-Appropriated
Source of Revenue: A portion of National Guard Member Special License Plate fees, funds generated from federally-defined recycling activities, monies from the disposal of unserviceable military property belonging to the state, or other non-state-appropriated monies.		
Purpose of Fund: To support morale, welfare, and recreational activities for guardsmen and non-state-employed support personnel.		
Funds Expended	6,000	8,000
Year-End Fund Balance	67,000	96,200
National Guard Fund (MAA2140/A.R.S. § 26-152)		Non-Appropriated
Source of Revenue: A subaccount that receives the proceeds from the rental or use of armories.		
Purpose of Fund: For general operating expenses of the National Guard.		
Funds Expended	120,600	100,000
Year-End Fund Balance	100,600	100,600
National Guard Relief Fund (MAA2349/A.R.S. § 26-183)		Non-Appropriated
Source of Revenue: Monies received from individual contributors who voluntarily donate through the state individual income tax return.		
Purpose of Fund: To provide assistance to families of National Guard members who are mobilized in support of a contingency operation or state emergency.		
Funds Expended	0	60,000
Year-End Fund Balance	99,800	91,500
Nuclear Emergency Management Fund (MAA2138/A.R.S. § 26-306.02)		Non-Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	12,300	12,300
State Armory Property Fund (MAA2146/A.R.S. § 26-231)		Non-Appropriated
Source of Revenue: Sale of surplus armory property.		
Purpose of Fund: For the construction and capital improvement of National Guard armories.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Statewide Donations Fund (MAA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs or for the specified purpose for which they were donated.		
Funds Expended	0	0
Year-End Fund Balance	4,600	7,000

Department of Environmental Quality

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	6,709,200
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	15,381,400
Equipment	78,300	119,700	119,700
OPERATING SUBTOTAL	31,361,200	46,214,500	46,214,500
SPECIAL LINE ITEMS			
Emissions Control Contractor Payment	21,931,700	21,119,500	21,119,500
WQARF Priority Site Remediation	7,000,000	7,000,000	7,000,000
AGENCY TOTAL	60,292,900	74,334,000	74,334,000
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	7,143,900
Air Quality Fund	3,400,800	5,376,400	5,376,400
Emissions Inspection Fund	26,786,400	26,592,300	26,592,300
Hazardous Waste Management Fund	1,209,000	1,742,700	1,742,700
Indirect Cost Recovery Fund	10,951,900	13,308,500	13,308,500
Recycling Fund	713,300	1,359,400	1,359,400
Solid Waste Fee Fund	705,100	1,242,700	1,242,700
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	10,546,100
SUBTOTAL - Other Appropriated Funds	53,292,900	67,334,000	67,334,000
SUBTOTAL - Appropriated Funds	60,292,900	74,334,000	74,334,000
Other Non-Appropriated Funds	129,625,400	221,309,700	221,309,700
Federal Funds	70,710,700	62,436,100	62,436,100
TOTAL - ALL SOURCES	260,629,000	358,079,800	358,079,800

AGENCY DESCRIPTION — The Department of Environmental Quality (ADEQ) enforces air, water, and land quality standards. The department's Office of Air Quality issues permits to regulate industrial air pollution sources, regulates vehicle emissions, monitors and assesses the ambient air, and develops air quality improvement strategies. The Office of Waste Programs implements programs to minimize waste generation, identifies and corrects improper waste management practices, and oversees the clean up (remediation) of hazardous waste sites. The Office of Water Quality regulates drinking water and waste water systems, monitors and assesses waters of the state, and provides hydrologic analysis to support hazardous site remediation.

Operating Budget

The Baseline includes \$46,214,500 and 322 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
Air Permits Administration Fund	\$7,143,900
Air Quality Fund	5,376,400

Emissions Inspection Fund	5,472,800
Hazardous Waste Management Fund	1,742,700
Indirect Cost Recovery Fund	13,308,500
Recycling Fund	1,359,400
Solid Waste Fee Fund	1,242,700
Underground Storage Tank Revolving Fund	22,000
Water Quality Fee Fund	10,546,100

These amounts are unchanged from FY 2014.

Emissions Control Contractor Payment

The Baseline 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 Budget Reconciliation Bill (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.

In response to the report, DEQ intends to decrease the primary VEI fee in Maricopa County by 38.75%. This will implement the Fee Commission recommendation to reduce the VEI fees to be no more than 140% of the costs of the contract used to implement the program. Sufficient VEI monies will remain after the fee reduction to fund the automation project. (Please see the ADOA-Automation Projects Fund section for more information.)

WQARF Priority Site Remediation

The Baseline 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 2014 Environment BRB (Laws 2013, 1st Special Session, Chapter 4) continued to notwithstanding these statutory provisions and reduced the General Fund allocation to \$7,000,000. Table 1 describes program activity for FY 2013 and FY 2014. The Baseline continues the deposit at the reduced level in FY 2015.

	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

The WQARF program is similar to the federal Superfund program in that it is designed to monitor and remediate contaminated groundwater at specified sites. Program expenditures include searching for responsible polluters, conducting risk assessments and remediation feasibility studies, and contracting for remediation services.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The Department of Environmental Quality shall report annually on the progress of WQARF activities, including emergency response, priority site remediation, cost recovery activity, revenue and expenditure activity and other WQARF-funded program activity. This report shall also include a budget for the WQARF program that is developed in consultation with the WQARF Advisory Board. The FY 2015 report shall be submitted to the Joint Legislative Budget Committee by September 1, 2014. This budget shall 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 1, 2014, a report in a table format summarizing the current progress on remediation of each listed site on the WQARF registry. The table shall include the stage of remediation

for each site at the end of FY 2014, whether the current stage of remediation is anticipated to be completed in FY 2015, and 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.

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.

All Air Permits Administration revenues received by the Department of Environmental Quality in excess of \$7,143,900 in FY 2015 are appropriated to the department. Before the expenditure of Air Permits Administration receipts in excess of \$7,143,900 in FY 2015, the Department of Environmental Quality shall report the intended use of the monies to the Joint Legislative Budget Committee.

All Indirect Cost Recovery Fund revenues received by the Department of Environmental Quality in excess of \$13,308,500 in FY 2015 are appropriated to the department. Before the expenditure of Indirect Cost Recovery Fund receipts in excess of \$13,308,500 in FY 2015, the Department of Environmental Quality shall report the intended use of the monies to the Joint Legislative Budget Committee.

STATUTORY CHANGES

The Baseline would:

- As session law, continue to allow the department to utilize up to \$6,531,000 from a combination of the Underground Storage Tank Fund and the Regulated Substance Fund for department administrative expenses.
- As session law, continue to decrease the General Fund appropriation to the Water Quality Assurance Revolving Fund from \$15,000,000 to \$7,000,000.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Extension of Underground Storage Tank Tax

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.
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 a 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.
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.
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.

During FY 2013, \$50,497,800 was transferred from the UST Assurance Fund to the RSF. In FY 2014, \$9,502,200 will be transferred from the UST Assurance Fund to the RSF. Any monies deposited to the RSF in excess of \$60,000,000 will be transferred to the State Highway Fund.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Air Permits Administration Fund (EVA2328/A.R.S. § 49-455)		Appropriated
Source of Revenue: Permit fees and interest.		
Purpose of Fund: To develop and administer permit programs and to conduct inspections.		
Funds Expended	4,506,600	7,143,900
Year-End Fund Balance	6,457,800	5,723,200
Air Quality Fund (EVA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Monies received from a \$1.50 assessed on motor vehicle registrations, gifts, grants, and donations, and legislative appropriations.		
Purpose of Fund: To pay the costs of air quality research, experiments, education, and programs conducted by or for the department. Also to provide an annual \$400,000 transfer to the Department of Administration for state employee travel reduction programs and annual appropriations for the Departments of Weights and Measures Oxygenated Fuels and Vapor Recovery programs. <i>(See individual agencies for further description.)</i>		
Funds Expended	3,400,800	5,376,400
Funds Appropriated		
Department of Weights and Measures	1,437,800	1,463,800
Arizona Department of Transportation	37,100	74,500
Arizona Department of Administration (Bus Subsidy)	714,100	927,100
Funds Transferred		
Arizona Department of Administration (Travel Reduction)	400,000	400,000
Year-End Fund Balance	6,136,400	5,895,900
Brownfields Cleanup Revolving Loan Fund (EVA2456/A.R.S. § 49-218)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal grants, loan repayments, interest, penalties, gifts, and donations.		
Purpose of Fund: To provide loans to eligible parties to perform non time-crucial removal of hazardous waste contamination on sites accepted into the State Voluntary Remediation Program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Clean Water Revolving Fund (EVA2254/A.R.S. § 49-1221)		Partially-Appropriated
Source of Revenue: Legislative appropriations, federal capitalization grants, loan repayments, loan servicing fees, donations, and interest.		
Purpose of Fund: To make loans for capital improvements at wastewater treatment facilities of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration. The Water Infrastructure Finance Authority administers the fund.		
Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	64,623,600	125,245,600
Year-End Fund Balance	100,462,200	87,664,700
Donations Fund (EVA2449/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Various donations, settlements, and consent decrees.		
Purpose of Fund: To administer the intent of the donation, settlement or decree.		
Funds Expended	6,100	2,600
Year-End Fund Balance	2,000	2,000
Drinking Water Revolving Fund (EVA2307/A.R.S. § 49-1241)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal capitalization grants, loan repayments, loan servicing fees, donations, and interest.		
Purpose of Fund: To make loans to drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration. The Water Infrastructure Finance Authority administers the fund.		
Funds Expended	33,222,100	56,231,500
Year-End Fund Balance	91,382,300	90,134,600

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Emissions Inspection Fund (EVA2082/A.R.S. § 49-544)		Appropriated
Source of Revenue: Legislative appropriations, test fees, fleet certificate fees, private grants, donations, and federal grants.		
Purpose of Fund: To pay for enforcement of fleet inspections, exemptions, and certificates of waiver programs; to pay Emissions Inspection program contract and administrative charges, including station auditing, contractor training and certification, and motorist assistance; to pay for the state portion of catalytic converter program costs; and to pay for research studies of the feasibility and effectiveness of new emission control technologies. As session law, the FY 2013 Environmental Budget Reconciliation Bill (Laws 2012, Chapter 303) allows \$1,800,000 of these monies to be spent on the Safe Drinking Water Program in FY 2013. The FY 2014 General Appropriation Act transfers \$5,000,000 from the Emissions Inspection Fund to the Automation Projects Fund to be used for DEQ information technology projects.		
Funds Expended	26,786,400	26,592,300
Year-End Fund Balance	12,000,800	19,017,300
Federal Funds (EVA2000/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Federal grants related to water quality management, Underground Storage Tank (UST) enforcement provisions, air pollution control, research projects, and other programs.		
Purpose of Fund: To be used as specified by federal law.		
Funds Expended	70,710,700	62,436,100
Year-End Fund Balance	242,900	0
Federal Grants - American Recovery and Reinvestment Act (ARRA) (EVA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for air and water quality programs, the UST Program, and the Water Infrastructure Finance Authority.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Greater Arizona Development Authority Revolving Fund (EVA2311/A.R.S. § 41-2254)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest.		
Purpose of Fund: To help rural communities meet their infrastructure needs. GADA may issue bonds, guarantee debt obligations, and provide technical and financial assistance to political subdivisions, special districts, and Indian tribes. Legislative appropriations to the GADA Revolving Fund may only be used to secure bonds. The state funding only serves as collateral for the loans and is not directly loaned out. The fund was capitalized with \$20,000,000 from the General Fund between FY 1998 and FY 2000. Other revenue to the fund may be used for GADA's operating costs, as well as technical and financial assistance to communities. A.R.S. § 41-2252 requires the Water Infrastructure Finance Authority of Arizona (WIFA) to provide administrative support for this fund.		
Funds Expended	35,600	89,000
Year-End Fund Balance	13,161,700	13,293,000
Hardship Grant Fund (EVA2437/A.R.S. § 49-1267)		Non-Appropriated
Source of Revenue: Legislative appropriations and monies received from the United States government, including monies that are awarded to this state pursuant to Title II of the Clean Water Act and that are no longer obligated to the Construction Grants program.		
Purpose of Fund: Providing hardship grants to political subdivisions or Indian tribes to plan, design, acquire, construct or improve wastewater collection and treatment facilities. Providing training and technical assistance related to the operation and maintenance of wastewater systems.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Hazardous Waste Management Fund (EVA2178/A.R.S. § 49-927)		Appropriated
Source of Revenue: Legislative appropriations, hazardous waste treatment, storage, and disposal permit fees, and hazardous waste generation and transportation fees.		
Purpose of Fund: To pay educational, permitting, planning, and enforcement costs of the Hazardous Waste Program, and to provide administration and state matching funds for federal source reduction grants. A portion of the fund is transmitted to the Emergency Response Fund for staffing and equipping local emergency management agencies. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	1,209,000	1,742,700
Year-End Fund Balance	1,805,400	1,871,400
IGA & ISA Fund (EVA2500/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	4,606,200	4,590,500
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (EVA7000/A.R.S. § 49-104)		Appropriated
Source of Revenue: Monies transferred from the department's appropriated and non-appropriated funds, including federal grants.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	10,951,900	13,308,500
Year-End Fund Balance	4,761,500	5,162,300
Institutional & Engineering Control Fund (EVA2563/A.R.S. § 49-159)		Non-Appropriated
Source of Revenue: Application fees for department's assessment and verification of restricted, non-residential use of contaminated land, recovered costs for repair of engineering and institutional controls, grants, donations, and legislative appropriations.		
Purpose of Fund: To pay the department's cost of enforcing the use of engineering and institutional controls in environmental remediations on contaminated properties.		
Funds Expended	14,800	0
Year-End Fund Balance	51,700	101,600
Intergovernmental Agreement Fund (EVA2180/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements from various entities, including the Game and Fish Department and the Water Protection Commission.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	0	0
Year-End Fund Balance	12,900	12,900
Monitoring Assistance Fund (EVA2308/A.R.S. § 49-360)		Non-Appropriated
Source of Revenue: Fees from public water systems that participate in the Monitoring Assistance program.		
Purpose of Fund: To assist public water systems in complying with monitoring requirements under the federal Safe Drinking Water Act.		
Funds Expended	533,300	778,800
Year-End Fund Balance	1,468,900	1,694,400
Recycling Fund (EVA2289/A.R.S. § 49-837)		Appropriated
Source of Revenue: Landfill disposal (tipping) fees and legislative appropriations.		
Purpose of Fund: For grants to local governments and others developing recycling markets and programs; for public information and assistance on source reduction and recycling; solid waste control programs, and for revenue collection and fund administration. Laws 2011, Chapter 220 allows DEQ to raise recycling registration fees with rulemaking authority. After September 30, 2013, statutory permission must be received to raise fees.		
Funds Expended	713,300	1,359,400
Year-End Fund Balance	1,748,600	2,149,100

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Regulated Substance Fund (EVA2545/A.R.S. § 49-1015.01)		Non-Appropriated
Source of Revenue: Legislative appropriations, UST revenues, reimbursements, donations, monies encumbered by the Director for implementing work plans and corrective action plans. Laws 2013, 1 st Regular Session, Chapter 244 extended the UST tax to December 31, 2015. The tax will be deposited in the UST Assurance Account and transferred to the Regulated Substance Fund (RSF). Any monies deposited into the RSF in excess of \$60,000,000 will be transferred to the State Highway Fund. The law 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. Any application for preapproval made pursuant to the law shall be filed with DEQ by December 31, 2015, and any application made or expense incurred after that date is not eligible for coverage from the UST Assurance Account.		
Purpose of Fund: To pay the costs of administering and taking corrective actions of regulated substances, if the department cannot locate an owner or operator of an UST within 90 days, or within a shorter period as determined to be necessary to protect human health or the environment. As session law, the FY 2014 Environmental BRB (Laws 2013, 1 st Special Session, Chapter 4) permits the Department of Environmental Quality to transfer a combined total of \$6,531,000 from the UST Revolving Fund and the RSF for administrative costs of the department. <i>(Please see the UST Revolving Fund for additional information.)</i>		
Funds Expended	8,752,900	10,187,900
Year-End Fund Balance	41,910,600	41,257,300
Small Water Systems Fund (EVA2225/A.R.S. § 49-355)		Non-Appropriated
Source of Revenue: Legislative appropriations and interest.		
Purpose of Fund: To provide information and assistance to small water systems for improving compliance with drinking water system standards, and to provide emergency grants to small water systems for infrastructure repair.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Solid Waste Fee Fund (EVA3110/A.R.S. § 49-881)		Appropriated
Source of Revenue: Fees, donations, and legislative appropriations.		
Purpose of Fund: To pay solid waste program costs, including waste tire removal expenses, special waste facility staff education, special waste management compliance monitoring, and used oil handling education and enforcement. Laws 2011, Chapter 220 allows DEQ to raise solid waste fees through September 2013 with rulemaking authority. After September 30, 2013, statutory permission must be received to raise fees.		
Funds Expended	705,100	1,242,700
Year-End Fund Balance	726,300	532,300
Specific Site Judgment Fund (EVA3006/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Fines, forfeitures, and penalties paid by parties responsible for site contamination.		
Purpose of Fund: For administration of court settlements, judgments, or consent decrees.		
Funds Expended	62,000	337,500
Year-End Fund Balance	736,200	399,200

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Underground Storage Tank Revolving (UST Summary) (EVA2271/A.R.S. § 49-1015A)		Partially-Appropriated
Source of Revenue: Revenue is drawn from a 1¢ per gallon tax on regulated substances, such as gasoline, and annual tank fees. Laws 2013, 1st Regular Session, Chapter 244 extended the UST tax to December 31, 2015. The tax will be deposited in the UST Assurance Account, and transferred to the Regulated Substance Fund (RSF). Any monies deposited into the RSF in excess of \$60,000,000 will be transferred to the State Highway Fund. The law 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. Any application for preapproval made pursuant to the law shall be filed with DEQ by December 31, 2015, and any application made or expense incurred after December 31, 2015 is not eligible for coverage from the UST Assurance Account.		
Purpose of Fund: To provide coverage for permanent closures and/or corrective actions on underground storage tanks.		
Balance Forward	28,586,600	1,770,100
Revenue	30,074,700	16,694,400
Transfer to Regulated Substance Fund	(50,497,800)	(9,502,200)
Funds Available	8,163,500	8,962,300
Appropriated Funds Expended	0	22,000
Non-Appropriated Funds Expended	6,393,400	7,154,900
Legislative Fund Transfers	0	3,200
Year-End Fund Balance	1,770,100	1,782,200
Used Oil Fund (EVA3500/A.R.S. § 49-818)		Appropriated
Source of Revenue: Legislative appropriations and penalties for misuse of used oil.		
Purpose of Fund: For costs associated with the collection and analysis of used oil fuel samples.		
Funds Expended	6,200	0
Year-End Fund Balance	0	0
Voluntary Lawn and Garden Equipment Emissions Reduction Fund (EVA2306/A.R.S. § 49-474)		Non-Appropriated
Source of Revenue: An annual \$10,000 appropriation from the State Assurance Fund to cover operating costs. This fund no longer receives an appropriation from the State Assurance Fund.		
Purpose of Fund: To provide vouchers for the retirement of residential and commercial lawn mowers. Residential owners receive a \$100 voucher to be used toward the purchase of an electric mower. Commercial owners receive a \$200 voucher to be used toward the purchase of a mower that generates lower emissions.		
Funds Expended	0	0
Year-End Fund Balance	1,700	1,700
Voluntary Remediation Fund (EVA2564/A.R.S. § 49-187)		Non-Appropriated
Source of Revenue: Legislative appropriations, program fees, cost reimbursements, gifts, grants, and donations.		
Purpose of Fund: To pay the department's oversight costs of voluntary clean-ups of contaminated properties, including application, monitoring, and enforcement activities.		
Funds Expended	208,300	356,800
Year-End Fund Balance	436,900	330,500
Voluntary Vehicle Repair & Retrofit Program Fund (EVA2365/A.R.S. § 49-474.03)		Non-Appropriated
Source of Revenue: Legislative appropriations, a \$10 fee on diesel vehicle registrations, gifts, grants and donations.		
Purpose of Fund: To provide monies for local programs intended to repair or retrofit vehicles that fail emissions tests.		
Funds Expended	0	0
Year-End Fund Balance	1,352,100	2,252,100

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
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Water Quality Assurance Revolving Fund (EVA2221/A.R.S. § 49-282)	Non-Appropriated	
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Source of Revenue: Fees and taxes related to municipal water use, pesticides, fertilizers, hazardous waste, and groundwater withdrawal. As required by A.R.S § 49-282, \$15,000,000 is to be transferred to WQARF from the Corporate Income Tax. The \$15,000,000 is adjusted at the close of the fiscal year so that when combined with other revenues the fund receives \$18,000,000 annually. This statutory transfer was suspended to \$7,000,000 between FY 2011 and FY 2014.

Purpose of Fund: For the operation of the WQARF Priority Site Remediation Program. Expenditures include administration, legal support, identification of responsible polluters, community involvement, and contract costs for the clean-up of sites for which no responsible party can be found. There is a transfer of up to \$800,000 to the Department of Water Resources for well inspection and data management. Although this fund is not appropriated, A.R.S. § 49-282 requires the Appropriations Committees to review the annual budget for WQARF.

Funds Expended	11,167,100	16,334,600
Year-End Fund Balance	8,996,100	3,802,800

Water Quality Fee Fund (EVA4100/A.R.S. § 49-210)	Appropriated	
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Source of Revenue: Legislative appropriations and fees received from several water quality protection programs.

Purpose of Fund: To pay the costs of aquifer protection permit registration, dry well registration, technical review, inspections, and issuance of aquifer protection permits.

Funds Expended	5,013,600	10,546,100
Year-End Fund Balance*	3,408,700	(212,200)

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

Governor's Office of Equal Opportunity

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	46,400
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	188,500

FUND SOURCES			
General Fund	177,500	188,500	188,500
SUBTOTAL - Appropriated Funds	177,500	188,500	188,500
Federal Funds	16,900	0	0
TOTAL - ALL SOURCES	194,400	188,500	188,500

AGENCY DESCRIPTION — The agency monitors equal opportunity plans submitted annually by each state agency and assists agencies in equal employment opportunity training and evaluation.

Operating Budget

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The Baseline includes \$188,500 and 4 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Equal Employment and Economic Development Fund (AFA2000/Executive Order: 93-20)		Non-Appropriated
Source of Revenue: Federal Funds received by the State of Arizona under the provisions of the Wagner-Peyser Act, the Workforce Investment Act, and Public Law 105-220.		
Purpose of Fund: To establish effective communication links between government agencies and local communities to address areas of employment under-utilization. To conduct research to improve, expand, or integrate state agencies' equal opportunity programs.		
Funds Expended	16,900	0
Year-End Fund Balance	100	100

State Board of Equalization

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	90,500
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	142,100
Equipment	8,600	28,200	28,200
AGENCY TOTAL	502,300	639,500	639,500
FUND SOURCES			
General Fund	502,300	639,500	639,500
SUBTOTAL - Appropriated Funds	502,300	639,500	639,500
TOTAL - ALL SOURCES	502,300	639,500	639,500

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

Operating Budget

The Baseline includes \$639,500 and 7 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

* * *

FORMAT — Lump Sum by Agency

Board of Executive Clemency

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	454,900	490,000	490,000
Employee Related Expenditures	129,300	152,000	152,000
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	838,400
FUND SOURCES			
General Fund	822,900	838,400	838,400
SUBTOTAL - Appropriated Funds	822,900	838,400	838,400
TOTAL - ALL SOURCES	822,900	838,400	838,400

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 Baseline includes \$838,400 and 14 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

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FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

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. (Please see the *Other Issues for Legislative Consideration* section for more information.)

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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) 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. As of this writing, ADOA and the board have yet to determine the net fiscal impact for both the board as the employer and the board members as employees.

Arizona Exposition and State Fair Board

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	792,000
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	50,000	50,000
AGENCY TOTAL	10,957,900	11,423,500	11,423,500
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Arizona Exposition and State Fair Fund	10,957,900	11,423,500	11,423,500
SUBTOTAL - Other Appropriated Funds	10,957,900	11,423,500	11,423,500
SUBTOTAL - Appropriated Funds	10,957,900	11,423,500	11,423,500
TOTAL - ALL SOURCES	10,957,900	11,423,500	11,423,500

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

Operating Budget

* * *

The Baseline includes \$11,423,500 and 184 FTE Positions from the Arizona Exposition and State Fair Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Arizona Exposition and State Fair Fund (CLA4001/A.R.S. § 3-1005)		Appropriated
Source of Revenue: Receipts and lease revenues from fairground facilities, most of which are associated with the State Fair.		
Purpose of Fund: For operating costs of the State Fair.		
Funds Expended	10,957,900	11,423,500
Year-End Fund Balance	2,827,700	3,336,400

Department of Financial Institutions

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	58.1	58.1	58.1
Personal Services	2,123,700	2,360,700	2,360,700
Employee Related Expenditures	832,900	982,400	982,400
Professional and Outside Services	151,000	179,800	179,800
Travel - In State	3,300	6,000	6,000
Travel - Out of State	5,600	3,000	3,000
Other Operating Expenditures	494,300	418,000	418,000
Equipment	96,300	5,900	5,900
AGENCY TOTAL	3,707,100	3,955,800	3,955,800
FUND SOURCES			
General Fund	2,948,800	3,019,100	3,019,100
<u>Other Appropriated Funds</u>			
Financial Services Fund	758,300	936,700	936,700
SUBTOTAL - Other Appropriated Funds	758,300	936,700	936,700
SUBTOTAL - Appropriated Funds	3,707,100	3,955,800	3,955,800
Other Non-Appropriated Funds	1,655,900	2,254,700	958,700
TOTAL - ALL SOURCES	5,363,000	6,210,500	4,914,500

AGENCY DESCRIPTION — The department regulates state-chartered financial entities. The regulated entities include money transmitters, motor vehicle dealers, holding companies, trust companies, sales finance companies, collection agencies, escrow agents, debt management companies, consumer lenders, mortgage bankers, mortgage brokers, premium finance companies, credit unions and banks.

Operating Budget

The Baseline includes \$3,955,800 and 58.1 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	<u>FY 2015</u>
General Fund	\$3,019,100
Financial Services Fund	936,700

These amounts are unchanged from FY 2014.

* * *

FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

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

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Auditor General Recommendation

In its 2013 audit, the Auditor General recommended that the agency establish a structured approach to fee-setting given that current fees for certain programs cover operational costs but not administrative costs. The Auditor General suggested fees for programs currently operating at a deficit should be increased, whereas fees for programs operating at a surplus should be reduced. The Auditor General also recommended the agency adopt a timeline to regularly review fees and cost allocations to ensure alignment.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Financial Services Fund (BDA1998/A.R.S. § 6-991.21)		Appropriated
Source of Revenue: Loan originator licensing fees.		
Purpose of Fund: To supervise and regulate loan originators.		
Funds Expended	758,300	936,700
Year-End Fund Balance	3,917,700	5,252,900
IGA and ISA Fund (BDA2500/A.R.S. § 6-1241)		Non-Appropriated
Source of Revenue: Monies received through Intergovernmental Agreements with the Attorney General's Office.		
Purpose of Fund: To reimburse the department for expenses related to the examination of money transmitting organizations. The banking examiners work in cooperation with the Attorney General's Office to provide information leading to the criminal conviction of fraudulent money transmitting organizations.		
Funds Expended	75,500	75,700
Year-End Fund Balance	1,500	0
Mortgage Recovery Fund (BDA1997/A.R.S. § 6-991.09)		Non-Appropriated
Source of Revenue: Licensing and renewal fees paid by licensed loan originators.		
Purpose of Fund: To benefit any person aggrieved by any act, representation, transaction or conduct of a licensed loan originator that violates statute or rule.		
Funds Expended	0	0
Year-End Fund Balance	1,280,300	1,797,300
Receivership Revolving Fund (BDA3023/A.R.S. § 6-135.01)		Non-Appropriated
Source of Revenue: Revenue generated from the sale of assets of firms under receivership and transfers from the department's Revolving Fund.		
Purpose of Fund: Provide funding for the administration of receiverships. The FY 2014 Revenue Budget Reconciliation Bill (Laws 2013, 1 st Special Session, Chapter 9) also allowed the department to spend up to \$850,000 from the fund in FY 2014 for an electronic licensing system.		
Funds Expended	953,900	1,425,100
Year-End Fund Balance	37,600	1,569,400
Revolving Fund (BDA2126/A.R.S. § 6-135)		Non-Appropriated
Source of Revenue: Investigative costs, attorney fees, or civil penalties recovered as the result of an enforcement action brought by the department or the Attorney General for violations of state banking laws.		
Purpose of Fund: To support investigative and enforcement activities conducted by the department and the Attorney General. Year-end unencumbered fund balances in excess of \$200,000 are transferred to the department's Receivership Revolving Fund. Any excess balances are transferred at the beginning of the next fiscal year.		
Funds Expended	626,500	753,900
Year-End Fund Balance	1,667,700	196,100

Department of Fire, Building, and Life Safety

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	47.0	47.0	47.0
Personal Services	890,000	1,089,800	1,089,800
Employee Related Expenditures	461,500	576,500	576,500
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	224,700
Equipment	3,700	0	0
AGENCY TOTAL	1,723,500	2,026,000	2,026,000
FUND SOURCES			
General Fund	1,723,500	2,026,000	2,026,000
SUBTOTAL - Appropriated Funds	1,723,500	2,026,000	2,026,000
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	2,733,000

AGENCY DESCRIPTION — The agency enforces safety standards for manufactured homes, mobile homes, and factory-built buildings. The agency also includes the Office of the State Fire Marshal, which enforces the state fire codes and provides training and education for fire personnel and the general public. All training provided by the department must comply with safety standards prescribed by the National Fire Protection Association and the Occupational Safety and Health Administration of Arizona.

Operating Budget

The Baseline includes \$2,026,000 and 47 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Arson Detection Reward Fund (MMA2169/A.R.S. § 41-2167)		Non-Appropriated
Source of Revenue: Donations, court imposed fines, and monies from forfeiture of bail posted for arson convictions.		
Purpose of Fund: To provide rewards for information leading to convictions of arson cases.		
Funds Expended	4,500	0
Year-End Fund Balance	63,400	71,100
Building & Fire Safety Fund (MMA2211/A.R.S. § 41-2173)		Non-Appropriated
Source of Revenue: Intergovernmental agreement with the Department of Environmental Quality and the Department of Health Services. Registration fees charged to fire training school participants.		
Purpose of Fund: The fund is used: a) to implement a fire and life safety inspection program for the removal or installation of storage tanks and to ensure that owners and operators are complying with and reporting environmental releases to the proper agencies; b) to implement a fire and life safety inspection program for all buildings licenses under Federal Medicaid and Medicare Programs and provide staff to perform inspections; and c) to provide training classes, at the local level to address the needs of volunteer firefighters.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Condominium and Planned Community Hearing Office Fund (MMA2537/A.R.S. § 41-2198.05)		Non-Appropriated
Source of Revenue: Filing fees and civil penalties arising from disputes between owners and condominium or planned community associations over violations of condominium or planned community documents or violations of regulatory statutes.		
Purpose of Fund: To reimburse the costs of the Office of Administrative Hearings in conducting hearings concerning disputes between owners and condominium or planned community associations. Remaining monies in the fund may be used by the department to offset the costs of administering cases between owners and condominium or planned community associations.		
Funds Expended	14,800	0
Year-End Fund Balance	0	14,200
Consumer Recovery Fund (MMA3090/A.R.S. § 41-2188)		Non-Appropriated
Source of Revenue: Fees charged to dealers and brokers of manufactured homes, mobile homes, or factory-built buildings designed for residential use.		
Purpose of Fund: To provide consumer and license education in connection with the manufactured housing and factory-built building industry and to make payments on damage claims filed by consumers of these types of residential buildings.		
Funds Expended	106,800	0
Year-End Fund Balance	153,800	262,900
Federal Grant Fund (MMA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Housing and Urban Development (HUD) reimbursements for regulatory functions performed by the Office of Manufactured Housing (OMH) on its behalf. Tuition fees for HUD training conducted by OMH staff.		
Purpose of Fund: Pro-rated salaries and related expenses for employees performing related functions.		
Funds Expended	212,100	212,400
Year-End Fund Balance	103,800	215,300
Interagency Service Agreement Fund (MMA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies transferred from the State Forester to cover their portion of rent expenses for office space shared with the Department of Fire, Building, and Life Safety.		
Purpose of Fund: To pay rent for office space shared by the Department of Fire, Building, and Life Safety and the State Forester.		
Funds Expended	62,200	57,000
Year-End Fund Balance	8,000	39,300
Manufactured Housing Cash Bond Fund (MMA3722/A.R.S. § 41-2179)		Non-Appropriated
Source of Revenue: Cash deposits made by housing manufacturers and installers prior to the granting of an original license. Applicants must make a cash deposit for each branch location of their operation.		
Purpose of Fund: To compensate consumers in cases where a licensee fails to perform sales or installation agreements or repairs under warranty; and to make payment to the department if the licensee fails to pay any fees or costs owed.		
Funds Expended	0	0
Year-End Fund Balance	645,500	645,500
Mobile Home Relocation Fund (MMA2237/A.R.S. § 33-1476.02)		Non-Appropriated
Source of Revenue: Assessments collected from mobile home owners who do not own the land upon which the mobile home is located and interest earnings. Once the fund balance reaches \$8,000,000, assessments will no longer be collected and the only revenue will be from interest. Assessment would resume when the fund balance at the end of a fiscal year is less than \$6,000,000.		
Purpose of Fund: To pay for relocations due to rental increases and to pay premiums and other costs of purchasing insurance coverage for tenant relocation costs due to a change in property use pursuant to A.R.S. § 33-1476.01. If such insurance is not available, or if the insurance costs exceed the amount available from the fund, the fund is used to make direct payments for tenant relocation costs.		
Funds Expended	392,800	437,600
Year-End Fund Balance	7,479,300	7,533,700

State Forester

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	52.0	52.0	52.0
Personal Services	1,384,900	1,460,900	1,460,900
Employee Related Expenditures	550,700	578,000	578,000
Professional and Outside Services	1,000,000	25,000	25,000
Travel - In State	300	300	300
Other Operating Expenditures	412,000	301,500	301,500
OPERATING SUBTOTAL	3,347,900	2,365,700	2,365,700
SPECIAL LINE ITEMS			
Environmental County Grants	75,000	175,000	175,000
Fire Suppression	3,000,000	4,000,000	4,000,000
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	7,236,400
FUND SOURCES			
General Fund	7,118,600	7,336,400	7,236,400
SUBTOTAL - Appropriated Funds	7,118,600	7,336,400	7,236,400
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	27,266,800

AGENCY DESCRIPTION — The State Forester is responsible for the prevention and suppression of forest fires on State Trust Land and private land outside incorporated municipalities (about 22 million acres total).

Operating Budget

The Baseline includes \$2,365,700 and 39 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

Environmental County Grants

The Baseline includes \$175,000 from the General Fund in FY 2015 for Environmental County Grants. This amount is unchanged from FY 2014.

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.

Fire Suppression

The Baseline 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.

Inmate Fire Crews

The Baseline 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 Baseline includes no funding in FY 2015 for Resource Management Plan Grants. FY 2015 adjustments would be as follows:

Remove One-time Funding	GF	FY 2015 \$(100,000)
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The Baseline includes a decrease of \$(100,000) from the General Fund in FY 2015 for the elimination of one-time funding.

This Special Line Item provided one-time funding 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.

FORMAT — Operating Lump Sum with Special Line Items by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Community Protection Initiative Fund (FOA2343/A.R.S. § 37-641)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations, private and federal monies, grants, gifts, and contributions. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
<i>Purpose of Fund:</i> To provide grants to communities at risk of wildfire to complete community wildfire protection plans.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Cooperative Forestry Fund (FOA2232/A.R.S. § 37-624)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations, reimbursements from organizations, the public, other levels of government, and state agencies.		
<i>Purpose of Fund:</i> To fund the State Forester's activities, including forestry assistance and wild land fire prevention and suppression on state lands.		
Funds Expended	5,559,400	5,069,000
Year-End Fund Balance	2,464,900	1,590,300
Federal Grants - American Recovery and Reinvestment Act (ARRA) (FOA2999/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
<i>Purpose of Fund:</i> One-time Federal Funds to be used by the department for expanding the hazardous fuel reduction program and other forest health programs.		
Funds Expended	350,700	0
Year-End Fund Balance	0	0
Fire Suppression Revolving Fund (FOA2360/A.R.S. § 37-623.02)		Non-Appropriated
<i>Source of Revenue:</i> General Fund appropriations, monies authorized by the Governor's Emergency Council and the Wild Land Fire Emergency Council, civil penalties related to the use of fireworks on state lands and other monies. If the unobligated balance of the fund exceeds \$2,000,000 at the end of any calendar year, the excess shall be transferred to the General Fund. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
<i>Purpose of Fund:</i> To cover the costs of fighting fires on public and private lands.		
Funds Expended	23,893,900	14,961,400
Year-End Fund Balance	5,186,000	5,224,600

State Board of Funeral Directors and Embalmers

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	48,400
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	353,600

FUND SOURCES

<i>Other Appropriated Funds</i>			
Board of Funeral Directors' and Embalmers' Fund	327,000	353,600	353,600
SUBTOTAL - Other Appropriated Funds	327,000	353,600	353,600
SUBTOTAL - Appropriated Funds	327,000	353,600	353,600
TOTAL - ALL SOURCES	327,000	353,600	353,600

AGENCY DESCRIPTION — The board licenses, registers, and regulates embalmers, prearranged funeral salespersons, crematories, and funeral homes. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

FORMAT — Lump Sum by Agency

The Baseline includes \$353,600 and 4 FTE Positions from the Board of Funeral Directors' and Embalmers' Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Board of Funeral Directors' and Embalmers' Fund (FDA2026/A.R.S. § 32-1308)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of funeral directors and embalmers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate funeral directors and embalmers, and for board administration.		
Funds Expended	327,000	353,600
Year-End Fund Balance	292,700	262,500

Arizona Game and Fish Department

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	8,851,500
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	1,301,200
OPERATING SUBTOTAL	27,825,000	33,927,800	33,847,800
SPECIAL LINE ITEMS			
Lower Colorado Multispecies Conservation	350,000	350,000	350,000
Performance Incentive Pay Program	346,100	346,100	346,100
Pittman-Robertson/Dingell-Johnson Act	1,308,000	3,808,000	3,808,000
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	39,601,900
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	33,684,100
Game, Non-Game, Fish and Endangered Species Fund	130,900	346,300	346,300
Watercraft Licensing Fund	3,106,400	4,555,800	4,555,800
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	39,601,900
SUBTOTAL - Appropriated Funds	30,079,100	39,681,900	39,601,900
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	108,679,700

AGENCY DESCRIPTION — The Arizona Game and Fish Department (AGFD) manages Arizona wildlife populations through the operation of hunting and fishing license programs, enforcement actions for the unlawful taking of game, and wildlife habitat protection and development. A 5-member commission appointed by the Governor oversees department operations.

Operating Budget

The Baseline includes \$33,847,800 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	29,576,100
Game, Non-Game, Fish and Endangered Species Fund	346,300
Watercraft Licensing Fund	2,909,700
Wildlife Endowment Fund	16,000

FY 2015 adjustments would be as follows:

**Waterfowl Conservation
Fund Elimination OF (80,000)**
The Baseline 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.

Lower Colorado Multispecies Conservation

The Baseline 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 Baseline 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 Baseline 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 Baseline 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 Baseline 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.

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The \$300,000 from the Game and Fish Fund and \$46,100 from the Watercraft Licensing Fund in FY 2015 for the Performance Incentive Pay Program line item shall be used for Personal Services and Employee Related Expenditures associated with the department's Performance Incentive Pay Program. This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations.

In addition to the \$3,808,000 for the Pittman-Robertson/Dingell-Johnson Act line item, the lump sum appropriation includes \$50,000 for cooperative fish and wildlife research, which may be used for the purpose of matching federal and apportionment funds.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Big Game Permit Fund (GFA3712/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: License fees for hunting permits.		
Purpose of Fund: Holding account for license fees from hunters who are unable to obtain big game hunting permits through the lottery system.		
Funds Expended	0	0
Year-End Fund Balance	362,000	362,000
Capital Improvement Fund (GFA2203/A.R.S. § 17-292)		Appropriated
Source of Revenue: Transfers from the Conservation Development Fund.		
Purpose of Fund: To acquire, construct, improve and renovate department facilities.		
Funds Expended	1,000,000	999,700
Year-End Fund Balance	341,700	515,600
Conservation Development Fund (GFA2062/A.R.S. § 17-282)		Non-Appropriated
Source of Revenue: A surcharge on hunting, fishing and combination licenses, and trout stamp sales.		
Purpose of Fund: To make debt service payments if the department issues bonds for the purpose of constructing, maintaining, and renovating department facilities.		
Funds Expended	2,220,000	1,504,800
Year-End Fund Balance	3,340,900	3,315,700
Federal Funds (GFA2000/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Revenue from federal grants.		
Purpose of Fund: To be used as specified by the federal grants. The fund also generates interest owed to the federal government that is paid on a quarterly basis.		
Funds Expended	0	0
Year-End Fund Balance	152,800	152,800
Federal Grants - American Recovery and Reinvestment Act (ARRA) (GFA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department to fulfill Federal contracts.		
Funds Expended	313,200	700
Year-End Fund Balance	2,300	1,600
Federal Revolving Fund (GFA2028/A.R.S. § 17-406)		Non-Appropriated
Source of Revenue: Funds received from the federal government for deposit and appropriated state matching money.		
Purpose of Fund: For projects approved in compliance with the provisions of the restoration acts known as the Pittman-Robertson Act and the Dingell-Johnson/Wallop-Breaux Act and other wildlife projects in which the cost may be partially or wholly reimbursed from Federal Funds.		
Funds Expended	33,672,900	38,233,700
Year-End Fund Balance	4,785,200	2,693,500
Firearms Safety and Ranges Fund (GFA2442/A.R.S. § 17-273)		Non-Appropriated
Source of Revenue: Annual appropriation of \$50,000 from retail sales taxes deposited to the General Fund and transferred to the fund pursuant to A.R.S. § 42-5029D(4), revenues derived from the sale or lease of real property owned by the commission, and interest earnings as provided by A.R.S. § 17-273.		
Purpose of Fund: To award grants to assist existing government-owned shooting ranges in adapting to changes in the use of adjacent properties, including noise abatement, safety enhancement, range realignment, acquisition of land for buffer zones, or acquisition of State Trust Lands for locating or relocating government-owned shooting ranges.		
Funds Expended	0	0
Year-End Fund Balance	3,200	4,200

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Game and Fish Fund (GFA2027/A.R.S. § 17-261)		Appropriated
Source of Revenue: Monies received from sales of licenses and tags for hunting, trapping and fishing, and other related fees and penalties.		
Purpose of Fund: To provide funding for general operation of the Game and Fish Department and to match federal grants for fish and wildlife restoration.		
Funds Expended	25,821,800	33,684,100
Year-End Fund Balance	8,652,400	4,920,700
Game and Fish Publications Revolving Fund (GFA4007/A.R.S. § 17-269)		Non-Appropriated
Source of Revenue: Sales of agency publications, including Wildlife Views magazine and various field guides.		
Purpose of Fund: To finance the production of agency publications. Amounts in excess of \$80,000 revert to the Game and Fish Fund at fiscal year end. However, in some circumstances, the balance forward may appear to exceed \$80,000 without reversion due to unexpended obligations at fiscal year end that the agency counts against the ending balance.		
Funds Expended	177,000	183,900
Year-End Fund Balance	39,500	31,300
Game and Fish Trust Fund (GFA3111/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Collections from local governments for the Urban Fishing program, transfers from the state Risk Management Fund, proceeds from the charitable auction of bighorn sheep tags, and private donations from private contributors.		
Purpose of Fund: This fund fulfills the wildlife-related requests of private contributors. Most donations include a request to protect or research a particular form of wildlife.		
Funds Expended	2,202,300	2,700,100
Year-End Fund Balance	6,128,800	5,870,700
Game, Non-Game, Fish and Endangered Species Fund (GFA2127/A.R.S. § 17-268)		Appropriated
Source of Revenue: Contributions from taxpayers who select the "check-off" option for non-game wildlife on their Arizona state income tax forms and interest earned.		
Purpose of Fund: To provide funding for research on non-game wildlife, endangered species, and related habitat for use in the department's management plan.		
Funds Expended	130,900	346,300
Year-End Fund Balance	207,800	109,000
Heritage Fund (GFA2295/A.R.S. § 17-297)		Non-Appropriated
Source of Revenue: Annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings.		
Purpose of Fund: To protect areas containing sensitive or endangered biological features and wildlife. At least 24% of the fund, but no more than 60%, may be used for capital projects and acquisitions. Interest earnings are to be used for administration.		
Funds Expended	9,240,000	13,837,600
Year-End Fund Balance	9,632,200	5,844,600
IGA and ISA Fund (GFA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	0	0
Year-End Fund Balance	103,900	103,900
Indirect Cost Recovery Fund (GFA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: This fund consists of revenue generated by billing federal aid for indirect costs.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	2,664,600	4,297,600
Year-End Fund Balance	1,016,100	1,455,000

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Kaibab Co-op Fund (GFA3714/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Clearing account. In accordance with the Federal Sikes Act, 16 U.S.C. 670 et seq., monies are generated from the sale of a Kaibab habitat management stamp, which is required to take deer on the Kaibab Plateau.		
Purpose of Fund: To provide funding for habitat management.		
Funds Expended	12,900	0
Year-End Fund Balance	103,300	103,300
Land and Water Conservation and Recreation Development Fund (GFA2036/A.R.S. § 17-267)		Appropriated
Source of Revenue: Fishing license fees.		
Purpose of Fund: To pay for recreation benefits in conjunction with fish and wildlife restoration projects; purchase engineering services, land, rights of way, water rights, and construction; and match funds for Pittman-Robertson and Dingell-Johnson federal aid and other available funds from federal, state, county or municipal sources.		
Funds Expended	0	0
Year-End Fund Balance	31,100	31,400
Off-Highway Vehicle Recreation Fund (GFA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: The Arizona Game and Fish Department receives 35% of off-highway vehicle user fees and annual collections from the Motor Vehicle Fuel Tax transfer to the State Parks Board, which is equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
Purpose of Fund: To plan, administer, and enforce off-highway vehicle recreation, and to develop facilities consistent with the off-highway vehicle plan. Sixty percent of the monies collected are to be used by the Arizona State Parks Board for planning, administration, and facilities development and 5% are to be used by the State Land Department for costs associated with off-highway vehicle use for land within its jurisdiction. The remainder is transferred to the Arizona Game and Fish Department for informational and educational programs on off-highway vehicle recreation and law enforcement activities.		
Funds Expended	1,403,900	1,822,200
Year-End Fund Balance	826,500	606,300
Watercraft Licensing Fund (GFA2079/A.R.S. § 5-323)		Appropriated
Source of Revenue: Registration fees for the licensing and numbering of watercraft, license taxes, and penalty assessments.		
Purpose of Fund: To administer and enforce registration of watercraft and boating safety laws, and to provide any information and education programs relating to boating and boating safety.		
Funds Expended	3,106,400	4,555,800
Year-End Fund Balance	2,318,000	2,062,200
Waterfowl Conservation Fund (GFA2209/A.R.S. § 17-270 [repealed])		Appropriated
Source of Revenue: Monies received from sales of waterfowl stamps and artwork, gifts, grants, other contributions, and interest earned.		
Purpose of Fund: To provide funding for developing migratory waterfowl habitat, and associated research and management to increase the number of migratory waterfowl in Arizona. Laws 2013, Chapter 197 repealed the Waterfowl Conservation Fund and transferred any remaining monies to the Game and Fish Fund as of September 13, 2013.		
Funds Expended	20,000	80,000
Year-End Fund Balance	117,000	79,700
Wildlife Conservation Fund (GFA2497/A.R.S. § 17-299)		Non-Appropriated
Source of Revenue: Monies received from tribal gaming in accordance with A.R.S. § 5-601.02.		
Purpose of Fund: To conserve, enhance, and restore Arizona's diverse wildlife resources and habitats, and may include the acquisition of real property.		
Funds Expended	5,040,200	6,331,300
Year-End Fund Balance	5,904,100	5,795,800

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Wildlife Endowment Fund (GFA2279/A.R.S. § 17-271)		Appropriated
Source of Revenue: Sales of benefactor and lifetime hunting and fishing licenses, gifts, grants, contributions, and interest and investment income.		
Purpose of Fund: To provide funding for wildlife conservation and management.		
Funds Expended	0	16,000
Year-End Fund Balance	1,823,100	1,967,400
Wildlife Habitat Restoration and Enhancement Fund (GFA2536/A.R.S. § 17-471)		Appropriated
Source of Revenue: Legislative appropriations. The Legislature provided a non-lapsing, one-time allocation of \$3,500,000 from the General Fund in FY 2007.		
Purpose of Fund: To provide funding for wildlife habitat restoration and improvement projects.		
Funds Expended	0	0
Year-End Fund Balance	400	400
Wildlife Theft Prevention Fund (GFA2080/A.R.S. § 17-315)		Non-Appropriated
Source of Revenue: Fines charged for the unlawful taking, wounding or killing, or unlawful possession of wildlife; and monies received from donations.		
Purpose of Fund: To finance reward payments to persons providing information about illegal wildlife activities; to finance the department's "Operation Game Thief" program; and to promote awareness of the Wildlife Theft Prevention program.		
Funds Expended	163,200	165,900
Year-End Fund Balance	59,700	31,700

Department of Gaming

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	115.3	115.3	115.3
Personal Services	4,108,000	4,633,900	4,633,900
Employee Related Expenditures	1,588,400	1,902,100	1,902,100
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	870,900
Equipment	173,200	149,300	149,300
OPERATING SUBTOTAL	7,655,900	8,312,900	8,312,900
SPECIAL LINE ITEMS			
Additional Operating Expenses	0	800,400	800,400
Casino Operations Certification	2,052,500	2,104,000	2,104,000
Problem Gambling	2,036,100	2,279,700	2,279,700
AGENCY TOTAL	11,744,500	13,497,000	13,497,000
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona Benefits Fund	9,392,000	11,093,000	11,093,000
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	2,052,500	2,104,000	2,104,000
SUBTOTAL - Other Appropriated Funds	11,744,500	13,497,000	13,497,000
SUBTOTAL - Appropriated Funds	11,744,500	13,497,000	13,497,000
TOTAL - ALL SOURCES	11,744,500	13,497,000	13,497,000

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 FY 2015 Baseline continues the \$9,113,300 FY 2014 appropriated spending level for administration expenses, which consists of \$8,312,900 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 \$9,113,300. If gaming revenues are higher than the forecast, the

department would be able to expend more of the FY 2015 Baseline amount.

The Baseline continues \$2,279,700 for Problem Gambling. The department's actual spending level on Problem Gambling 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 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 appropriation of \$2,104,000. If gaming revenues are higher than the forecast, the department would be able to expend more of the FY 2015 Baseline amount.

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 Baseline includes \$8,312,900 and 82.3 FTE Positions from the Arizona Benefits Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

Additional Operating Expenses

The Baseline 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. These amounts are unchanged from FY 2014.

Casino Operations Certification

The Baseline includes \$2,104,000 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2015 for Casino Operations Certification. These amounts are unchanged from FY 2014.

The department has the responsibility for investigating and certifying all vendors that provide over \$10,000 per month of goods and services to tribal gaming facilities and all tribal gaming employees, excluding food and beverage personnel who are certified by the relevant tribal gaming office. Certification application fees provide funding for the Casino Operations Certification SLI.

Problem Gambling

The Baseline includes \$2,279,700 and 5 FTE Positions in FY 2015 for Problem Gambling. These amounts consist of:

	FY 2015
Arizona Benefits Fund	\$1,979,700
State Lottery Fund	300,000

These amounts are unchanged from FY 2014.

Pursuant to A.R.S. § 5-601.02 and the Tribal-State Gaming Compacts, 2% of tribal revenues received by the state shall be appropriated from the Arizona Benefits Fund to the department to provide problem gambling prevention, treatment, and education programs. The Baseline includes \$1,979,700 for FY 2015 from the Arizona Benefits Fund. (See Table 1 for more information on projected state revenues and department allocations.)

Tribal Gaming Distributions Pursuant to Proposition 202 ^{1/}					
Recipient	Proposition 202 Formula	FY 2012 Actual ^{1/}	FY 2013 Actual ^{1/}	FY 2014 Projected ^{2/}	FY 2015 Projected ^{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	11,533,700	11,750,500	12,338,000	13,078,300
Total	100% of total	\$96,114,300	\$97,920,600	\$102,816,600	\$108,985,600
Allocation of State Government's Share					
Department of Gaming Regulation	\$8 million, or 9%, whichever is greater	\$ 8,000,000	\$ 8,000,000	\$ 8,143,100 ^{4/}	\$ 8,631,700
Department of Gaming Problem Gambling	2%	1,691,600	1,723,400	1,809,600 ^{5/}	1,918,200
Subtotal-Department of Gaming		\$ 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	5,991,100	6,115,700	6,442,100	6,828,600
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 Baseline 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 and FY 2015 Baseline include \$9,113,300, 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 and FY 2015 Baseline include \$1,979,700, 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.

FOOTNOTES

FORMAT — Operating Lump Sum with Special Line Items by Agency

Standard Footnotes

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 Special Line Item for FY 2015. The report shall include the projected line item detail.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Arizona Benefits Fund (GMA2350/A.R.S. § 5-601.02)		Partially-Appropriated
<i>Source of Revenue:</i> Tribal organizations, which have gaming compacts with the state, pay a portion of their gaming revenues to the state.		
<i>Purpose of Fund:</i> Provide funding for the regulation of tribal gaming and prevention of problem gambling. In addition, the Arizona Benefits Fund distributes monies to various state funds. (See individual agency pages for detailed information on each recipient.)		
Appropriated Funds Expended by Department of Gaming	9,392,000	11,093,000
Funds Transferred		
Instructional Improvement Fund	42,810,200	45,094,400
Trauma and Emergency Services Fund	21,405,100	22,547,300
Arizona Wildlife Conservation Fund	6,115,700	6,442,100
Tourism Fund	<u>6,115,700</u>	<u>6,442,100</u>
Total Funds Transferred	76,446,700	80,525,900
Year-End Fund Balance	1,193,300	894,900
State Lottery Fund (GMA2122/A.R.S. § 5-571)		Appropriated
<i>Source of Revenue:</i> Funds transferred from the State Lottery Fund.		
<i>Purpose of Fund:</i> Provide additional funding to the department's Problem Gambling program. These funds are expended to prevent, educate, and treat individuals suffering from problem gambling.		
Funds Expended	300,000	300,000
Year-End Fund Balance	0	0
Tribal-State Compact Fund (GMA2340/A.R.S. § 5-601)		Appropriated
<i>Source of Revenue:</i> The fund receives monies from gaming vendors and gaming employees to pay for their certification.		
<i>Purpose of Fund:</i> Pay for the actual cost of performing background investigations on gaming employees and vendors to determine suitability for state certification.		
Funds Expended	2,052,500	2,104,000
Year-End Fund Balance	1,541,800	1,441,400

Arizona Geological Survey

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	209,900
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	941,400
FUND SOURCES			
General Fund	871,200	941,400	941,400
SUBTOTAL - Appropriated Funds	871,200	941,400	941,400
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	10,819,400

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

FORMAT — Lump Sum by Agency

The Baseline includes \$941,400 and 10.3 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Federal Grants (GSA2000/A.R.S. § 27-107)		Non-Appropriated
Source of Revenue: Various federal sources including the U.S. Geological Survey, the National Park Service, the Federal Emergency Management Administration, and the National Science Foundation.		
Purpose of Fund: To perform various studies of Arizona's geologic framework and setting.		
Funds Expended	820,400	2,367,200
Year-End Fund Balance	48,000	48,000
Federal Grants - American Recovery and Reinvestment Act (ARRA) (GSA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: The fund is used for the National Geothermal Database System and 80% of the funds are passed through to other state agencies and/or universities.		
Funds Expended	7,212,000	6,402,700
Year-End Fund Balance	53,700	4,800

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Geological Survey Fund (GSA3030/A.R.S. § 27-107)		Non-Appropriated
Source of Revenue: Made up of monies that are not federal or appropriated. They include state and local grants, fees, contracts, agreements, and MOUs.		
Purpose of Fund: To investigate and describe Arizona's geologic setting, to plug abandoned oil and gas wells, and to finance map publication production expenses.		
Funds Expended	767,900	298,100
Year-End Fund Balance	162,400	92,900
Indirect Cost Recovery Fund (GSA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: These funds apply to a grant, contract, or agreement and represent costs incurred by the state/local agency which are legal obligations and are allowable.		
Purpose of Fund: Federal circulars detail the allowable uses of indirect costs. Such items as wages, fringe benefits, necessary office, technical or information technology equipment, and some general government expenses as outlined in the federal circulars.		
Funds Expended	587,800	810,000
Year-End Fund Balance	46,600	42,700

Office of the Governor

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	8,150,500	6,926,000	6,926,000
AGENCY TOTAL	8,150,500	6,926,000	6,926,000
FUND SOURCES			
General Fund	8,150,500	6,926,000	6,926,000
SUBTOTAL - Appropriated Funds	8,150,500	6,926,000	6,926,000
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	26,425,800

AGENCY DESCRIPTION — The Governor is the state’s Chief Executive Officer and responsible for the execution of state laws. The Office of the Governor includes the Office for Children, Youth and Families, Office on Aging, Office of Constituent Services, Arizona-Mexico Commission, Northern Office, and Tucson Office.

Operating Budget

The Baseline includes \$6,926,000 from the General Fund in FY 2015 for the operating budget. This amount is unchanged from FY 2014.

FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Included in the Lump Sum appropriation of \$6,926,000 for FY 2015 is \$10,000 for the purchase of mementos and items for visiting officials.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Arizona Biofuels Conversion Program Fund (GVA6666/A.R.S. § 41-112)		Non-Appropriated
Source of Revenue: Funds received from gifts, grants, donations, private sources, and federal or state monies.		
Purpose of Fund: To encourage the usage of biofuels through the conversion and installation of biofuel storage and dispensing equipment.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Border Security, Immigration Legal Defense Fund (GVA3212/A.R.S. § 41-1105)		Non-Appropriated
Source of Revenue: Gifts, grants and donations.		
Purpose of Fund: To defray legal expenses associated with immigration litigation.		
Funds Expended	0	0
Year-End Fund Balance	0	0
County Fairs Livestock and Agriculture Promotion Fund (GVA2037/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: To promote Arizona's livestock and agricultural resources and conduct an annual Livestock Fair at the Coliseum and Exposition Center. The direct expenses, less receipts, of the annual Livestock Fair are paid from this fund. Net expenditures for the Livestock Fair are limited to 30% of all receipts deposited to this fund during the preceding fiscal year. All expenditures from this fund must be recommended by the Livestock and Agricultural Committee and approved by the Governor.		
Funds Expended	0	0
Year-End Fund Balance	239,800	238,200

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Endowment Partnership Fund (GVA3206/A.R.S. § 41-1105)		Non-Appropriated
<i>Source of Revenue:</i> Public or private gifts, grants and donations. All donations, except those from established non-profit economic development organizations, are limited to \$5,000, per person, each fiscal year.		
<i>Purpose of Fund:</i> This fund was established by Executive Order 92-7, to promote the interests of the state and encourage public service to Arizona by its citizens. Expenditures may include promoting economic development in Arizona, recruiting new industries, appropriate memorabilia or gifts for dignitaries or citizen volunteers, and promoting good working relationships between the various branches of national, state, and local governments.		
Funds Expended	1,411,600	1,347,400
Year-End Fund Balance	901,700	200
Energy Conservation Fund (GVA3209/A.R.S. § 41-1105)		Non-Appropriated
<i>Source of Revenue:</i> Public or private gifts, grants and donations.		
<i>Purpose of Fund:</i> To promote energy conservation and encourage public service to Arizona by its citizens.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Energy Office Donations Fund (EPA3189/A.R.S. § 41-1504)		Non-Appropriated
<i>Source of Revenue:</i> Gifts, grants, and donations.		
<i>Purpose of Fund:</i> To be expended in accordance with the restrictions placed on the respective gift, grant, or donation.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Grants (GVA2000/A.R.S. § 4-101.01)		Non-Appropriated
<i>Source of Revenue:</i> Federal grants for various purposes, including services for women, children's services, and the Office for Drug Policy.		
<i>Purpose of Fund:</i> To provide separate accounting for the administration, supervision and distribution of federal grants made to the Office of the Governor, on behalf of the State of Arizona.		
Funds Expended	31,727,600	22,211,100
Year-End Fund Balance	1,786,900	1,212,300
Federal Grants - American Recovery and Reinvestment Act (ARRA) (GVA2999/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
<i>Purpose of Fund:</i> One-time Federal Funds to be used for a variety of programs.		
Funds Expended	19,390,500	4,829,200
Year-End Fund Balance	300	0
Governor's Arizona Promotional and Public Service Fund (GVA3207/A.R.S. § 41-1105)		Non-Appropriated
<i>Source of Revenue:</i> Private gifts, grants, donations or monies, and interest earnings.		
<i>Purpose of Fund:</i> To promote the interests of the state or to encourage citizen public service to the state.		
Funds Expended	0	0
Year-End Fund Balance	0	0
IGA and ISA Fund (GVA2500/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Monies received through intergovernmental and interagency service agreements.		
<i>Purpose of Fund:</i> To execute intergovernmental and interagency service agreements.		
Funds Expended	488,700	749,300
Year-End Fund Balance	659,300	605,000

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Inauguration Fund (GVA3214/A.R.S. § 41-1105)		Non-Appropriated
Source of Revenue: Gifts, grants, and donations.		
Purpose of Fund: To defray inauguration expenses.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (GVA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	1,132,900	1,074,500
Year-End Fund Balance	3,585,800	3,569,100
Oil Overcharge Fund (GVA3171/A.R.S. § 41-110)		Non-Appropriated
Source of Revenue: Federal court settlements by oil companies who overcharged consumers during the petroleum price controls of the 1970's, and interest earnings.		
Purpose of Fund: To provide restitution to the citizens of Arizona. Restitution is to be made through energy programs administered by the state.		
Funds Expended	469,600	467,000
Year-End Fund Balance	1,521,500	1,069,500
Other Non-Appropriated Funds Fund (GVA2038/A.R.S. § 41-1105)		Non-Appropriated
Source of Revenue: Intergovernmental agreements.		
Purpose of Fund: To defray operating expenses of the Governor's Office.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Prevention of Child Abuse Fund (GVA2439/A.R.S. § 41-109)		Non-Appropriated
Source of Revenue: The fund receives \$17 of the annual \$25 fee for original and renewal child abuse prevention special license plates.		
Purpose of Fund: To be allocated by the Director of the Division for Children in the Governor's Office for programs to prevent child abuse in the state of Arizona. Not more than 3% of annual fund revenues shall be used to administer the fund.		
Funds Expended	372,800	340,000
Year-End Fund Balance	146,500	146,500
Statewide ARRA Administration SWCAP Fund (GVA2950/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Indirect federal cost recoveries associated with the statewide cost allocation plan (SWCAP). These funds were transferred to ADOA from the Governor's Office in FY 2012.		
Purpose of Fund: To defray administrative expenses of implementing the federal American Recovery and Reinvestment Act.		
Funds Expended	153,200	34,400
Year-End Fund Balance	0	0

Governor's Office of Strategic Planning and Budgeting

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	360,700
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	1,993,200
FUND SOURCES			
General Fund	1,892,400	1,993,200	1,993,200
SUBTOTAL - Appropriated Funds	1,892,400	1,993,200	1,993,200
TOTAL - ALL SOURCES	1,892,400	1,993,200	1,993,200

AGENCY DESCRIPTION — The Governor's Office of Strategic Planning and Budgeting advises the Governor in the preparation of the Executive budget and provides the Executive Branch a central resource for the compilation, analysis, and investigation of state fiscal matters. It facilitates a strategic planning process and assists agencies in preparation and execution of their budgets.

Operating Budget

The Baseline includes \$1,993,200 and 22 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

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FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Department of Health Services

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,176.7	1,176.7	1,176.7
Personal Services	53,124,100	58,284,000	58,284,000
Employee Related Expenditures	20,705,400	22,311,700	22,311,700
Professional and Outside Services	12,913,300	15,705,400	15,705,400
Travel - In State	486,700	547,300	547,300
Travel - Out of State	67,200	88,300	88,300
Other Operating Expenditures	32,429,600	38,051,700	36,251,700
Equipment	918,000	1,699,800	1,699,800
OPERATING SUBTOTAL	120,644,300	136,688,200	134,888,200
SPECIAL LINE ITEMS			
Behavioral Health			
Medicaid Behavioral Health - Traditional	829,920,400	878,220,400	826,820,300
Medicaid Behavioral Health - Proposition 204	327,724,200	138,346,800 ^U	535,859,000
Medicaid Behavioral Health - Comprehensive Medical and Dental Program	0	140,896,200	182,521,300
Medicaid Behavioral Health - Adult Expansion	0	17,687,600 ^U	73,805,900
Proposition 204 Administration	5,579,200	6,446,700	6,446,700
Medicare Clawback Payments	13,838,800	14,925,100	14,100,700
Medicaid Insurance Premium Payments	23,337,600	22,487,100	23,998,500
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
Community Placement Treatment	0	1,130,700	0
Mental Health First Aid	0	250,000	250,000
One-Time Electronic Medical Records Start-Up	0	3,850,000	0
Public and 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	1,125,000
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	300,000
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	6,307,000
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
Renal Dental Care and Nutrition Supplements	0	300,000	300,000
AGENCY TOTAL	1,433,270,800	1,476,810,300	1,914,532,100
FUND SOURCES			
General Fund	582,926,600	550,646,400	615,551,600
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	10,453,700	14,918,500	9,587,800
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	5,121,400
Environmental Laboratory Licensure Revolving Fund	745,600	926,900	926,900
Federal Child Care and Development Fund Block Grant	694,500	830,400	830,400

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
Health Services Licensing Fund	7,784,800	8,842,400	8,842,400
Hearing and Speech Professionals Fund	317,800	0	0
Indirect Cost Fund	8,746,700	10,390,400	8,940,400
Long Term Care System Fund	1,379,600	0	0
Newborn Screening Program Fund	5,652,100	6,738,900	6,738,900
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	1,000,000
TTHCF Medically Needy Account	35,083,000	35,467,000	35,467,000
Vital Records Electronic Systems Fund	2,456,200	3,634,700	3,634,700
SUBTOTAL - Other Appropriated Funds	81,319,900	92,553,400	85,732,700
SUBTOTAL - Appropriated Funds	664,246,500	643,199,800	701,284,300
Expenditure Authority Funds			
Federal Medicaid Services	769,024,300	833,610,500	1,213,247,800
SUBTOTAL - Expenditure Authority Funds	769,024,300	833,610,500	1,213,247,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,433,270,800	1,476,810,300	1,914,532,100
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	1,914,704,000	2,352,633,700

AGENCY DESCRIPTION — The Department of Health Services (DHS) is responsible for the provision of most public health programs not administered by AHCCCS, most behavioral health programs, the Arizona State Hospital (ASH), emergency medical services, state laboratory support, vital records maintenance, disease control, and epidemiological monitoring.

Summary

DHS' FY 2015 General Fund spending would increase by \$64,905,200, or 11.8%. The Baseline includes:

- \$19,826,300 for formula adjustments.
- \$36,854,400 for the annualization of costs associated with mandatory federal health care legislation.
- \$16,474,500 for the annualization of costs associated with Medicaid expansion and the Childless Adult restoration.
- \$(8,250,000) for shifting services of most enrollees in the Children's Rehabilitative Services program to Arizona Health Care Cost Containment System (AHCCCS).

Operating Budget

The Baseline includes \$134,888,200 and 1,151.6 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$82,780,500
Arizona State Hospital Fund	9,587,800
ASH Land Earnings Fund	650,000
Capital Outlay Stabilization Fund	1,559,800
Child Fatality Review Fund	94,800
Emergency Medical Services (EMS) Operating Fund	4,671,400
Environmental Laboratory Licensure Revolving Fund	926,900
Federal Child Care and Development Fund (CCDF) Block Grant	830,400
Health Services Licensing Fund	8,842,400
Indirect Cost Fund	8,940,400
Newborn Screening Program Fund	431,900
Nursing Care Institution Resident Protection Revolving Fund	38,200
Vital Records Electronic Systems Fund	3,634,700
Federal Medicaid Authority (FMA)	11,899,000

FY 2015 adjustments would be as follows:

1/ Laws 2013, 1st Special Session, Chapter 10 appropriated "sufficient monies" from the Expenditure Authority fund source for the purposes of implementing A.R.S. § 36-2901.01 and A.R.S. § 36-2901.07. Includes an additional \$33,095,300 in the Proposition 204 Services line item and \$17,687,600 in the Adult Expansion line item.

	FY 2014 Appropriated	FY 2014 Revised	FY 2015	FY 2015 Above FY 2014 Revised
Medicare Clawback payments	\$ 14,925,100	\$ 14,057,100	\$ 14,100,700	\$ 43,600
Medicaid Insurance Premium Payments	7,456,700	7,758,800	7,642,900	(115,900)
State Match for Medicaid ^{1/}				
CBH	93,320,400	84,422,000	96,073,600	11,651,600
SMI	149,652,100	161,143,700	107,147,500	(53,996,200)
GMH/SA	48,190,100	51,284,200	58,771,500	7,487,300
State Match for Proposition 204				
CBH	1,631,200	932,800	927,400	(5,400)
SMI	0	0	75,787,900	75,787,900
GMH/SA	33,270,200	36,898,600	41,570,500	4,671,900
State Match for CMDP ^{2/}				
	<u>46,721,200</u>	<u>56,308,300</u>	<u>58,128,500</u>	<u>1,820,200</u>
Total	\$395,167,000	\$412,805,500	\$460,150,500	\$47,345,000
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.				

Annualize County SVP Contribution OF (1,800,000)

The Baseline includes a decrease of \$(1,800,000) from the Arizona State Hospital (ASH) Fund in FY 2015 to reflect the increase in the state share of costs for the treatment of Sexually Violent Persons (SVP) 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 Baseline reflects the FY 2014 cost sharing arrangement by reducing the appropriation for the ASH Fund accordingly.

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). (See Table 1 for more information.)

Formula Adjustments

Formula adjustments are comprised of FY 2014 and FY 2015 changes to caseloads, FY 2015 changes in capitation rates, and FY 2015 changes to the federal match rate.

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 \$12,658,700 in FY 2015. Adjustments to Medicare Clawback payments will reduce General Fund costs by \$(824,400).

Aside from caseload growth due to federal health care legislation, Medicaid expansion, and Childless Adult restoration, Traditional acute care and Proposition 204 populations are projected to increase by 1% while the

CMDP population is projected to grow by 3% in FY 2015. Caseload growth in FY 2014 and FY 2015 is estimated to result in additional General Fund costs of \$25,987,300 in FY 2015.

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 \$(17,995,300) in General Fund spending reflecting savings from the federal rate increase.

Mandatory Federal Health Care Changes

Federal health care legislation passed in 2010, known as the Affordable Care Act (ACA), expands mandatory levels of Medicaid coverage beginning on January 1, 2014. The additional General Fund cost of this expanded coverage is estimated to be \$36,854,400 in FY 2015. 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. New enrollees in mandatory coverage will 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.)

Medicaid Expansion

The FY 2014 Health and Welfare Budget Reconciliation Bill (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. Medicaid expansion is estimated to result in additional General Fund costs of \$16,474,500 in FY 2015 and 246,168 additional enrollees by June 2015. (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. This cost shift is being addressed in FY 2014 through an interagency agreement. In FY 2015, the Baseline shifts these costs from DHS to AHCCCS. The Baseline includes a decrease of \$(8,250,000) from the General Fund in FY 2015 in DHS and a corresponding increase in AHCCCS.

Medicaid Behavioral Health - Traditional

The Baseline includes \$826,820,300 in FY 2015 for Medicaid Behavioral Health - Traditional. This amount consists of:

General Fund	227,225,600
Tobacco Tax and Health Care Fund	34,767,000
Medically Needy Account	
Federal Medicaid Authority	564,827,700

FY 2015 adjustments would be as follows:

Formula Adjustments	GF 39,492,000
	FMA 124,028,800

The formula adjustments include:

- 1.0% 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.

SMI Reclassification	GF (60,412,000)
	FMA (129,279,500)

The Baseline includes a decrease of \$(189,691,500) in FY 2015 to shift Proposition 204 SMI clients back to the Proposition 204 line item. 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. The FY 2015 Baseline shifts this population back to the Proposition 204 line item to reflect how the individuals are currently

enrolled. A corresponding increase can be found in the Proposition 204 line item.

CRS Shift to AHCCCS	GF (8,250,000)
	FMA (16,979,400)

The Baseline includes a decrease of \$(25,229,400) in FY 2015 to shift behavioral health services to the CRS line item in AHCCCS. 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 children who are not enrolled in CMDP and adults. In June 2015, there would be approximately 1,287,636 eligible individuals. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated average 10.61%, or 136,618, of the eligible population will utilize services.

Medicaid Behavioral Health - Proposition 204

The Baseline includes \$535,859,000 in FY 2015 for Medicaid Behavioral Health - Proposition 204. This amount consists of:

General Fund	118,285,800
Federal Medicaid Authority	417,573,200

FY 2015 adjustments would be as follows:

Formula Adjustments	GF 22,972,400
	FMA 184,848,300

The formula adjustments include:

- 1.0% enrollment growth.
- 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 annualization of costs associated with federal health care legislation and Childless Adult restoration.

SMI Reclassification	GF 60,412,000
	FMA 129,279,500

(Please see Medicaid Behavioral Health - Traditional for additional information.)

Background – This line item provides behavioral health treatment to Medicaid eligible children and adults. In June 2015, there would be 654,285 eligible individuals. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated average 10.61%, or 69,419, of the eligible population will utilize services.

Medicaid Behavioral Health - Comprehensive Medical and Dental Program

The Baseline 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

FY 2015 adjustments would be as follows:

Formula Adjustments	GF 11,407,300
	FMA 30,217,800

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 is primarily administered by the DES, although DHS administers behavioral health services for these clients. Prior to FY 2014, DHS administered CMDP behavioral health through its Children’s Behavioral Health (CBH) program. In June 2015, there would be approximately 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 64.17%, or 9,258, of the eligible population will utilize services.

Medicaid Behavioral Health - Adult Expansion

The Baseline includes \$73,805,900 from Federal Medicaid Authority in FY 2015 for the Adult Expansion.

FY 2015 adjustments would be as follows:

Formula Adjustments	FMA 56,118,300
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The formula adjustments include 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. It is estimated that 58,894 individuals will be enrolled in this line item in June 2015.

Proposition 204 Administration

The Baseline 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

FY 2015 adjustments would be as follows:

Formula Adjustments	GF (78,300)
	FMA 78,300

The Baseline 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 Baseline includes \$14,100,700 from the General Fund in FY 2015 for Medicare Clawback Payments. FY 2015 adjustments would be as follows:

Formula Adjustments	GF (824,400)
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The Baseline includes a decrease of \$(824,400) 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 Baseline includes \$23,998,500 in FY 2015 for Medicaid Insurance Premium Payments. This amount consists of:

General Fund	7,642,900
Federal Medicaid Authority	16,355,600

FY 2015 adjustments would be as follows:

Formula Adjustments	GF 186,200
	FMA 1,325,200

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 Baseline 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 the May 2012 agreement to end the suspension, the state has agreed to utilize the restored funding to provide *Arnold* class members with access to name-brand prescription medication, additional crisis services, and expanded support services. Additionally, the agreement requires that the amount of class members receiving treatment at the Arizona State Hospital is capped at 55, in order to encourage greater use of community-based treatment and living arrangements. (See *Other Issues for Legislative Consideration and Table 2 for more information.*)

Supported Housing

The Baseline 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 serviced an average of 3,097 clients per month in FY 2013.

Crisis Services

The Baseline includes \$16,391,100 from the General Fund 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.

Community Placement Treatment

The Baseline includes no funding in FY 2015 for Community Placement Treatment. FY 2015 adjustments would be as follows:

Eliminate SLI Funding OF (1,130,700)

The Baseline includes a decrease of \$(1,130,700) from the ASH Fund in FY 2015 for the elimination of the Community Placement Treatment SLI because the annual appropriation has not been expended by the department

since FY 2009. The department reports these services are funded through Behavioral Health Services (BHS) contracts with Regional Behavioral Health Authorities.

This line item provides funding for housing, transportation, clinical support, and meaningful day activities for State Hospital patients treated in the community.

The Baseline includes approximately \$66,000,000 for inpatient hospitalization services at the State Hospital for the SMI population. As of October 2013, the ASH census was 239 patients. (See *Other Issues for Legislative Consideration and Table 3 for more information.*)

Mental Health First Aid

The Baseline 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.

One-Time Electronic Medical Records Start-Up

The Baseline includes no funding in FY 2015 for Electronic Medical Records Start-Up. FY 2015 adjustments would be as follows:

Remove One-Time Funding OF (3,850,000)

The Baseline 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.

Public and Family Health

Adult Cystic Fibrosis

The Baseline 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 Baseline 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 Baseline includes \$1,125,000 in FY 2015 for Alzheimer's Disease Research. This amount consists of:

General Fund	125,000
TTHCF Health Research Account	1,000,000

These amounts are unchanged from FY 2014.

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 2014 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.

Breast and Cervical Cancer and Bone Density Screening

The Baseline 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 Baseline 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 Baseline includes \$300,000 from the General Fund in FY 2015 to provide additional funding for the purpose of maintaining essential emergency department and Level IV trauma services. This amount is unchanged from FY 2014.

A hospital must be located in a county with a population of less than 500,000 persons; be licensed to operate 25 or fewer beds; not be designated as a critical access hospital as of January 1, 2012, pursuant to U.S. Code 42 § 485, F; and located within 25 miles of a hospital operated by the Indian Health Service. La Paz Regional Hospital meets these criteria.

Folic Acid

The Baseline includes \$400,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund 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 Baseline 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 Baseline includes \$6,307,000 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2015 for the Newborn Screening Program. These amounts are unchanged from FY 2014.

This line item funds the centralized testing of all newborns in the state for a standard set of 29 disorders. In FY 2013, the program 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.

Nursing Facility Study

The Baseline includes \$50,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2015 for a quality improvement study of nursing care facilities. FY 2015 adjustments would be as follows:

Nursing Care Study	OF	(40,000)
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The Baseline 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 Baseline 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 Baseline 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 Baseline 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.

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Departmentwide

A monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals shall be forwarded electronically to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees, and the Director of the Joint Legislative Budget Committee by the 30th of the following month. The report shall include an estimate of potential shortfalls in programs, potential Federal and Other Funds, such as the statewide assessment for indirect costs, that may be available to offset these shortfalls, and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation, and total expenditure authority of the month and year-to-date for federally-matched services.

Behavioral Health

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 by that date since July 1, 2014. On June 30, 2015, the department shall report the same information for all of FY 2015.

The Department of Health Services shall report to the Joint Legislative Budget Committee 30 days after the end of each calendar quarter on the progress the department is making toward settling the *Arnold v. Sarn* lawsuit. The report shall include at a minimum the department's progress towards meeting the exit criteria and whether the department is in compliance with the exit criteria schedule.

It is the intent of the Legislature that the percent attributable to administration/profit for the Regional Behavioral Health Authority in Maricopa County is 9% of the overall capitation rate.

The amounts included in the Proposition 204 Administration and Medicaid Behavioral Health - Proposition 204 Special Line Items include all available sources of funding consistent with A.R.S. § 36-2901.01B.

In addition to the appropriation for the Department of Health Services, earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated

to the State Hospital in compliance with the Enabling Act and the Constitution of Arizona.

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

Public and Family Health

Of the \$1,125,000 for Alzheimer's Disease Research, \$1,000,000 of that amount is from the Tobacco Tax and Health Care Fund - Health Research Account.

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.

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote permitting DHS to use the department's IGA and ISA Fund as the state Medicaid match for behavioral health services.

STATUTORY CHANGES

The Baseline would:

- As session law, continue requiring all cities and counties to pay 100% of their Restoration to Competency costs.
- As session law, require all counties to pay 32% of their Sexually Violent Persons (SVP) costs, excluding any indirect and administrative costs associated with DHS providing SVP care. The Baseline would, as session law, also allow counties to use any source of county revenue to make the transfers and exempt county contributions from county expenditure limitations. (*See Other Issues for Legislative Consideration.*)
- 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 monies for Alzheimer's disease research.

- As session law, require 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 the 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 FOR LEGISLATIVE CONSIDERATION

FY 2014 Balance

DHS General Fund spending is projected to exceed the agency's appropriation by \$18 million in FY 2014. This estimate is due to higher than budgeted funding formula costs in BHS. Primary components of the net \$18 million estimate include:

- Increasing projected enrollment growth of the CMDP population to 7%, from the 1.5% budgeted rate. CMDP enrollment grew 15.1% in FY 2013 and 4.3% through the first 4 months of FY 2014.
- Actual capitation rate growth of 9.2% for CMDP and 3.6% for SMI populations while capitation rate growth was budgeted to be 2% in FY 2014.
- A slower decline than projected in the childless adult population for the last 3 months of FY 2013 and first 4 months of FY 2014. This population was subject to an enrollment freeze through December 31, 2013.

The summary tables for DHS' FY 2014 budget have not been updated to reflect any supplemental. The net \$18 million estimate in DHS could potentially be funded by a portion of AHCCCS' projected \$(73) million FY 2014 balance.

Non-Medicaid Behavioral Health Services Funding

The FY 2015 Baseline includes \$100,562,800 for Non-Medicaid behavioral health services, which are funded in the Non-Medicaid Seriously Mentally Ill (SMI) Services Special Line Item (SLI), Crisis Services SLI and the Supported Housing SLI. This is the same funding level as in FY 2014. When compared with the original FY 2009 appropriation for Non-Medicaid behavioral health services, the FY 2015 Baseline amount represents a reduction of \$(22,839,000). *Table 2* on the following page summarizes Non-Medicaid behavioral health funding totals and changes to funding in SLIs from FY 2009 to FY 2014. The FY 2011 budget consolidated Non-Medicaid behavioral health services into 3 SLIs. The FY 2013 budget further consolidated the Non-Medicaid behavioral health services SLIs 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 SLI.

Table 2

Non-Medicaid Behavioral Health Appropriations

Program	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2014 Change from FY 2009
CBH	\$ 8,851,800	\$ 7,320,700	\$ 0	\$ 0	\$ 0	\$ 0	\$ (8,851,800)
SMI	61,116,700	53,849,700	0	0	0	0	(61,116,700)
Court Monitor	197,500	197,500	0	0	0	0	(197,500)
Arnold v. Sarn	37,153,100	34,170,200	0	0	0	0	(37,153,100)
Mental Health	2,447,300	1,747,300	0	0	0	0	(2,447,300)
Substance Abuse	13,635,400	6,339,400	0	0	0	0	(13,635,400)
Prescription Medication	0	0	40,154,900	40,154,900	0	0	0
Supported Housing	0	0	5,324,800	5,324,800	5,324,800	5,324,800	5,324,800
Crisis Services	0	0	16,391,100	16,391,100	0	16,391,100	16,391,100
Non-Medicaid SMI Services	0	0	0	0	95,238,000	78,846,900	78,846,900
Total	\$123,401,800	\$103,624,800	\$61,870,800	\$61,870,800	\$100,562,800	\$100,562,800	\$(22,839,000)

County Sexually Violent Persons Contributions

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 (Laws 2013, 1st Special Session, Chapter 10) 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.

Currently, DHS bills counties at 50% of program rates. Once DHS collects half of the expected full-year costs, it suspends billing for the remainder of year and will make any adjustments in the next fiscal year to reflect the additional \$1.8 million in cost-sharing that the state is paying. DHS estimates expenditures for SVP care will be approximately \$9.7 million for FY 2014. Although not specifically authorized by previous session laws related to SVP, DHS has also billed counties indirect and administrative costs associated with SVP care, which totaled \$1.6 million in FY 2013. Based on this methodology, JLBC Staff estimates total expenditures will be \$11.3 million for FY 2014. After the \$1.8 million cost shift to the state, counties will pay \$3.9 million, or 35%, of total SVP expenditures.

The Baseline would establish the county share at 32% of the daily cost of SVP care, excluding indirect and administrative costs associated with DHS providing SVP care. This percentage is derived from the amount counties would have paid to DHS in FY 2014 less indirect and

administrative costs. The impact of this policy would be two-fold: 1) DHS would bill counties at 32% during the entire year instead of making adjustments in the next fiscal year and 2) indirect and administrative costs would be borne entirely by DHS.

Using the Baseline scenario, JLBC Staff estimates that direct expenditures associated with SVP care in FY 2015 will be approximately \$9.8 million, of which the counties would pay \$3.1 million.

Special Line Item Reporting

The JLBC Staff recommends that for greater transparency, the spending for the Arizona State Hospital, SVP and Restoration to Competency (RTC) programs should be reported as their own individual line items. These monies would be shifted from DHS' operating budget to 3 new line items. Separate reporting for SVP and RTC will also help clarify the cost-sharing arrangement between the state and counties. The delineation is displayed in Table 3.

Table 3

**Expenditures by Fund Source:
Arizona State Hospital, Sexually Violent Persons, and Restoration to Competency**

	<u>FY 2013 Actual</u>	<u>FY 2014 Estimate</u>	<u>FY 2015 Estimate</u>
Arizona State Hospital Special Line Item			
<u>Fund Source</u>			
General Fund	\$ 46,454,600	\$ 45,071,400	\$ 45,071,400
Arizona State Hospital Fund	5,562,500	7,766,400	5,666,400
State Hospital Land Earnings Fund	186,900	650,000	650,000
Indirect Cost Fund	0	1,450,000	0
Total Funds Available	\$ 52,204,000	\$ 54,937,800	\$ 51,387,800
Sexually Violent Persons Special Line Item			
<u>Fund Source</u>			
General Fund	\$ 4,704,400	\$ 6,707,300	\$ 6,707,300
Arizona State Hospital Fund	4,246,100	3,021,400	3,021,400
Total Funds Available	\$ 8,950,500	\$ 9,728,700	\$ 9,728,700
Restoration to Competency Special Line Item			
<u>Fund Source</u>			
Arizona State Hospital Fund	\$ 771,000	\$ 1,200,000	\$ 900,000
Total Funds Available	\$ 771,000	\$ 1,200,000	\$ 900,000

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Arizona State Hospital Fund (HSA3120/A.R.S. § 36-545.08)		Appropriated
Source of Revenue: State monies and matching federal monies for disproportionate share payments at the Arizona State Hospital, Medicaid reimbursement for services provided at the Arizona State Hospital, and monies collected for services to clients at the state hospital. The FY 2014 Health Budget Reconciliation Bill (BRB) (Laws 2013, Chapter 10) continues to require that all counties pay 100% of the cost of care for Restoration to Competency patients.		
Purpose of Fund: To provide treatment of patients at the Arizona State Hospital or to place Arizona State Hospital patients in the community.		
Funds Expended	10,453,700	14,918,500
Year-End Fund Balance*	1,457,500	(7,291,300)
Arizona State Hospital Land Earnings Fund (HSA3128/A.R.S. § 36-211)		Appropriated
Source of Revenue: Monies received from interest on the Arizona State Hospital's Permanent Land Fund, as established through Arizona's Enabling Act, Section 25, and the monies derived from the lease of these lands and miscellaneous revenue.		
Purpose of Fund: For the benefit and support of the Arizona State Hospital.		
Funds Expended	186,900	650,000
Year-End Fund Balance	1,189,700	1,014,700
Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund (HSA2513/A.R.S. § 36-119)		Non-Appropriated
Source of Revenue: Revenues from special plate fees and renewals. Of the \$25 fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited into the Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund.		
Purpose of Fund: For breast and cervical cancer screening and diagnostic and outreach services.		
Funds Expended	337,200	288,100
Year-End Fund Balance	147,700	73,900

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Capital Outlay Stabilization Fund (HSA1600/A.R.S. § 41-792.01)		Appropriated
Source of Revenue: Appropriations from the Arizona Department of Administration Capital Outlay Stabilization Fund and transfers from the Arizona Department of Administration (<i>see Arizona Department of Administration for more detail on Capital Outlay Stabilization Fund</i>).		
Purpose of Fund: Lease-purchase payments for the new state health laboratory (transfers from Arizona Department of Administration are spent for building renewal).		
Funds Expended	210,000	1,559,800
Year-End Fund Balance	0	0
Child Fatality Review Fund (HSA3036/A.R.S. § 36-3504)		Appropriated
Source of Revenue: A \$1 surcharge on fees collected on all certified copies of death certificates, up to \$100,000. Any revenue collected in excess of \$100,000 is transferred from the fund to the Child Abuse Prevention Fund in the Department of Economic Security.		
Purpose of Fund: To organize county child fatality review teams and to study data collected by these teams to determine ways to reduce the state's child mortality rate.		
Funds Expended	94,400	94,800
Year-End Fund Balance	739,300	885,500
Childhood Cancer and Rare Childhood Disease Research Fund (No Fund Number/A.R.S. § 28-2442, A.R.S. § 36-121)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of Childhood Cancer Research special plate fee and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Multiple Sclerosis special plates, if a person or entity pays \$32,000 by December 31, 2012. The required implementation fee of \$32,000 was received by the deadline and has been reimbursed to the person or entity that made the payment to ADOT. The person or entity that provided the \$32,000 shall design the Childhood Cancer Research special plates, subject to approval by ADOT. ADOT is to annually deposit these monies, excluding administrative fees, into the DHS-administered Childhood Cancer and Rare Childhood Disease Research Fund. DHS shall allocate monies from the fund to nonprofit health care providers and research institutions throughout the state for Phase I clinical trials relating to pediatric cancer or other rare pediatric diseases.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Disease Control Research Fund (HSA2090/A.R.S. § 36-274)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and any gifts, contributions or other monies received by the Disease Control Research Commission from any other source, including Proposition 204.		
Purpose of Fund: To be used for projects or services that may advance research in the causes, epidemiology and prevention of disease, including discovery and development.		
Funds Expended	2,462,700	2,462,700
Year-End Fund Balance	4,977,400	4,952,800
Donations - DHS (HSA3010/2025/A.R.S. § 36-132)		Non-Appropriated
Source of Revenue: Individual donations for various health related purposes.		
Purpose of Fund: For specific purposes as designated by the donors. Monies donated pursuant to A.R.S. § 36-213 and A.R.S. § 36-204 for the Arizona State Hospital are accounted for separately.		
Funds Expended	185,000	181,400
Year-End Fund Balance	910,500	1,118,100
Donations - Statewide (HSA2025/A.R.S. § 36-132)		Non-Appropriated
Source of Revenue: Individual donations from employee recognition events.		
Purpose of Fund: Employee recognition purposes.		
Funds Expended	2,300	2,300
Year-End Fund Balance	4,500	4,400

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Emergency Medical Services Operating Fund (HSA2171/A.R.S. § 36-2218)		Appropriated
Source of Revenue: The fund receives 48.9% of the Medical Services Enhancement Fund revenues, which are collected from a 13% surcharge on fines charged for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To fund local and state emergency medical services systems.		
Funds Expended	4,209,900	5,121,400
Year-End Fund Balance	3,857,900	4,288,200
Environmental Laboratory Licensure Revolving Fund (HSA3017/A.R.S. § 36-495.15)		Appropriated
Source of Revenue: Fees collected for environmental lab licensure, fees derived from department-sponsored workshops, and monies from gifts, grants, and donations.		
Purpose of Fund: For costs associated with licensing environmental laboratories by the Department of Health Services.		
Funds Expended	745,600	926,900
Year-End Fund Balance	524,700	332,400
Federal Child Care and Development Fund Block Grant (HSA2008/U.S. P.L 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: A portion of the Federal Child Care and Development Block Grant provides the Assurance and Licensure Division with monies for the licensure of child care facilities.		
Funds Expended	694,500	830,400
Year-End Fund Balance	66,500	66,500
Federal Grants (HSA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants and reimbursements from the federal government. Federal reimbursement for the Medicaid program is not included in this fund and can be found listed in the Medicaid Services and County Contributions Fund.		
Purpose of Fund: To provide health services in accordance with the terms of each specific grant.		
Funds Expended	311,830,100	310,371,800
Year-End Fund Balance*	(4,938,600)	(1,090,500)
Federal Grants - American Recovery and Reinvestment Act (ARRA) (HSA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5)		
Purpose of Fund: One-time Federal Funds to be used by the department for Public Health and Family Health programs.		
Funds Expended	1,386,900	201,300
Year-End Fund Balance	276,300	264,900
Federal Medicaid Services (HSA2500/A.R.S. § 35-142)		Expenditure Authority
Source of Revenue: The fund receives federal match dollars for treating behavioral health problems in Medicaid-eligible persons.		
Purpose of Fund: For accounting purposes, these monies are considered part of the Agreements/IGA Fund. However, for informational purposes, the revenues and expenditures related to behavioral health have been separated from the Agreements Fund.		
Funds Expended	769,024,300	833,610,500
Year-End Fund Balance	0	0
Health Services Licensure Fund (HSA1995/A.R.S. § 36-405, A.R.S. § 36-414)		Appropriated
Source of Revenue: Nonrefundable fees for health care institution licensing services and monies from the examination and licensing of hearing and speech professionals.		
Purpose of Fund: For health care institutions' licensing applications, initial license, renewal license and architectural drawing reviews. Pursuant to Laws 2013, Chapter 33, revenues from licensing and examination of hearing and speech professionals are deposited into this fund. DHS establishes nonrefundable fees for assurance and licensure. 90% of assurance and licensure fees have been deposited into this fund with the remaining 10% deposited into the General Fund.		
Funds Expended	7,784,800	8,842,400
Year-End Fund Balance	2,102,500	2,569,400

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Hearing and Speech Professionals Fund (HSA3041/A.R.S. § 36-1903)		Appropriated
Source of Revenue: Monies collected by DHS from the examination and licensing of hearing and speech professionals.		
Purpose of Fund: For the licensing and regulation of hearing and speech professionals. Laws 2013, Chapter 33 repeals the Hearing and Speech Professionals Fund and consolidates revenues collected by the department from the examination of licensing of hearing professional to the Health Services Licensing Fund. The FY 2014 Health and Welfare BRB (Laws 2013, Special Session, Chapter 10) transfers any unexpended monies in the Hearing and Speech Professionals Fund to the Health Services Licensing Fund.		
Funds Expended	317,800	0
Year-End Fund Balance	663,800	663,800
IGA/County Contributions (HSA2144/2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: This fund receives revenues from intergovernmental agreements between DHS and other state and local entities, contributions from Maricopa and Pima Counties for treating persons with behavioral health problems, subaccounts for Liquor Services Fees authorized under A.R.S. § 4-203.02, and deposits from the State Lottery Fund pursuant to A.R.S. § 5-572. In FY 2014, DHS will receive \$53,628,600 from Maricopa and Pima County for behavioral health services, \$9,089,100 from the Arizona Health Care Cost Containment System (AHCCCS) for KidsCare, \$14,000,000 from the Department of Economic Security for nutrition services. The department also will receive \$6,967,000 from the State Lottery Fund for teenage pregnancy prevention, disease research, Health Start, and the Women, Infants, and Children (WIC) program.		
Purpose of Fund: To fund services which DHS has agreed to perform at the request of, or in conjunction with, public agencies.		
Funds Expended	91,498,200	90,493,500
Year-End Fund Balance	39,329,700	30,779,400
Indirect Cost Fund (HSA9001/A.R.S. § 36-108)		Appropriated
Source of Revenue: Charges made to Federal Funds and interagency agreements in order to reimburse the agency for a portion of the administrative costs of the programs.		
Purpose of Fund: To pay a portion of the administrative personnel and overhead costs associated with various federal programs and interagency agreements.		
Funds Expended	8,746,700	10,390,400
Year-End Fund Balance*	1,367,200	(134,100)
Internal Services Fund (HSA4202/A.R.S. § 36-108)		Non-Appropriated
Source of Revenue: Charges from other DHS funds.		
Purpose of Fund: Revolving Fund used by DHS warehouse for the purchase of goods.		
Funds Expended	0	0
Year-End Fund Balance	115,300	115,300
Long Term Care System Fund (HSA2223/A.R.S. § 36-2953)		Appropriated
Source of Revenue: Client revenue for room and board, third-party recovery, interest, and miscellaneous federal monies.		
Purpose of Fund: To fund, in most circumstances, Department of Economic Security administrative and program costs associated with the Long Term Care system. These monies were allocated to DHS for the cost of a provider rate increase in FY 2013. The cost was shifted to the General Fund in FY 2014.		
Funds Expended	1,379,600	0
Year-End Fund Balance	0	0
Medical Marijuana Fund (HSA2544/A.R.S. § 36-2817)		Non-Appropriated
Source of Revenue: The fund receives application and renewal fees from medical marijuana dispensaries, civil penalties and private donations.		
Purpose of Fund: To regulate dispensation, prescription, and use of medical marijuana, including an electronic registry of dispensary agents, patients and designated caregivers.		
Funds Expended	3,663,200	3,663,200
Year-End Fund Balance	7,497,600	9,616,400

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Medical Student Loan Fund (HSA3306/A.R.S. § 15-1725)		Non-Appropriated
Source of Revenue: Monies from legislative appropriations, and loan repayments of principal, interest, and penalties received by the board. These monies are exempt from lapsing. The FY 2013 Higher Education Budget Reconciliation Bill (Laws 2012, Chapter 301) transferred the administration of the fund to the Department of Health Services. All monies in the fund are to be used for the Primary Care Provider Loan Repayment Program. There are no new legislative appropriations into this fund.		
Purpose of Fund: To provide loans to defray the medical education expenses of medical program graduates, in return for a service commitment to the state.		
Funds Expended	0	0
Year-End Fund Balance	74,000	148,000
Newborn Screening Program Fund (HSA2184/A.R.S. § 36-694.01)		Appropriated
Source of Revenue: Monies received as part of the hospital charges for each child born in Arizona. Fee limits for newborn screening are \$30 for the first blood and hearing screening and \$40 for the second blood and hearing screening.		
Purpose of Fund: To provide monies for the centralized testing of all newborns in the state for a standard set of 29 metabolic and congenital (environmental/inherited) disorders. Every 4 years the department solicits bids for the contracting of these tests. The State Health Lab holds the current contract. In addition, the fund provides monies for follow-up counseling for the parents of affected infants.		
Funds Expended	5,652,100	6,738,900
Year-End Fund Balance*	978,400	(1,296,100)
Nursing Care Institution Resident Protection Revolving Fund (HSA2329/A.R.S. § 36-446.08)		Appropriated
Source of Revenue: Civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications.		
Purpose of Fund: For the protection of the health and property of residents of nursing care facilities that are found deficient.		
Funds Expended	54,700	128,200
Year-End Fund Balance	1,261,000	1,314,100
Oral Health Fund (HSA3038/A.R.S. § 36-138)		Non-Appropriated
Source of Revenue: Monies received from AHCCCS contracts for dental services.		
Purpose of Fund: To provide dental services to Medicaid-eligible children identified by the DHS Oral Health program.		
Funds Expended	201,000	201,000
Year-End Fund Balance	677,900	729,600
Prescription Drug Rebate Fund (HSA2546/A.R.S. § 36-2930)		Partially-Appropriated
Source of Revenue: Prescription drug rebate collections, interest from prescription drug rebate late payments and Federal monies made available to this state for the operation of the Medicaid Prescription Drug Rebate Program.		
Purpose of Fund: To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. Also used to return the federal share of Prescription Drug Rebate collections and interest from late payments to the federal Centers for Medicare and Medicaid Services by offsetting future federal draws. Federal monies in this fund are non-appropriated through FY 2012. Beginning in FY 2013, federal monies are listed as Expenditure Authority. All Other monies are appropriated.		
Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	0	0
Risk Assessment Fund (HSA2427/A.R.S. § 36-1693)		Non-Appropriated
Source of Revenue: Monies from the Department of Environmental Quality for risk services performed by DHS. The fund may also receive legislative appropriations, gifts, grants, or donations.		
Purpose of Fund: To conduct health effects studies and risk assessments of public health risks from environmental exposure, to evaluate and calculate cleanup standards, to communicate health risks to the public, and for administrative costs of those activities.		
Funds Expended	16,100	16,100
Year-End Fund Balance	47,600	76,500

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Serious Mental Illness Services Fund (HSA2464/A.R.S. § 36-503.02)		Non-Appropriated
Source of Revenue: Monies appropriated from the Tobacco Litigation Settlement Account, other legislative appropriations and interest earned on these monies. The fund received a one-time appropriation of \$50,000,000 from tobacco settlement funds in FY 2001. The final \$1,100,000 was spent in FY 2005.		
Purpose of Fund: To fund Community Housing, Vocational Rehabilitation, and other recovery support services to persons with serious mental illnesses.		
Funds Expended	0	0
Year-End Fund Balance	2,900	2,900
Seriously Mentally Ill Housing Trust Fund (HSA2555/A.R.S. § 41-3955.01)		Non-Appropriated
Source of Revenue: Receives \$2,000,000 from the proceeds of the sales of unclaimed property and interest income. A.R.S. § 44-313 states that the first \$2,000,000 in unclaimed property revenues are distributed to the Seriously Mentally Ill Housing Trust Fund. The second \$2,500,000 in unclaimed property revenues are distributed to the Housing Trust Fund, which is administered by the Department of Housing.		
Purpose of Fund: To fund housing projects for the seriously mentally ill. The appropriated portion pays for administration expenses, and may not exceed 10% of the Seriously Mentally Ill Housing Trust monies. The non-appropriated portion of the fund is used for the operation, construction or renovation of a facility that houses seriously mentally ill individuals.		
Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	586,800	586,800
Year-End Fund Balance	3,456,900	4,901,500
Service Fees Increase Fund (HSA1050/Laws 2010, 7th Special Session, Chapter 12)		Non-Appropriated
Source of Revenue: General Fund fee increase from fees raised pursuant to Laws 2010, 7th Special Session, Chapter 12.		
Purpose of Fund: Operating activities.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Smoke-Free Arizona Fund (HSA2541/A.R.S. § 36-601.01)		Non-Appropriated
Source of Revenue: A 2¢ per pack tax on cigarettes. Any revenues not used by the department to enforce the smoking ban are deposited to the Tobacco Tax Products Fund to be used for education programs to reduce or eliminate tobacco use.		
Purpose of Fund: To enforce the provisions of Proposition 201 (Smoke-Free Arizona Act) enacted in the 2006 General Election. The Smoke-Free Arizona Act banned smoking in public places except retail tobacco stores, veteran and fraternal clubs, hotel rooms designated as smoking rooms, and outdoor patios.		
Funds Expended	2,915,100	2,915,100
Year-End Fund Balance	572,000	556,900
Substance Abuse Services Fund (HSA2227/A.R.S. § 36-2005)		Appropriated
Source of Revenue: The fund receives 23.6% of monies collected from Medical Services Enhancement Fund, which is a 13% penalty levied on criminal offenses, motor vehicle civil violations, and game and fish violations. Monies are deposited into 2 subaccounts.		
Purpose of Fund: To provide alcohol and other drug screening, education or treatment for persons court-ordered to attend and who do not have the financial ability to pay for the services, to contract for preventive or rehabilitative and substance abuse services, and to provide priority for treatment services to pregnant substance abusers.		
Funds Expended	2,250,000	2,250,000
Year-End Fund Balance	2,205,700	2,501,100
Temporary Transaction Privilege and Use Tax – 1% Fund (HSA1032/Article IX, Section 12.1 of State Constitution)		Non-Appropriated
Source of Revenue: Temporary 3-year 1-cent sales and use tax authorized by voters during the May 2010 special election. The tax expires after May 31, 2013.		
Purpose of Fund: To provide funding for primary and secondary education, health and human services and public safety. Expenditures are not displayed to avoid double counting General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Tobacco Tax and Health Care Fund - Health Education Account (HSA1308/A.R.S. § 36-772)		Non-Appropriated
Source of Revenue: The account receives 23¢ of each dollar deposited in the Tobacco Tax and Health Care Fund and 2¢ of each dollar in the Tobacco Products Tax Fund.		
Purpose of Fund: Monies are used for community-based education and evaluation, and other programs to discourage tobacco use among the general public, specifically targeting minors and culturally diverse populations. The monies from the Tobacco Products Tax Fund are used for the prevention and detection of the 4 leading causes of death.		
Funds Expended	17,481,400	18,600,000
Year-End Fund Balance	7,731,700	5,009,100
Tobacco Tax and Health Care Fund - Health Research Account (HSA2096/ A.R.S. § 36-275, A.R.S. § 36-773)		Partially-Appropriated
Source of Revenue: The fund receives monies from the Health Research Account of the Tobacco Tax and Health Care Fund.		
Purpose of Fund: Monies are used for research into the prevention and treatment of tobacco-related disease and addiction.		
Appropriated Funds Expended	1,000,000	1,000,000
Non-Appropriated Funds Expended	8,945,400	7,910,400
Year-End Fund Balance	1,573,500	296,500
Tobacco Tax and Health Care Fund - Medically Needy Account (HSA1306/A.R.S. § 36-774)		Partially-Appropriated
Source of Revenue: The account receives funding from the Medically Needy Account of the Tobacco Tax and Health Care Fund, which is managed by AHCCCS. All monies remaining unexpended at the end of the fiscal year revert to the AHCCCS Medically Needy Account. <i>(See Tobacco Tax Table in the AHCCCS section.)</i>		
Purpose of Fund: Monies are used for a variety of health programs that are intended to increase primary care and mental health services for uninsured and low-income populations.		
Appropriated Funds Expended	35,083,000	35,467,000
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	0	0
Vital Records Electronic Systems Fund (HSA3039/A.R.S. § 36-341.01)		Appropriated
Source of Revenue: Fees collected for searches, copies of records, applications to file delayed records, requests for supplementary birth certificates, following adoption, legitimation, paternity determination, surgical alterations, and chromosomal counts, or amendments to existing records. DHS is authorized by A.R.S. § 36-341 to set vital records fees for individuals and counties that access the vital records electronic system. Total revenues are limited to \$4,530,000. Of the first \$4,000,000, 85% will be required into the Vital Records Electronic Systems Fund and 15% will be deposited into the General Fund. For any revenue above \$4,000,000, 40% will be deposited into the Vital Records Electronic Systems Fund and 60% will be deposited into the General Fund.		
Purpose of Fund: To develop and operate a new vital records automated system.		
Funds Expended	2,456,200	3,634,700
Year-End Fund Balance	861,200	234,300

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

Arizona Historical Society

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	51.9	51.9	51.9
Personal Services	1,185,600	1,240,200	1,240,200
Employee Related Expenditures	482,500	525,800	525,800
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	2,116,500
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	544,200
AGENCY TOTAL	3,065,300	3,155,000	3,155,000
FUND SOURCES			
General Fund	3,065,300	3,155,000	3,155,000
SUBTOTAL - Appropriated Funds	3,065,300	3,155,000	3,155,000
Other Non-Appropriated Funds	1,127,500	1,094,700	941,900
TOTAL - ALL SOURCES	4,192,800	4,249,700	4,096,900

AGENCY DESCRIPTION — The Arizona Historical Society acquires, preserves, maintains, and publicly exhibits archival and museum objects pertaining to the history of Arizona, the West, and the Indian tribes inhabiting the state. The Society's major museums are in Yuma, Flagstaff, Tucson, Phoenix, and Tempe (Papago Park).

Operating Budget

The Baseline includes \$2,116,500 and 40.4 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

Arizona Experience Museum

The Baseline 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 Department of Mines and Mineral Resources.

The museum closed May 1, 2011 for renovations and 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. (Please see *Other Issues for Legislative Consideration* for more information.)

Field Services and Grants

The Baseline 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 Baseline includes \$544,200 and 10.1 FTE Positions from the General Fund in FY 2015 for the Papago Park Museum. These amounts are unchanged from FY 2014.

This line item funds the operation and maintenance of the Papago Park Museum.

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

New Footnotes

The Arizona Historical Society shall submit a joint report with the Arizona Department of Administration to the Joint Legislative Budget Committee on the options for use of the now vacant Mining and Mineral Museum at 1502 W. Washington Street. The options may include, but are not limited to, reopening the space as a museum, converting the space into offices or sale of the facility. The report shall address the costs of each option. The report shall also include both Arizona Historical Society's and the department's recommended option. The report is due on or before November 28, 2014. *(Please see the Arizona Experience Museum for more information.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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

Facility	Visitors
Arizona History (Tucson)	11,486
Downtown History (Tucson)	1,243
Fort Lowell (Tucson)	2,376
Sanguinetti House (Yuma)	4,882
Museum at Papago Park (Tempe)	6,867
Pioneer Museum (Flagstaff)	12,487
Riordan Mansion (Flagstaff)	<u>24,732</u>
Total	64,073

^{1/} Latest available information.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Federal Grants (HIA2000/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To be used in accordance with the requirements of each grant.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Permanent Arizona Historical Society Revolving Fund (HIA2900/A.R.S. § 14-826)		Non-Appropriated
Source of Revenue: Monies from the operation of gift shops, book shops, food service facilities, and charges for the use of or admission into any of the society's facilities.		
Purpose of Fund: For enhancing the programs of the society, or operating or improving its facilities.		
Funds Expended	425,700	453,800
Year-End Fund Balance	185,100	201,900
Preservation and Restoration Fund (HIA2125/A.R.S. § 41-825)		Non-Appropriated
Source of Revenue: Reproduction charges.		
Purpose of Fund: To preserve and restore historic photographs.		
Funds Expended	45,100	42,700
Year-End Fund Balance	51,600	43,900
Private Fund (HIA9447/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Revenues are generated through memberships, unrestricted donations, and program revenue. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.		
Purpose of Fund: For operating expenses.		
Funds Expended	415,200	359,400
Year-End Fund Balance	857,300	830,700

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Private Grants Fund (HIA9449/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Derived from the AHS Foundation, National Endowment for the Humanities, and DeGrazia Foundation. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.		
Purpose of Fund: To be used in accordance with the requirements of each grant.		
Funds Expended	8,200	56,900
Year-End Fund Balance	43,800	31,900
Restricted Fund (HIA9448/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Private restricted donations. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.		
Purpose of Fund: To be used for specific projects as designated by donor.		
Funds Expended	231,600	170,000
Year-End Fund Balance	364,000	347,300
Trust Fund (HIA9450/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Monies held in trust for specific purposes. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool. Only interest earnings are expended.		
Purpose of Fund: For operating expenses.		
Funds Expended	1,700	11,900
Year-End Fund Balance	247,600	236,200

Prescott Historical Society of Arizona

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	195,500
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	826,000

FUND SOURCES

General Fund	676,600	826,000	826,000
SUBTOTAL - Appropriated Funds	676,600	826,000	826,000
Other Non-Appropriated Funds	182,000	182,400	182,400
TOTAL - ALL SOURCES	858,600	1,008,400	1,008,400

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

FORMAT — Lump Sum by Agency

The Baseline includes \$826,000 and 13 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Sharlot Hall Historical Society (PHA9505/A.R.S. § 41-831)		Non-Appropriated
Source of Revenue: Monies received from admissions, donations, memberships, interest, gift shop and rent. Funds are outside the control of the State Treasurer and by statute are held in trust for the society's use by the Society Treasurer.		
Purpose of Fund: To print publications and journals, as well as to pay for educational programming, archival and curatorial supplies and graphics.		
Funds Expended	182,000	182,400
Year-End Fund Balance	0	0

Arizona Department of Homeland Security

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Federal Funds (HLA2000/A.R.S. § 41-4254)		Non-Appropriated
Source of Revenue: Grants received from the U.S. Department of Homeland Security.		
Purpose of Fund: To provide state agencies and local governments with funding to deter and mitigate acts of terrorism. Federal grant guidelines allow up to 5% of the grant total to be used for administrative costs.		
Funds Expended	45,737,900	37,189,000
Year-End Fund Balance	1,108,700	0

Board of Homeopathic and Integrated Medicine Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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

FUND SOURCES

Other Appropriated Funds

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 Baseline 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.

* * *

FORMAT — Lump Sum by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Continued Limited Revenue

The Board of Homeopathic and Integrated Medicine Examiners continues to experience a decrease in its revenue. In the 1st Regular Session, SB 1244 would have increased and established new fees which would have provided sufficient revenue given the number of existing licensees. In the House of Representatives, the bill received 35 yes votes, which was short of the two-thirds majority required for passage. The board's Director spent only \$86,300 in FY 2013, instead of the \$110,000 appropriated amount. This allowed the board to operate without exceeding its FY 2013 revenue of \$91,000. However, this was only possible because the Director was willing to work less than 20 hours per week for a year.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Board of Homeopathic and Integrated Medicine Examiners' Fund (HEA2041/A.R.S. § 32-2906)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of homeopaths. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate homeopaths, and for board administration.		
Funds Expended	86,300	102,100
Year-End Fund Balance	14,100	7,700

Arizona Department of Housing

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	66,900
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	54,000
Equipment	3,400	4,500	4,500
AGENCY TOTAL	311,200	313,800	313,800

FUND SOURCES

Other Appropriated Funds

Housing Trust Fund	311,200	313,800	313,800
SUBTOTAL - Other Appropriated Funds	311,200	313,800	313,800
SUBTOTAL - Appropriated Funds	311,200	313,800	313,800
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	89,076,500

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 Baseline includes \$313,800 and 3 FTE Positions from the Housing Trust Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Federal Funds (HDA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal Funds for affordable housing programs.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	83,381,500	81,863,800
Year-End Fund Balance	1,025,700	826,800
Federal Grants - American Recovery and Reinvestment Act (ARRA) (HDA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for the weatherization of homes, energy efficiency and usage reduction, and appliance rebates.		
Funds Expended	736,200	0
Year-End Fund Balance	152,500	152,500

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Housing Development Fund (HDA2313/A.R.S. § 41-3956)		Non-Appropriated
Source of Revenue: Monies transferred through legislation from the Housing Trust Fund. The Legislature transferred \$500,000 from the Housing Trust Fund in FY 1999 and FY 2001. No new appropriations are being sought for this fund.		
Purpose of Fund: To provide incentives for the development of affordable housing around state prisons for state prison employees.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Housing Program Fund (HDA2200/A.R.S. § 41-3957)		Non-Appropriated
Source of Revenue: Fees received from the following programs: private activity bond (underwriting and hearings), low-income tax credit (application, monitoring and reservation fees), fees charged from conferences and workshops, fees from the Section 8 project-based contract administration program, and administrative reimbursements from Federal Hardest Hit Funds.		
Purpose of Fund: To pay the costs of administering the programs from which the deposits are received and for other department programs. Additionally, at the Director's election, to transfer to any fund established by the Arizona Housing Finance Authority in connection with any bonds or certificates issued by the Arizona Housing Finance Authority.		
Funds Expended	4,393,500	4,973,400
Year-End Fund Balance	6,320,400	7,346,100
Housing Trust Fund (HDA2235/A.R.S. § 41-3955)		Partially-Appropriated
Source of Revenue: Receives \$2,500,000 from the proceeds of the sales of unclaimed property and interest income. Laws 2011, Chapter 28 reduced the annual deposit of unclaimed property revenues to the Housing Trust Fund from \$10,500,000 to \$2,500,000 beginning in FY 2012. The Housing Trust Fund receives its \$2,500,000 annual unclaimed property deposit after the first \$2,000,000 in unclaimed property revenues are distributed to the Department of Health Services Seriously Mentally Ill Housing Trust Fund.		
Purpose of Fund: For expenses related to the provision of affordable housing opportunities to low and moderate income families. The appropriated portion pays for administration expenses, and may not exceed 10% of the Housing Trust monies. The non-appropriated portion of the fund is used for the operation, construction, or renovation of housing facilities for low-income households. The Legislature may transfer monies from the fund to the Housing Development Fund for use on housing projects around state prisons. <i>(See Housing Development Fund detail for additional information.)</i>		
Appropriated Funds Expended	311,200	313,800
Non-Appropriated Funds Expended	6,088,200	7,516,200
Year-End Fund Balance	15,605,900	10,771,200
IGA & ISA Fund (HDA2500/A.R.S. § 41-3952)		Non-Appropriated
Source of Revenue: Interagency Service Agreements including transfers from the Housing Trust Fund through an interagency agreement to support the programs of the Arizona Housing Finance Authority (AZHFA). The fund will also receive monies through fees earned by the finance authority.		
Purpose of Fund: The fund supports the activities of the AZHFA which issues bonds to finance single and multi-family housing programs. Majority of funds relate to a Housing Trust Fund ISA with AZHFA for homeownership and multi-family programs.		
Funds Expended	283,300	234,300
Year-End Fund Balance	4,587,900	5,213,000

Independent Redistricting Commission

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	2,592,500	1,115,100	--
AGENCY TOTAL	2,592,500^{1/}	1,115,100^{2/}	--^{3/}
FUND SOURCES			
General Fund	2,592,500	1,115,100	--
SUBTOTAL - Appropriated Funds	2,592,500	1,115,100	--
TOTAL - ALL SOURCES	2,592,500	1,115,100	--

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 FY 2015 Baseline funding level for the Independent Redistricting Commission (IRC) is to be determined. Due to litigation against the final legislative district boundaries, the commission has requested additional funding for operating and legal expenses.

FY 2014/FY 2015 Budget Request: The IRC has requested an FY 2014 supplemental of \$1,245,800 and an additional \$1,115,100 for the FY 2015 budget. The total request includes \$484,700 for operating expenses and \$630,400 for legal and mapping consultant fees. IRC has indicated that the overall budget request is based on 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 districts. The U.S. District Court confirmed the Arizona Court of Appeals decision to convene a 3 judge panel and has appointed judges to that panel. Hearings may begin in the spring of 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. Some 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 an unconstitutional result of partisan bias. This case went to trial in March 2013 and the parties are currently awaiting the decision of the 3 judge panel.

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OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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. These supplemental appropriations along with the FY 2014 budget amount bring total funding for the current redistricting cycle to \$7,907,626 (see Table 1).

^{1/} The FY 2013 General Appropriation Act specified that the FY 2013 appropriation may be used for payment of obligations incurred in FY 2012.

^{2/} Laws 2013, Chapter 158 allowed the FY 2014 appropriation to be used for the payment of obligations incurred in FY 2013.

^{3/} Funding to be determined.

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)	<u>1,115,100</u>
Total	\$ 7,907,626

Arizona Commission of Indian Affairs

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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

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 Baseline 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.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Arizona Indian Town Hall Fund (IAA4014/A.R.S. § 41-545)		Non-Appropriated
Source of Revenue: Monies collected or received at Indian town halls as fees for administration.		
Purpose of Fund: To defray administrative costs related to Indian town halls.		
Funds Expended	0	0
Year-End Fund Balance	100	100
IGA and ISA Fund (IAA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: To execute various intergovernmental and interagency service agreements.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Publications Fund (IAA4013/A.R.S. § 41-543)		Non-Appropriated
Source of Revenue: Sale of commission publications.		
Purpose of Fund: To produce and distribute commission publications. At fiscal year end, amounts in excess of \$15,000 revert to the General Fund.		
Funds Expended	0	1,500
Year-End Fund Balance	1,800	2,800

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Statewide Donations Fund (IAA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies from booth space at Indian Nations and Tribes Legislative Day. Additional funds are obtained from outside sources such as the 22 tribes and nations of Arizona, as well as private corporations.		
Purpose of Fund: To pay for expenses incurred for Indian Nations and Tribes Legislative Day. Arizona Commission of Indian Affairs is required by statute to facilitate this day on the second Tuesday of each regular legislative session.		
Funds Expended	10,200	13,000
Year-End Fund Balance	11,400	13,400

Industrial Commission of Arizona

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	3,826,700
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	19,989,500

FUND SOURCES

<u>Other Appropriated Funds</u>			
Administrative Fund	18,768,800	19,989,500	19,989,500
SUBTOTAL - Other Appropriated Funds	18,768,800	19,989,500	19,989,500
SUBTOTAL - Appropriated Funds	18,768,800	19,989,500	19,989,500
<u>Other Non-Appropriated Funds</u>			
Federal Funds	33,181,200	29,660,000	29,660,000
TOTAL - ALL SOURCES	56,938,000	55,585,600	55,641,900

AGENCY DESCRIPTION — The Industrial Commission regulates the workers' compensation insurance industry. The commission is also responsible for child labor issues, occupational safety and health issues, wage claim dispute resolutions, licensing of private employment agencies and providing workers' compensation coverage for claimants of uninsured and self-insured employers or insolvent carriers.

Operating Budget

FORMAT — Lump Sum by Agency

The Baseline includes \$19,989,500 and 235.6 FTE Positions from the Administrative Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Administrative Fund (ICA2177/A.R.S. § 23-1081)		Appropriated
Source of Revenue: Annual tax on workers' compensation premiums that cannot exceed 3%.		
Purpose of Fund: For all expenses of the Industrial Commission in carrying out its powers and duties.		
Funds Expended	18,768,800	19,989,500
Year-End Fund Balance	8,710,600	2,521,100
Federal Grants (ICA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To enforce occupational safety and health standards in all industries in Arizona except businesses relating to mining and smelting, businesses located on Indian reservations and federal agencies.		
Funds Expended	4,988,000	5,936,100
Year-End Fund Balance	2,174,200	2,217,100

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Revolving Fund (ICA2002/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges for claims education seminars and training materials, charges for medical fee schedules and other miscellaneous revenue.		
Purpose of Fund: To fund an annual seminar on workers' compensation for insurance carriers and self-insured employers; to print a medical fee schedule for workers' compensation; and to provide a holding account for money owed to employees by their employers for back wages.		
Funds Expended	135,100	140,000
Year-End Fund Balance	101,700	114,900
Special Fund (ICA9003/A.R.S. § 23-1065)		Non-Appropriated
Source of Revenue: Assessments on workers' compensation premiums, earnings on investments, rent proceeds, and reimbursement of the cost of benefits provided to injured employees of uninsured employers.		
Purpose of Fund: To provide medical benefits in excess of original policy limits on claims occurring prior to a 1973 law change requiring unlimited statutory medical benefits; to provide compensation benefits resulting from second injuries; to provide vocational rehabilitation benefits; and to provide benefits on claims against uninsured employers and insolvent insurance carriers.		
Funds Expended	33,046,100	29,520,000
Year-End Fund Balance	5,413,200	6,902,200

Department of Insurance

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	1,292,700
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	5,364,900
FUND SOURCES			
General Fund	4,984,400	5,364,900	5,364,900
SUBTOTAL - Appropriated Funds	4,984,400	5,364,900	5,364,900
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	13,081,600

AGENCY DESCRIPTION — The Department of Insurance licenses and authorizes the transaction of insurance business by insurers, producers, and other insurance-related entities. The department collects various filing and licensing fees, which are deposited into the state General Fund. The revenues derived from these fees are required by law to be between 95% and 110% of the department's state General Fund appropriation.

Operating Budget

The Baseline includes \$5,364,900 and 90.5 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

* * *

FORMAT — Lump Sum by Agency

STATUTORY CHANGES

The Baseline would, as session law, continue to suspend the statutory provision that fees collected by the department fall between 95% and 110% of the department's appropriation for FY 2015.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Assessment Fund for Voluntary Plans Fund (IDA2316/A.R.S. § 20-2201)		Non-Appropriated
Source of Revenue: Assessments paid by insurance companies or reinsuring carriers authorized to sell liability insurance.		
Purpose of Fund: To provide for the administrative costs associated with finding liability insurance for classes of risk that are unable to obtain liability coverage. Monies are also used to administer the Small Employers Reinsurance Plan Board. The board ensures the accessibility of small group health insurance by requiring a reinsurance program to spread the risk of insuring small groups.		
Funds Expended	138,500	141,800
Year-End Fund Balance	87,500	123,700

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Captive Insurance Regulatory and Supervision Fund (IDA2377/A.R.S. § 20-1098.18)		Non-Appropriated
Source of Revenue: License and renewal fees collected from individual captive insurers and corporations applying to do business as a captive insurer. A captive insurer is an enterprise with the authority to function as an independent insurance company, but is organized by a parent company with the express intent to provide the parent company's insurance.		
Purpose of Fund: To provide funding for the promotion of the state's captive insurance industry. Up to \$100,000 may be used annually to cover the department's administration costs.		
Funds Expended	158,100	185,600
Year-End Fund Balance	491,400	94,100
Federal Funds (IDA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal monies from Affordable Care Act grants.		
Purpose of Fund: To implement the provisions of the Affordable Care Act, including the planning and implementation of a health insurance exchange and to aid in the review of health insurance premium rates.		
Funds Expended	612,900	1,794,500
Year-End Fund Balance	0	0
Financial Surveillance Fund (IDA2473/A.R.S. § 20-156)		Non-Appropriated
Source of Revenue: Assessments paid by domestic insurers, other than life and disability re-insurers, service companies, and mechanical reimbursement re-insurers.		
Purpose of Fund: To provide funds for the costs of financial analysts who conduct financial surveillance of domestic insurers in order to identify possible risks to financial stability.		
Funds Expended	211,600	222,600
Year-End Fund Balance	209,800	300,600
Health Care Appeals Fund (IDA2467/A.R.S. § 20-2540)		Non-Appropriated
Source of Revenue: One-time fee of \$200 and an annual fee of up to \$200 per health care insurance company.		
Purpose of Fund: To pay for start-up and ongoing costs related to selecting an independent review organization. The selected organization will conduct external independent reviews that involve issues of medical necessity.		
Funds Expended	196,100	212,500
Year-End Fund Balance	79,800	91,900
Insurance Examiners' Revolving Fund (IDA2034/A.R.S. § 20-159)		Non-Appropriated
Source of Revenue: Payments made by insurance companies for costs of financial, rate, and market conduct examinations performed by contract examiners.		
Purpose of Fund: To provide funds for contract examiners' per diem compensation and funds to reimburse contract examiners for travel and living expenses, as approved by the Director of the Department of Insurance. Monies are also used to cover the department's related administrative costs.		
Funds Expended	4,299,600	4,643,100
Year-End Fund Balance	1,967,400	1,720,100
Life and Disability Insurance Guaranty Fund (IDA2154/A.R.S. § 20-683)		Non-Appropriated
Source of Revenue: Assessments on life and disability insurance companies and reimbursements from the sale of insolvent companies' assets by the department's Receivership Division.		
Purpose of Fund: To provide funds for the covered policy claims of insolvent insurance companies for life and disability insurance policies and annuity contracts. The fund also pays the administrative costs of the 9-member Life and Disability Insurance Guaranty Fund Board authorized by A.R.S. § 20-684. Monies are held in a depository designated by the Director of the Department of Insurance.		
Funds Expended	1,886,400	1,322,900
Year-End Fund Balance	32,072,600	30,984,300

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Arizona Property and Casualty Insurance Guaranty Fund (IDA2114/A.R.S. § 20-662)		Non-Appropriated
Source of Revenue: Assessments on property and casualty insurance and reimbursements from sale of insolvent companies' assets by the department's Receivership Division.		
Purpose of Fund: To provide funds for the covered policy claims of insolvent insurance companies for property and casualty insurance policies. The fund also pays the administrative costs of the 11-member Property and Casualty Insurance Guaranty Fund Board authorized by A.R.S. § 20-663. Monies are held in a depository designated by the Director of the Department of Insurance.		
Funds Expended	1,167,900	635,000
Year-End Fund Balance	32,523,100	31,964,500
Receivership Liquidation Fund (IDA3104/A.R.S. § 20-648)		Non-Appropriated
Source of Revenue: Consists of 10% of an insolvent insurer's statutory deposit with the State Treasurer authorized by A.R.S. § 20-213. Upon termination of a receivership, the court may award proceeds to the fund, up to the amount of the department's administrative costs.		
Purpose of Fund: To support the department's Receivership Division, which administers the liquidation of insurance companies to ensure maximum recovery of assets. The balance forward represents cash on hand. It does not include the state's unfunded liability for deposits being held as assurance against future insolvencies.		
Funds Expended	52,900	59,500
Year-End Fund Balance	147,500	89,500

Judiciary - Supreme Court

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	169.1	172.0	172.0
Personal Services	5,330,600	5,833,200	5,833,200
Employee Related Expenditures	1,827,000	2,228,700	2,228,700
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	14,072,600
SPECIAL LINE ITEMS			
State Aid	4,786,700	5,949,100	5,949,100
County Reimbursements	187,900	187,900	187,900
Automation	10,362,700	11,344,600	11,344,600
Case and Cash Management System	2,750,900	3,326,500	3,326,500
Foster Care Review Board	3,357,000	3,617,100	3,617,100
Court Appointed Special Advocate	2,540,000	3,042,900	3,042,900
Model Court	443,200	447,600	447,600
Domestic Relations	644,600	655,400	655,400
Judicial Nominations and Performance Review	417,200	428,400	428,400
Commission on Judicial Conduct	508,600	522,300	522,300
AGENCY TOTAL	39,335,300	43,594,400	43,594,400
FUND SOURCES			
General Fund	15,762,000	16,020,000	16,020,000
<u>Other Appropriated Funds</u>			
Confidential Intermediary and Fiduciary Fund	275,400	488,000	488,000
Court Appointed Special Advocate Fund	2,438,000	2,940,900	2,940,900
Criminal Justice Enhancement Fund	2,197,300	3,004,500	3,004,500
Defensive Driving School Fund	3,646,900	4,194,400	4,194,400
Judicial Collection Enhancement Fund	12,426,300	14,002,000	14,002,000
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	27,574,400
SUBTOTAL - Appropriated Funds	39,335,300	43,594,400	43,594,400
Other Non-Appropriated Funds	15,597,000	25,647,000	25,241,900
TOTAL - ALL SOURCES	54,932,300	69,241,400	68,836,300

AGENCY DESCRIPTION — The Supreme Court consists of 5 Supreme Court Justices, judicial support staff and the Administrative Office of the Courts (AOC). The Supreme Court, as the state's highest court, has the responsibility to review appeals and to provide rules of procedure for all the courts in Arizona. Under the direction of the Chief Justice, the AOC provides administrative supervision over the Arizona court system.

Operating Budget

The Baseline includes \$14,072,600 and 100.7 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$10,059,300
Confidential Intermediary and Fiduciary Fund	488,000
Defensive Driving School Fund	702,200
Judicial Collection Enhancement Fund (JCEF)	2,823,100

These amounts are unchanged from FY 2014.

State Aid

The Baseline includes \$5,949,100 and 3.3 FTE Positions in FY 2015 for State Aid. These amounts consist of:

Criminal Justice Enhancement Fund (CJEF)	3,004,500
State Aid to the Courts Fund	2,944,600

These amounts are unchanged from FY 2014.

The State Aid line item provides state aid to counties for the payment of judges pro tempore salaries, and for projects designed to improve the processing of criminal cases in the Superior Court and Justice Courts. The State Aid to the Courts Fund receives: 1) 40.97% of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and 2) a portion of the monies collected by the Supreme Court and the Court of Appeals.

The AOC distributes the monies appropriated from court fines and collections to the Superior Court and the Justice Courts based on a composite index formula using Superior Court felony filings and county population. Monies appropriated from the State Aid to the Courts Fund in the State Aid line item are distributed to all counties.

County Reimbursements

The Baseline includes \$187,900 from the General Fund in FY 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 2014 Criminal Justice Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 5) continued to suspend the requirement of this 50% reimbursement, however, and required that reimbursement not exceed the level in the General Appropriation Act. The Baseline assumes the suspension is continued in FY 2015 and made permanent law.

Automation

The Baseline includes \$11,344,600 and 13 FTE Positions in FY 2015 for Automation. These amounts consist of:

Defensive Driving School Fund	3,352,800
JCEF	7,991,800

These amounts are unchanged from FY 2014.

The Automation line item provides funding for court automation projects throughout the state.

Case and Cash Management System

The Baseline 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 Baseline includes \$3,617,100 and 37 FTE Positions from the General Fund in FY 2015 for the Foster Care Review Board. These amounts are unchanged from FY 2014.

The Foster Care Review Board line item coordinates local volunteer review boards for foster care children in out-of-home placement.

Court Appointed Special Advocate

The Baseline includes \$3,042,900 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	2,940,900

These amounts are unchanged from FY 2014.

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 Baseline 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 Baseline includes \$655,400 and 4.9 FTE Positions from the General Fund in FY 2015 for Domestic Relations. These amounts are unchanged from FY 2014.

The Domestic Relations line item provides coordination and technical support for groups formed to develop and review policies and programs related to domestic relations and child support.

Judicial Nominations and Performance Review

The Baseline includes \$428,400 and 3.6 FTE Positions from the General Fund in FY 2015 for Judicial Nominations and Performance Review. These amounts are unchanged from FY 2014.

This line item funds administrative costs to oversee the nominations for the Supreme Court, the Court of Appeals, and the Superior Court in Maricopa, Pima, and Pinal Counties, as well as evaluating the performance of all merit retention justices and judges. The results of the performance evaluations are provided to the voters before each retention election.

Commission on Judicial Conduct

The Baseline includes \$522,300 and 4 FTE Positions from the General Fund in FY 2015 for Commission on Judicial Conduct. These amounts are unchanged from FY 2014.

The Commission on Judicial Conduct investigates and resolves all complaints of judicial misconduct.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Included in the appropriation for the Supreme Court program is \$1,000 for the purchase of mementos and items for visiting officials.

Of the \$187,900 appropriated for County Reimbursements, State Grand Jury is limited to \$97,900 and Capital Post Conviction Relief is limited to \$90,000.

On or before September 1, 2014, the Supreme Court shall report to the Joint Legislative Budget Committee on current and future automation projects coordinated by the Administrative Office of the Courts. The report shall include a list of court automation projects receiving or anticipated to receive state monies in the current or next 2 fiscal years as well as a description of each project, number of FTE Positions, the entities involved, and the goals and anticipated results for each automation project. The report shall be submitted in 1 summary document. The report shall indicate each project's total multi-year cost by fund source and budget line item, including any prior year, current year and future year expenditures.

STATUTORY CHANGES

The Baseline would, as permanent law, continue the FY 2014 suspension of the requirement of 50% reimbursement to counties for grand jury expenses and for state-funded representation of indigent defendants in first-time capital post conviction relief proceedings, and require that reimbursement not exceed the level in the General Appropriation Act. This provision was first suspended in FY 2012.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Alternative Dispute Resolution Fund (SPA3245/A.R.S. § 12-135)		Non-Appropriated
Source of Revenue: The fund consists of 0.35% of notary bond fees, 0.35% of fee collections on civil filings in the Superior Court, and 2.42% of civil filings in Justice of the Peace Courts.		
Purpose of Fund: To supplement local courts' funding for alternative dispute resolution programs.		
Funds Expended	149,100	229,800
Year-End Fund Balance	555,400	448,800
Arizona Lengthy Trial Fund (SPA2382/A.R.S. § 21-222)		Non-Appropriated
Source of Revenue: The fund consists of fees established by the Supreme Court on court filings paid to the clerk of the Superior Court.		
Purpose of Fund: To pay juror expenses in cases that last longer than 5 days. Monies in the fund are used to reimburse counties for these juror costs. Statute specifies that not more than 3% of the fund is to be used on administration of the fund.		
Funds Expended	522,500	867,700
Year-End Fund Balance	1,344,100	764,000

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Certified Reporters Fund (SPA2440/A.R.S. § 32-4007)		Non-Appropriated
Source of Revenue: Fees, costs and penalties relating to reporter certification.		
Purpose of Fund: For reporter certification.		
Funds Expended	115,700	120,000
Year-End Fund Balance	51,800	111,700
Confidential Intermediary and Fiduciary Fund (SPA2276/A.R.S. § 8-135)		Appropriated
Source of Revenue: A portion of Superior Court fees; fees received by state and local registrars for certified copies of birth certificates; and fees collected through fiduciary registration with the Supreme Court.		
Purpose of Fund: To train and certify confidential intermediaries, who facilitate contact between adoptees/adoptive parents and birth parents while protecting court and agency records. Monies are also used to train and certify private fiduciaries, who serve as court appointed guardians or representatives, and to establish the Sibling Information Exchange Program, which facilitates contact between a former dependent child of biological parents, adoptive parents, guardians, and the child's sibling or siblings.		
Funds Expended	275,400	488,000
Year-End Fund Balance	415,500	231,300
Court Appointed Special Advocate Fund (SPA2275/A.R.S. § 8-524)		Appropriated
Source of Revenue: Revenues consist of 30% of the state lottery unclaimed prize monies.		
Purpose of Fund: For operating the Court Appointed Special Advocate program, which trains volunteers to advocate for abused and neglected children in Juvenile Court proceedings.		
Funds Expended	2,438,000	2,940,900
Year-End Fund Balance	2,450,500	1,976,300
Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)		Appropriated
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: 9.35% of CJEF monies allocated to the courts are used to reduce juvenile crime, 6.02% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 2.13% is used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget.		
Funds Expended	2,197,300	3,004,500
Year-End Fund Balance	2,312,600	1,287,100
Defensive Driving School Fund (SPA2247/A.R.S. § 28-3398)		Appropriated
Source of Revenue: A fee, not to exceed \$15, imposed on each person who attends a defensive driving school, and \$500 initial certification and \$50-\$250 recertification fees paid by defensive driving schools. The fees are set by the Supreme Court.		
Purpose of Fund: To monitor defensive driving schools for compliance with claims and court policy, to supervise their use by the courts in Arizona, and to expedite the processing of highway traffic offenses. The Administrative Office of the Courts (AOC) has also used these monies to fund court automation projects throughout the state. In FY 2013, the AOC spent approximately \$3,118,100 for court automation projects.		
Funds Expended	3,646,900	4,194,400
Year-End Fund Balance	913,400	837,000
Grants and Special Revenue (SPA2084/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies provided from various sources, private and public, for specific programs and projects.		
Purpose of Fund: To expend grants as required by the contribution.		
Funds Expended	14,206,500	23,754,500
Year-End Fund Balance	17,241,500	8,505,800

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)		Appropriated
<i>Source of Revenue:</i> Electronic case filing and access fees; 27.78% of Supreme Court fees, 17.07% of Superior Court fees, 19.42% of Court of Appeals fees, 19.18% of Municipal Court fees, and 14.02% to 15.58% of Justice of the Peace fees; time payment fees assessed for late court payments; fees paid for court-ordered diversion programs, and a \$20 probation surcharge on fines, penalties, and forfeitures imposed by the courts for criminal offenses and civil motor vehicle statute violations. (See Supreme Court for information regarding non-Maricopa Counties.)		
<i>Purpose of Fund:</i> To train court personnel, improve and enhance the court's ability to collect and manage monies assessed or received by the court, to fund court automation projects likely to improve case processing or the administration of justice, and for probation services. Funds represented here reflect the shift from the Supreme Court budget to the Superior Court budget of monies for probation officer salaries and programs.		
Funds Expended	12,426,300	14,002,000
Year-End Fund Balance	2,931,800	1,000,000
Public Defender Training Fund (SPA3013/A.R.S. § 12-117)		Non-Appropriated
<i>Source of Revenue:</i> Two dollars of the \$20 surcharge on each person paying a court order penalty, fine, or sanction on a time-payment basis.		
<i>Purpose of Fund:</i> For training of public defenders. Allocation of monies is made to each county Public Defender Office in proportion to the number of felony cases assigned to that office in the last fiscal year.		
Funds Expended	603,200	675,000
Year-End Fund Balance	29,100	19,200
State Aid to the Courts Fund (SPA2446/A.R.S. § 12-102.02)		Appropriated
<i>Source of Revenue:</i> Legislative appropriations, a portion of court filing fees, and a portion of fees, fines, penalties and forfeitures collected on criminal offenses and civil motor vehicle violations.		
<i>Purpose of Fund:</i> To provide state aid to the Superior Court, including the clerk of the Superior Court, and Justice Courts for the processing of criminal cases. Monies are distributed to each county based on a formula using Superior Court felony filings and county population.		
Funds Expended	2,589,400	2,944,600
Year-End Fund Balance	190,100	363,000

Judiciary - Court of Appeals

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
PROGRAM BUDGET			
Division I	9,700,300	9,896,900	9,896,900
Division II	4,223,800	4,289,800	4,289,800
AGENCY TOTAL	13,924,100	14,186,700	14,186,700
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	134.8	136.8	136.8
Personal Services	9,634,300	9,725,900	9,725,900
Employee Related Expenditures	2,950,900	3,369,200	3,369,200
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	14,186,700
FUND SOURCES			
General Fund	13,924,100	14,186,700	14,186,700
SUBTOTAL - Appropriated Funds	13,924,100	14,186,700	14,186,700
TOTAL - ALL SOURCES	13,924,100	14,186,700	14,186,700

AGENCY DESCRIPTION — The Court of Appeals has jurisdiction in all proceedings appealable from the Superior Court except criminal death penalty cases, which are automatically appealed to the Supreme Court. Division I also has statewide responsibility for reviewing appeals from the Arizona Corporation Commission, Industrial Commission, the Department of Economic Security unemployment compensation rulings, and the Arizona Tax Court. Division I convenes in Phoenix and encompasses the counties of Apache, Coconino, La Paz, Maricopa, Mohave, Navajo, Yavapai, and Yuma. Division II convenes in Tucson and encompasses the counties of Cochise, Gila, Graham, Greenlee, Pima, Pinal, and Santa Cruz.

Operating Budget

The Baseline includes \$14,186,700 and 136.8 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts include \$9,896,900 and 98.3 FTE Positions for Division I and \$4,289,800 and 38.5 FTE Positions for Division II. These amounts are unchanged from FY 2014.

* * *

FORMAT — Operating Lump Sum by Subprogram

FOOTNOTES

Standard Footnotes

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.

Judiciary - Superior Court

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
SPECIAL LINE ITEMS			
<i>Full Time Equivalent Positions</i>	136.5	137.5	137.5
Judges Compensation	7,721,100	7,682,500	7,682,500
Adult Standard Probation	13,527,200	13,543,200	17,658,900
Adult Intensive Probation	10,765,600	10,754,500	12,417,500
Community Punishment	1,504,500	2,310,100	2,310,100
Interstate Compact	645,400	648,000	748,500
Drug Court	1,013,600	1,013,600	1,013,600
Probation Surcharge	4,887,000	6,029,200	0
Juvenile Standard Probation	4,586,800	4,606,200	4,756,200
Juvenile Intensive Probation	8,674,400	9,175,600	9,175,600
Juvenile Treatment Services	22,252,200	22,341,400	22,341,400
Juvenile Family Counseling	659,800	660,400	660,400
Juvenile Diversion Consequences	9,028,100	9,024,900	9,024,900
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	93,201,700
FUND SOURCES			
General Fund	78,894,200	79,634,300	79,670,300
<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	500,000
Judicial Collection Enhancement Fund	4,887,000	6,029,200	6,029,200
SUBTOTAL - Other Appropriated Funds	10,206,200	13,531,400	13,531,400
SUBTOTAL - Appropriated Funds	89,100,400	93,165,700	93,201,700
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	99,897,300

AGENCY DESCRIPTION — The Superior Court, which has a division in every county, is the state's only general jurisdiction court. Superior Court judges hear all types of cases except small claims, minor offenses, or violations of city codes and ordinances. In addition, the responsibility for supervising adults and juveniles who have been placed on probation resides in the Superior Court.

Judges Compensation

The Baseline includes \$7,682,500 and 82 FTE Positions from the General Fund in FY 2015 for Judges Compensation. These amounts are unchanged from FY 2014.

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.

Adult Standard Probation

The Baseline includes \$17,658,900 and 10.4 FTE Positions in FY 2015 for Adult Standard Probation. These amounts consist of:

	FY 2015
General Fund	\$13,543,200
Judicial Collection Enhancement Fund (JCEF)	4,115,700

FY 2015 adjustments would be as follows:

Surcharge Shift **OF 4,115,700**

The Baseline 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.)*

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 Baseline includes \$12,417,500 and 7.8 FTE Positions in FY 2015 for Adult Intensive Probation. These amounts consist of:

General Fund	\$10,754,500
JCEF	1,663,000

FY 2015 adjustments would be as follows:

Surcharge Shift **OF 1,663,000**

The Baseline 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.)*

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 Baseline includes \$2,310,100 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)	500,000

These amounts are unchanged from FY 2014.

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 Baseline includes \$748,500 and 4.8 FTE Positions in FY 2015 for Interstate Compact. These amounts consist of:

General Fund	\$648,000
JCEF	100,500

FY 2015 adjustments would be as follows:

Surcharge Shift **OF 100,500**

The Baseline 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.)*

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 Baseline 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.

Probation Surcharge

The Baseline includes no funding in FY 2015 for the Probation Surcharge. FY 2015 adjustments would be as follows:

Surcharge Shift **OF (6,029,200)**

The Baseline 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 Baseline includes \$4,756,200 and 3.6 FTE Positions in FY 2015 for Juvenile Standard Probation. These amounts consist of:

General Fund	\$4,606,200
JCEF	150,000

FY 2015 adjustments would be as follows:

Surcharge Shift OF 150,000

The Baseline 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.*)

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 Baseline includes \$9,175,600 and 5.4 FTE Positions from the General Fund in FY 2015 for Juvenile Intensive Probation. These amounts are unchanged from FY 2014.

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 Baseline includes \$22,341,400 and 15.6 FTE Positions from the General Fund in FY 2015 for Juvenile Treatment Services. These amounts are unchanged from FY 2014.

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 Baseline 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 Baseline 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 Baseline 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 Baseline includes no funding in FY 2015 for a Mental Health Court Report. FY 2015 adjustments would be as follows:

Elimination of One-Time Report GF (90,000)

The Baseline 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 Baseline includes \$220,000 from the General Fund in FY 2015 for the Special Water Master line item. FY 2015 adjustments would be as follows:

Gila River Water Master GF 126,000

The Baseline 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 for Legislative Consideration section for more information*).

* * *

FORMAT — Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

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 pursuant to A.R.S. § 8-322, and to conduct evaluations as needed. The remaining portion of the Juvenile Treatment Services and Juvenile Diversion Consequences appropriations shall be deposited in the Juvenile Probation Services Fund established by A.R.S. § 8-322.

Receipt of state probation monies by the counties is contingent on the county maintenance of FY 2004 expenditure levels for each probation program. State probation monies are not intended to supplant county dollars for probation programs.

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 shall indicate the level of state probation funding, other state funding, county funding and probation surcharge funding for those positions.
2. Total receipts and expenditures by county and fund source for the Adult Standard, Adult Intensive, Juvenile Standard and Juvenile Intensive 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.

STATUTORY CHANGES

The Baseline would, as session law, continue the FY 2014 suspension of county non-supplanting requirements associated with funding for probation services, criminal case processing, and alternative dispute resolution programs and requires the counties to report on reductions in county funding as a result of the elimination of the non-supplanting provisions.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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. The FY 2015 Baseline 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
	Actual	Actual	Estimated^{1/}	Estimated^{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 Probation Funding				
	Adult	Adult	Juvenile	Juvenile	Total
	Standard	Intensive	Standard	Intensive	
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

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Community Punishment Program Fines Fund (SPA2119/A.R.S. § 13-821)		Non-Appropriated
Source of Revenue: Discretionary fines imposed by the courts on drug offenders.		
Purpose of Fund: To provide drug treatment services to adult probationers through the Community Punishment Program.		
Funds Expended	7,000	30,800
Year-End Fund Balance	185,900	188,000
Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)		Appropriated
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: 9.35% of CJEF monies allocated to the courts are used to reduce juvenile crime, 6.02% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 2.13% is used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget.		
Funds Expended	4,819,200	7,002,200
Year-End Fund Balance	3,634,400	1,930,600
Drug and Gang Enforcement Account (SPA2074/A.R.S. § 41-2402)		Non-Appropriated
Source of Revenue: Federal grant monies passed through the Arizona Criminal Justice Commission's Drug and Gang Enforcement Account.		
Purpose of Fund: To fund programs that enhance the ability of the courts to process drug offenses and related cases.		
Funds Expended	1,606,700	1,364,400
Year-End Fund Balance	0	0
Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)		Partially-Appropriated
Source of Revenue: The fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor. Of this amount, 50% is allocated to this fund and 50% is allocated to the Arizona Parents Commission on Drug Education and Prevention.		
Purpose of Fund: To place persons in drug education and treatment programs. Such monies are allocated to Superior Court probation departments according to a formula based on probation caseloads.		
Appropriated Funds Expended	500,000	500,000
Non-Appropriated Funds Expended	3,870,500	4,023,200
Year-End Fund Balance	2,380,700	2,168,600
Grants and Special Revenue (SPA2084/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies provided from various sources, private and public, for specific programs and projects.		
Purpose of Fund: To expend grants as required by the contribution.		
Funds Expended	1,458,400	1,277,200
Year-End Fund Balance	0	0
Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)		Appropriated
Source of Revenue: Electronic case filing and access fees; 27.78% of Supreme Court fees, 17.07% of Superior Court fees, 19.42% of Court of Appeals fees, 19.18% of Municipal Court fees, and 14.02% to 15.58% of Justice of the Peace fees; time payment fees assessed for late court payments; fees paid for court-ordered diversion programs, and a \$20 probation surcharge on fines, penalties, and forfeitures imposed by the courts for criminal offenses and civil motor vehicle statute violations. <i>(See Supreme Court for information regarding non-Maricopa Counties.)</i>		
Purpose of Fund: To train court personnel, improve and enhance the court's ability to collect and manage monies assessed or received by the court, to fund court automation projects likely to improve case processing or the administration of justice, and for probation services. Funds represented here reflect the shift from the Supreme Court budget to the Superior Court budget of monies for probation officer salaries and programs.		
Funds Expended	4,887,000	6,029,200
Year-End Fund Balance	4,110,800	2,819,200

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Juvenile Probation Services Fund (SPA2193/A.R.S. § 8-322)		Non-Appropriated
Source of Revenue: Monies appropriated to Juvenile Probation Services - Treatment Services and Juvenile Diversion Consequences and allocated by the Administrative Office of the Courts.		
Purpose of Fund: To fund programs for juvenile probationers required as conditions of diversion. These programs are intended to reduce the number of repetitive juvenile offenders and provide services, including treatment, testing, independent living programs, residential foster and shelter care, and for juveniles referred to the juvenile court for incorrigibility or delinquency offenses. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	10,225,500	5,024,600
State Aid to Detention Fund (SPA2141/A.R.S. § 41-2417)		Non-Appropriated
Source of Revenue: General Fund monies appropriated by the Legislature.		
Purpose of Fund: To provide state assistance to counties in maintaining, expanding, and operating juvenile detention centers. On behalf of the juvenile court, the Administrative Office of the Courts may use monies in the fund to enter into agreements with public agencies or private entities to acquire land for, build, purchase, lease-purchase, lease, maintain, expand, or operate juvenile detention centers. Expenditures from this fund are not displayed below to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	6,900	3,500

Department of Juvenile Corrections

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	12,690,000
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	47,748,100
FUND SOURCES			
General Fund	40,636,400	43,822,700	43,822,700
<u>Other Appropriated Funds</u>			
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	2,296,200
SUBTOTAL - Other Appropriated Funds	3,195,800	3,925,400	3,925,400
SUBTOTAL - Appropriated Funds	43,832,200	47,748,100	47,748,100
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	49,700,400

AGENCY DESCRIPTION — The Department of Juvenile Corrections (DJC) is responsible for the care and treatment of youth offenders adjudicated to be delinquent and remanded to the custody of the department. DJC has jurisdiction over youth until they are released from custody or reach age 18.

Operating Budget

The Baseline includes \$47,748,100 and 738.5 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$43,822,700
Criminal Justice Enhancement Fund (CJEF)	530,600
State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600
State Education Fund for Committed Youth	2,296,200

These amounts are unchanged from FY 2014.

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FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatory Institutions Land Fund shall be distributed to the Department of Juvenile Corrections, in compliance with Section 25 of the Enabling Act and the Constitution of Arizona, to be used for the support of state juvenile institutions and reformatories.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Population Counts

Table 1 lists the DJC population by facility:

Table 1			
	DJC Census		
	FY 2012 Average Population	FY 2013 Average Population	Population as of October 31, 2013
Housed Population			
Adobe Mountain	390	347	362
Parole Population			
Parole	317	252	186
Interstate Compact (inside Arizona) ^{1/}	<u>143</u>	<u>139</u>	<u>120</u>
Total Parole Population	460	391	306
^{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 104 parolees on October 31, 2013.			

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Criminal Justice Enhancement Fund (DJA2281/A.R.S. § 41-2401)		Appropriated
Source of Revenue: Receives 1.61% of state Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 47% assessment added on to every fine, penalty and forfeiture collected by the courts for criminal offenses, and civil penalties imposed for traffic violations and motor vehicle violations.		
Purpose of Fund: For treatment and rehabilitation of youth who have committed drug-related offenses.		
Funds Expended	406,100	530,600
Year-End Fund Balance	484,600	542,900
DJC Career and Technical Education Fund (DJA2326/A.R.S. § 41-2828)		Non-Appropriated
Source of Revenue: Proceeds generated by any department educational, vocational, treatment, training, or work program, including the sale of unneeded equipment or supplies.		
Purpose of Fund: To pay expenses that are required for any educational, vocational, treatment, training or work program established by the department.		
Funds Expended	0	0
Year-End Fund Balance	0	0
DJC Restitution Fund (DJA2476/A.R.S. § 41-2826)		Non-Appropriated
Source of Revenue: Federal, state, and local appropriations distributed by the director from the DJC Career Technical Education Fund, in addition to grants, gifts, and other donations from any public or private source.		
Purpose of Fund: For the payment of restitution and monetary assessments by youths who are ordered to make such payments but who are financially unable to pay. In a committed youth work program or a community work program, youth participate and receive payment through the Restitution Fund, a portion of which is distributed in the form of restitution payments to victims or the court.		
Funds Expended	0	0
Year-End Fund Balance	91,700	121,400

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Employee Recognition Fund (DJA2449/A.R.S. § 41-776)		Non-Appropriated
<i>Source of Revenue:</i> Gifts and donations from public and private entities.		
<i>Purpose of Fund:</i> Employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	200	900
Year-End Fund Balance	200	300
Federal Funds (DJA2000/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Federal Grants.		
<i>Purpose of Fund:</i> For the National School Breakfast and Lunch Program, Special Education, Job Training Partnership Act, substance abuse, and other federal programs.		
Funds Expended	1,620,000	1,717,200
Year-End Fund Balance	635,800	557,500
IGA and ISA Fund (DJA2500/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Monies received through intergovernmental and interagency agreements.		
<i>Purpose of Fund:</i> To provide training to DJC staff in behavioral therapy, motivational interviewing, and child and family teams, and some supplemental funding for attainment of juvenile treatment goals.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (DJA9000/A.R.S. § 41-1604)		Non-Appropriated
<i>Source of Revenue:</i> Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
<i>Purpose of Fund:</i> To pay department wide administrative and overhead costs.		
Funds Expended	0	0
Year-End Fund Balance	204,600	244,900
Instructional Improvement Fund (DJA2492/A.R.S. § 15-979)		Non-Appropriated
<i>Source of Revenue:</i> Shared revenue from Indian gaming received through the Arizona Department of Education (ADE). The ADE Instructional Improvement Fund receives 56% of total shared revenue, as authorized by Proposition 202 from the 2002 General Election. (See ADE section for more information.)		
<i>Purpose of Fund:</i> To fund teacher compensation increases, class size reduction, dropout prevention, and instructional improvement.		
Funds Expended	0	0
Year-End Fund Balance	7,400	7,400
Juvenile Corrections Fund (DJA3024/A.R.S. § 41-2810)		Non-Appropriated
<i>Source of Revenue:</i> Donations by individuals and businesses, proceeds from vending machines, and fund-raising efforts.		
<i>Purpose of Fund:</i> For additional supplies and department conferences, for purposes agreed upon by donors and the agency Director, or for special student activities.		
Funds Expended	85,100	77,500
Year-End Fund Balance	113,800	120,300
State Charitable, Penal and Reformatory Institutions Land Fund (DJA3029/A.R.S. § 37-525)		Appropriated
<i>Source of Revenue:</i> Earnings on state lands and interest on the investment of the Permanent Land Fund.		
<i>Purpose of Fund:</i> To help defray costs of operating juvenile correctional facilities.		
Funds Expended	1,098,600	1,098,600
Year-End Fund Balance	836,400	1,146,400

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
State Education Fund for Committed Youth (DJA2323/A.R.S. § 15-1371)		Appropriated
<i>Source of Revenue:</i> The state's statutory K-12 Basic State Aid formula provides funding based on the DJC population.		
<i>Purpose of Fund:</i> To help provide for the education of committed youth.		
Funds Expended	1,691,100	2,296,200
Year-End Fund Balance	802,800	159,300
State Education System for Committed Youth Classroom Site Fund (DJA2487/A.R.S. § 15-1373)		Non-Appropriated
<i>Source of Revenue:</i> Classroom Site Fund monies received from the ADE, pursuant to A.R.S. § 15-977. The Classroom Site Fund received monies from a 0.6% sales tax approved by the voters in the November 2000 General Election (Proposition 301).		
<i>Purpose of Fund:</i> To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases and employment related expenses (20%); and class size reduction, teacher compensation increases, AIMS intervention programs, teacher development, dropout prevention, and teacher liability insurance premiums (40%).		
Funds Expended	118,000	142,400
Year-End Fund Balance	241,300	267,800
Statewide Donations Fund (DJA2025/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Gifts and donations from public and private entities.		
<i>Purpose of Fund:</i> Employee recognition programs or for the specified purpose for which they were donated.		
Funds Expended	14,300	14,300
Year-End Fund Balance	17,700	23,500
Training Institute Fund (DJA2001/A.R.S. § 41-2824)		Non-Appropriated
<i>Source of Revenue:</i> Monies received from grants, gifts, donations, services or other financial assistance.		
<i>Purpose of Fund:</i> To train tribal personnel who have limited access to training within their jurisdictions.		
Funds Expended	0	0
Year-End Fund Balance	0	0

State Land Department

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	125.7	125.7	125.7
Personal Services	6,130,900	6,890,200	6,890,200
Employee Related Expenditures	2,398,200	2,917,400	2,917,400
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	14,616,600
SPECIAL LINE ITEMS			
CAP User Fees	481,100	513,300	673,600
Due Diligence Fund	0	500,000	500,000
Natural Resource Conservation Districts	561,800	650,000	650,000
Trust Land Management Fund Repayment	15,018,000	0	0
AGENCY TOTAL	28,834,100	16,279,900	16,440,200
FUND SOURCES			
General Fund	1,253,800	12,345,400	12,505,700
<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	3,174,500
SUBTOTAL - Other Appropriated Funds	27,580,300	3,934,500	3,934,500
SUBTOTAL - Appropriated Funds	28,834,100	16,279,900	16,440,200
Other Non-Appropriated Funds	637,300	827,400	827,400
Federal Funds	293,900	231,700	231,700
TOTAL - ALL SOURCES	29,765,300	17,339,000	17,499,300

AGENCY DESCRIPTION — The agency manages the state's 9.3 million acres of trust land on behalf of its 14 beneficiaries. In order to generate revenue, the agency plans, leases, and sells trust land. The agency also generates revenue by collecting royalties from the operators of 2 copper mines on state land.

Operating Budget

The Baseline includes \$14,616,600 and 125.7 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$11,442,100
Trust Land Management Fund	3,174,500

These amounts are unchanged from FY 2014.

CAP User Fees

The Baseline includes \$673,600 from the General Fund in FY 2015 for Central Arizona Project (CAP) User Fees. FY 2015 adjustments would be as follows:

CAP Rate Increase **GF** **160,300**
 The Baseline includes an increase of \$160,300 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 \$160,300 above the amount appropriated for CAP user fees for FY 2014.

A.R.S. § 37-106.01 authorizes the department to contract for CAP water for use on state lands, which can increase the sale or lease value of state trust lands. The water rights purchased in this manner also can enable a lessee of state trust lands to use an equivalent amount of water from a non-CAP source in exchange for water rights purchased from the CAP. As a result, state trust lands that are not contiguous to CAP canals still can have "access" to CAP

water, increasing their value. The department currently has contracts for land leases that collectively require it to provide 32,076 acre feet of water annually to lessees. The department is required to pay the capital charges on this water whether it is physically delivered to leased land along the CAP canal system or indirectly through a transfer of water rights.

Monies in this line item are used to pay the Central Arizona Water Conservation District (CAWCD) for the department's allocation of CAP water related to state trust lands. The CAWCD sets the rates for all CAP subcontractors and applies the capital charges to the repayment of federal construction debt. *(Please see Other Issues for Legislative Consideration for more detail.)*

Due Diligence Fund

The Baseline 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 Baseline 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.

Trust Land Management Fund Repayment

The Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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 every dollar received as reimbursement to the state for past Central Arizona Water Conservation District payments, \$1.00 reverts to the state General Fund in the year that the reimbursement is collected.

Of the amount appropriated for Natural Resource Conservation Districts in FY 2015, \$30,000 shall be used to provide grants to Natural Resource Conservation Districts environmental education centers.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2014 Supplemental

The Baseline includes a one-time supplemental of \$128,300 from the General Fund in FY 2014 for a CAP User Fee rate adjustment. The rate used to determine the amount appropriated in FY 2014 by the General Appropriation Act was \$16 per acre-foot of water and the final rate approved by CAP in June 2013 was \$20 per acre-foot.

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 S.B. 1001 to establish the specific exchange steps.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
CAP Municipal and Industrial Repayment Fund (LDA2129/A.R.S. § 37-526)		Non-Appropriated
Source of Revenue: Reimbursements to the state for back water payments when cities assume their allocation of Central Arizona Project (CAP) water, legislative appropriations.		
Purpose of Fund: To make CAP water fee payments for urban state trust land. Monies remaining in the fund revert to the General Fund after the CAP subcontract obligations are met.		
Funds Expended	0	0
Year-End Fund Balance	5,000	5,000
Due Diligence Fund (LDA2526/A.R.S. § 37-110)		Appropriated
Source of Revenue: Reimbursements from successful bidders on state lands for expenses incurred by the department to fund due diligence studies.		
Purpose of Fund: To prepare land for sales, leases, rights-of-ways, or other use-permits.		
Funds Expended	0	500,000
Year-End Fund Balance	30,300	30,300
Environmental Special Plate Fund (LDA2274/A.R.S. § 37-1015)		Appropriated
Source of Revenue: \$17 of the \$25 fee for environmental license plates.		
Purpose of Fund: To provide grants for environmental education projects. Funds Natural Resource Conservation Districts (NRCDs) and the education centers they sponsor. An amount of \$5,000 is distributed to each NRCD that sponsors an education center. Additionally, funds are distributed to NRCDs and education centers based on appropriation.		
Funds Expended	171,800	260,000
Year-End Fund Balance	93,100	0
Federal Grants - American Recovery and Reinvestment Act (ARRA) (LDA 2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for renewable energy and mapping projects.		
Funds Expended	293,900	231,700
Year-End Fund Balance	0	0
Federal Reclamation Trust Fund (LDA2024/A.R.S. § 37-106)		Non-Appropriated
Source of Revenue: Reimbursements from lessees and interest.		
Purpose of Fund: To make payments for federal reclamation project assessments when state land lessees are delinquent.		
Funds Expended	1,300	10,000
Year-End Fund Balance	43,200	33,200

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Interagency Agreements Fund (LDA2212/A.R.S. § 35-148)		Non-Appropriated
Source of Revenue: Collections from other state agencies for services and products provided by the State Land Department.		
Purpose of Fund: To pay for joint projects based upon interagency agreements with other state agencies.		
Funds Expended	50,700	10,900
Year-End Fund Balance	136,100	136,100
Military Airport Land Exchange Fund (No Fund Number/A.R.S. § 37-1224)		Non-Appropriated
Source of Revenue: Legislative appropriations and land exchange proposal-processing fees.		
Purpose of Fund: To fund the expenses of the military airport land exchange section for the purpose of facilitating exchanges of federal land for private land near military airports.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Off-Highway Vehicle Recreation Fund (LDA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: The Land Department receives 5% of the total Off-Highway Vehicle Fund revenue, which consists of fees for off-highway vehicle decals issued by the Department of Transportation and 0.55% of the motor fuel tax revenue.		
Purpose of Fund: To mitigate damage to land, to fund enforcement of off-highway vehicle laws, and for necessary environmental, historical, and cultural clearance or compliance activities.		
Funds Expended	146,700	290,000
Year-End Fund Balance	372,900	307,900
Resource Analysis Division Revolving Fund (LDA4009/A.R.S. § 37-176)		Non-Appropriated
Source of Revenue: Receipts from the provision of Geographic Information Systems (GIS) products and services.		
Purpose of Fund: To offset the costs of GIS supplies and support.		
Funds Expended	82,100	91,500
Year-End Fund Balance	281,200	251,200
Riparian Acquisition Trust Fund (LDA3201/A.R.S. § 37-1156)		Non-Appropriated
Source of Revenue: Receipts from the sale or use of state streambed lands and resources, damages collected due to a federal violation of public trust by the conveyance of state streambeds, and designated donations.		
Purpose of Fund: To fund the acquisition of wetland areas in the state.		
Funds Expended	0	0
Year-End Fund Balance	6,600	6,600
Risk Management Revolving Fund (LDA4216/Laws 2011, Chapter 36)		Appropriated
Source of Revenue: The fund receives monies from charges assessed on agencies insured under the state's risk management system. The Land Department's portion of the fund was appropriated by the Legislature due to the termination of a Court of Appeals stay on June 30, 2011. When this stay against an earlier judgment lapsed, the department lost \$9,888,400 of its funding from the Trust Land Management Fund. The Risk Management Fund was replaced by General Fund monies in FY 2014.		
Purpose of Fund: To fund operating activities.		
Funds Expended	25,957,300	0
Year-End Fund Balance	47,300	47,300
State Land Department Fund (LDA2451/A.R.S. § 37-107)		Non-Appropriated
Source of Revenue: Reimbursements from successful bidders on state trust lands for expenses incurred to advertise land sales and for zoning application fees.		
Purpose of Fund: To fund expenses incurred from the advertisement of state trust land sales and to pay zoning fees for new projects.		
Funds Expended	356,500	425,000
Year-End Fund Balance	179,000	139,000

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Trust Land Management Fund (LDA3146/A.R.S. § 37-527)		Appropriated
Source of Revenue: Up to 10% of the proceeds from sale of State Trust land and natural resources. The total balance of the fund is capped at 2 times the trust land management budget for the following fiscal year. Since FY 2011, part of the revenues has been derived from fees charged by the department. In October 2010, the Superior Court of Arizona ruled in <i>Rumery v. Martin</i> that any diversion of proceeds from the Permanent Funds of State Trust beneficiaries is unconstitutional. In January 2013, the Arizona Supreme Court upheld the Superior Court decision. The fee revenue portion of the fund is not affected by the court decision.		
Purpose of Fund: To fund the management of the 9.3 million acres of State Trust land throughout the state.		
Funds Expended	1,451,200	3,174,500
Year-End Fund Balance	15,624,600	15,397,100
Universities Timber Land Account Fund (LDA3134/A.R.S. § 37-482)		Non-Appropriated
Source of Revenue: Proceeds from sales of timber or timber products on state trust land where the University Land Fund is the beneficiary.		
Purpose of Fund: To fund expenses incurred by the State Land Department for the conservation, sale, and administration of timber and timber products located on state lands where the University Land Fund is the beneficiary.		
Funds Expended	0	0
Year-End Fund Balance	98,700	98,700

Legislature - Auditor General

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	4,271,900
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
AGENCY TOTAL	17,428,000	17,989,700	17,989,700
FUND SOURCES			
General Fund	17,428,000	17,989,700	17,989,700
SUBTOTAL - Appropriated Funds	17,428,000	17,989,700	17,989,700
Other Non-Appropriated Funds	1,864,200	1,997,800	1,997,800
TOTAL - ALL SOURCES	19,292,200	19,987,500	19,987,500

AGENCY DESCRIPTION — The Auditor General (AG) provides an independent financial, performance, and compliance audit capability in support of legislative oversight and public accountability of funds administered by the state and certain local governments.

Operating Budget

The Baseline includes \$17,989,700 and 184.8 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

* * *

FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Included in the lump sum appropriation is funding to pay state rent at the statewide rate.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Audit Services Revolving Fund (AUA2242/A.R.S. § 41-1279.06)		Non-Appropriated
Source of Revenue: Charges to state budget units, counties, community college districts or school districts for audits or accounting services performed by, or under the supervision of, the Auditor General. A majority of the amounts collected are for federal compliance audits required by the Single Audit Act, as such audited entities are reimbursed by the federal government.		
Purpose of Fund: To conduct audits required under federal law, special audits, or provide accounting services requested by state budget units, counties, community college districts or school districts. Monies in this fund may also be used to pay certified public accountants to conduct audits or provide accounting services.		
Funds Expended	1,864,200	1,997,800
Year-End Fund Balance	2,319,400	2,021,600

Legislature - House of Representatives

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	11,850,500	13,372,200	13,372,200
AGENCY TOTAL	11,850,500	13,372,200	13,372,200
FUND SOURCES			
General Fund	11,850,500	13,372,200	13,372,200
SUBTOTAL - Appropriated Funds	11,850,500	13,372,200	13,372,200
TOTAL - ALL SOURCES	11,850,500	13,372,200	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 Baseline includes \$13,372,200 from the General Fund in FY 2015 for the operating budget. This amount is unchanged from FY 2014.

* * *

FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Included in the Lump Sum appropriation of \$13,372,200 for FY 2015 is \$1,000 for the purchase of mementos and items for visiting officials.

Legislature - Joint Legislative Budget Committee

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	605,700
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	2,492,000
FUND SOURCES			
General Fund	1,879,100	2,492,000	2,492,000
SUBTOTAL - Appropriated Funds	1,879,100	2,492,000	2,492,000
TOTAL - ALL SOURCES	1,879,100	2,492,000	2,492,000

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 Baseline includes \$2,492,000 and 29 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

* * *

FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Legislature - Legislative Council

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	42.8	47.0	47.0
Personal Services	2,461,400	2,785,000	2,785,000
Employee Related Expenditures	876,500	974,700	974,700
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	7,418,000
SPECIAL LINE ITEMS			
Ombudsman-Citizens Aide Office	602,100	628,500	628,500
AGENCY TOTAL	6,732,700	8,046,500	8,046,500
FUND SOURCES			
General Fund	6,732,700	8,046,500	8,046,500
SUBTOTAL - Appropriated Funds	6,732,700	8,046,500	8,046,500
TOTAL - ALL SOURCES	6,732,700	8,046,500	8,046,500

AGENCY DESCRIPTION — The Legislative Council, a staff agency of the Legislative Department, provides bill drafting and research services, continuing code revision and manages the operation and renovation of certain legislative buildings and grounds. The council is also responsible for the development, operation, and maintenance of the legislative computer system.

Operating Budget

The Baseline includes \$7,418,000 and 40 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

Ombudsman-Citizens Aide Office

The Baseline includes \$628,500 and 7 FTE Positions from the General Fund in FY 2015 for the Ombudsman-Citizens Aide Office. These amounts are unchanged from FY 2014.

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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Dues for the Council of State Governments shall be expended only on an affirmative vote of the Legislative Council.

Legislature - Senate

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	8,029,900	8,283,800	8,283,800
AGENCY TOTAL	8,029,900	8,283,800	8,283,800
FUND SOURCES			
General Fund	8,029,900	8,283,800	8,283,800
SUBTOTAL - Appropriated Funds	8,029,900	8,283,800	8,283,800
TOTAL - ALL SOURCES	8,029,900	8,283,800	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 Baseline includes \$8,283,800 from the General Fund in FY 2015 for the operating budget. This amount is unchanged from FY 2014.

* * *

FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Included in the Lump Sum appropriation of \$8,283,800 for FY 2015 is \$1,000 for the purchase of mementos and items for visiting officials.

Department of Liquor Licenses and Control

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	729,900
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	525,600
Equipment	3,200	0	0
AGENCY TOTAL	2,911,300	2,932,300	2,932,300
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Liquor Licenses Fund	2,911,300	2,932,300	2,932,300
SUBTOTAL - Other Appropriated Funds	2,911,300	2,932,300	2,932,300
SUBTOTAL - Appropriated Funds	2,911,300	2,932,300	2,932,300
<i>Other Non-Appropriated Funds</i>			
Federal Funds	1,005,000	975,200	975,200
	121,100	0	0
TOTAL - ALL SOURCES	4,037,400	3,907,500	3,907,500

AGENCY DESCRIPTION — The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

Operating Budget

* * *

FORMAT — Lump Sum by Agency

The Baseline includes \$2,932,300 and 45.2 FTE Positions from the Liquor Licenses Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Anti-Racketeering Revolving Fund (LLA2131/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to state anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
Funds Expended	17,400	0
Year-End Fund Balance	0	0
Audit Surcharge Fund (LLA3010/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$30 surcharge on liquor licenses for bars, retail stores, and restaurants.		
Purpose of Fund: To fund an auditor and support staff positions to review revenue requirements for restaurant liquor licenses.		
Funds Expended	178,800	176,300
Year-End Fund Balance	41,100	34,700

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Enforcement Surcharge - Enforcement Unit Fund (LLA3012/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$20 surcharge on hotel and restaurant liquor licenses and \$35 on all other licenses.		
Purpose of Fund: For the costs of a neighborhood association interaction and liquor enforcement management unit. The unit works with neighborhood associations regarding liquor violations.		
Funds Expended	461,900	459,000
Year-End Fund Balance	139,900	96,100
Enforcement Surcharge - Multiple Complaints Fund (LLA3011/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$35 surcharge on liquor license renewals.		
Purpose of Fund: To investigate licensees which have been the subject of multiple complaints from neighborhood associations, civic groups, and local governments.		
Funds Expended	346,900	339,900
Year-End Fund Balance	186,700	211,700
Federal Grants (LLA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal revenues received through the Governor's Office of Highway Safety.		
Purpose of Fund: To pay overtime expenses for special investigators investigating licensees reportedly serving alcohol to juveniles.		
Funds Expended	121,100	0
Year-End Fund Balance	0	0
Liquor Licenses Fund (LLA1996/A.R.S. § 4-120)		Appropriated
Source of Revenue: A portion of the state's liquor license fee revenues, not to exceed the appropriation of the Legislature.		
Purpose of Fund: To pay operating expenses for the Department of Liquor Licenses and Control. Any balance over \$700,000 shall revert to the General Fund at the end of each year.		
Funds Expended	2,911,300	2,932,300
Year-End Fund Balance	0	0

Arizona State Lottery Commission

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	1,769,400
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	8,418,700
SPECIAL LINE ITEMS			
Advertising	14,110,300	15,500,000	15,500,000
Charitable Commissions	348,300	811,800	852,300
Instant Tickets	11,870,400	17,199,700	18,571,300
On-Line Vendor Fees	9,225,200	9,163,500	9,399,400
Retailer Commissions	21,660,500	48,331,900	51,298,200
AGENCY TOTAL	64,929,400	99,427,100	104,039,900
FUND SOURCES			
<u>Other Appropriated Funds</u>			
State Lottery Fund	64,929,400	99,427,100	104,039,900
SUBTOTAL - Other Appropriated Funds	64,929,400	99,427,100	104,039,900
SUBTOTAL - Appropriated Funds	64,929,400	99,427,100	104,039,900
Other Non-Appropriated Funds	428,624,000	445,333,300	474,107,500
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 Baseline includes \$8,418,700 and 98.8 FTE Positions from the State Lottery Fund in FY 2015 for the operating budget. FY 2015 adjustments would be as follows:

One-Time Equipment	OF	FY 2015
		\$(1,500)

The Baseline 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.

Advertising

The Baseline includes \$15,500,000 from the State Lottery Fund in FY 2015 for Advertising. This amount is unchanged from FY 2014.

Monies in this line item are used to promote and market Lottery games.

Charitable Commissions

The Baseline includes \$852,300 from the State Lottery Fund in FY 2015 for Charitable Commissions. FY 2015 adjustments would be as follows:

Tab Ticket Increase	OF	40,500
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The Baseline 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 Baseline includes \$18,571,300 from the State Lottery Fund in FY 2015 for Instant Tickets. FY 2015 adjustments would be as follows:

Instant Ticket Sales Increase OF 1,371,600

The Baseline 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 Baseline includes \$9,399,400 from the State Lottery Fund in FY 2015 for On-Line Vendor Fees. FY 2015 adjustments would be as follows:

On-Line Vendor Fees Increase OF 235,900

The Baseline 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 Baseline includes \$51,298,200 from the State Lottery Fund in FY 2015 for Retailer Commissions. FY 2015 adjustments would be as follows:

Retailer Commissions Increase OF 2,966,300

The Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

An amount equal to 20% of Tab Ticket sales is appropriated for payment of sales commissions to charitable organizations. This amount is currently estimated to be \$852,300 in FY 2015.

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.

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.

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.

STATUTORY CHANGES

The Baseline would, 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. Due to a delay in processing, these amounts were recorded as FY 2014 expenditures in the state's accounting system.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Lottery Forecast and Distributions

The Baseline 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 Baseline 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 Economic Security (DES) for the Healthy Families program.
- 23.5% to the Arizona Board of Regents (ABOR) for the Arizona Health Education Center program.
- 17.6% to the Department of Health Services (DHS) for teenage pregnancy prevention.
- 11.8% to DHS for Disease Control Research.
- 11.8% to DHS for the Health Start program.
- 5.9% to DHS for the Women, Infants and Children food program.

Health and Welfare Programs are expected to receive their entire allocation in both FY 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.

Table 1			
Forecast of Lottery Revenue Distribution			
(\$ in Millions)			
Sales	FY 2013	FY 2014	FY 2015
Instant Sales	\$440.5	\$477.8	\$515.9
On-Line Sales	<u>252.4</u>	<u>247.6</u>	<u>254.0</u>
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/}	<u>428.6</u>	<u>445.3</u>	<u>474.1</u>
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/}	<u>17.1</u>	<u>15.4</u>	<u>25.4</u>
Total Transfer	\$173.2	\$180.4	\$191.5
<p>^{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.</p> <p>^{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.</p> <p>^{3/} Prizes are estimated by subtracting net profit and operating budget expenditures from total Lottery sales.</p> <p>^{4/} To derive the profit transfer amounts, the actual FY 2013 rate of return for each game was applied to the current Baseline forecast. The cumulative profit transfer rate is 25.05%.</p> <p>^{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.)</p> <p>^{6/} Excluding fund transfers, distributions to the General Fund totaled \$79,247,800 in FY 2013 and are estimated to be \$77,548,000 in FY 2014 and \$87,577,400 in FY 2015.</p> <p>^{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.</p>			

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
State Lottery Fund (LOA2122/A.R.S. § 5-571)		Partially-Appropriated
Source of Revenue: Sales of lottery tickets, retailer license fees, and interest earnings.		
Purpose of Fund: A portion of the fund is appropriated to pay for all costs of the Arizona State Lottery Commission. After all expenses are paid including the prize monies displayed below in the Non-Appropriated Funds Expended line, Lottery profits are distributed to a number of different functions.		
Appropriated Funds Expended*	64,929,400	99,427,100
Non-Appropriated Funds Expended	428,624,000	445,333,300
Year-End Fund Balance*	32,258,600	5,135,200

* Expenses for commissions earned from January - June of 2013 are to be funded from the FY 2013 ending balance. They are not included in the FY 2013 and FY 2014 appropriated expenditures listed above.

Board of Massage Therapy

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	54,900
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	137,900
Equipment	13,800	9,000	9,000
AGENCY TOTAL	472,400	457,200	457,200

FUND SOURCES

Other Appropriated Funds

Board of Massage Therapy Fund	472,400	457,200	457,200
SUBTOTAL - Other Appropriated Funds	472,400	457,200	457,200
SUBTOTAL - Appropriated Funds	472,400	457,200	457,200
TOTAL - ALL SOURCES	472,400	457,200	457,200

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

* * *

FORMAT — Lump Sum by Agency

The Baseline includes \$457,200 and 5 FTE Positions from the Board of Massage Therapy Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Board of Massage Therapy Fund (BMT2300/A.R.S. § 32-4205)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of massage therapists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate massage therapists, and for board administration.		
Funds Expended	472,400	457,200
Year-End Fund Balance	373,300	484,000

Arizona Medical Board

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	1,012,600
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
AGENCY TOTAL	5,175,600	5,738,700	5,738,700

FUND SOURCES

Other Appropriated Funds

Arizona Medical Board Fund	5,175,600	5,738,700	5,738,700
SUBTOTAL - Other Appropriated Funds	5,175,600	5,738,700	5,738,700
SUBTOTAL - Appropriated Funds	5,175,600	5,738,700	5,738,700
TOTAL - ALL SOURCES	5,175,600	5,738,700	5,738,700

AGENCY DESCRIPTION — The Arizona Medical Board licenses, regulates and conducts examinations of medical doctors and physician's assistants.

Operating Budget

The Baseline includes \$5,738,700 and 58.5 FTE Positions from the Arizona Medical Board Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

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FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

The Arizona Medical Board may use up to 7% of the Arizona Medical Board Fund balance remaining at the end of each fiscal year for a performance based incentive program the following fiscal year based on the program established in A.R.S. § 38-618.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Arizona Medical Board Fund (MEA2038/A.R.S. § 32-1406)		Appropriated
Source of Revenue: Monies collected by the Arizona Medical Board from the examination and licensing of physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate physicians, and for board administration costs.		
Funds Expended	5,175,600	5,738,700
Year-End Fund Balance	5,440,200	6,049,200

State Mine Inspector

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	234,300
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	1,028,600
SPECIAL LINE ITEMS			
Abandoned Mines	185,700	194,700	194,700
Aggregate Mined Land Reclamation	11,400	112,500	112,500
AGENCY TOTAL	1,198,900	1,335,800	1,335,800
FUND SOURCES			
General Fund	1,187,500	1,223,300	1,223,300
<u>Other Appropriated Funds</u>			
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	1,335,800
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	1,695,800

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 Baseline includes \$1,028,600 and 14 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

Abandoned Mines

The Baseline 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.

Aggregate Mined Land Reclamation

The Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Abandoned Mines Safety (MIA2408/A.R.S. § 27-131)		Non-Appropriated
<i>Source of Revenue:</i> Gifts, grants and contributions. The Legislature may appropriate matching monies.		
<i>Purpose of Fund:</i> To locate, inventory, classify and eliminate public safety hazards at abandoned mines.		
Funds Expended	12,200	104,500
Year-End Fund Balance	153,300	48,800
Aggregate Mining Reclamation Fund (MIA2511/A.R.S. § 27-1233)		Appropriated
<i>Source of Revenue:</i> Fees collected from exploration and aggregate mining operations.		
<i>Purpose of Fund:</i> To review aggregate mined land reclamation plans and to enforce compliance with the plans.		
Funds Expended	11,400	112,500
Year-End Fund Balance	148,400	73,900
Federal Education and Training Fund (MIA2400/A.R.S. § 27-123)		Non-Appropriated
<i>Source of Revenue:</i> Fees for education and training of mine employees required under federal regulation.		
<i>Purpose of Fund:</i> To provide mine safety training to mine employees in Arizona. All mine employees are required under federal regulations to receive initial and annual refresher safety training.		
Funds Expended	71,500	137,100
Year-End Fund Balance	149,400	189,500
Federal Grants (MIA2000/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Federal grants from the U.S. Department of Labor, Mine Safety and Health Administration and the Department of Interior, Bureau of Land Management (BLM).		
<i>Purpose of Fund:</i> To provide mine safety training to mine employees in Arizona. All mine employees are required under federal regulations to receive initial and annual refresher safety training. The state provides a 20% in-kind match. The BLM grant is for an inventory of abandoned mines on BLM lands.		
Funds Expended	352,200	118,400
Year-End Fund Balance	1,700	0
IGA and ISA Fund (MIA2500/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Monies received through agreements with other state agencies.		
<i>Purpose of Fund:</i> To aid state agencies in securing abandoned mines on their properties.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Naturopathic Physicians Medical Board

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	32,500
Professional and Outside Services	2,600	600	600
Travel - In State	200	800	800
Other Operating Expenditures	26,500	35,300	35,300
Equipment	2,200	0	0
AGENCY TOTAL	115,900	158,900	158,900

FUND SOURCES

Other Appropriated Funds

Naturopathic Physicians Medical Board Fund	115,900	158,900	158,900
SUBTOTAL - Other Appropriated Funds	115,900	158,900	158,900
SUBTOTAL - Appropriated Funds	115,900	158,900	158,900
TOTAL - ALL SOURCES	115,900	158,900	158,900

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 Baseline includes \$158,900 and 2 FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Naturopathic Physicians Medical Board Fund (NBA2042/A.R.S. § 32-1505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of naturopathic physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate naturopathic physicians, and naturopathic medical assistants and for board administration.		
Funds Expended	115,900	158,900
Year-End Fund Balance	282,300	312,100

Arizona Navigable Stream Adjudication Commission

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	24,800	24,800
AGENCY TOTAL	196,100	129,200	129,200
FUND SOURCES			
General Fund	116,100	129,200	129,200
<u>Other Appropriated Funds</u>			
Risk Management Revolving Fund	80,000	0	0
SUBTOTAL - Other Appropriated Funds	80,000	0	0
SUBTOTAL - Appropriated Funds	196,100	129,200	129,200
TOTAL - ALL SOURCES	196,100	129,200	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 Baseline includes \$129,200 and 2 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

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FORMAT — Lump Sum by Agency

STATUTORY CHANGES

The Baseline would, 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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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 December 2013, the commission indicates that it is currently in the "fourth go-round" of hearings for all 6 pending cases due to additional work and hearings being required by the Arizona Court of Appeals and because a

related 2012 U.S. Supreme Court ruling raised additional legal questions. The latter ruling requires the commission to resolve whether individual “segments” of the 6 contested streambeds were navigable prior to statehood rather than making that determination only for each streambed as a whole. 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 2014 in the Environment Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 4). In FY 2011, FY 2012, and FY 2013 the commission expended the entire \$80,000 allocation.

FY 2014 Supplemental

The Baseline includes a one-time supplemental of \$150,000 from the General Fund in FY 2014 to address an anticipated 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 indicates that it has already spent all but \$300 of its \$80,000 Risk Management Revolving Fund allocation for FY 2014. As a result, the commission indicates that it will need to either suspend the use of outside legal counsel for the rest of FY 2014 or delay payment for continued work until July 1, 2014 due to lack of funds. 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*).

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Risk Management Revolving Fund (NSA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to all state agencies, boards, and commissions insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay for the legal expenses associated with appeals filed against the commission.		
Funds Expended	80,000	0
Year-End Fund Balance	0	0

State Board of Nursing

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	713,000
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
AGENCY TOTAL	4,111,600	4,275,600	4,270,800
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board of Nursing Fund	4,111,600	4,275,600	4,270,800
SUBTOTAL - Other Appropriated Funds	4,111,600	4,275,600	4,270,800
SUBTOTAL - Appropriated Funds	4,111,600	4,275,600	4,270,800
<i>Other Non-Appropriated Funds</i>			
Federal Funds	164,400	0	0
	479,000	414,700	414,700
TOTAL - ALL SOURCES	4,755,000	4,690,300	4,685,500

AGENCY DESCRIPTION — The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.

Operating Budget

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FORMAT — Lump Sum by Agency

The Baseline includes \$4,270,800 and 42.2 FTE Positions from the Board of Nursing Fund in FY 2015 for the operating budget. FY 2015 adjustments would be as follows:

Remove One-Time Funding OF FY 2015 \$(4,800)
 The Baseline 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.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Board of Nursing Fund (BNA2044/A.R.S. § 32-1611)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of nurses. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate nurses, and for board administration. Monies from the fund are also used to pay for the administrative and testing costs of the Nursing Aide Registration program. The program is mandated by the federal government and is funded through the Nursing Aide Training and Registration Fund, a non-appropriated subaccount of the Board of Nursing Fund.		
Funds Expended	4,111,600	4,275,600
Year-End Fund Balance	1,978,200	2,301,200

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Nurse Aide Training and Registration (BNA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal monies passed through from the Department of Health Services (Medicare) and AHCCCS (Title XIX Medicaid), facility payments, and nurse aide fees.		
Purpose of Fund: To pay for the administrative and testing costs of the Nurse Aide Registration program as mandated by the federal government.		
Funds Expended	479,000	414,700
Year-End Fund Balance	0	0
Statewide Donations Fund (BNA2025/A.R.S. § 32-1606.A.11)		Non-Appropriated
Source of Revenue: Donations, gifts and private grants. Monies do not revert to the General Fund at the end of the fiscal year.		
Purpose of Fund: To assist in carrying out the purposes of the agency.		
Funds Expended	164,400	0
Year-End Fund Balance	30,200	100

**Board of Examiners of Nursing Care Institution Administrators and
Assisted Living Facility Managers**

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	94,500
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	420,200
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	337,400	420,200	420,200
SUBTOTAL - Other Appropriated Funds	337,400	420,200	420,200
SUBTOTAL - Appropriated Funds	337,400	420,200	420,200
TOTAL - ALL SOURCES	337,400	420,200	420,200

AGENCY DESCRIPTION — The board licenses, certifies, and regulates administrators of nursing care institutions and managers of adult care homes.

Operating Budget

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FORMAT — Lump Sum by Agency

The Baseline includes \$420,200 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 are unchanged from FY 2014.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund (NCA2043/A.R.S. § 36-446.08)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of nursing home administrators and assisted living facility managers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate nursing home administrators and assisted living facility managers, and for board administration.		
Funds Expended	337,400	420,200
Year-End Fund Balance	207,400	134,800

Occupational Safety and Health Review Board

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Lump Sum Appropriation	1,000	0	15,000
AGENCY TOTAL	1,000	0	15,000
FUND SOURCES			
General Fund	1,000	0	15,000
SUBTOTAL - Appropriated Funds	1,000	0	15,000
TOTAL - ALL SOURCES	1,000	0	15,000

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 Baseline includes \$15,000 from the General Fund in FY 2015 for the operating budget. FY 2015 adjustments would be as follows:

One-Time Funding OF **FY 2015**
\$15,000

The Baseline includes an increase of \$15,000 from the General Fund in FY 2015 for board operations. In FY 2012 the board received a one-time non-lapsing appropriation of \$15,000. Pursuant to A.R.S. § 23-422E, General Fund appropriations to the Occupational Safety and Health Review Board are exempt from lapsing. The board had an ending balance of \$14,000 in FY 2013.

The board uses the monies for outside legal counsel before the Court of Appeals. The board currently has 1 case pending and estimates that 3 more cases may follow. If all 4 cases reach the Court of Appeals, there could be an ending balance of \$0 in FY 2014 with no funding available for FY 2015.

Board of Occupational Therapy Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	49,600
Travel - In State	1,300	1,400	1,400
Other Operating Expenditures	26,300	29,100	29,100
AGENCY TOTAL	157,300	172,500	172,500

FUND SOURCES

Other Appropriated Funds

Occupational Therapy Fund	157,300	172,500	172,500
SUBTOTAL - Other Appropriated Funds	157,300	172,500	172,500
SUBTOTAL - Appropriated Funds	157,300	172,500	172,500
TOTAL - ALL SOURCES	157,300	172,500	172,500

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

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FORMAT — Lump Sum by Agency

The Baseline includes \$172,500 and 1.5 FTE Positions from the Occupational Therapy Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Occupational Therapy Fund (OTA2263/A.R.S. § 32-3405)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of occupational therapists and occupational therapy assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate occupational therapists and occupational therapy assistants, and for board administration.		
Funds Expended	157,300	172,500
Year-End Fund Balance	341,100	456,600

State Board of Dispensing Opticians

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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

FUND SOURCES

Other Appropriated Funds

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

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FORMAT — Lump Sum by Agency

The Baseline 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.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Board of Dispensing Opticians Fund (DOA2046/A.R.S. § 32-1686)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of opticians and optical establishments. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate opticians and optical establishments, and for board administration.		
Funds Expended	130,000	135,800
Year-End Fund Balance	188,300	219,700

State Board of Optometry

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	44,400
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	206,000

FUND SOURCES

<i>Other Appropriated Funds</i>			
Board of Optometry Fund	196,200	206,000	206,000
SUBTOTAL - Other Appropriated Funds	196,200	206,000	206,000
SUBTOTAL - Appropriated Funds	196,200	206,000	206,000
TOTAL - ALL SOURCES	196,200	206,000	206,000

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

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The Baseline includes \$206,000 and 2 FTE Positions from the Board of Optometry Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Board of Optometry Fund (OBA2023/A.R.S. § 32-1705)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of optometrists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate optometrists, and for board administration.		
Funds Expended	196,200	206,000
Year-End Fund Balance	131,200	139,300

Arizona Board of Osteopathic Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.7	6.7	6.7
Personal Services	316,700	349,200	349,200
Employee Related Expenditures	120,200	135,000	135,000
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	130,900
Equipment	3,200	26,900	0
AGENCY TOTAL	701,400	775,500	750,600
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Osteopathic Examiners Fund	701,400	775,500	750,600
SUBTOTAL - Other Appropriated Funds	701,400	775,500	750,600
SUBTOTAL - Appropriated Funds	701,400	775,500	750,600
TOTAL - ALL SOURCES	701,400	775,500	750,600

AGENCY DESCRIPTION — The agency licenses and regulates medical physicians who practice osteopathic medicine, a system of medical treatment that emphasizes the inter-relationship of the body's muscles, bones, and joints with other body systems as an adjunct to invasive and/or chemically-based treatment.

Operating Budget

The Baseline includes \$750,600 and 6.7 FTE Positions from the Board of Osteopathic Examiners Fund in FY 2015 for the operating budget. FY 2015 adjustments would be as follows:

FORMAT — Lump Sum by Agency

Equipment Replacement OF **FY 2015 \$(24,900)**
The Baseline includes a decrease of \$(24,900) from the Board of Osteopathic Examiners Fund in FY 2015 for the elimination of one-time equipment.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Board of Osteopathic Examiners Fund (OSA2048/A.R.S. § 32-1805)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of osteopathic physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate osteopathic physicians, and for board administration.		
Funds Expended	701,400	775,500
Year-End Fund Balance	1,139,900	1,183,500

Arizona Parents Commission on Drug Education and Prevention

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	3,798,900	4,747,300	4,747,300
TOTAL - ALL SOURCES	3,798,900	4,747,300	4,747,300

AGENCY DESCRIPTION — The commission funds programs that increase and enhance parental involvement and education regarding the serious risks and public health problems caused by the abuse of alcohol and controlled substances. The commission does not receive an appropriation from the Legislature.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Drug Treatment and Education Fund (PCA2277/A.R.S. § 13-901.02)		Non-Appropriated
Source of Revenue: Fifty percent of the Judiciary Drug Treatment and Education Fund. The Judiciary Drug Treatment and Education Fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor.		
Purpose of Fund: To fund programs that increase parental involvement and education regarding the problems caused by the abuse of alcohol and controlled substances.		
Funds Expended	3,798,900	4,747,300
Year-End Fund Balance	4,323,400	3,776,100

Arizona State Parks Board

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	163.0	163.0	163.0
Personal Services	4,077,400	4,929,000	4,929,000
Employee Related Expenditures	1,832,600	2,277,500	2,277,500
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	10,592,400
SPECIAL LINE ITEMS			
Kartchner Caverns State Park	1,681,100	2,228,700	2,228,700
AGENCY TOTAL	11,582,200	12,821,100	12,821,100
FUND SOURCES			
<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	12,821,100
SUBTOTAL - Other Appropriated Funds	11,582,200	12,821,100	12,821,100
SUBTOTAL - Appropriated Funds	11,582,200	12,821,100	12,821,100
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	46,358,300

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 Baseline includes \$10,592,400 and 127.2 FTE Positions from the State Parks Revenue Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

Kartchner Caverns State Park

The Baseline includes \$2,228,700 and 35.8 FTE Positions from the State Parks Revenue Fund in FY 2015 for Kartchner Caverns State Park. These amounts are unchanged from FY 2014.

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

STATUTORY CHANGES

The Baseline would, as session law, continue to allow the use of \$692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Oracle is funded through an agreement between the State Parks Board and a private entity.

Status of Parks

As of December 2013, all 27 state parks are open to the public:

- Thirteen open parks plan to use only existing state fund sources (Alamo Lake, Buckskin Mountain, Catalina, Cattail Cove, Dead Horse Ranch, Fool Hollow, Kartchner Caverns, Lake Havasu, Lost Dutchman, Patagonia Lake, Picacho Peak, Slide Rock, and Tonto Natural Bridge).
- The remaining 14 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 14, the following 12 are scheduled to be opened year round: Fort Verde, Homolovi Ruins, Jerome, Red Rock, Riordan Mansion, Roper Lake, Boyce Thompson Arboretum, McFarland, Tombstone Courthouse, Tubac Presidio, Yuma Territorial Prison, and Yuma Quartermaster Depot.
- The remaining 2 parks will be operated on a seasonal basis. Lyman Lake is funded through an agreement between the State Parks Board and Apache County.

Budget Stabilization Fund Interest

The FY 2014 Revenue Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 9) appropriated \$1,000,000 from Budget Stabilization Fund (BSF) interest income to the State Parks Revenue Fund in FY 2014. The funding was appropriated for State Parks capital improvement projects, subject to review by the Joint Committee on Capital Review (JCCR). This appropriation appears in the Capital Outlay section. The JCCR subsequently favorably reviewed the Parks Board proposal to expend these monies on the following projects: \$450,000 for the electrification of campsites at multiple state parks; \$370,000 for a new restroom, plumbing and climate control upgrades at Tonto Natural Bridge; and \$180,000 to replace a restroom at Lost Dutchman. The Baseline does not continue the BSF interest appropriation in FY 2015.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Arizona Trail Fund (PRA2525/A.R.S. § 41-511.15)		Non-Appropriated
Source of Revenue: Legislative appropriations and donations.		
Purpose of Fund: To maintain and preserve the Arizona trail.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Funds (PRA2000/A.R.S. § 41-511.04)		Non-Appropriated
Source of Revenue: Federal grants from the Department of the Interior, National Park Service, and other federal entities.		
Purpose of Fund: To expand and maintain the National Register of Historic Places, and to identify, evaluate and protect other historic properties. Also, to implement the State Comprehensive Outdoor Recreation Plan.		
Funds Expended	2,140,200	3,880,000
Year-End Fund Balance	539,000	359,000
Land Conservation Fund - Administration Account (PRA2432/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: Interest earnings from the Public Conservation Account, which receives \$20,000,000 annually from the General Fund in FY 2001 through FY 2011, as approved by Arizona voters in November 1998. Unobligated amounts at the end of each fiscal year revert to the Public Conservation Account.		
Purpose of Fund: For operating expenses.		
Funds Expended	547,600	1,250,000
Year-End Fund Balance	0	0
Land Conservation Fund - Donation Account (PRA2432/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: Donations from public and private entities.		
Purpose of Fund: To match grants made to purchase state trust lands for conservation purposes. There are currently no estimates of donations that will be deposited to the account.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Land Conservation Fund - Public Conservation Account (PRA2432/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: As approved by Arizona voters in November 1998, the fund received \$20,000,000 annually from the General Fund in FY 2001 through FY 2011. Beginning in FY 2004, \$2,000,000 of this amount was deposited into the Livestock and Crop Conservation Fund, administered by the Department of Agriculture.		
Purpose of Fund: For grants to the state or any of its political subdivisions, non-profit organizations, individual landowners, and agricultural lessees of state or federal land. Grants are made to purchase or lease state trust lands that are classified as suitable for conservation purposes. The Conservation Acquisition Board will recommend appropriate grants to the Arizona State Parks Board.		
Funds Expended	24,646,400	15,476,200
Year-End Fund Balance	17,938,700	1,297,500
Off-Highway Vehicle Recreation Fund (PRA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: Transfer from the Motor Vehicle Fuel Tax, equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
Purpose of Fund: To plan, administer, and enforce off-highway vehicle recreation, and to develop facilities consistent with the off-highway vehicle plan. Sixty percent of the monies collected are to be used by the Arizona State Parks Board for planning, administration, and facilities development; the remainder is transferred to the Arizona Game and Fish Department for enforcement. The FY 2014 Environment Budget Reconciliation Bill (BRB) (Laws 2013, 1 st Special Session, Chapter 4) allows the use of \$692,100 for agency operating expenses.		
Funds Expended	1,504,400	4,096,900
Year-End Fund Balance	4,543,200	3,156,900
Partnership Fund (PRA2448/A.R.S. § 41-511.04)		Non-Appropriated
Source of Revenue: Revenues received from federal, state, and local government agencies through intergovernmental agreements; reimbursements from local and county recipients of federal Land and Water Conservation grants.		
Purpose of Fund: To provide trails stewardship with funds received from the USDA, Forest Service and the Bureau of Land Management; for operating costs of the multi-use water safety center at Lake Havasu State Park with funds received from the U.S. Coast Guard, Lake Havasu City, Mohave County, and the Arizona Game and Fish Department; and to administer federal Land and Water Conservation grants. Grant recipients must provide 10% of the grant amount to the Parks Board for administration.		
Funds Expended	368,900	384,100
Year-End Fund Balance	301,100	202,000
Publications and Souvenir Revolving Fund (PRA4010/A.R.S. § 41-511.21)		Non-Appropriated
Source of Revenue: Sales of books, postcards, posters, and souvenir items at state parks and proceeds from the operation of the lodge and restaurant at Tonto Natural Bridge State Park.		
Purpose of Fund: Production and distribution of agency publications, as well as the purchase of souvenir items for sale at state parks, and the operation of concessions. This fund has been consolidated into the State Parks Revenue Fund. <i>(See State Parks Revenue Fund for additional information.)</i>		
Funds Expended	149,200	0
Year-End Fund Balance	0	0
Reservation Surcharge Revolving Fund (PRA1304/A.R.S. § 41-511.24)		Appropriated
Source of Revenue: Surcharges on reservations made using an automated reservation system. There are currently 14 parks that utilize the system for camping, cabin and recreational vehicle site reservations. In addition to overnight accommodations, Kartchner Caverns also utilizes the system for tour reservations. The surcharge is \$5.00 per reserved ticket. Any amount in excess of \$75,000 at the end of each fiscal year is transferred to the General Fund. This fund has been consolidated into the State Parks Revenue Fund. <i>(See State Parks Revenue Fund for additional information.)</i>		
Purpose of Fund: To staff and manage the reservation system.		
Funds Expended	90,000	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
State Lake Improvement Fund (PRA2105/A.R.S. § 5-382)		Non-Appropriated
Source of Revenue: Primarily a transfer from the Highway User Revenue Fund, based on a formula that estimates state gasoline taxes paid for boating purposes. Also included is a portion of the watercraft license tax collected by the Arizona Game and Fish Department.		
Purpose of Fund: To fund projects at boating sites, including launching ramps, parking areas, lake improvement and construction, campgrounds, and acquisition of property to provide access to boating sites. Project grant requests are reviewed by the Arizona Outdoor Recreation Coordinating Commission and approved by the Arizona State Parks Board. Approved projects must be reviewed by the Joint Committee on Capital Review (JCCR).		
Funds Expended - Capital	89,600	1,900,000
Funds Expended - Operating (amount includes local grants)	3,498,000	6,500,000
Year-End Fund Balance	5,802,200	3,934,900
State Parks Enhancement Fund (PRA2202/A.R.S. § 41-511.11)		Appropriated
Source of Revenue: State parks user fees and concession sales.		
Purpose of Fund: Under permanent law, one-half of this fund is appropriated for parks operations and the other half is used for park acquisition and development (including the lease-purchase payments for the Tonto National Bridge State Park). Since completion of the Tonto lease-purchase payment was made in the early FY 2011, the acquisition and development portion of the fund is subject to legislation appropriation. In FY 2012, the permanent law provisions were suspended to permit less than 50% to be spent on capital. This fund has been consolidated into the State Parks Revenue Fund. <i>(See State Parks Revenue Fund for additional information.)</i>		
Funds Expended - Operating	878,500	0
Year-End Fund Balance	0	0
State Parks Revenue Fund (PRA2202/A.R.S. § 41-511.21)		Appropriated
Source of Revenue: State parks user fees and concession sales; sales of park posters, postcards, books and souvenirs; donations; and legislative appropriations.		
Purpose of Fund: To fund parks operations, acquisition and development. Capital projects that are funded using these monies are subject to JCCR review. As permanent law, the FY 2012 Environment BRB, eliminated the State Parks Enhancement Fund, the Reservation Surcharge Revolving Fund, and the Publications and Souvenir Revolving Fund, and consolidated their revenue sources into a new appropriated State Parks Revenue Fund in FY 2013. As session law, the FY 2014 Revenue BRB (Laws 2013, 1 st Special Session, Chapter 9) appropriated \$1,000,000 from Budget Stabilization Fund (BSF) interest income to the State Parks Revenue Fund for capital improvement projects. The BSF interest appropriation for capital is reflected below.		
Funds Expended - Operating (Appropriated)	10,613,700	12,821,100
Funds Expended - Operating (Capital)	0	0
Year-End Fund Balance	0	5,737,800
State Parks Fund (PRA3117/A.R.S. § 41-511.11)		Non-Appropriated
Source of Revenue: Private gifts, grants, and donations. The City of Yuma allocates \$150,000 annually for the operation of the Yuma Crossing State Historic Park.		
Purpose of Fund: To meet the objectives of contributors, especially as they relate to acquisition, development, and preservation of the state's natural features.		
Funds Expended	111,000	50,000
Year-End Fund Balance	375,900	403,900

State Personnel Board

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	47,100
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	374,900

FUND SOURCES

Other Appropriated Funds

Personnel Board Subaccount of the Personnel Division Fund	316,900	374,900	374,900
SUBTOTAL - Other Appropriated Funds	316,900	374,900	374,900
SUBTOTAL - Appropriated Funds	316,900	374,900	374,900
TOTAL - ALL SOURCES	316,900	374,900	374,900

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

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The Baseline includes \$374,900 and 3 FTE Positions from the Personnel Board Subaccount of the Personnel Division Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Personnel Board Subaccount of the Personnel Division Fund (PBA1107/A.R.S. § 41-750)		Appropriated
Source of Revenue: A 0.03% charge on the total payroll of each agency within the Arizona Department of Administration Personnel System.		
Purpose of Fund: To fund Personnel Board operations.		
Funds Expended	316,900	374,900
Year-End Fund Balance	493,700	566,400

Office of Pest Management

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	398,700
Travel - In State	38,100	43,100	43,100
Travel - Out of State	0	0	0
Other Operating Expenditures	187,500	751,700	412,700
Equipment	28,200	0	0
AGENCY TOTAL	1,368,800	2,039,000	1,700,000
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Pest Management Fund	1,368,800	2,039,000	1,700,000
SUBTOTAL - Other Appropriated Funds	1,368,800	2,039,000	1,700,000
SUBTOTAL - Appropriated Funds	1,368,800	2,039,000	1,700,000
Federal Funds	96,600	113,500	113,500
TOTAL - ALL SOURCES	1,465,400	2,152,500	1,813,500

AGENCY DESCRIPTION — The agency licenses and regulates professional pest control companies and conducts examinations of applicators of structural pesticides.

Operating Budget

The Baseline includes \$1,700,000 and 30 FTE Positions from the Pest Management Fund in FY 2015 for the operating budget. FY 2015 adjustments would be as follows:

Fee Realignment **OF** **FY 2015**
\$ (339,000)

The Baseline 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 Legislative Consideration* for more detail.)

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FORMAT — Lump Sum by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Office of Pest Management Relocation

Laws 2011, Chapter 20 relocated the Office of Pest Management into the Arizona Department of Agriculture building on the bill's effective date, July 20, 2011. 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.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Federal Fund (SBA2000/A.R.S. § 32-2304)		Non-Appropriated
Source of Revenue: Federal Environmental Protection Agency grants.		
Purpose of Fund: To support Pest Management's licensing and regulation activities. Includes education and training for employees as well as industry, I.T. hardware and software, and travel.		
Funds Expended	96,600	113,500
Year-End Fund Balance	5,200	5,200
Pest Management Fund (SBA2050/A.R.S. § 32-2305)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of professional pest control companies and applicators of structural pesticides. In FY 2012, FY 2013, and FY 2014 includes up to \$525,000 from increased fee authority pursuant to Laws 2011, Chapter 28, Laws 2012, Chapter 297, and Laws 2013, 1st Special Session, Chapter 9. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, inspect, and regulate professional pest control companies and applicators of structural pesticides.		
Funds Expended	1,368,800	2,039,000
Year-End Fund Balance	1,987,600	1,719,100

Arizona State Board of Pharmacy

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	395,000
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
AGENCY TOTAL	1,893,800	2,103,700	2,017,000
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona State Board of Pharmacy Fund	1,893,800	2,103,700	2,017,000
SUBTOTAL - Other Appropriated Funds	1,893,800	2,103,700	2,017,000
SUBTOTAL - Appropriated Funds	1,893,800	2,103,700	2,017,000
Other Non-Appropriated Funds	451,100	482,300	482,300
TOTAL - ALL SOURCES	2,344,900	2,586,000	2,499,300

AGENCY DESCRIPTION — The board licenses, regulates, and conducts examinations of pharmacists and issues permits to distributors of approved medications. The board also educates pharmacists and the general public on the proper distribution and use of these medications.

Operating Budget

The Baseline includes \$2,017,000 and 18 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2015 for the operating budget. FY 2015 adjustments would be as follows:

retirements and \$(37,800) for one-time purchase of video equipment to broadcast board meetings on the internet.

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FORMAT — Lump Sum by Agency

Remove One-Time Funding OF FY 2015 \$(86,700)
 The Baseline includes a 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

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Arizona State Board of Pharmacy Fund (PMA2052/A.R.S. § 32-1907)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of pharmacies and pharmacists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate pharmacies and pharmacists, and for board administration. Pursuant to A.R.S. § 32-1907 up to \$1,000,000 may be transferred to the Arizona Poison and Drug Information Center. Additionally, \$395,000 may be transferred to the Controlled Substance Prescription Monitoring Program Fund. As a "transfer out," the \$1,000,000 and the \$395,000 are not displayed in expenditures to avoid double counting.		
Funds Expended	1,893,800	2,103,700
Year-End Fund Balance	1,606,500	2,088,400

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Controlled Substances Prescription Monitoring Program Fund (PMA2359/A.R.S. § 36-2605)		Non-Appropriated
Source of Revenue: Legislative appropriations, transfers from the Arizona State Board of Pharmacy Fund, and any grants, gifts, or donations. Up to \$395,795 can be transferred from the Arizona State Board of Pharmacy Fund each year, according to A.R.S. § 32-1907. The transfer is not displayed in the Arizona State Board of Pharmacy Fund expenditures to avoid double counting.		
Purpose of Fund: For program expenses, which include automated tracking of controlled substances, assisting law enforcement in identifying illegal use of controlled substances, and providing information to patients, medical practitioners, and pharmacists.		
Funds Expended	451,100	482,300
Year-End Fund Balance	262,400	262,800
Federal Grants (PMA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal reimbursements and grants.		
Purpose of Fund: Reimbursements for services provided to the federal government and one-time grant to help implement a prescription monitoring program.		
Funds Expended	0	0
Year-End Fund Balance	1,300	1,300

Board of Physical Therapy Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	88,400
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	407,900

FUND SOURCES

Other Appropriated Funds

Board of Physical Therapy Fund	335,800	432,600	407,900
SUBTOTAL - Other Appropriated Funds	335,800	432,600	407,900
SUBTOTAL - Appropriated Funds	335,800	432,600	407,900
TOTAL - ALL SOURCES	335,800	432,600	407,900

AGENCY DESCRIPTION — The board licenses and regulates physical therapists. A physical therapist treats patients by exercise, massage, mechanical energy, electrical energy, heat, light, sound, and water. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

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FORMAT — Lump Sum by Agency

The Baseline includes \$407,900 and 4 FTE Positions from the Board of Physical Therapy Fund in FY 2015 for the operating budget. FY 2015 adjustments would be as follows:

Electronic Licensing System OF **FY 2015**
\$(24,700)

The Baseline includes a decrease of \$(24,700) from the Board of Physical Therapy Fund in FY 2015 to eliminate one-time expenses for an electronic licensing system.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Board of Physical Therapy Fund (PTA2053/A.R.S. § 32-2004)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of physical therapists, and physical therapy assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate physical therapists, and physical therapy assistants, and for board administration.		
Funds Expended	335,800	432,600
Year-End Fund Balance	744,600	419,500

Arizona Pioneers' Home

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	1,723,600
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	6,059,400
SPECIAL LINE ITEMS			
Prescription Drugs	150,500	200,000	200,000
AGENCY TOTAL	5,688,900	6,259,400	6,259,400
FUND SOURCES			
General Fund	1,135,700	1,602,800	1,602,800
<u>Other Appropriated Funds</u>			
Miners' Hospital Fund	1,501,400	2,079,400	2,079,400
State Charitable Fund	3,051,800	2,577,200	2,577,200
SUBTOTAL - Other Appropriated Funds	4,553,200	4,656,600	4,656,600
SUBTOTAL - Appropriated Funds	5,688,900	6,259,400	6,259,400
Other Non-Appropriated Funds	17,000	17,700	17,700
TOTAL - ALL SOURCES	5,705,900	6,277,100	6,277,100

AGENCY DESCRIPTION — The Arizona Pioneers' Home provides a home and long-term nursing care and medical care for Arizona pioneers, long-term residents, and disabled miners. The Home, on average, cares for 105 residents.

Operating Budget

The Baseline includes \$6,059,400 and 106.3 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$1,602,800
Miners' Hospital Fund	2,079,400
State Charitable Fund	2,377,200

These amounts are unchanged from FY 2014.

Included in this amount is \$29,500 for the last year of a multi-year equipment upgrade project.

Prescription Drugs

The Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated for the Pioneers' Home and the Hospital for Disabled Miners in compliance with the Enabling Act and the Constitution of Arizona.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
IGA and ISA Fund (PIA2500/A.R.S. § 41-921)		Non-Appropriated
<i>Source of Revenue:</i> Intergovernmental agreements between the Arizona Pioneers' Home and other state and local entities.		
<i>Purpose of Fund:</i> To be used as specified in the grant or agreement.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Miners' Hospital Fund (PIA3130/A.R.S. § 37-525)		Appropriated
<i>Source of Revenue:</i> Interest on the Miners' Hospital Fund as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
<i>Purpose of Fund:</i> To provide a continuous source of funds to benefit the Arizona Pioneers' Home.		
Funds Expended	1,501,400	2,079,400
Year-End Fund Balance	1,457,900	1,274,500
Pioneers' Home Fund (Cemetery Proceeds) (PIA3144/A.R.S. § 41-926)		Non-Appropriated
<i>Source of Revenue:</i> Cemetery proceeds from the sale of interment rights or the lease of cemetery land.		
<i>Purpose of Fund:</i> To defray expenses or work conducted by the Arizona Pioneers' Home and the Arizona Pioneers' Home Cemetery.		
Funds Expended	17,000	17,700
Year-End Fund Balance	113,900	138,700
Pioneers' Home Fund (Donations) (PIA3143/A.R.S. § 41-926)		Non-Appropriated
<i>Source of Revenue:</i> Donations or contributions from private sources.		
<i>Purpose of Fund:</i> To defray expenses or work conducted by the Arizona Pioneers' Home in serving its clientele.		
Funds Expended	0	0
Year-End Fund Balance	29,100	29,300
State Charitable Fund (PIA3129/A.R.S. § 37-525)		Appropriated
<i>Source of Revenue:</i> Earnings from the Pioneers' Home's share of the State Charitable, Penal and Reformatory Grant lands.		
<i>Purpose of Fund:</i> For the operation, Personal Services, and Employee Related Expenditures of the Pioneers' Home.		
Funds Expended	3,051,800	2,577,200
Year-End Fund Balance	2,216,200	2,345,500
Statewide Employee Recognition Gifts Fund (PIA2449/A.R.S. § 41-709)		Non-Appropriated
<i>Source of Revenue:</i> Donations, gifts, or contributions from public or private sources.		
<i>Purpose of Fund:</i> For the conduct of employee recognition programs.		
Funds Expended	0	0
Year-End Fund Balance	25,400	30,400

State Board of Podiatry Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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

FUND SOURCES

Other Appropriated Funds

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 Baseline 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.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Podiatry Fund (POA2055/A.R.S. § 32-806)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of podiatrists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate podiatrists, and for board administration.		
Funds Expended	129,900	147,300
Year-End Fund Balance	106,500	72,700

Commission for Postsecondary Education

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	83,100	118,800	118,800
Employee Related Expenditures	41,300	54,300	54,300
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	184,800
SPECIAL LINE ITEMS			
Arizona College and Career Guide	500	21,300	21,300
Arizona Minority Educational Policy Analysis Center	19,900	100,000	100,000
Leveraging Educational Assistance Partnership	2,319,500	2,319,500	2,319,500
Math and Science Teacher Initiative	176,000	176,000	176,000
Twelve Plus Partnership	39,900	130,500	130,500
AGENCY TOTAL	2,720,900	2,932,100	2,932,100
FUND SOURCES			
General Fund	1,396,800	1,396,800	1,396,800
Other Appropriated Funds			
Postsecondary Education Fund	1,324,100	1,535,300	1,535,300
SUBTOTAL - Other Appropriated Funds	1,324,100	1,535,300	1,535,300
SUBTOTAL - Appropriated Funds	2,720,900	2,932,100	2,932,100
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	4,657,300

AGENCY DESCRIPTION — The Commission for Postsecondary Education reviews and recommends higher education policies, while providing a discussion forum for public and private postsecondary educational institutions and their stakeholders on issues of mutual interest. The 16 commissioners are authorized to administer certain federal and state student financial aid programs.

Operating Budget

The Baseline includes \$184,800 and 4.5 FTE Positions from the Postsecondary Education Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

Arizona College and Career Guide

The Baseline 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 public and private postsecondary educational institutions. The guide

describes each institution's available degree and certificate programs, course lengths, and costs of attendance.

Arizona Minority Educational Policy Analysis Center

The Baseline includes \$100,000 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 Baseline includes \$2,319,500 for the Leveraging Educational Assistance Partnership (LEAP) in FY 2015. This amount consists of:

	<u>FY 2015</u>
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 Legislative Consideration for more information.)

Math and Science Teacher Initiative

The Baseline 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 Baseline 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.

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The appropriations for Arizona College and Career Guide, Arizona Minority Educational Policy Analysis Center and Twelve Plus Partnership are estimates representing all monies distributed to this fund, including balance forward, revenue and transfers, during FY 2015. The appropriations shall be adjusted as necessary to reflect actual final receipts credited to the Postsecondary Education Fund.

Each participating institution, public or private, in order to be eligible to receive state matching funds under the Leveraging Educational Assistance Partnership for grants to students, shall provide an amount of institutional matching funds that equals the amount of funds provided by the state to the institution for the Leveraging Educational Assistance Partnership. Administrative expenses incurred by the Commission for Postsecondary Education shall be paid from institutional matching funds and shall not exceed 12% of the funds in FY 2015.

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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Status of Leveraging Educational Assistance Partnerships

LEAP was originally created as a federal, state, and institution partnership to provide financial assistance to students demonstrating substantial financial need. However, federal funding and authority was eliminated in FY 2012 by Public Law 112-10, Department of Defense and Full-Year Continuing Appropriations Act, 2011. 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.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Early Graduation Scholarship Fund (PEA2364/A.R.S. § 15-105 [repealed])		Non-Appropriated
Source of Revenue: Monies received from the Department of Education on behalf of students who graduate early, pursuant to A.R.S. § 15-105. The Early Graduation Scholarship Fund was repealed by the K-12 Education Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 3). The remaining balance was transferred to the IGA/ISA Fund.		
Purpose of Fund: For education scholarships awarded to eligible Arizona high school students who graduate at least 1 year early, enabling them to attend a postsecondary institution. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	551,200	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Family College Savings Program Trust Fund (PEA3121/A.R.S. § 15-1873B)		Non-Appropriated
Source of Revenue: Fees paid by financial institutions which are contracted to serve as program managers of assets.		
Purpose of Fund: For operating expenses and administrative costs of the Arizona Family College Savings Program.		
Funds Expended	438,900	417,200
Year-End Fund Balance	174,400	229,700
Federal Grant Fund (PEA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grant revenue.		
Purpose of Fund: Federal grant revenues to be used by the commission as specified by the grant(s).		
Funds Expended	1,263,600	1,328,200
Year-End Fund Balance	60,700	12,000
IGA/ISA Fund (PEA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Any monies received from state agencies for specialized projects.		
Purpose of Fund: For costs associated with approved projects. In FY 2014 the remaining balance of \$546,800 in the Early Graduation Scholarship Fund was transferred to the IGA/ISA Fund pursuant to the K-12 Education BRB (Laws 2013, 1st Special Session, Chapter 3) to fund a 1-year continuation of the Special Education Grant Program that provides forgivable student loans to students at private postsecondary institutions.		
Funds Expended	543,900	546,800
Year-End Fund Balance	0	0
Mathematics, Science, and Special Education Teacher Student Loan Fund (PEA2358/A.R.S. § 15-1784)		Non-Appropriated
Source of Revenue: Legislative appropriations and repayments of principal and interest of issued loans.		
Purpose of Fund: To provide up to 5-year loans to eligible in-state students pursuing a teaching degree in mathematics, science, and special education at a state university and who agree to a service commitment to teach in a public school. General Fund expenditures are not displayed to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	259,900	267,400
Postsecondary Education Fund (PEA2405/A.R.S. § 15-1853)		Partially-Appropriated
Source of Revenue: Monies appropriated by the Legislature, monies received from state agencies and political subdivisions of the state, monies received from the federal government, and/or private gifts, grants and donations. The commission must separately account for monies received from each source.		
Purpose of Fund: Provide for purposes designated by Special Line Items for which the monies are received. Donations are used in accordance with the requests of the donor. Other private monies are used to carry out the duties and responsibilities of the commission.		
Appropriated Funds Expended	1,324,100	1,535,300
Non-Appropriated Funds Expended	44,400	79,800
Year-End Fund Balance	193,500	166,600
Postsecondary Education Grant Program (PEA2530/A.R.S. § 15-1855)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature. Program has not been funded since FY 2011.		
Purpose of Fund: For tuition grants awarded to full and part-time students enrolled at a private baccalaureate degree granting institution. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	1,800	1,800

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
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Private Postsecondary Education Student Financial Assistance Fund (PEA2128/A.R.S. § 15-1854)	Non-Appropriated	
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Source of Revenue: Monies appropriated by the Legislature. Program has not been funded since FY 2011.
Purpose of Fund: For tuition vouchers awarded to eligible graduates of Arizona community colleges enabling them to obtain a bachelor's degree at a private college or university in the state. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.

Funds Expended	0	0
Year-End Fund Balance	15,100	25,100

Teachers Incentive Program Fund (PEA2249/A.R.S. § 15-1851)	Non-Appropriated	
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Source of Revenue: Monies collected as repayment from students who do not meet the conditions of the loan program.
Purpose of Fund: To collect repayment monies from students who received a loan in prior years for teacher education and did not fulfill their teaching obligation. The students' teacher loan indebtedness to the State of Arizona is forgiven if the recipient of the monies completes a specified period of time teaching in designated school districts, which are identified as having high proportions of economically disadvantaged and at-risk pupils. Monies collected are reverted to the General Fund.

Funds Expended	0	0
Year-End Fund Balance	0	0

Arizona Power Authority

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Hoover Upgrading Fund (PAA1113/A.R.S. § 30-202)		Non-Appropriated
Source of Revenue: The sale of hydro-electricity from Hoover Dam to APA customers.		
Purpose of Fund: To purchase hydro-electricity from Hoover Dam for APA customers.		
Funds Expended	35,311,300	34,402,700
Year-End Fund Balance	0	0
Interest Income Fund (PAA1112/A.R.S. § 30-203)		Non-Appropriated
Source of Revenue: Interest income is received from investments with the Arizona State Treasurer.		
Purpose of Fund: To pay for the operating expenses of the Power Authority.		
Funds Expended	11,800	6,800
Year-End Fund Balance	0	4,200
Power Authority Fund (PAA9506/A.R.S. § 30-202)		Non-Appropriated
Source of Revenue: Energy sales to any of the authority's 39 customers.		
Purpose of Fund: To purchase supplemental energy on the open market (usually from Salt River Project) for APA customers and to fund special APA projects.		
Funds Expended	1,105,900	2,089,600
Year-End Fund Balance	3,097,400	3,097,400

State Board for Private Postsecondary Education

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	86,900
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	395,600
SPECIAL LINE ITEMS			
Student Tuition Recovery Fund Deposit	0	245,600	0
AGENCY TOTAL	335,400	641,200	395,600
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board for Private Postsecondary Education Fund	335,400	641,200	395,600
SUBTOTAL - Other Appropriated Funds	335,400	641,200	395,600
SUBTOTAL - Appropriated Funds	335,400	641,200	395,600
Other Non-Appropriated Funds	72,200	103,100	103,100
TOTAL - ALL SOURCES	407,600	744,300	498,700

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 Baseline includes \$395,600 and 4 FTE Positions from the Board for Private Postsecondary Education Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

Student Tuition Recovery Fund Deposit

The Baseline includes no funding from the Board for Private Postsecondary Education Fund in FY 2015 for the Student Tuition Recovery Fund Deposit. FY 2015 adjustments would be as follows:

FY 2015
Eliminate One-time Transfer OF \$(245,600)

The Baseline 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.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Board for Private Postsecondary Education Fund (PVA2056/A.R.S. § 32-3004)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of private postsecondary institutions. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate private postsecondary institutions. Monies are also used for board administration costs.		
Funds Expended	335,400	641,200
Year-End Fund Balance	760,900	557,300
Student Tuition Recovery Fund (PVA3027/A.R.S. § 32-3072)		Non-Appropriated
Source of Revenue: Assessments on prepaid tuition paid by newly enrolled students at private postsecondary institutions. Pursuant to A.R.S. § 32-3072, if the fiscal year-end fund balance exceeds \$500,000, only newly or provisionally licensed institutions pay the assessment.		
Purpose of Fund: To compensate persons suffering damages as the result of a private postsecondary institution ceasing operations.		
Funds Expended	72,200	103,100
Year-End Fund Balance	550,200	636,800

State Board of Psychologist Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	173,800	177,900	177,900
Employee Related Expenditures	79,800	81,200	81,200
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	47,100
Equipment	3,200	4,100	4,100
AGENCY TOTAL	343,200	375,500	363,500

FUND SOURCES

Other Appropriated Funds

Board of Psychologist Examiners Fund	343,200	375,500	363,500
SUBTOTAL - Other Appropriated Funds	343,200	375,500	363,500
SUBTOTAL - Appropriated Funds	343,200	375,500	363,500
TOTAL - ALL SOURCES	343,200	375,500	363,500

AGENCY DESCRIPTION — The board licenses and regulates psychologists and behavior analysts.

Operating Budget

FORMAT — Lump Sum by Agency

The Baseline includes \$363,500 and 4 FTE Positions from the Board of Psychologist Examiners Fund in FY 2015 for the operating budget. FY 2015 adjustments would be as follows:

Office Security Enhancements OF FY 2015 \$(12,000)

The Baseline includes a decrease of \$(12,000) from the Board of Psychologist Examiners Fund in FY 2015 to eliminate one-time expenses for office security enhancements.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Board of Psychologist Examiners Fund (SYA2058/A.R.S. § 32-2065)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of psychologists. A separate account has been established within the Board of Psychologist Examiners Fund consisting of licensing and other fees for behavior analysts. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate psychologists and behavior analysts, and for board administration.		
Funds Expended	343,200	375,500
Year-End Fund Balance	792,800	509,800

Department of Public Safety

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,903.7	1,904.7	1,904.7
Personal Services	92,553,200	101,320,200	101,320,200
Employee Related Expenditures	55,556,000	65,234,400	65,234,400
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	28,339,200
Equipment	13,069,700	6,495,400	6,495,400
OPERATING SUBTOTAL	195,255,800	204,915,600	204,165,600
SPECIAL LINE ITEMS			
GIITEM	20,128,300	21,304,700	21,304,700
GIITEM Subaccount	1,230,100	2,390,000	2,390,000
Public Safety Equipment	2,016,700	2,390,000	2,390,000
Motor Vehicle Fuel	3,576,500	3,935,500	3,935,500
AGENCY TOTAL	222,207,400	234,935,800	234,185,800
FUND SOURCES			
General Fund	43,835,800	51,560,800	50,810,800 ^{1/}
Other Appropriated Funds			
Automated Fingerprint Identification System Fund	2,342,700	3,009,700	3,009,700
Automation Operations Fund	0	296,200	296,200
Crime Laboratory Assessment Fund	870,400	870,600	870,600
Crime Laboratory Operations Fund	13,544,700	14,719,800	14,719,800
Criminal Justice Enhancement Fund	2,872,700	2,871,200	2,871,200
Deoxyribonucleic Acid (DNA) Identification System Fund	5,471,500	6,321,200	6,321,200
GIITEM Subaccount	1,230,100	2,390,000	2,390,000
Highway Patrol Fund	19,225,100	19,658,900	19,658,900
Highway User Revenue Fund	119,101,300	119,247,100	119,247,100 ^{1/}
Motorcycle Safety Fund	205,000	205,000	205,000
Parity Compensation Fund	1,819,400	1,885,300	1,885,300
Public Safety Equipment Fund	2,016,700	2,390,000	2,390,000
Risk Management Revolving Fund	1,441,400	1,199,900	1,199,900
Safety Enforcement and Transportation Infrastructure Fund	1,499,400	1,566,300	1,566,300
State Highway Fund	6,731,200	6,743,800	6,743,800
SUBTOTAL - Other Appropriated Funds	178,371,600	183,375,000	183,375,000
SUBTOTAL - Appropriated Funds	222,207,400	234,935,800	234,185,800
Other Non-Appropriated Funds			
Federal Funds	34,087,200	41,656,200	38,838,300
TOTAL - ALL SOURCES	292,240,400	318,852,600	307,119,000

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.

^{1/} Does not include the impact of the 2-year legislative proposal to offset the use of Highway User Revenue Fund (HURF) for DPS operating expenses in FY 2015 and FY 2016. The 2-year cost of the proposal is \$238,494,200. This proposal could be implemented either by depositing General Fund monies directly into HURF or by eliminating the use of HURF in the DPS budget and backfilling with the General Fund. If the latter version is enacted, the FY 2015 DPS General Fund total would increase by \$119,247,100 – from \$50,810,800 to \$170,057,900. The HURF appropriation would decline to \$0.

Operating Budget

The Baseline includes \$204,165,600 and 1,767.9 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	<u>FY 2015</u>
General Fund	\$25,801,900
Automated Fingerprint Identification System (AFIS) Fund	3,009,700
Automation Operations Fund	296,200
Crime Laboratory Assessment Fund (CLAF)	870,600
Crime Laboratory Operations Fund (CLOF)	14,719,800
Criminal Justice Enhancement Fund (CJEF)	2,871,200
Deoxyribonucleic Acid (DNA) Identification System Fund	6,321,200
Highway Patrol Fund	19,427,600
Highway User Revenue Fund (HURF)	119,247,100
Motorcycle Safety Fund	205,000
Parity Compensation Fund	1,885,300
Risk Management Revolving Fund	1,199,900
Safety Enforcement and Transportation Infrastructure Fund (SETIF)	1,566,300
State Highway Fund	6,743,800

FY 2015 adjustments would be as follows:

Remove One-Time Funding GF (750,000)

The Baseline includes a decrease of \$(750,000) from the General Fund in FY 2015 for the removal of one-time monies for the operational costs of the Arizona Counter Terrorism Information Center (ACTIC).

**Radio and Infrastructure GF 0
Equipment Replacement OF 0**

The Baseline 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 Baseline includes \$21,304,700 and 136.8 FTE Positions from the General Fund in FY 2015 for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). These amounts are unchanged from FY 2014.

The GIITEM Special Line Item is comprised of monies for the following GIITEM functions, including: 1) \$8,773,700 for gang enforcement, investigation, and interdiction; 2)

\$9,327,600 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

<u>Function/Purpose</u>	<u>FY 2014</u>
Gang Enforcement & Investigation	\$ 8,773,700
DPS Immigration Personnel	9,327,600
Local Immigration Enforcement Grants	2,603,400 ^{1/}
GangNet Upgrade & Crime Analysts	600,000
TOTAL	\$21,304,700

^{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.

The FY 2014 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 5) requires DPS to distribute the monies in the GIITEM Fund as soon after July 1 of every year as practicable.

GIITEM Subaccount

The Baseline 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 2014 Criminal Justice BRB requires DPS to submit to the JLBC for review a FY 2014 expenditure plan for the GIITEM Subaccount. At the October 29, 2013 meeting of the JLBC, the FY 2014 DPS expenditure plan for the GIITEM Subaccount received a favorable review. The plan includes \$619,600 for detention liaison officers, \$370,400 for county sheriff deputies and municipal police department officers to augment the GIITEM Task Force's border district unit, \$350,000 for the Pima County Border Crimes Unit, and \$1,050,000 for grants to county sheriffs for border security.

Public Safety Equipment

The Baseline includes \$2,390,000 from the Public Safety Equipment Fund in FY 2015 for Public Safety Equipment. This amount is unchanged from FY 2014.

The Public Safety Equipment Fund receives \$4 of a \$13 criminal fee. These monies are to be used for safety equipment. The revenues are estimated to total \$2,240,600 in FY 2015.

The Public Safety Equipment SLI monies can be used to purchase vehicles, protective armor, electronic stun devices and other safety equipment.

Motor Vehicle Fuel

The Baseline 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 Special Line Item (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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Of the \$21,304,700 appropriated to GIITEM, only \$2,603,400 shall be deposited in the GIITEM Fund established by A.R.S. § 41-1724, and is appropriated for the purposes of that section. The \$2,603,400 is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations. This state recognizes that states have inherent authority to arrest a person for any immigration violation.

Of the \$21,304,700 appropriated to GIITEM, \$9,327,600 shall be used for 100 Department of Public Safety GIITEM personnel. The additional staff shall include at least 50 sworn Department of Public Safety positions to be used for immigration enforcement and border security and 50 Department of Public Safety positions to assist GIITEM in various efforts, including: 1) strict enforcement of all federal law relating to illegal aliens and arresting illegal aliens; 2) responding to or assisting any county sheriff or attorney in investigating complaints of employment of illegal aliens; 3) enforcing Arizona's law known as the Legal Arizona Workers Act, strict enforcement of Arizona's SB 1070, Arizona's "Support Our Law Enforcement and Safe Neighborhoods Act", investigating crimes of identity theft in the context of hiring illegal aliens and the unlawful entry into the country; and 4) taking strict enforcement action. Any change in the GIITEM mission or allocation of monies must be approved by the Joint Legislative Budget Committee. The department shall submit an expenditure plan to the Joint Legislative Budget Committee for review before expending any monies not identified in the department's previous expenditure plans.

Any monies remaining in the Department of Public Safety joint account on June 30, 2015 shall revert to the funds from which they were appropriated. The reverted monies shall be returned in direct proportion to the amounts appropriated.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote concerning the report on a plan to consolidate ACTIC with another governmental entity (see *Other Issues for Legislative Consideration section*).

STATUTORY CHANGES

The Baseline would:

- As session law, continue to notwithstanding the statutory spending cap of \$10,000,000 for HURF (A.R.S. § 28-6537). If enacted, the 2 year HURF shift proposal would eliminate this provision.
- 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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Arizona Counterterrorism Information Center

The Baseline includes a decrease of \$(750,000) from the General Fund in FY 2015 for the removal of one-time monies for the operational costs of Arizona Counterterrorism Information Center (ACTIC). The FY 2014 General Appropriation Act required DPS to submit a plan to consolidate ACTIC with another governmental entity beginning in FY 2015. The DPS report provided 3 options, including moving ACTIC to another governmental building, purchasing the current ACTIC building, and staying in the current facility with the current lease, but did not provide a plan to consolidate ACTIC with another state agency. DPS recommends remaining in its current space and maintaining their lease.

2-Year HURF Shift Proposal

A legislative proposal would offset the use of the Highway User Revenue Fund (HURF) for DPS operating expenses in FY 2015 and FY 2016. The 2-year cost of the proposal is \$238,494,200. This proposal could be implemented either by depositing General Fund monies directly into HURF or by eliminating the use of HURF in the DPS budget and backfilling with the General Fund. In either circumstance, net HURF collections would increase by \$119,247,100 in FY 2015.

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. *Table 2* reflects DPS expenditures from HURF and the State Highway Fund.

The HURF statutes distribute monies to cities, counties (including controlled access roads in Maricopa and Pima Counties) and the State Highway Fund. The latter funds either Arizona Department of Transportation operating or capital expenses. By increasing net HURF collections by \$119,247,100 in FY 2015, the HURF beneficiaries will each receive more funds. *Table 3* displays the impact of the proposal on HURF beneficiaries.

Please see ADOT Capital section for more information on the HURF distribution formula.

Table 2
HURF and State Highway Fund Expenditures
(\$ in millions)

<u>Fiscal Year</u>	<u>HURF</u>	<u>State Highway Fund</u>	<u>Total</u>
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

Table 3
Annual Impact of HURF Shift Proposal on Beneficiaries
(\$ in millions)

<u>Beneficiaries</u>	<u>\$ Increase</u>	<u>Revised Total</u>
Cities	36.4	376.0
Counties	22.7	234.2
Controlled Access	9.2	93.6
State Highway Construction	51.1	69.7
Total	119.2 ^{1/}	773.5

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

Table 4

**State Immigration Enforcement
Assistance to Local Governments**

DPS GIITEM Local Immigration Enforcement Grant Expenditures^{1/}

<u>Agency</u>	<u>FY 2008 Actual</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Actual</u>	<u>FY 2011 Actual</u>	<u>FY 2012 Actual</u>	<u>FY 2013 Actual</u>
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
<u>Year of Appropriation of Funding</u>						
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
	\$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
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>
<u>Border Detention Liaison Officer Grants</u>^{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
<u>Border County Officers</u>^{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

5/ Funding for the Border 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.

GIITEM Subaccount Expenditures^{6/7/8/}

Agency	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>
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	-	-	-	-	-	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. This did not continue in FY 2013.

8/ As required by Laws 2013, 1st Special Session, Chapter 5, JLBC reviewed DPS' FY 2014 GIITEM Subaccount expenditure plan on October 29, 2013.

Table 4 (Continued)

		County Assistance ^{9/}					
		FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
<u>Agency</u>		<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
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/}

		FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
<u>Agency</u>		<u>Actual</u> ^{11/}	<u>Actual</u> ^{11/}	<u>Actual</u> ^{12/}	<u>Actual</u> ^{13/}	<u>Actual</u> ^{14/}	<u>Actual</u> ^{14/}
Maricopa County Attorney		\$1,430,000	\$1,430,000	\$715,000	\$1,213,200	\$200,000	\$200,000
Maricopa County Sheriff		-	-	-	-	500,000	500,000
Pima County Attorney		500,000	500,000	-	-	97,687	97,687
Pima County Sheriff		-	-	-	-	97,687	97,687
Pinal County Attorney		93,351	93,351	-	-	37,447	37,447
Pinal County Sheriff		-	-	-	-	37,447	37,447
Yavapai County Attorney		71,638	71,638	-	-	21,030	21,030
Yavapai County Sheriff		-	-	-	-	21,030	21,030
Mohave County Attorney		66,480	66,480	-	-	19,949	19,949
Mohave County Sheriff		-	-	-	-	19,949	19,949
Yuma County Attorney		64,592	64,592	-	-	19,507	19,507
Yuma County Sheriff		-	-	-	-	19,507	19,507
Cochise County Attorney		43,999	43,999	-	-	13,089	13,089
Cochise County Sheriff		-	-	-	-	13,089	13,089
Coconino County Attorney		43,033	43,033	-	-	13,396	13,396
Coconino County Sheriff		-	-	-	-	13,396	13,396
Navajo County Attorney		38,365	38,365	-	-	10,708	10,708
Navajo County Sheriff		-	-	-	-	10,708	10,708
Apache County Attorney		24,492	24,492	-	-	7,127	7,127
Apache County Sheriff		-	-	-	-	7,127	7,127
Gila County Attorney		17,980	17,980	-	-	5,341	5,341
Gila County Sheriff		-	-	-	-	5,341	5,341
Santa Cruz County Attorney		14,836	14,836	-	-	4,726	4,726
Santa Cruz County Sheriff		-	-	-	-	4,726	4,726

Table 4 (Continued)

<u>Agency</u>	FY 2008 <u>Actual</u> ^{11/}	FY 2009 <u>Actual</u> ^{11/}	FY 2010 <u>Actual</u> ^{12/}	FY 2011 <u>Actual</u> ^{13/}	FY 2012 <u>Actual</u> ^{14/}	FY 2013 <u>Actual</u> ^{14/}
Graham County Attorney	\$11,592	\$11,592	-	-	\$3,709	\$3,709
Graham County Sheriff	-	-	-	-	3,709	3,709
La Paz County Attorney	6,976	6,976	-	-	2,042	2,042
La Paz County Sheriff	-	-	-	-	2,042	2,042
Greenlee County Attorney	2,665	2,665	-	-	841	841
Greenlee County Sheriff	-	-	-	-	841	841
TOTAL	\$2,430,000	\$2,430,000	\$715,000	\$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 and FY 2013 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. ADOA did not seek JLBC's approval of its FY 2012 or FY 2013 distribution.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Anti-Racketeering Revolving Fund (PSA3123/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Any monies obtained as a result of a Department of Public Safety (DPS) seizure and forfeiture by the Attorney General are deposited into this fund. The forfeitures are made under the Racketeering Influenced and Corrupt Organization (RICO) laws.		
Purpose of Fund: For the investigation and prosecution of any offense relating to racketeering. These funds may also be used for gang prevention programs, substance abuse prevention programs and substance abuse education programs.		
Funds Expended	4,194,300	5,668,600
Year-End Fund Balance	10,360,200	10,043,900
Automated Fingerprint Identification System Fund (PSA2286/A.R.S. § 41-2414)		Appropriated
Source of Revenue: A 6.46% allocation from the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For operation and maintenance of the Arizona Automated Fingerprint Identification System.		
Funds Expended	2,342,700	3,009,700
Year-End Fund Balance	790,700	349,400
Automation Operations Fund (ADA4230/A.R.S. § 41-711)		Appropriated
Source of Revenue: Charges to agencies and other political entities for information technology products and services. The fund has continuously appropriated sub-accounts for agreements made with other states and the Arizona Health Care Cost Containment System.		
Purpose of Fund: To provide agencies and other political entities data processing and information technology consulting services and to maintain the integrity and security of state information.		
Funds Expended	0	296,200
Year-End Fund Balance	0	0
Capitol Police Administrative Towing Fund (PSA1999/A.R.S. § 41-1725)		Non-Appropriated
Source of Revenue: Penalties and fees collected for parking violations on state property.		
Purpose of Fund: For Capitol Police Department law enforcement purposes.		
Funds Expended	300	19,500
Year-End Fund Balance	32,000	17,700
Conferences, Workshops and Other Education Fund (PSA2700/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: Conference registration fees.		
Purpose of Fund: To cover expenditures of conferences held by the Governor's Office of Highway Safety.		
Funds Expended	0	0
Year-End Fund Balance	10,400	10,400
Crime Laboratory Assessment Fund (PSA2282/A.R.S. § 41-2415)		Appropriated
Source of Revenue: A 2.3% allocation of CJEF. DPS retains 55% of this fund and distributes the remaining funds to political subdivisions that operate crime laboratories.		
Purpose of Fund: To provide enhanced crime lab services, purchase and maintain scientific equipment, and train crime lab forensic scientists.		
Funds Expended	870,400	870,600
Year-End Fund Balance	282,700	328,000
Crime Laboratory Operations Fund (PSA2394/A.R.S. § 41-1772)		Appropriated
Source of Revenue: The fund includes the first \$10,400,000 generated each year resulting from a \$45 surcharge for all persons who elect to take a defensive driving course in lieu of paying the civil traffic violation fine. In addition, DPS is authorized to receive 9% of CJEF revenues that were previously deposited into the General Fund. These additional funds are exempt from distribution to political subdivisions. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. Any revenues in excess of that amount are deposited into the General Fund.		
Purpose of Fund: To fund crime laboratory or other department operations.		
Funds Expended	13,544,700	14,719,800
Year-End Fund Balance*	1,523,000	(784,300)

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Criminal Justice Enhancement Fund (PSA3702/A.R.S. § 41-2401)		Partially-Appropriated
Source of Revenue: An 85% allocation of an 8.56% distribution from CJEF. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For operational expenses of the Criminal Justice Information System and the Arizona Automated Fingerprint Identification System (appropriated) and for grants to local law enforcement agencies to help prevent residential and commercial burglaries, control street crime and street gangs, and locate missing children (non-appropriated).		
Appropriated Funds Expended	2,872,700	2,871,200
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	794,000	821,000
Deoxyribonucleic Acid (DNA) Identification System Fund (PSA2337/A.R.S. § 41-2419)		Appropriated
Source of Revenue: A 15% allocation of an 8.56% distribution from CJEF, monies collected from individuals subjected to DNA testing who have the financial ability to pay for tests, and contributions from any other sources. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. Laws 2007, Chapter 261 increased the existing 3% penalty assessment (authorized by Laws 2002, Chapter 226) to 7% until December 31, 2011, after which the penalty assessment will decrease to 6%. The additional penalty assessment is similar to the CJEF assessments.		
Purpose of Fund: To implement, operate and maintain DNA testing and administrative costs.		
Funds Expended	5,471,500	6,321,200
Year-End Fund Balance*	678,700	(124,700)
DPS Administration Fund (PSA2322/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: State and local grants and donations.		
Purpose of Fund: For administering state and local grants such as Emergency Medical Services Communications, Arizona Criminal Justice Commission, Forensics, Fines Management and the DPS Criminal Justice Enhancement Fund project, as well as for operational costs of the Criminal Justice Information System.		
Funds Expended	2,784,900	2,807,200
Year-End Fund Balance	895,500	458,900
DPS Licensing Fund (PSA2490/A.R.S. § 32-2408)		Non-Appropriated
Source of Revenue: Fees collected from Private Investigator and Security Guard license applicants.		
Purpose of Fund: For the operational and equipment costs of regulating the private investigator and security guard industry.		
Funds Expended	1,004,700	1,166,100
Year-End Fund Balance	204,400	158,100
Driving Under the Influence Abatement Fund (PSA2422/A.R.S. § 28-1304)		Non-Appropriated
Source of Revenue: A fee of \$250 to be paid by every offender convicted of an extreme driving under the influence (DUI) offense. An extreme DUI violation is defined as a person possessing a blood alcohol concentration of 0.15 or greater.		
Purpose of Fund: To fund DUI-related programs. The Oversight Council on Driving or Operating Under the Influence Abatement distributes 25% of the revenues to fund pilot programs that use emerging technologies to deter occurrences of driving under the influence, and at least 70% of the monies to fund subdivisions and tribal governments that apply for monies for enforcement and alcohol abuse treatment services. The Arizona Criminal Justice Commission staffs the Council. The Arizona Department of Transportation and DPS receive grant funds from the Council. Not more than 5% of the monies are to be used for administrative purposes of the Oversight Council on Driving or Operating Under the Influence Abatement or payment of the costs of notification.		
Funds Expended	1,053,200	1,049,000
Year-End Fund Balance	1,377,800	1,679,400
Families of Fallen Police Officers Special Plate Fund (PSA2386/A.R.S. § 41-1721)		Non-Appropriated
Source of Revenue: Receives \$17 of the \$25 fee paid for an original or renewal of a Family of Fallen Police Officer Special License Plate.		
Purpose of Fund: For a nonprofit corporation in the state that demonstrates a commitment to helping in the healing of family survivors of police officers who died in the line of duty in this state, to provide survivor victimization training to law enforcement personnel, and to educate the public on the need to support law enforcement personnel and the families of fallen officers.		
Funds Expended	174,000	174,400
Year-End Fund Balance	300	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Federal Grants - American Recovery and Reinvestment Act (ARRA) (PSA2999/A.R.S. § 41-1833)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the Department of Public Safety for criminal justice programs.		
Funds Expended	120,100	0
Year-End Fund Balance	0	0
Federal Grants and Reimbursements (PSA2000/A.R.S. § 41-1833)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To administer Federal Highway Administration grants, various Homeland Security grants, the High Intensity Drug Trafficking Area program, organized crime financial investigations, the Rocky Mountain Information Network, the Motor Carrier Safety Assistance program, and the Department of Justice Victims of Crime Act monies.		
Funds Expended	35,825,700	42,260,600
Year-End Fund Balance	900,300	1,275,400
Fingerprint Clearance Card Fund (PSA2433/A.R.S. § 41-1758.06)		Non-Appropriated
Source of Revenue: Fees charged to applicants or contract providers for a fingerprint clearance card.		
Purpose of Fund: To centralize fingerprinting services for state agencies. Revenues pay for the processing and issuance of fingerprint clearance cards.		
Funds Expended	4,281,900	4,789,200
Year-End Fund Balance	4,062,800	4,749,900
Board of Fingerprinting Fund (PSA2435/A.R.S. § 41-619.56)		Non-Appropriated
Source of Revenue: Fees paid by fingerprint clearance card applicants.		
Purpose of Fund: To fund the Board of Fingerprinting, which conducts good cause exception hearings for personnel who require a fingerprint clearance card.		
Funds Expended	500,300	505,600
Year-End Fund Balance	1,287,200	1,582,500
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount (PSA 2396/A.R.S. § 41-1724)		Appropriated
Source of Revenue: A \$4 criminal fee assessed on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To provide funding to county sheriffs for law enforcement purposes relating to border security including border personnel.		
Funds Expended	1,230,100	2,390,000
Year-End Fund Balance	0	0
Gang and Immigration Intelligence Team Enforcement Mission Fund (PSA2396/A.R.S. § 41-1724)		Appropriated
Source of Revenue: A penalty assessed against law enforcement agencies in the state that are not enforcing current illegal immigration statutes and \$2,603,400 in General Fund monies deposited into the fund per a General Appropriation Act footnote. The fine can be no less than \$500 and no more than \$5,000 a day for as long as the law enforcement agency is in non-compliance. Expenditures from this fund are not displayed below to avoid double counting.		
Purpose of Fund: These monies can be used for enforcement of gang and immigration statutes, border security, human and drug smuggling laws, the employer sanctions law and for county jail reimbursement, resulting from costs attributed to illegal immigration. A.R.S. § 41-1724 mandates that the first \$1,600,000 in revenues be distributed to the Maricopa County Sheriff and the next \$500,000 to the Pinal County Sheriff for immigration enforcement. Any entity receiving monies from the fund shall provide 25% of the cost of services with DPS providing the remaining 75%.		
Funds Expended	0	0
Year-End Fund Balance	2,374,500	2,207,900

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Highway Patrol Fund (PSA2032/A.R.S. § 41-1752)		Appropriated
Source of Revenue: A 0.43% premium tax paid by vehicle insurers, miscellaneous service fees, rewards, awards, insurance recoveries, and receipts from the sale or disposal of property held by the Highway Patrol. This fund also includes deposits from Concealed Carry Weapon (CCW) permits and fees collected from towing impound hearings.		
Purpose of Fund: To administer the provisions of law relating to the Highway Patrol and Highway Patrol Reserve, to operate the CCW licensing program, and for the costs associated with impounding vehicles.		
Funds Expended	19,225,100	19,658,900
Year-End Fund Balance	5,092,000	4,932,700
Highway User Revenue Fund (PSA3113/A.R.S. § 28-6533)		Appropriated
Source of Revenue: Revenues collected from various highway-related taxes and fees, including the motor vehicle license tax.		
Purpose of Fund: To fund a portion of Highway Patrol costs.		
Funds Expended	119,101,300	119,247,100
Year-End Fund Balance	863,700	0
IGA and ISA Fund (PSA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	6,593,700	8,736,400
Year-End Fund Balance	3,221,800	2,158,200
Indirect Cost Recovery Fund (PSA9000/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay department-wide administrative and overhead costs.		
Funds Expended	462,600	2,002,000
Year-End Fund Balance	2,370,500	719,100
Motor Carrier Safety Revolving Fund (PSA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste, as required by A.R.S. Title 28; and monies received from private grants or donations.		
Purpose of Fund: DPS conducts motor carrier safety investigations, the Motor Vehicle Division of ADOT administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	12,500	5,600
Year-End Fund Balance	8,900	7,800
Motorcycle Safety Fund (PSA2479/A.R.S. § 28-2010)		Appropriated
Source of Revenue: Receives \$1 of each motorcycle registration fee.		
Purpose of Fund: To implement and support voluntary motorcycle safety, education and awareness programs.		
Funds Expended	205,000	205,000
Year-End Fund Balance	243,300	243,300
Parity Compensation Fund (PSA2510/A.R.S. § 41-1720)		Appropriated
Source of Revenue: Receives 1.51% of the portion of vehicle license tax revenues that otherwise would be deposited in the State Highway Fund.		
Purpose of Fund: To fund salary and benefit adjustments for law enforcement personnel.		
Funds Expended	1,819,400	1,885,300
Year-End Fund Balance	834,600	1,436,200

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Peace Officers' Training Fund (PSA2049/A.R.S. § 41-1825)		Non-Appropriated
Source of Revenue: Receives 16.64% of CJEF. CJEF is composed of a 47% penalty on fines and forfeitures imposed by the courts for criminal and civil motor vehicle statute violations.		
Purpose of Fund: For training costs, including the operation of the Arizona Law Enforcement Officers' Academy, grants to state agencies, cities and towns, and counties for training law enforcement officers and the operation of the Peace Officer Standards and Training Board (POST).		
Funds Expended	6,722,200	7,918,000
Year-End Fund Balance	1,893,900	772,500
Public Safety Equipment Fund (PSA2391/A.R.S. § 41-1723)		Partially-Appropriated
Source of Revenue: Revenues from a \$4 criminal fee on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations per A.R.S. § 12-116.04 (appropriated) and revenues of the first \$1,200,000 generated by additional assessments of up to \$1,500 to be paid by every offender convicted of driving or operating under the influence (DUI or OUI) offenses (non-appropriated).		
Purpose of Fund: To fund purchases of protective body armor, electronic stun gun devices, vehicles, and other safety equipment.		
Appropriated Funds Expended	2,016,700	2,390,000
Non-Appropriated Funds Expended	922,600	1,200,000
Year-End Fund Balance	3,563,800	1,695,000
Records Processing Fund (PSA2278/A.R.S. § 41-1750)		Non-Appropriated
Source of Revenue: Fees charged to other agencies and local political subdivisions for costs of processing department reports and photographs of traffic accident scenes and processing criminal and non-criminal justice fingerprint cards through the federal government.		
Purpose of Fund: For fingerprint processing and department administrative costs.		
Funds Expended	5,380,000	5,614,600
Year-End Fund Balance	461,300	158,800
Risk Management Revolving Fund (PSA4216/A.R.S. § 41-1713)		Appropriated
Source of Revenue: Transfer from the Arizona Department of Administration Risk Management Fund.		
Purpose of Fund: For the costs of a disaster recovery program for the DPS mainframe data center.		
Funds Expended	1,441,400	1,199,900
Year-End Fund Balance	172,500	164,200
Safety Enforcement and Transportation Infrastructure Fund (PSA2108/A.R.S. § 28-6547)		Appropriated
Source of Revenue: Monies are transferred from the ADOT administered fund and include fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings.		
Purpose of Fund: To fund commercial vehicle enforcement officers along the border, particularly in Yuma, Douglas and Nogales. <i>(See the Arizona Department of Transportation Summary of Funds section for other purposes of this fund.)</i>		
Funds Expended	1,499,400	1,566,300
Year-End Fund Balance	10,900	0
State Highway Fund (PSA2030/A.R.S. § 28-6991)		Appropriated
Source of Revenue: Monies appropriated by the Legislature, a portion of the Highway User Revenue Fund, fees, penalties and revenue derived from traffic and vehicle regulation.		
Purpose of Fund: To fund a portion of Highway Patrol costs and cover expenses of state enforcement of traffic laws and state administration of traffic safety programs.		
Funds Expended	6,731,200	6,743,800
Year-End Fund Balance	48,800	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
State Highway Work Zone Safety Fund (PSA2480/A.R.S. § 28-710)		Non-Appropriated
Source of Revenue: A 50% allocation of the additional assessment levied for civil traffic violations committed in a highway work zone.		
Purpose of Fund: To establish and maintain a public education campaign for highway work zone safety.		
Funds Expended	0	0
Year-End Fund Balance	25,300	25,300
Statewide Donations (PSA2025/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: Donations from outside entities.		
Purpose of Fund: To fund the operating costs of the Red Badge Program and the cost of publishing a children's safety calendar, as well as for other purposes determined by the Governor's Office of Highway Safety.		
Funds Expended	0	0
Year-End Fund Balance	7,300	7,300
State Traffic and Parking Control Fund (ADA2453/A.R.S. § 41-796)		Non-Appropriated
Source of Revenue: Penalties and fees collected for traffic and parking violations on state property.		
Purpose of Fund: To post signs, markings, and notices for the regulation of vehicles on state property, as well as to maintain state parking lots and structures.		
Funds Expended	0	0
Year-End Fund Balance	4,500	4,500

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

Public Safety Personnel Retirement System

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
SPECIAL LINE ITEMS			
EORP Fund Deposit	0	5,000,000	5,000,000
AGENCY TOTAL	0	5,000,000	5,000,000
FUND SOURCES			
General Fund	0	5,000,000	5,000,000
SUBTOTAL - Appropriated Funds	0	5,000,000	5,000,000
Other Non-Appropriated Funds	39,250,000	39,820,300	40,398,900
TOTAL - ALL SOURCES	39,250,000	44,820,300	45,398,900

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).

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.

EORP Fund Deposit

The Baseline 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 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.

Membership	PSPRS		CORP		EORP	
	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013
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/}						
	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013
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						
	FY 2014 ^{3/}	FY 2015 ^{4/}	FY 2014 ^{3/}	FY 2015 ^{4/}	FY 2014 ^{3/}	FY 2015 ^{4/}
Employer	30.44%	32.54%	13.68%	14.46%	25.94% ^{5/}	23.50%
Employee	10.35%	11.05%	8.40%	8.40%	13.00%	13.00%
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						

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Fire Fighter and Peace Officer Cancer Insurance Policy Program Account (No Fund Number/A.R.S. § 38-643)		Non-Appropriated
Source of Revenue: Consists of employer contributions of \$180 per fire fighter participating in the Public Safety Personnel Retirement System (PSPRS) as of June 30 of each year.		
Purpose of Fund: The account allows the Fund Manager to obtain a group cancer insurance policy to provide coverage to fire fighters for expenses incurred in the treatment of cancer that was first diagnosed after membership in PSPRS. The Fund Manager may use up to 10% of the monies deposited in the account for administrative expenses.		
Funds Expended	34,400	34,900
Year-End Fund Balance	0	0
Investment and Administrative Expenses (No Fund Number/A.R.S. § 38-843; 38-802; 38-882; 38-840.02)		Non-Appropriated
Source of Revenue: Public Safety Personnel Retirement Fund; Elected Officials' Retirement Fund; Correctional Officer Retirement Fund; Elected Officials' Defined Contribution Disability Program Trust Fund.		
Purpose of Fund: A 5-member governing board called the Fund Manager administers PSPRS, the Elected Officials' Retirement Plan (EORP), the Elected Officials' Defined Contribution Retirement System (EODC System), and the Correctional Officer Retirement Plan (CORP). Authority is granted in statute for the Fund Manager to spend monies from each fund to pay for necessary administration and investment expenses. FY 2013 and FY 2014 expenditures exclude \$36,103,700 and \$36,573,100, respectively, of net fees applied to investments.		
Funds Expended	39,215,600	39,785,400
Year-End Fund Balance	0	0

Arizona Department of Racing

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	635,700
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	225,900
Equipment	160,400	0	0
OPERATING SUBTOTAL	2,565,300	2,895,900	2,895,900
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
AGENCY TOTAL	4,594,800	4,925,400	4,925,400
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	2,895,900
SUBTOTAL - Other Appropriated Funds	2,565,300	2,895,900	2,895,900
SUBTOTAL - Appropriated Funds	4,594,800	4,925,400	4,925,400
Other Non-Appropriated Funds	163,600	89,600	89,600
TOTAL - ALL SOURCES	4,758,400	5,015,000	5,015,000

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 Baseline includes \$2,895,900 and 40.5 FTE Positions from the Racing Regulation Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

Arizona Breeders' Award

The Baseline 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 award the breeder of every winning horse or greyhound foaled or whelped in this state.

County Fairs Livestock and Agricultural Promotion

The Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The amount appropriated to the County Fairs Livestock and Agricultural Promotion line item is for deposit in the County Fairs Livestock and Agricultural Promotion Fund administered by the Office of the Governor.

STATUTORY CHANGES

The Baseline would:

- As session law, continue 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 Baseline would also include legislative intent that the fees would not generate more than \$2,600,000 to the Racing Regulation Fund.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Arizona Breeders' Award Fund (RCA2206/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: To award the breeder of every winning horse, greyhound foaled or whelped, statewide.		
Funds Expended	0	0
Year-End Fund Balance	0	0
County Fair Racing Fund (RCA2170/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: Provides funding for the administration of county fair racing.		
Funds Expended	0	0
Year-End Fund Balance	0	0
County Fairs Racing Betterment Fund (RCA2207/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: To provide a grant for capital improvements to each eligible county fair association conducting a county fair racing meeting, in order to protect the health and safety of race participants.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Greyhound and Retired Racehorse Adoption Fund (RCA2015/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: License fees collected from dog breeders, racing kennels, and other operations where greyhounds are raised for dog racing. Additional monies are collected by the horse adoption surcharge that receives 5% of all horse racing related fines.		
Purpose of Fund: To provide funding for grants to non-profit organizations for the promotion and adoption of retired racing greyhounds and horses.		
Funds Expended	3,200	3,000
Year-End Fund Balance	700	1,200
Racing Investigation Fund (RCA2369/A.R.S. § 41-705)		Non-Appropriated
Source of Revenue: Monies collected from persons, partnerships, associations or corporations that hold a permit for a racing meeting under Title 5.		
Purpose of Fund: To cover the cost of racing investigations by the Arizona Department of Racing. The fund is administered by the Department of Administration and disbursements are made pursuant to instructions from the Director of the Department of Racing.		
Funds Expended	87,800	20,000
Year-End Fund Balance	25,700	25,600
Racing Regulation Fund (RCA2556/A.R.S. § 5-113.01)		Appropriated
Source of Revenue: License fees and regulatory assessments established by the Arizona Department of Racing and the Boxing Commission, pari-mutuel taxes from wagering at horse and dog racing facilities and donations or grants received by the department.		
Purpose of Fund: To support the mission of the department.		
Funds Expended	2,565,300	2,895,900
Year-End Fund Balance	1,103,500	1,147,500

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Racing Regulation Fund - Mixed Martial Arts Account (RCA2393/A.R.S. § 5-225)		Non-Appropriated
Source of Revenue: Fees established by the Boxing Commission for unarmed combat events.		
Purpose of Fund: To pay for the administration and regulation of unarmed combat.		
Funds Expended	72,600	66,600
Year-End Fund Balance	77,100	42,500
Stallion Award Fund (RCA2315/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: To award owners or lessees of stallions that bred winning horses within the state.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Radiation Regulatory Agency

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	33.5	33.5	33.5
Personal Services	891,500	917,200	917,200
Employee Related Expenditures	352,900	363,900	363,900
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	1,626,200
SPECIAL LINE ITEMS			
Nuclear Emergency Management Fund	675,900	695,300	695,300
AGENCY TOTAL	2,261,400	2,321,500	2,321,500
FUND SOURCES			
General Fund	1,433,800	1,468,600	1,468,600
<u>Other Appropriated Funds</u>			
Radiation Regulatory Fee Fund	575,600	579,600	579,600
State Radiologic Technologist Certification Fund	252,000	273,300	273,300
SUBTOTAL - Other Appropriated Funds	827,600	852,900	852,900
SUBTOTAL - Appropriated Funds	2,261,400	2,321,500	2,321,500
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	2,593,800

AGENCY DESCRIPTION — The department regulates the use, storage, and disposal of sources of radiation. This includes licensing or certifying users, inspecting x-ray equipment, developing emergency response capability, and monitoring environmental radiation.

Operating Budget

The Baseline includes \$1,626,200 and 29 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$773,300
Radiation Regulatory Fee Fund	579,600
State Radiologic Technologist Certification Fund	273,300

These amounts are unchanged from FY 2014.

Nuclear Emergency Management Fund

The Baseline 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. *(Please 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.

FORMAT — Lump Sum by Agency

STATUTORY CHANGES

The Baseline would, as session law, continue the fee raising authority and an exemption relating to establishing fees for the Radiation Regulatory Agency in FY 2015. The Baseline also continues an intent clause that limits additional revenues to \$561,000.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Federal Grants (AEA2000/A.R.S. § 30-654)		Non-Appropriated
Source of Revenue: Federal grants and miscellaneous revenue.		
Purpose of Fund: To track radiation levels, assess and reduce radon levels, and monitor x-ray facilities in the state.		
Funds Expended	234,000	234,000
Year-End Fund Balance	13,300	20,500
Laser Safety Fund (AEA2138/A.R.S. § 32-3234)		Non-Appropriated
Source of Revenue: Fees collected from the authorization of certificates to individuals that operate lasers of Intense Pulsed Light (IPL) devices for health and cosmetic related purposes.		
Purpose of Fund: To fund the costs of issuing licenses to individuals that operate lasers or IPL devices for health related purposes.		
Funds Expended	43,300	38,300
Year-End Fund Balance	600	1,000
Nuclear Emergency Management Fund (AEA2138/A.R.S. § 26-306.02)		Non-Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	25,200	5,600
Radiation Regulatory Fee Fund (AEA2554/A.R.S. § 30-658)		Appropriated
Source of Revenue: Includes fees collected for licensing, inspection, and registration fees for individuals and other entities utilizing radiological materials. Laws 2011, Chapter 28 created the Radiation Regulatory Fee Fund and shifted into the fund the previously non-appropriated fees that were deposited into the Service Fees Increase Fund. Laws 2013, 1 st Special Session, Chapter 9 also continued to allow the Radiation Regulatory Agency \$561,000 in fee authority to deposit into the fund.		
Purpose of Fund: To provide funding for the operating expenses of the agency.		
Funds Expended	575,600	579,600
Year-End Fund Balance	0	0
State Radiologic Technologist Certification Fund (AEA2061/A.R.S. § 32-2823)		Appropriated
Source of Revenue: License fees paid by x-ray technologists.		
Purpose of Fund: To provide for the licensing of x-ray technologists and the investigation of complaints.		
Funds Expended	252,000	273,300
Year-End Fund Balance	1,200	1,000

State Real Estate Department

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	656,200
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	2,988,700
FUND SOURCES			
General Fund	2,661,000	2,988,700	2,988,700
SUBTOTAL - Appropriated Funds	2,661,000	2,988,700	2,988,700
Other Non-Appropriated Funds	90,500	234,000	234,000
TOTAL - ALL SOURCES	2,751,500	3,222,700	3,222,700

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 Baseline includes \$2,988,700 and 37 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Education Revolving Fund (REA4011/A.R.S. § 32-2107)		Non-Appropriated
Source of Revenue: Sale of the department's educational publications, primarily the <i>Real Estate Lawbook</i> .		
Purpose of Fund: To cover the department's costs of printing real estate regulation books and other public information publications, and to cover the department's costs for other educational efforts, including sponsoring and holding the educational seminars or workshops for educators and other licensees. All monies in excess of \$25,000 at the end of the fiscal year shall revert to the General Fund.		
Funds Expended	1,300	19,000
Year-End Fund Balance	36,100	28,300
Recovery Fund (REA3119/A.R.S. § 32-2186)		Non-Appropriated
Source of Revenue: A fee of \$20 for brokers and \$10 for salespersons, paid upon application for an original real estate or cemetery license. A surcharge on license renewals is assessed if the fund balance on June 30 of any year falls below \$600,000. The fund also consists of restitution paid by persons convicted of real estate fraud and ordered to repay a judgment awarded out of the Recovery Fund.		
Purpose of Fund: To compensate persons who have been defrauded in a real estate transaction and subsequently suffered monetary losses. Those persons may seek a court order for an award from the Recovery Fund if the person who committed the fraud has no assets. Monies also provide for the department's cost of administering the fund.		
Funds Expended	89,200	215,000
Year-End Fund Balance	530,500	688,700

Residential Utility Consumer Office

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	249,200
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	164,500
Equipment	8,200	0	0
OPERATING SUBTOTAL	1,037,600	1,189,400	1,189,400
SPECIAL LINE ITEMS			
Professional Witnesses	10,100	145,000	145,000
AGENCY TOTAL	1,047,700	1,334,400	1,334,400
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Residential Utility Consumer Office Revolving Fund	1,047,700	1,334,400	1,334,400
SUBTOTAL - Other Appropriated Funds	1,047,700	1,334,400	1,334,400
SUBTOTAL - Appropriated Funds	1,047,700	1,334,400	1,334,400
TOTAL - ALL SOURCES	1,047,700	1,334,400	1,334,400

AGENCY DESCRIPTION — The Residential Utility Consumer Office (RUCO) serves as an advocate for residential customers of public utilities in rate hearings held before the Arizona Corporation Commission. Through its technical staff and expert consultants, RUCO analyzes utility company data to determine appropriate positions to take and present on behalf of residential ratepayers. The RUCO Director is appointed by the Governor.

Operating Budget

* * *

The Baseline includes \$1,189,400 and 11 FTE Positions from the RUCO Revolving Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Monies in the Professional Witnesses Special Line Item are a continuing appropriation and are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Professional Witnesses

The Baseline 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.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Residential Utility Consumer Office Revolving Fund (UOA2175/A.R.S. § 40-409)		Appropriated
Source of Revenue: An assessment levied on public service corporations with annual residential revenues in excess of \$250,000, as defined by A.R.S. § 40-401.01.		
Purpose of Fund: To operate the Residential Utility Consumer Office.		
Funds Expended	1,047,700	1,334,400
Year-End Fund Balance	709,100	419,500

Board of Respiratory Care Examiners

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	79,100
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	297,100

FUND SOURCES

Other Appropriated Funds

Board of Respiratory Care Examiners Fund	289,800	297,100	297,100
SUBTOTAL - Other Appropriated Funds	289,800	297,100	297,100
SUBTOTAL - Appropriated Funds	289,800	297,100	297,100
TOTAL - ALL SOURCES	289,800	297,100	297,100

AGENCY DESCRIPTION — The board licenses and regulates respiratory care practitioners. A respiratory therapist performs inhalation therapy and respiratory therapy, which includes administering pharmacological, diagnostic, and therapeutic agents, as directed by a physician.

Operating Budget

* * *

The Baseline includes \$297,100 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Board of Respiratory Care Examiners Fund (RBA2269/A.R.S. § 32-3505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of respiratory care practitioners. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate respiratory care practitioners, and for board administration.		
Funds Expended	289,800	297,100
Year-End Fund Balance	227,300	207,700

Arizona State Retirement System

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	233.9	246.9	246.9
Personal Services	12,497,500	12,703,000	12,703,000
Employee Related Expenditures	4,473,700	4,994,900	4,994,900
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	2,835,800
Equipment	407,100	389,500	389,500
OPERATING SUBTOTAL	23,837,300	24,881,100	24,881,100
SPECIAL LINE ITEMS			
ASRS Plan Design Changes	436,300	0	0
Automation Upgrades	0	1,390,000	1,915,000
Laws 2011, Ch. 26 Rate Change Administration Procedures	12,800	0	0
Laws 2011, Ch. 357 Plan Changes	57,300	0	0
Laws 2012, Ch. 362 Employer Contributions	21,600	0	0
Laws 2012, Ch. 88 ASRS; Spousal Consent	55,600	0	0
Laws 2013, Ch. 110 ASRS; Amendments	0	200,000	0
Laws 2013, Ch. 216 Implementation Costs	0	502,400	72,400
AGENCY TOTAL	24,420,900	26,973,500	26,868,500
FUND SOURCES			
<u>Other Appropriated Funds</u>			
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	24,068,500
SUBTOTAL - Other Appropriated Funds	24,420,900	26,973,500	26,868,500
SUBTOTAL - Appropriated Funds	24,420,900	26,973,500	26,868,500
Other Non-Appropriated Funds	76,606,000	82,757,000	87,044,000
TOTAL - ALL SOURCES	101,026,900	109,730,500	113,912,500

AGENCY DESCRIPTION — The Arizona State Retirement System (ASRS) provides retirement, survivors, health and disability benefits to employees of most public employers in Arizona, including public schools, most local and county governments, and the State of Arizona. Funding for the agency is appropriated except for investment management and consulting fees, rent, actuarial consulting fees, legal counsel costs, retiree payroll and health insurance program administration.

Operating Budget

The Baseline includes \$24,881,100 and 245.9 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
State Retirement System Administration Account	\$22,081,100
Long-Term Disability (LTD) Trust Fund Administration Account	2,800,000

FY 2015 adjustments would be as follows:

Data Security **OF** **0**
The Baseline 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

Automation Upgrades

The Baseline includes \$1,915,000 from the State Retirement System Administration Account in FY 2015 for Automation Upgrades. FY 2015 adjustments would be as follows:

IT Modernization OF 525,000

The Baseline includes an increase of \$525,000 from the State Retirement System Administration Account in FY 2015 for the second year of a 5-year project to consolidate and upgrade an ASRS business application system with a more current Java-based Web application. The 5-year cost of the project is a total of \$10.2 million, as follows:

- Year 1: \$1,390,000
- Year 2: \$1,915,000
- Year 3: \$2,270,000
- Year 4: \$2,070,000
- Year 5: \$2,569,500

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.

Laws 2013, Ch. 110 ASRS; Amendments

The Baseline includes no funding from the State Retirement System Administration Account in FY 2015 for the Laws 2013, Chapter 110 ASRS; Amendments Special Line Item. FY 2015 adjustments would be as follows:

Elimination of One-time Costs OF (200,000)

The Baseline 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 the Arizona State Retirement System as authorized by Laws 2013, Chapter 110.

Laws 2013, Ch. 216 Implementation Costs

The Baseline includes \$72,400 and 1 FTE Position from the State Retirement System Administration Account in FY 2015 for the Laws 2013, Chapter 216 Implementation Costs Special Line Item. FY 2015 adjustments would be as follows:

Elimination of One-time Costs OF (430,000)

The Baseline includes a decrease of \$(430,000) 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 plan operated by ASRS, as authorized by Laws 2013, Chapter 216.

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Monies in the Automation Upgrades Special Line Item are a continuing appropriation and are exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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 be 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.			

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Administrative Account - Investment Expenses (RSA1407/A.R.S. § 38-721)		Non-Appropriated
Source of Revenue: Transfer from the State Retirement Fund.		
Purpose of Fund: Investment management fees and related consulting fees, actuarial consulting fees, rent, and retiree payroll. Funding is subject to Retirement Board approval. Excludes \$67,176,000 and \$80,033,000 of net fees applied to investments in FY 2013 and FY 2014, respectively.		
Funds Expended	76,606,000	82,757,000
Year-End Fund Balance	0	0
Long-Term Disability Trust Fund Administration Account (RSA1408/A.R.S. § 38-797.02)		Partially-Appropriated
Source of Revenue: Long-Term Disability (LTD) Trust Fund.		
Purpose of Fund: To pay for the cost of administering the LTD program.		
Appropriated Funds Expended	2,739,300	2,800,000
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	0	0
State Retirement System Administration Account (RSA1401/A.R.S. § 38-721)		Appropriated
Source of Revenue: Transfer from the State Retirement Fund.		
Purpose of Fund: To pay the Arizona State Retirement System's administrative expenses.		
Funds Expended	21,681,600	24,173,500
Year-End Fund Balance	0	0

Department of Revenue

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	860.3	861.8	861.8
Personal Services	30,196,200	34,642,300	34,642,300
Employee Related Expenditures	12,381,600	15,385,100	15,385,100
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	8,852,700
Equipment	1,699,900	113,300	113,300
OPERATING SUBTOTAL	59,923,800	64,399,500	64,399,500
SPECIAL LINE ITEMS			
BRITS Operational Support	6,970,200	7,602,500	7,602,500
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
AGENCY TOTAL	70,813,200	73,772,000	73,220,500
FUND SOURCES			
General Fund	44,998,100	47,025,300	47,025,300
<u>Other Appropriated Funds</u>			
Department of Revenue Administrative Fund	24,131,200	24,980,200	24,428,700
Liability Setoff Revolving Fund	1,007,800	1,087,200	1,087,200
Tobacco Tax and Health Care Fund	676,100	679,300	679,300
SUBTOTAL - Other Appropriated Funds	25,815,100	26,746,700	26,195,200
SUBTOTAL - Appropriated Funds	70,813,200	73,772,000	73,220,500
Other Non-Appropriated Funds	40,543,000	42,150,000	43,150,000
TOTAL - ALL SOURCES	111,356,200	115,922,000	116,370,500

AGENCY DESCRIPTION — The Department of Revenue (DOR) administers and enforces the collection of personal and corporate income, sales, withholding, luxury and estate taxes. The department administers state property tax laws through the 15 county assessors. The department does not collect transportation related fees and taxes, nor the insurance premium tax.

Operating Budget

The Baseline includes \$64,399,500 and 806.8 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$41,224,600
DOR Administrative Fund	21,408,400
Liability Setoff Revolving Fund	1,087,200
Tobacco Tax and Health Care Fund	679,300

These amounts are unchanged from FY 2014.

Business Reengineering/Integrated Tax System (BRITS) Operational Support

The Baseline includes \$7,602,500 and 55 FTE Positions in FY 2015 for operational support of BRITS. These amounts consist of:

General Fund	5,800,700
DOR Administrative Fund	1,801,800

These amounts are unchanged from FY 2014.

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 Baseline includes \$1,218,500 from the DOR Administrative Fund in FY 2015 for Unclaimed Property Administration and Audit. FY 2015 adjustments would be as follows:

Remove One-Time Funding OF (\$51,500)

The Baseline includes a decrease of \$(51,500) 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.

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

If the total dollar value of properties retained by unclaimed property contract auditors exceeds \$1,218,500, the excess amount shall be transferred from the state General Fund to the DOR Administrative Fund and appropriated to the department for contract auditor fees.

The department shall report the department's General Fund revenue enforcement goals for FY 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 shall include a comparison of projected and actual General Fund revenue enforcement collections for FY 2015.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

BRITS Automation and Encryption

At the October 29, 2013 JLBC meeting, DOR received a favorable review of the proposed Arizona Department of Administration (ADOA) expenditure plan for the Automation Projects Fund. Under the ADOA plan, DOR will expend \$1,700,000 in FY 2014 for the second year of upgrades to BRITS. Specifically, the monies will be used to upgrade the Taxpayer Application System (the main accounting system in BRITS), AZ Taxes (the web-based system for electronic filing), and application integration software; and to purchase hardware for the move to the ADOA Data Center. The ADOA plan also included \$4,900,000 in FY 2014 for DOR to enhance the agency's encryption technologies through hardware and software upgrades. The total DOR allocation reviewed for FY 2014 was \$6,600,000.

See Arizona Department of Administration Automation Projects Fund section for more details on DOR information technology projects.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Client County Equipment Capitalization Fund (RVA2457/A.R.S. § 42-11057)		Non-Appropriated
Source of Revenue: Monies received over \$0.60 per parcel pursuant to an intergovernmental agreement between the department and the county assessor for data processing services. The first \$0.60 per parcel is deposited to the General Fund.		
Purpose of Fund: To upgrade data processing property tax equipment in the counties, which contract with the department to provide data processing services to their county assessors. Any unencumbered fiscal year-end balance over \$300,000 shall be transferred to the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Department of Revenue Administrative Fund (RVA1993/A.R.S. § 42-1116.01)		Appropriated
Source of Revenue: The sale of abandoned property, including bank accounts, safe deposit boxes, stock certificates, utility deposits, life insurance policies and unclaimed victim restitution monies. Property is typically considered "abandoned" after 3 years. Each year, \$24,500,000 in unclaimed property proceeds are deposited into this fund.		
Purpose of Fund: To cover the Department of Revenue's operating costs including unclaimed property contract auditors and the handling, publicizing and selling of abandoned property.		
Funds Expended	24,131,200	24,980,200
Year-End Fund Balance	3,387,600	3,207,700

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Escheated Estates Fund (RVA3745/A.R.S. § 12-885)		Non-Appropriated
Source of Revenue: The fund consists of monies from the sale of escheated estates. Property escheats, or reverts to the state, after 5 years when there is no will to transmit the property and there are no legal heirs to inherit it.		
Purpose of Fund: To deposit proceeds from the sale of escheated property and hold them in the fund for 12 months, from which payment of claims may be made, before being transferred to the Permanent State School Fund. Transfers to the Permanent School Fund totaled \$330,300 in FY 2013.		
Funds Expended	330,300	0
Year-End Fund Balance	25,000	25,000
Estate and Unclaimed Property Fund (RVA1520/A.R.S. § 44-301)		Non-Appropriated
Source of Revenue: The fund consists of monies from the sale of abandoned property, including bank accounts, safe deposit boxes, stock certificates, utility deposits, life insurance policies and unclaimed victim restitution monies. Property is typically considered "abandoned" after 3 years. Notwithstanding the title of this fund, it no longer includes the proceeds of escheated estates. Those funds are deposited to the department's Escheated Estates Fund.		
Purpose of Fund: To pay allowed claims. The department retains not less than \$100,000 of the fund while the state attempts to locate abandoned property owners. Once monies are determined to be "unreturnable" they are disbursed as follows: Monies associated with unclaimed utility deposits are transferred to the Utility Assistance Fund. Monies from unclaimed shares and dividends of Arizona corporations and unclaimed property in a self-storage unit are transferred to the Permanent State School Fund. Unclaimed victim restitution monies are transferred to the Arizona Criminal Justice Commission's Victim Compensation and Assistance Fund. A.R.S. § 44-313 requires that the first \$2,000,000 in unclaimed property proceeds be deposited into the Seriously Mentally Ill Housing Trust Fund, the next \$2,500,000 into the Housing Trust Fund, the next \$24,500,000 into the DOR Administrative Fund and all remaining monies be redirected to the General Fund.		
Funds Expended	40,013,500	42,000,000
Year-End Fund Balance	2,250,100	2,250,100
I Didn't Pay Enough Fund (RVA6001/A.R.S. § 43-211)		Non-Appropriated
Source of Revenue: Voluntary contributions from taxpayers.		
Purpose of Fund: Up to 10% of annual deposits may be used by DOR to administer the fund. Any unexpended monies revert to the General Fund at the close of the fiscal year.		
Funds Expended	0	0
Year-End Fund Balance	0	0
IGA and ISA Fund (RVA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Transfer of funds from Arizona Early Childhood Development and Health Board.		
Purpose of Fund: To assist the Revenue Tobacco unit in enforcement compliance.		
Funds Expended	178,500	150,000
Year-End Fund Balance	60,800	59,700
Liability Setoff Revolving Fund (RVA2179/A.R.S. § 42-1122)		Appropriated
Source of Revenue: Fees collected from agencies, political subdivisions or taxpayers utilizing the setoff procedure. The Department of Revenue withholds taxpayer refunds to satisfy debts owed by the taxpayers to certain state and local agencies, such as delinquent child support payments owed to the Department of Economic Security.		
Purpose of Fund: To cover the Department of Revenue's costs of administering the Liability Setoff program.		
Funds Expended	1,007,800	1,087,200
Year-End Fund Balance	1,195,800	1,220,000
Revenue Publications Revolving Fund (RVA2166/A.R.S. § 42-1004)		Non-Appropriated
Source of Revenue: Receipts from the sale of department tax-related publications.		
Purpose of Fund: To offset costs of publishing and distributing tax-related publications.		
Funds Expended	17,600	0
Year-End Fund Balance	9,200	9,200

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Special Collections Fund (RVA2168/A.R.S. § 42-1004)		Non-Appropriated
Source of Revenue: This fund consists of all monies received pursuant to contingent fee contracts to collect delinquent state taxes, penalties and interest due under A.R.S. Title 43 (taxation of income) and Title 42, Chapter 8, Article 1 (transaction privilege taxes).		
Purpose of Fund: To pay all fees and court costs provided for in contingent fee collection contracts authorized by A. R. S. § 42-1004B3. The remainder of the collected amounts is distributed to the state or political subdivisions according to the distribution proportions for the tax collected. No revenue was collected from contracted collections in FY 2013.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Statewide Employee Recognition Gifts/Donations Fund (RVA2449/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	3,100	0
Year-End Fund Balance	1,200	1,200
Tobacco Tax and Health Care Fund (RVA1306/A.R.S. § 36-771)		Appropriated
Source of Revenue: The fund consists of tobacco taxes retained by the department to administer the tobacco tax program.		
Purpose of Fund: To monitor and enforce tobacco tax laws.		
Funds Expended	676,100	679,300
Year-End Fund Balance	700	700
Waste Tire Fund (RVA2356/A.R.S. § 44-1305)		Non-Appropriated
Source of Revenue: Collections from a fee on new tire purchases and penalties for violations.		
Purpose of Fund: Up to 3.5% of the monies in the fund are transferred quarterly to the Department of Environmental Quality (DEQ) to monitor and enforce the requirements of A.R.S. Title 44, Chapter 9, Article 8, Waste Tire Disposal. The remainder is distributed quarterly to counties to establish and implement waste tire programs. Monies in the fund are exempt from lapsing under A.R.S. § 35-190. Transfers totaled \$8,732,300 in FY 2013, including \$305,600 to DEQ and \$8,426,700 to counties.		
Funds Expended	0	0
Year-End Fund Balance	0	0

School Facilities Board

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	344,900
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	1,676,500
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	174,165,000	170,155,200
AGENCY TOTAL	173,749,700	193,181,400	189,357,800
FUND SOURCES			
General Fund	173,749,700	193,181,400	189,357,800
SUBTOTAL - Appropriated Funds	173,749,700	193,181,400	189,357,800
Other Non-Appropriated Funds	102,904,100	87,461,900	88,206,000
TOTAL - ALL SOURCES	276,653,800	280,643,300	277,563,800

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 Baseline includes \$1,676,500 and 17 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

Building Renewal Grants

The Baseline 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.

The FY 2014 K-12 Education Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 3) permanently repealed the Building Renewal formula, which had been suspended since FY 2009, having been replaced with the Building Renewal Grant program.

Pursuant to A.R.S. § 15-222, 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. Since SFB expects there to be no excess monies in the NSF Fund, the EDC Fund is estimated to have a \$0 balance by 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 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 Baseline includes \$858,200 from the General Fund in FY 2015 for New School Facilities. FY 2015 adjustments would be as follows:

New School Construction	GF	FY 2015 \$186,200
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The Baseline 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 combined cost of \$1,530,200.

Based on updated guidelines for the New School Facilities program, the only eligible project in FY 2014 is for the Thatcher USD. The funding for the Thatcher USD was approved by SFB in April 2011, and would 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 original 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.

Based on enrollment data, SFB projects that one additional elementary school district may qualify for new construction funding by FY 2017. The JLBC long-term estimate splits the project's \$14 million projected cost between FY 2017 and FY 2018.

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 2014 statutory funding guidelines.)

Table 1

New School Facilities 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 Baseline includes \$170,155,200 from the General Fund in FY 2015 for New School Facilities Debt Service. FY 2015 adjustments would be as follows:

Prior Lease-Purchase Payment	GF	(209,000)
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The Baseline includes a decrease of \$(209,000) from the General Fund in FY 2015 for a decreased lease-purchase payment.

The FY 2015 Baseline 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.

Refinancing Agreement	GF	(3,800,800)
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The Baseline includes a decrease of \$(3,800,800) as part of a refinancing agreement made in December 2013. The FY 2014 K-12 Education BRB 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 \$5.2 million of non-recurring savings: \$1.4 million in FY 2014 and \$3.8 million in FY 2015. (See "Other Issues for Legislative Consideration" for additional information.)

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Pursuant to A.R.S. § 35-142.01, any reimbursement received by or allocated to the School Facilities Board under the federal Qualified School Construction Bond program in FY 2015 shall be deposited in or revert to the state General Fund.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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 Baseline includes a one-time ex-appropriation of \$(1,445,200) from the General Fund in FY 2014 as part of the refinancing agreement completed in December 2013.

As mentioned previously, JCCR favorably reviewed a refinancing agreement that would achieve an estimated \$5.2 million of non-recurring savings: \$1.4 million in FY 2014 and \$3.8 million in FY 2015.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Building Renewal Fund (SFA2465/A.R.S. § 15-2031 [repealed])		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations.		
<i>Purpose of Fund:</i> To provide school districts with monies for maintaining the adequacy of existing school facilities. School districts must submit their 3-year Building Renewal plans before they can be awarded any Building Renewal monies. The FY 2014 K-12 Education Budget Reconciliation Bill (Laws 2013, 1 st Special Session, Chapter 3) repealed the Building Renewal Fund.		
Funds Expended	0	0
Year-End Fund Balance	5,000	0
Building Renewal Grant Fund (SFA2392/A.R.S. § 15-2032)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations.		
<i>Purpose of Fund:</i> To provide grants to school districts for maintaining the adequacy of existing school facilities. To prevent double counting, FY 2013 and FY 2014 expenditures exclude \$2,667,900 and \$16,667,900, respectively, from the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	8,799,000	0
Deficiencies Correction Fund (SFA2455/A.R.S. § 15-2021 [repealed])		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations.		
<i>Purpose of Fund:</i> To provide school districts with monies for correcting existing deficiencies. The fund expired at the end of FY 2006, but there is a year-end balance in FY 2013, which will be transferred to the Emergency Deficiencies Correction Fund.		
Funds Expended	0	0
Year-End Fund Balance	80,000	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Emergency Deficiencies Correction Fund (SFA2484/A.R.S. § 15-2022)		Non-Appropriated
<i>Source of Revenue:</i> Monies transferred from the Deficiencies Correction Fund or New School Facilities Fund.		
<i>Purpose of Fund:</i> To provide school districts monies for facility emergencies.		
Funds Expended	2,028,200	722,400
Year-End Fund Balance	641,700	0
Land Trust Bond Debt Service Fund (SFA5030/Laws 2003, Chapter 264)		Non-Appropriated
<i>Source of Revenue:</i> Monies credited to the fund from the Permanent State School Fund (A.R.S. § 37-521.B1).		
<i>Purpose of Fund:</i> To pay the debt service on \$246,600,000 in State Land Trust Revenue bonds.		
Funds Expended	24,247,700	24,248,600
Year-End Fund Balance	12,519,900	14,254,200
Lease to Own Debt Service Fund (SFA2373/A.R.S. § 15-2004)		Non-Appropriated
<i>Source of Revenue:</i> Appropriated monies and interest earnings from the investment of lease-to-own Certificates of Participation proceeds.		
<i>Purpose of Fund:</i> To pay the debt service on any lease-to-own agreements entered into by SFB to finance the costs of new school construction. To prevent double counting, FY 2013 and FY 2014 expenditures exclude \$169,429,700 and \$174,165,000, respectively, from the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	345,000	317,800
New School Facilities Fund (SFA2460/A.R.S. § 15-2041)		Non-Appropriated
<i>Source of Revenue:</i> Appropriated monies, monies received by the State Land Department from the lease of state public school land, and proceeds from lease-to-own agreements. To prevent double counting, FY 2014 expenditures exclude \$672,000 from the General Fund.		
<i>Purpose of Fund:</i> To provide school districts with monies for constructing new school facilities, and to pay for the following: construction project management services, school building structural assessments, and land acquisition services.		
Funds Expended	18,682,500	5,483,900
Year-End Fund Balance	5,549,800	547,000
School Improvement Revenue Bond Debt Service Fund (SFA5020/A.R.S. § 15-2084)		Non-Appropriated
<i>Source of Revenue:</i> Revenues from a 0.6% increase in the state Transaction Privilege Tax (as approved under Proposition 301 in the 2000 General Election) and monies credited to the fund from the Permanent State School Fund.		
<i>Purpose of Fund:</i> To pay the debt service on \$793,650,000 in Proposition 301 revenue bonds and \$26,350,000 in QZAB revenue bonds.		
Funds Expended	57,945,700	57,007,000
Year-End Fund Balance	26,229,600	36,744,000

Department of State - Secretary of State

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	139.1	141.1	141.1
Personal Services	4,828,200	5,072,900	5,072,900
Employee Related Expenditures	2,031,400	2,082,600	2,082,600
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	10,596,500
SPECIAL LINE ITEMS			
Election Services	4,164,300	1,031,600	4,931,600
Help America Vote Act (HAVA)	2,060,900	2,941,000	2,941,000
Library Grants-in-Aid	530,000	651,400	651,400
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
AGENCY TOTAL	17,105,100	15,317,500	19,217,500
FUND SOURCES			
General Fund	14,457,400	11,635,500	15,535,500
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	2,060,900	2,941,000	2,941,000
Records Services Fund	586,800	741,000	741,000
SUBTOTAL - Other Appropriated Funds	2,647,700	3,682,000	3,682,000
SUBTOTAL - Appropriated Funds	17,105,100	15,317,500	19,217,500
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	23,521,100

AGENCY DESCRIPTION — The Secretary of State is an elected Constitutional Officer. The Department of State is responsible for recordings and filings under the Uniform Commercial Code (U.C.C.); coordinating statewide elections; receiving required filings from legislators, state officials, judges, candidates for office, campaign committees, and lobbyists; receiving filings of administrative rules, intergovernmental agency agreements, and official executive orders/proclamations; registering trade names, trademarks and limited partnerships; appointing notaries public; and certifying certain telemarketing and charitable solicitation organizations. In addition, the Department of State is the archival authority and designated repository for historical records and documents of state and local governments, as well as a designated federal document regional repository.

Operating Budget

The Baseline includes \$10,596,500 and 131.1 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$9,855,500
Record Services Fund	741,000

These amounts are unchanged from FY 2014.

Election Services

The Baseline includes \$4,931,600 and 10 FTE Positions from the General Fund in FY 2015 for Election Services. FY 2015 adjustments would be as follows:

Election Year Funding	GF	3,900,000
The Baseline includes an increase of \$3,900,000 from the General Fund in FY 2015 for election year funding. This adjustment would bring 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.

This line item funds election-related activities, including voter registration and the certification of candidates, voting devices and the results of statewide elections. Funding is also used to publish the publicity pamphlet on state ballot propositions.

For state elections, statute requires the Secretary of State to: 1) reimburse counties for the costs of printing, labeling, and postage for sample ballots; 2) pay the cost of any recount of votes; 3) reimburse the County Recorder for the costs of certifying petition and referendum signatures; and 4) print and mail a publicity pamphlet to every household with a registered voter for any initiative or referendum.

Help America Vote Act (HAVA)

The Baseline includes \$2,941,000 from the Election Systems Improvement Fund in FY 2015 for the Help America Vote Act (HAVA) (P.L. 107-252). This amount is unchanged from FY 2014.

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 Baseline 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 Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Included in the operating lump sum appropriation of \$10,596,500 for FY 2015 is \$5,000 for the purchase of mementos and items for visiting officials.

Any transfer to or from the amount appropriated for the Election Services line item shall require review by the Joint Legislative Budget Committee.

The FY 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.

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.

The \$651,400 appropriation from the Library Grants-In-Aid Special Line Item is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Address Confidentiality Program Fund (STA2557/A.R.S. § 41-169)		Non-Appropriated
Source of Revenue: An assessment of \$50 imposed on all persons convicted of domestic violence, stalking, or certain sexual offenses.		
Purpose of Fund: To administer the Address Confidentiality Program. This program allows the Secretary of State to establish an alternate public address to protect victims of domestic violence, stalking, and sexual offenses.		
Funds Expended	53,400	53,400
Year-End Fund Balance	72,200	132,100

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Arizona Blue Book Revolving Fund (STA2006/A.R.S. § 41-131)		Non-Appropriated
<i>Source of Revenue:</i> Proceeds from the sales of Arizona Blue Books and legislative appropriations.		
<i>Purpose of Fund:</i> To publish the Arizona Blue Book, which contains information about the state's Executive, Legislative, and Judicial Branches.		
Funds Expended	0	0
Year-End Fund Balance	11,200	11,200
Data Processing Acquisition Fund (STA2265/A.R.S. § 41-127)		Non-Appropriated
<i>Source of Revenue:</i> A special recording fee on Uniform Commercial Code and other filings.		
<i>Purpose of Fund:</i> To defray the cost of improving data processing within the Office of the Secretary of State. Any uncommitted monies in excess of \$250,000 at the close of the calendar year revert to the General Fund.		
Funds Expended	111,800	111,800
Year-End Fund Balance	314,000	436,200
Election Systems Improvement Fund (STA2357/A.R.S. § 41-129)		Appropriated
<i>Source of Revenue:</i> Monies received from the United States government, matching monies from state, county or local governments, legislative appropriations, gifts, grants, and donations. Any monies deposited into the fund in FY 2003 and FY 2004 are appropriated to the Secretary of State. Monies deposited in the fund each subsequent year, including Federal Funds, are subject to legislative appropriation.		
<i>Purpose of Fund:</i> To implement the provisions of the Help America Vote Act (HAVA) (P.L. 107-252). HAVA is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections, including replacement of all punch-card and lever voting machines, implementation of a statewide voter registration database, and implementation of a voting system that meets federal standards.		
Funds Expended	2,060,900	2,941,000
Year-End Fund Balance	9,893,400	7,300,800
Election Training Fund (STA2521/A.R.S. § 16-407)		Non-Appropriated
<i>Source of Revenue:</i> Receives money from cities and towns whose employees take election training courses.		
<i>Purpose of Fund:</i> To provide election training to officials from cities and towns.		
Funds Expended	0	0
Year-End Fund Balance	2,800	3,400
Federal Grants - American Recovery and Reinvestment Act (ARRA) (STA2999/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
<i>Purpose of Fund:</i> One-time Federal Funds to be used by the department to purchase public access computers and equipment for job training centers at local libraries throughout Arizona. Also, to provide protection for women and their children leaving abusive relationships.		
Funds Expended	798,400	0
Year-End Fund Balance	0	0
Federal Grants Fund (LAA2000/A.R.S. § 41-151.06)		Non-Appropriated
<i>Source of Revenue:</i> Federal grants awarded to the state for library purposes.		
<i>Purpose of Fund:</i> Prescribed by the federal grantor for statewide library purposes.		
Funds Expended	3,550,100	3,648,600
Year-End Fund Balance	753,400	1,166,500
Health Care Directives Registry (STA2508/A.R.S. § 36-3297)		Non-Appropriated
<i>Source of Revenue:</i> Donations from private investors.		
<i>Purpose of Fund:</i> To support, promote and maintain the Health Care Directives Registry.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
IGA and ISA Fund (STA2500/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Intergovernmental Agreements and Internal Service Agreements with other state agencies.		
<i>Purpose of Fund:</i> To record and manage Intergovernmental Agreements and Internal Service Agreements.		
Funds Expended	0	175,000
Year-End Fund Balance	0	0
Museum Gift Shop Revolving Fund (LAA4008/A.R.S. § 41-151.24)		Non-Appropriated
<i>Source of Revenue:</i> Proceeds from the sale of merchandise at the Capitol Museum Gift Shop.		
<i>Purpose of Fund:</i> To provide for state-related inventory to be sold at the Capitol Museum Gift Shop.		
Funds Expended	39,300	39,300
Year-End Fund Balance	151,900	198,300
Notary Bond Fund (STA3000/A.R.S. § 41-314)		Non-Appropriated
<i>Source of Revenue:</i> The fund receives a portion of the fee collected from the processing of notary bonds.		
<i>Purpose of Fund:</i> To defray the cost associated with the processing and administration of notary bonds.		
Funds Expended	97,400	97,400
Year-End Fund Balance	45,600	78,100
Notary Education Fund (STA2585/A.R.S. § 41-332)		Appropriated
<i>Source of Revenue:</i> A fee collected from persons attending a mandatory notary training course.		
<i>Purpose of Fund:</i> To defray the cost associated with conducting notary education courses.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Professional Employer Organization Fund (STA2520/A.R.S. § 23-576)		Appropriated
<i>Source of Revenue:</i> Professional Employer Organization (PEO) registration and renewal fees.		
<i>Purpose of Fund:</i> To pay the costs of administering PEO registration and investigating any allegations of malfeasance. The FY 2014 Government Budget Reconciliation Bill (Laws 2013, 1 st Special Session, Chapter 2) delayed the implementation of the PEO registration program until the end of FY 2023.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Records Services Fund (LAA2431/A.R.S. § 41-151.12)		Appropriated
<i>Source of Revenue:</i> Fees collected from state agencies, political subdivisions, and other governmental units for records storage services.		
<i>Purpose of Fund:</i> To help defray costs of preserving and managing the state of Arizona's public records.		
Funds Expended	586,800	741,000
Year-End Fund Balance	443,000	581,900
Standing Political Committee Administrative Fund (STA2426/A.R.S. § 41-128)		Non-Appropriated
<i>Source of Revenue:</i> Filing fees paid by standing political committees.		
<i>Purpose of Fund:</i> To pay the costs of administering and enforcing the campaign finance laws relating to standing political committees.		
Funds Expended	0	0
Year-End Fund Balance	24,500	25,800
State Library Fund (LAA2115/A.R.S. § 41-151.06)		Non-Appropriated
<i>Source of Revenue:</i> Private donations, private grants and monies collected through charges for reproduction of materials in the Research Division.		
<i>Purpose of Fund:</i> To improve statewide library service.		
Funds Expended	674,800	353,100
Year-End Fund Balance	1,273,600	1,145,200

State Boards' Office

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	66,900
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	231,000

FUND SOURCES

Other Appropriated Funds			
Special Services Revolving Fund	203,900	231,000	231,000
SUBTOTAL - Other Appropriated Funds	203,900	231,000	231,000
SUBTOTAL - Appropriated Funds	203,900	231,000	231,000
TOTAL - ALL SOURCES	203,900	231,000	231,000

AGENCY DESCRIPTION — The office serves to centralize services and pool resources of small regulatory boards. Examples of shared items include office space and equipment, as well as accounting, clerical, administrative, and telephone services. The office is under the Management Services Division of the Arizona Department of Administration, but is supported by transfers of appropriated funds from the participating boards.

Operating Budget

* * *

The Baseline includes \$231,000 and 3 FTE Positions from the Special Services Revolving Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

FORMAT — Lump Sum by Agency

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	43,000
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	\$231,000

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Special Services Revolving Fund (ADA4208/A.R.S. § 35-193.02)		Appropriated
Source of Revenue: Monies are collected from 11 small regulatory boards residing in the State Boards' Office. This is the appropriated portion of a larger fund within the Department of Administration (ADOA). <i>(See the ADOA Section for additional fund information.)</i>		
Purpose of Fund: To provide centralized office services, printing, and other administrative or management services.		
Funds Expended	203,900	231,000
Year-End Fund Balance	5,000	5,000

State Board of Tax Appeals

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	44,500
Travel - In State	100	400	400
Other Operating Expenditures	41,100	40,800	40,800
AGENCY TOTAL	256,500	264,700	264,700
FUND SOURCES			
General Fund	256,500	264,700	264,700
SUBTOTAL - Appropriated Funds	256,500	264,700	264,700
TOTAL - ALL SOURCES	256,500	264,700	264,700

AGENCY DESCRIPTION — The board consists of 3 members appointed by the Governor. The board provides an independent appeals process for taxpayers with disputes relating to income, sales, use, estate, and luxury tax decisions from the Department of Revenue and resolves jurisdictional disputes between municipalities regarding the imposition of transaction privilege and use taxes.

Operating Budget

The Baseline includes \$264,700 and 4 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

* * *

FORMAT — Lump Sum by Agency

State Board of Technical Registration

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	442,000
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	481,000
Equipment	31,000	23,500	23,500
AGENCY TOTAL	1,767,100	2,119,500	2,119,500

FUND SOURCES

<i>Other Appropriated Funds</i>			
Technical Registration Fund	1,767,100	2,119,500	2,119,500
SUBTOTAL - Other Appropriated Funds	1,767,100	2,119,500	2,119,500
SUBTOTAL - Appropriated Funds	1,767,100	2,119,500	2,119,500
TOTAL - ALL SOURCES	1,767,100	2,119,500	2,119,500

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of architects, assayers (assessors of mineral value), engineers, geologists, home inspectors, land surveyors, and landscape architects.

Operating Budget

The Baseline includes \$2,119,500 and 25 FTE Positions from the Technical Registration Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Technical Registration Fund (TEA2070/A.R.S. § 32-109)		Appropriated
Source of Revenue: Monies collected by the board from examinations and licensing of architects, assayers (assessors of mineral value), engineers, geologists, land surveyors, landscape architects, and home inspectors. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate architects, assayers, engineers, geologists, land surveyors, landscape architects, and home inspectors, and for board administration.		
Funds Expended	1,767,100	2,119,500
Year-End Fund Balance	1,413,100	1,193,600

Office of Tourism

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	591,300
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
AGENCY TOTAL	6,008,300^{1/}	7,102,600	7,102,600
FUND SOURCES			
General Fund	6,008,300	7,102,600	7,102,600
SUBTOTAL - Appropriated Funds	6,008,300	7,102,600	7,102,600
Other Non-Appropriated Funds	12,096,300	13,904,900	13,904,900
TOTAL - ALL SOURCES	18,104,600	21,007,500	21,007,500

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 General Fund appropriations, a transfer from the Arizona Sports and Tourism Authority (AZSTA), and a portion of tribal gaming contributions.

Operating Budget

The Baseline includes \$7,102,600 and 28 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

FORMAT — Lump Sum by Agency in the form of a deposit to the Tourism Fund.

STATUTORY CHANGES

The Baseline would, as session law, continue to specify that General Fund allocations to the Office of Tourism in FY 2015 be deposited into the continuously appropriated Tourism Fund.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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/} A.R.S. § 42-5029 previously transferred a portion of General Fund sales tax revenue to the Office of Tourism without legislative appropriation. A.R.S. § 42-5029 was made inactive until legislative authorization is taken to reinstate the transfer. Laws 2012, Chapter 297 eliminated the funding formula, beginning in FY 2013.

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	\$ 7,102,600
<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	6,115,700	6,442,100 ^{1/}	6,828,600 ^{1/}
Total		\$20,050,800	\$20,758,100	\$21,505,300

^{1/} The Tribal Gaming amounts for FY 2014 and FY 2015 are JLBC estimates.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Tourism Fund (TOA2236/A.R.S. § 41-2306)		Non-Appropriated
Source of Revenue: The Tourism Fund receives a transfer from the Arizona Sports and Tourism Authority (AZSTA) to be used for tourism promotion in Maricopa County. AZSTA receives revenue derived from a 1% increase in the bed tax and a 3.25% increase in the car rental tax. Of this amount, AZSTA is to transfer \$4,000,000 in FY 2002 and increase the transfer amount each year by 5% to the Tourism Fund. The fund also receives a portion of tribal gaming contributions, pursuant to Proposition 202. Finally, Laws 2012, Chapter 297 allows the Tourism Fund to receive General Fund appropriations. This law also eliminated the tourism funding formula, which previously gave the agency a portion of revenues collected in bed, amusement, and restaurant taxes.		
Purpose of Fund: To pay for all costs associated with Office of Tourism activities.		
Funds Expended	12,096,300	13,904,900
Year-End Fund Balance	8,907,600	8,507,600

Department of Transportation

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,548.0	4,548.0	4,548.0
Personal Services	91,749,900	104,623,200	104,623,200
Employee Related Expenditures	40,095,900	49,034,500	49,034,500
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	206,952,600
SPECIAL LINE ITEMS			
Attorney General Legal Services	2,895,600	2,895,600	2,895,600
Fraud Investigation	755,400	773,300	773,300
Highway Maintenance	131,795,400	132,716,500	136,178,400
New Third Party Funding	942,700	971,100	971,100
Vehicles and Heavy Equipment	17,916,900	27,001,500	18,501,500
AGENCY TOTAL	351,091,600	371,310,600	366,272,500
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	153,800
Highway User Revenue Fund	644,900	651,500	651,500
Motor Vehicle Liability Insurance Enforcement Fund	1,078,700	1,086,700	1,086,700
Safety Enforcement and Transportation Infrastructure Fund	1,878,300	1,880,500	1,880,500
State Aviation Fund	1,604,300	1,624,400	1,624,400
State Highway Fund	326,270,400	337,323,200	340,785,100
Transportation Department Equipment Fund	17,916,900	27,001,500	18,501,500
Vehicle Inspection and Title Enforcement Fund	1,460,000	1,464,100	1,464,100
SUBTOTAL - Other Appropriated Funds	351,041,200	371,260,200	366,222,100
SUBTOTAL - Appropriated Funds	351,091,600	371,310,600	366,272,500
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	386,630,100

AGENCY DESCRIPTION — The Department of Transportation has jurisdiction over state roads, state airports, and the registration of motor vehicles and aircraft.

Operating Budget

The Baseline includes \$206,952,600 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	153,800
Highway User Revenue Fund	396,500

Motor Vehicle Liability Insurance Enforcement Fund	881,700
Safety Enforcement and Transportation Infrastructure Fund	1,318,000
State Aviation Fund	1,624,400
State Highway Fund	201,070,000
Vehicle Inspection & Title Enforcement Fund	1,383,300

These amounts are unchanged from FY 2014.

Attorney General Legal Services

The Baseline 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 Baseline includes \$773,300 and 10 FTE Positions from the State Highway Fund in FY 2015 for Fraud Investigation. These amounts are unchanged from FY 2014.

Monies in this line item are used for investigation of fraudulent driver's licenses and motor vehicle documents.

Highway Maintenance

The Baseline includes \$136,178,400 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	135,615,900

FY 2015 adjustments would be as follows:

Highway Maintenance Workload OF 3,461,900

The Baseline includes an increase of \$3,461,900 from the State Highway Fund in FY 2015 to maintain and operate 259 new lane miles.

In addition to the \$136,178,400 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 Baseline includes \$971,100 and 21 FTE Positions in FY 2015 for New Third Party Funding. These amounts consist of:

Highway User Revenue Fund	255,000
Motor Vehicle Liability Insurance Enforcement Fund	205,000
State Highway Fund	430,300
Vehicle Inspection & Title Enforcement Fund	80,800

These amounts are unchanged from FY 2014.

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 Baseline includes \$18,501,500 and 225 FTE Positions from the Transportation Department Equipment Fund in FY 2015 for Vehicles and Heavy Equipment. FY 2015 adjustments would be as follows:

Funding Realignment OF (8,500,000)

The Baseline 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.

Monies in this line item allow the department to maintain and replace the department's fleet and perform motor pool services for other state agencies.

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Of the total amount appropriated, \$136,178,400 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.

It is the intent of the Legislature that the department not include any administrative overhead expenditures in duplicate driver license fees charged to the public.

Of the \$366,272,500 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.

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.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Air Quality Fund (DTA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: An annual \$1.50 air quality fee collected for each vehicle at the time of registration. ADOT is appropriated monies from the Air Quality Fund in the Department of Environmental Quality.		
Purpose of Fund: For tracking the availability and sales of oxygenated fuels to ensure that a sufficient supply is available for non-attainment areas of the state.		
Funds Expended	35,300	74,500
Year-End Fund Balance	1,800	1,300
Arizona Highways Magazine Fund (DTA2031/A.R.S. § 28-7315)		Non-Appropriated
Source of Revenue: Sales of subscriptions, maps, pamphlets, and other materials, Arizona Highways special plate donations, and interest earnings. The fund can also consist of monies appropriated by the Legislature from the State Highway Fund, not to exceed \$500,000 annually. There are no current appropriations.		
Purpose of Fund: For production and sales of subscriptions, maps, pamphlets, etc. Remaining balances in this revolving fund at the end of a fiscal year shall not revert to the State General or State Highway Fund and expenditures are exempt from statutory allotment provisions.		
Funds Expended	4,403,800	5,010,000
Year-End Fund Balance	2,857,500	2,933,100
Cash Deposits Fund (DTA2266/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Deposits from individuals either bidding at auction on department property or renting department property.		
Purpose of Fund: To hold deposits from individuals bidding on excess land and property for sale at auction, which are either applied against their purchase price or are returned to the individual if their bid is unsuccessful. Also, to hold deposits from individuals who rent department property. Their money is either refunded at the end of their tenancy or is used to offset repairs, if needed.		
Funds Expended	17,300	15,000
Year-End Fund Balance	449,300	449,300
Contract Counsel Fund (DTA4212/A.R.S. § 28-6925)		Non-Appropriated
Source of Revenue: An amount of \$30,000 was originally appropriated from the State Highway Fund to the Contract Counsel Fund. The Arizona Department of Administration replenishes expended monies from State Highway Fund monies appropriated for construction of state highways, as ADOT submits itemized statements detailing their expenditures from the Contract Counsel Fund.		
Purpose of Fund: To reimburse the Attorney General for attorneys' services for rights-of-way condemnation cases on federal aid projects.		
Funds Expended	0	0
Year-End Fund Balance	0	0
ADOT Donations Fund (DTA3080/A.R.S. § 28-818)		Partially-Appropriated
Source of Revenue: Federal Funds, donations, monies from this state or any agency of this state for the Bicycle Safety Fund.		
Purpose of Fund: This fund includes 2 smaller funds, the Heavy Vehicle Equipment Licensing Information Fund and the Bicycle Safety Fund. A.R.S. § 28-818 establishes a Bicycle Safety Fund to plan, engineer, construct, and maintain bicycle paths. Subject to legislative appropriation, monies in the Bicycle Safety Fund may be used to match federal or local monies spent for these purposes or for safety programs.		
Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Driving Under the Influence Abatement Fund (DTA2422/A.R.S. § 28-1304)		Appropriated
Source of Revenue: A fee of \$250 to be paid by every offender convicted of an extreme driving under the influence (DUI) offense. An extreme DUI violation is defined as a person possessing a blood alcohol concentration of 0.15 or greater. Another portion of monies is from civil penalties against an ignition interlock manufacturer or installer who fails to properly report ignition interlock data to the ADOT Director.		
Purpose of Fund: To fund DUI-related programs. The Oversight Council on Driving or Operating Under the Influence Abatement distributes 25% of the revenues to fund pilot programs that use emerging technologies to deter occurrences of driving under the influence, and at least 70% of the monies to fund subdivisions and tribal governments for enforcement purposes and alcohol abuse treatment services. The Arizona Criminal Justice Commission staffs the Council. ADOT and the Department of Public Safety (DPS) receive grant funds from the Council. Not more than 5% of the monies are to be used for administrative purposes.		
Funds Expended	152,400	153,800
Year-End Fund Balance	0	0
Economic Strength Project Fund (DTA2244/A.R.S. § 28-7282)		Non-Appropriated
Source of Revenue: The fund receives \$1,000,000 each June 15 from the Highway User Revenue Fund and interest from investment of inactive balances.		
Purpose of Fund: For "economic strength" highway projects recommended by the Arizona Commerce Authority and approved by the State Transportation Board. These are projects that will retain or increase a significant number of jobs, lead to significant capital investment, or make a significant contribution to the economy of this state or within a local authority. Monies remaining in the Economic Strength Project Fund at the end of a fiscal year do not revert to the General Fund. <i>(See the ADOT Capital Outlay Budget section for expenditures.)</i>		
Funds Expended	0	0
Year-End Fund Balance	2,508,200	3,331,200
Federal Grants (DTA2097/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Federal grants, other than aviation federal grants.		
Purpose of Fund: For federal highway construction and maintenance; assistance to elderly and handicapped; rural public transit; technical studies; rail planning and rehabilitation; other planning; highway statistical reporting; fatal accident reporting; safety; commercial driver's license; library updates; and fuel tax evasion. Figures exclude expenditures for capital highway construction projects.		
Funds Expended	3,547,900	4,744,600
Year-End Fund Balance	1,031,300	1,303,300
Highway Expansion and Extension Loan Program Fund (DTA2417/A.R.S. § 28-7674)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; monies received from the federal government, state agencies, political subdivisions and Indian tribes; interest; and public or private gifts, grants or donations.		
Purpose of Fund: To create a state infrastructure bank under the Federal State Infrastructure Bank Act to provide financial assistance to political subdivisions, Indian tribes and state agencies for eligible transportation projects. The fund makes loans to ADOT, cities, and other entities to accelerate highway construction projects. The loans are repaid from future programmed funds for those projects. The fund may be used to pay costs to administer the fund and shall pay costs of an annual financial audit of the fund.		
Funds Expended	0	6,250,000
Year-End Fund Balance	77,564,100	72,014,100
Highway User Revenue Fund (DTA3113/A.R.S. § 28-6533)		Appropriated
Source of Revenue: Transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax, vehicle registration, driver's license, interest earnings, and others.		
Purpose of Fund: For various highway related purposes in the state, including distributions to the State Highway Fund which is the primary source for the department's operating budget, and to political subdivisions for highway purposes. Figures exclude expenditures for capital highway construction projects.		
Funds Expended	644,900	651,500
Year-End Fund Balance	102,628,600	86,547,900

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Arizona International Development Authority Fund (DTA1994/A.R.S. § 41-4505)		Non-Appropriated
Source of Revenue: The fund consists of monies received from the federal government, tolls, fees, gifts, grants, donations from any public or private source, interest earnings, and any other monies received by the Arizona International Development Authority (AIDA).		
Purpose of Fund: To pay costs associated with the administration of the fund and to carry out the requirements of AIDA. Monies in the fund can also be used to provide grants or loans for international transportation and infrastructure projects. ADOT is required to provide staff support to AIDA including general administrative, office, equipment and staff support, using earnings from the fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Local Agency Deposits Fund (DTA3701/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Monies received from local jurisdictions.		
Purpose of Fund: To pay for locally sponsored secondary road construction projects. Any money left after the project is closed out is returned to the local entity. Figures exclude expenditures for capital highway construction projects.		
Funds Expended	518,300	0
Year-End Fund Balance	14,400,400	14,400,400
Maricopa Regional Area Road Fund (DTA2029/A.R.S. § 28-6302)		Non-Appropriated
Source of Revenue: The fund consists of all transportation excise taxes collected pursuant to A.R.S. § 42-1482 and A.R.S. § 42-1482.01 that are designated for deposit in the Regional Area Road Fund in Maricopa County, plus proceeds from the sale of bonds, rents, and interest earnings.		
Purpose of Fund: For bond related expenses and for the design, purchase of right-of-way or construction of controlled access highways which are included in the county's regional transportation plan and accepted into the state highway system. Figures exclude expenditures for capital highway construction projects.		
Funds Expended	8,929,400	2,550,900
Year-End Fund Balance	460,528,700	188,627,800
Motor Carrier Safety Revolving Fund (DTA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material; and monies received from private grants or donations.		
Purpose of Fund: To carry out the provisions of the chapter. DPS conducts investigations, the Motor Vehicle Division administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	0	0
Year-End Fund Balance	33,900	38,900
Motor Vehicle Liability Insurance Enforcement Fund (DTA2285/A.R.S. § 28-4151)		Appropriated
Source of Revenue: Fees received by the department pursuant to A.R.S. Title 28, Chapter 9, Article 4 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.		
Purpose of Fund: For the department to enforce mandatory motor vehicle liability insurance laws.		
Funds Expended	1,078,700	1,086,700
Year-End Fund Balance	2,277,100	3,637,700
Railroad Corridor Acquisition Fund (DTA2493/Laws 2007, Chapter 267, Section 13)		Non-Appropriated
Source of Revenue: Legislative appropriation.		
Purpose of Fund: To contract studies related to the development of high-speed rail corridors within Arizona. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	1,000	146,200
Year-End Fund Balance	147,200	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Rental Tax and Bond Deposit Fund (DTA3737/A.R.S. § 28-371)		Non-Appropriated
Source of Revenue: Cash deposits from motor carrier and use fuel taxpayers, and portions of rent that the department collects.		
Purpose of Fund: To hold cash deposits from motor carrier and use fuel taxpayers who choose to make cash deposits instead of providing surety bonds to guarantee their fee payments. Any money remaining in a taxpayer's account would be returned to the taxpayer. To hold the county property tax portion of rent on department properties, which is forwarded to the appropriate county tax office. Also, to hold the privilege tax portion of rent on the department's commercial properties, which is forwarded to the Department of Revenue.		
Funds Expended	0	0
Year-End Fund Balance	675,400	725,400
Safety Enforcement and Transportation Infrastructure Fund (DTA2108/A.R.S. § 28-6547)		Appropriated
Source of Revenue: Fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings.		
Purpose of Fund: To enforce vehicle safety requirements by DPS and ADOT, and maintain and construct transportation facilities within 25 miles of the Arizona-Mexico border. To improve vehicle congestion at Mexican border ports of entry, and obtain Federal Funds for Safety Enforcement and Transportation Infrastructure Fund (SETIF) purposes. Also to maintain and construct transportation facilities in the Canada to Mexico (CANAMEX) trucking and trade corridor, which came about as a result of the North American Free Trade Agreement (NAFTA) between Canada, the United States and Mexico. In addition, ADOT may provide SETIF monies to the Arizona-Mexico Commission, Arizona Department of Homeland Security, and AIDA for certain SETIF-related purposes.		
Funds Expended	1,878,300	1,880,500
Year-End Fund Balance	950,700	407,600
Shared Location and Advertising Agreements Expense Fund (DTA2414/A.R.S. § 28-409)		Non-Appropriated
Source of Revenue: The fund consists of monies received from agreements with public and private entities for services located in department offices or to advertise those entities' goods and services.		
Purpose of Fund: To partially offset the department's cost of providing a location or advertising. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	8,200	0
Year-End Fund Balance	89,400	89,400
State Aviation Fund (DTA2005/A.R.S. § 28-8202)		Appropriated
Source of Revenue: Flight property tax, aircraft registration fees, license taxes, fuel taxes, the sale of abandoned aircraft, receipts from airports operated by the department, and interest earnings.		
Purpose of Fund: For the administration of aviation laws, the operation and maintenance of state-owned airports, and capital projects at publicly-owned and operated airports of political subdivisions, which includes Indian reservations.		
Funds Expended	1,604,300	1,624,400
Year-End Fund Balance	27,334,600	24,787,100
State Highway Fund (DTA2030/A.R.S. § 28-6991)		Appropriated
Source of Revenue: Monies distributed from the Highway User Revenue Fund, certain vehicle fees which are deposited directly to the State Highway Fund, interest earnings, appropriations by the Legislature, and donations.		
Purpose of Fund: For the department's operating budget, the acquisition of right-of-way, construction and maintenance of state highways and roads, and other highway related projects. The expended funds only reflect operating expenses. <i>(Please see the Highway User Revenue Fund Distribution chart in the ADOT Capital section for non-operating expenditures.)</i>		
Funds Expended	326,270,400	337,323,200
Year-End Fund Balance	268,022,600	316,514,800
Statewide Employee Recognition Gifts/Donations Fund (DTA2449/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
Funds Expended	19,100	20,000
Year-End Fund Balance	19,600	19,600

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Statewide Special Plates Fund (DTA2650/A.R.S. § 35-131)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of the special plate fees, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue special plates. Up to 10% of annual deposits may be used by ADOT to administer the fund. ADOT is to annually allocate fund monies, excluding administrative fees, through a statutorily designated entity.		
Funds Expended	1,234,600	1,620,900
Year-End Fund Balance	698,700	500,000
Transportation Department Equipment Fund (DTA2071/A.R.S. § 28-7006)		Appropriated
Source of Revenue: Equipment rental, sale at auction, insurance recoveries, donations, interest earnings, and monies appropriated by the Legislature (for purchase, repairs and maintenance).		
Purpose of Fund: For ownership, maintenance, service or repair of equipment and consumable material including administrative expenses.		
Funds Expended	17,916,900	27,001,500
Year-End Fund Balance*	414,600	(9,084,300)
Underground Storage Tank Revolving Fund (DTA3728/A.R.S. § 28-6008)		Non-Appropriated
Source of Revenue: The fund consists of Underground Storage Tank taxes paid by persons liable for motor/aviation fuel taxes; or persons who refine, manufacture or produce compounds, blend or import diesel (liquid petroleum).		
Purpose of Fund: For department administrative expenses. Per subsections A and B of A.R.S. § 28-1599.45, "the director acts only as a collecting agent for the Director of the Department of Environmental Quality and assumes no responsibility for the underlying tax liability." The department retains only administrative costs as determined by an intergovernmental agreement between ADOT and the Department of Environmental Quality.		
Funds Expended	0	0
Year-End Fund Balance	39,400	1,051,400
Vehicle Inspection and Title Enforcement Fund (DTA2272/A.R.S. § 28-2012)		Appropriated
Source of Revenue: Fees of \$20 and \$50 for performing more detailed level 2 and level 3 inspections of vehicle identification numbers, before issuing restored salvage titles on repaired salvage and similar vehicles.		
Purpose of Fund: To defray the cost of investigations involving certificates of title, licensing fraud, registration enforcement and other enforcement related issues. A portion of the revenues are transferred to DPS for investigations concerning automobile theft.		
Funds Expended	1,460,000	1,464,100
Year-End Fund Balance	738,400	612,100

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

State Treasurer

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	594,000
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	2,820,900
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	6,209,800
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	197,500
State Treasurer's Operating Fund	2,360,300	2,583,400	2,583,400
SUBTOTAL - Other Appropriated Funds	4,219,600	5,004,700	5,004,700
SUBTOTAL - Appropriated Funds	5,451,500	6,209,800	6,209,800
Other Non-Appropriated Funds	4,798,200	4,798,200	4,798,200
TOTAL - ALL SOURCES	10,249,700	11,008,000	11,008,000

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 Baseline includes \$2,820,900 and 30.4 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
State Treasurer's Empowerment Scholarship Account Fund	\$40,000
State Treasurer's Management Fund	197,500
State Treasurer's Operating Fund	2,583,400

These amounts are unchanged from FY 2014.

Justice of the Peace Salaries

The Baseline 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.

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 Baseline 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 allocations are included in *Table 1*. The distribution is less than the appropriation due to insufficient revenues.

<u>County</u>	<u>FY 2013</u>
Apache	\$ 49,600
Coconino	175,400
Gila	172,000
La Paz	296,900
Maricopa	275,400
Mohave	502,100
Navajo	46,600
Yuma	143,300
Total	\$ 1,661,300

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Arizona Commission of African-American Affairs Fund (AMA2397/A.R.S. § 41-533)		Non-Appropriated
Source of Revenue: Gifts, grants, and fees from the Arizona African-American town hall.		
Purpose of Fund: To pay for the operating costs of the Arizona Commission of African-American Affairs.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Border Security Trust Fund (TRA2549/A.R.S. § 41-108)		Appropriated
Source of Revenue: Public and private donations, beginning in FY 2012.		
Purpose of Fund: To provide funding for the construction of a fence along the Arizona-Mexico border.		
Funds Expended	0	0
Year-End Fund Balance	264,000	265,000
Criminal Justice Enhancement Fund (TRA3702/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: The fund receives 11.7% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For distribution to counties for the training of detention officers and county jail operational enhancement.		
Funds Expended	4,798,200	4,798,200
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Law Enforcement and Boating Safety Fund (TRA2111/A.R.S. § 5-383)		Appropriated
Source of Revenue: A portion of watercraft licensing taxes.		
Purpose of Fund: To provide grants to county law enforcement agencies for water and boating safety programs. Laws 2011, Chapter 333 moves the Law Enforcement and Boating Safety Fund from the State Parks Board to the State Treasurer effective July 1, 2012. The Treasurer distributes grants based on a formula determined by the Game and Fish Commission.		
Funds Expended	1,661,300	2,183,800
Year-End Fund Balance	0	0
Public Deposit Administration Fund (TRA2574/A.R.S. § 35-1212)		Non-Appropriated
Source of Revenue: Pro Rata fees assessed to participants in the Statewide Collateral Pool and interest.		
Purpose of Fund: Funds the administration of the Statewide Collateral Pool. The Statewide Collateral Pool serves as a centralized fund for collateral that banks hold against public deposits in the event of a default.		
Funds Expended	0	0
Year-End Fund Balance	0	0
State Treasurer Empowerment Scholarship Account Fund (TRA2570/ A.R.S. § 55-2402)		Appropriated
Source of Revenue: A one-time transfer from the Public Safety Personnel Retirement System Investment and Administrative Expenses Account.		
Purpose of Fund: To fund the State Treasurer's cost of administering the Empowerment Scholarship Accounts program authorized by A.R.S. § 15-2402. The Arizona Department of Education (ADE) also transfers monies to the State Treasurer each quarter for funding Empowerment Scholarship Accounts for individual students. Those monies are not displayed to avoid double counting of the General Fund (see also the "Department of Education Empowerment Scholarship Account Fund" in the Summary of Funds for ADE).		
Funds Expended	0	40,000
Year-End Fund Balance	0	0
State Treasurer's Management Fund (TRA3799/A.R.S. § 35-326.01)		Appropriated
Source of Revenue: A portion of management fees paid by the General Fund, state agencies, cities, towns, tribal governments, counties and political subdivisions of the state, not to exceed the amount appropriated by the Legislature.		
Purpose of Fund: To provide funding for the administrative expenses associated with managing LGIP.		
Funds Expended	198,000	197,500
Year-End Fund Balance	283,200	283,200
State Treasurer's Operating Fund (TRA3795/A.R.S. § 35-316)		Appropriated
Source of Revenue: A portion of management fee collections not to exceed 0.06% from the earnings on investment pools other than permanent endowment funds.		
Purpose of Fund: To provide funding for the operating expenses of the agency.		
Funds Expended	2,360,300	2,583,400
Year-End Fund Balance	150,500	150,500

Commission on Uniform State Laws

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
SPECIAL LINE ITEMS			
National Dues and Travel	0	75,000	75,000
AGENCY TOTAL	0	75,000	75,000
FUND SOURCES			
General Fund	0	75,000	75,000
SUBTOTAL - Appropriated Funds	0	75,000	75,000
TOTAL - ALL SOURCES	0	75,000	75,000

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 Baseline includes \$75,000 from the General Fund in FY 2015 for the National Dues and Travel Special Line Item. This amount is unchanged from FY 2014.

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.

FORMAT — Lump Sum by Agency

Arizona Board of Regents

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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	446,000
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	2,349,600
SPECIAL LINE ITEMS			
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Performance Funding	5,000,000	5,000,000	5,000,000
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	21,925,500
FUND SOURCES			
General Fund	21,916,000	21,925,500	21,925,500
SUBTOTAL - Appropriated Funds	21,916,000	21,925,500	21,925,500
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	34,538,000

AGENCY DESCRIPTION — Article 11 of the Arizona Constitution creates the Arizona Board of Regents (ABOR). ABOR governs the 3 state institutions comprising the Arizona University System: Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA). The board is legally, fiscally, and strategically responsible for the state universities.

Operating Budget

The Baseline includes \$2,349,600 and 25.9 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts are unchanged from FY 2014.

Arizona Teachers Incentive Program

The Baseline 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 Baseline 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 Baseline 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 Baseline and are not allocated to the individual universities.

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, as well as the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1). 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.

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 for Legislative Consideration section for additional information.*)

Student Financial Assistance

The Baseline 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 2014 Higher Education BRB (Laws 2013, 1st Special

Session, Chapter 7) continued to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2014.

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 Baseline 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 Baseline 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 FY 2014 Higher Education BRB increased this repayment amount from 50%.

The WICHE central office determines subsidy amounts for each program through negotiations with participating institutions. As rough guidance, WICHE subsidies are intended to cover the difference between resident and non-resident tuition at a public university or approximately half the private university tuition rate.

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Performance Funding

The \$5,000,000 appropriation for performance funding shall be allocated by the Arizona Board of Regents 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.

It is the intent of the Legislature that the Arizona Board of Regents adopt a performance funding model and report the final allocation of the \$5,000,000 performance funding lump sum appropriation on or before July 1, 2014 to the Joint Legislative Budget Committee. The formula shall be consistent with board objectives previously adopted in the board's enterprise plan. The performance funding model shall use select performance metrics that include, at 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 math, as well as other high-value degrees that are in short supply or are essential to the state's long-term economic development strategy.

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.

ABOR Specific Standard Footnotes

Within 10 days after the acceptance of the universities' semiannual all funds budget reports, the Arizona Board of Regents shall submit an expenditure plan for review to the Joint Legislative Budget Committee. The expenditure plan shall include any tuition revenue amounts that are greater than the appropriated amounts and all retained tuition and fee revenue expenditures for the current fiscal year. The additional revenue expenditure plan shall provide as much detail as the university budget requests.

Universitywide Standard Footnotes

The appropriated monies shall not be used for scholarships or any student newspaper.

The state General Fund appropriations shall not be used for alumni association funding.

Any unencumbered balances remaining in the collections account on June 30, 2014 and all collections received by a university during the fiscal year, when paid into the State

Treasury, are appropriated for operating expenditures, capital outlay, and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above.

STATUTORY CHANGES

The Baseline would:

- As session law, continue to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into AFAT. Based on student fees contributed to AFAT in FY 2013, the state's match would grow to \$22,687,000 or an increase of \$12,645,800 over the current appropriation in FY 2015.
- As session law in the General Appropriation Act, continue the FY 2014 \$200,000,000 universitywide payment deferral to the universities from FY 2015 to FY 2016.
- As session law, continue to require each university and community college to deposit \$6 per each full-time student into the Department of Education's Education Learning and Accountability Fund by December 1, 2014. This assessment is expected to generate \$795,200 from the universities and \$848,800 from the community colleges. (*Please see Arizona Department of Education budget narrative for more information.*)

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Parity Funding

The Baseline includes \$45,821,100 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 Baseline allocates this funding as follows: \$30,666,600 to ASU - Tempe/Downtown Phoenix, \$5,246,700 to ASU - East, \$9,907,800 to NAU.

The first parity appropriation of \$15,273,700 was enacted in FY 2013 with an increase of an equal amount in FY 2014 for a total of \$30,547,400. The Baseline total includes an additional \$15,273,700 in FY 2015. Pursuant to a FY 2013 General Appropriation Act footnote the goal of this funding is to achieve parity no later than FY 2017. At a rate of increase of \$15,273,700 annually, parity may not be achieved by FY 2017, if enrollment growth at UA is outpaced by enrollment growth at ASU and NAU.

Payment Deferral

The Baseline includes \$200,000,000 from the General Fund for universitywide FY 2014 payments that would be 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 in fall 2012, spring 2013 and fall 2013. ASU-Tempe enrollment increased by 2,322 FTE for a total of 52,342 in fall 2013, ASU DPC grew by 696 for a total of 12,051, ASU East increased by 120 for a total of 5,177, ASU West increased by 189 for a total of 6,344, NAU increased by 603 for a total of 24,593, UA Main decreased by (1) for a total of 36,606, and UA Health Sciences

increased by 259 for a total of 3,031. 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 2013 to FY 2014.

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.

	FY 2015 Summary of Spending Authority					
	Appropriated Funds			Non-Appropriated Funds		
	General Fund	Collections Fund ^{1/}	Tech & Research Fund (TRIF)	Federal Funds	Other Funds	Total
ABOR	\$ 21,925,500	\$ 0	\$ 0	\$ 892,300	\$ 11,720,200	\$ 34,538,000
ASU-Tempe/DPC	280,450,400	453,068,700	0	288,448,000	837,962,800	1,859,929,900
ASU-East	24,453,100	33,691,700	2,000,000	5,850,000	18,634,300	84,629,100
ASU-West	33,328,100	39,380,300	1,600,000	13,003,900	21,683,800	108,996,100
NAU	112,547,600	120,281,100	0	74,589,800	191,057,600	498,476,100
UA-Main	208,501,000	271,507,700	0	292,794,400	881,711,000	1,654,514,100
UA-Health Sciences	69,585,300	41,117,000	0	123,682,600	215,490,800	449,875,700
Total	\$750,791,000	\$959,046,500	\$3,600,000	\$799,261,000	\$2,178,260,500	\$4,690,959,000

^{1/} Excludes FY 2015 tuition adjustments.

Table 2
Arizona University System 45th Day Enrollment ^{1/}

	<u>Fall 2012</u>	<u>Spring 2013</u>	<u>Fall 2013</u>	<u>Fall 2012 to Fall 2013 % Change</u>
ASU-Tempe/ DPC	61,375	58,097	64,393	4.9%
ASU-East	5,057	5,298	5,177	2.4%
ASU-West	6,155	5,943	6,344	3.1%
NAU	23,990	22,420	24,593	2.5%
UA-Main	36,607	34,466	36,606	0.0%
UA-Health Sciences	<u>2,772</u>	<u>2,885</u>	<u>3,031</u>	<u>9.3%</u>
Total	135,955	129,109	140,144	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 2013 to FY 2014 Undergraduate Tuition and Fees Changes ^{1/}**

	<u>Resident ^{2/}</u>				<u>Non-Resident ^{2/}</u>			
	<u>FY 2013</u>	<u>FY 2014</u>	<u>\$ Change</u>	<u>% Change</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>\$ Change</u>	<u>% Change</u>
ASU	\$8,740 to \$9,720	\$9,074 to \$10,002	\$264 to \$282	2.9%	\$22,973	\$23,654	\$681	3.0%
ASU-Distance Ed.	\$6,236	\$6,418	\$182	2.9%	9,236	\$9,508	\$272	2.9%
NAU	\$6,909 to \$9,271	\$7,831 to \$9,738	\$467 to \$922	5.0% to 13.3%	\$18,136 to \$21,626	\$20,231 to \$22,093	\$467 to \$2,095	2.2% to 11.6%
NAU-Distance Ed.	\$4,948 to \$6,508	\$5,097 to \$6,705	\$149 to \$197	3.0%	\$14,715 to \$18,190	\$14,864 to \$18,387	\$149 to \$197	1.0% to 1.1%
UofA-Main/HSC	\$10,035	\$10,391	\$356	3.5%	\$26,231	\$27,073	\$842	3.8%
UofA-South	\$7,941	\$8,166	\$225	2.8%	\$25,808	\$26,570	\$762	3.0%

^{1/} The amounts represent combined full-time tuition for fall and spring semesters, as well as mandatory fees. Undergraduates must take at least 12 credit hours to qualify for full-time status. Mandatory fees include AFAT and student recreation charges, but do not include special class or program fees.
^{2/} NAU provides a guaranteed tuition rate for each incoming class. ASU previously had a tuition commitment rate for each incoming class, however, both ASU and UA currently do not have tuition guarantees.

Table 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			
	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate ^{2/}
Appropriated			
Operating Budget	\$ 912,616,200	\$ 959,046,500 ^{1/}	\$ 993,572,200
Non-Appropriated			
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. The appropriated amount includes all FY 2015 estimated tuition collections and fees.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Arizona Health Education Center Program Fund (BRA2/A.R.S. § 5-522)		Non-Appropriated
Source of Revenue: Lottery proceeds.		
Purpose of Fund: To provide funding for the 5 Arizona Area Health Education Centers, which work to improve healthcare access for rural and underserved communities. These funds are passed through to the universities, and therefore expenditures are not displayed to avoid double counting. Pass-through funds totaled \$4,609,700 in FY 2013 and are expected to be \$4,896,900 in FY 2014 and \$4,974,800 in FY 2015.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Fund (BRA2000/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Grants from the United States Department of Education.		
Purpose of Fund: To support pre-service, retraining, and in-service educational programs improving the instructional and management skills of K-12 and vocational school teachers and administrators, with an emphasis on core subjects.		
Funds Expended	2,509,400	1,368,500
Year-End Fund Balance	34,900	0
Regents Local Fund (BRA1/A.R.S. § 15-1626)		Non-Appropriated
Source of Revenue: Contributions of retained tuition from the 3 universities.		
Purpose of Fund: To supplement the ABOR operating budget.		
Funds Expended	3,955,900	6,196,500
Year-End Fund Balance	2,458,300	240,900
Technology and Research Initiative Fund (BRA2472/A.R.S. § 15-1648)		Non-Appropriated
Source of Revenue: A portion of a 0.6% sales tax, as authorized by voters through Proposition 301 in the November 2000 General Election and as governed by statute. Total receipts were \$59,807,700 in FY 2013 and are estimated to be \$69,310,100 in FY 2014.		
Purpose of Fund: To provide grants for university technology and research initiatives, with preference given to federal or private partnerships, as well as to programs for non-traditional students; also, for up to 20% of fund monies, to support capital projects, including debt service, relating to technology and research. The displayed expenditures represent only that portion of tax receipts utilized by ABOR. The board transfers all other receipts to university Restricted Funds, which reflect those monies.		
Funds Expended	2,089,000	3,976,500
Year-End Fund Balance	1,976,500	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Trust Land Fund (BRA3131/3132/3134/3136/A.R.S. § 15-1662)		Non-Appropriated
<p>Source of Revenue: Monies derived from the lease, sale, or other disposition of lands granted to the state by the United States for the use and benefit of the universities. Land funds are allocated for Agricultural and Mechanical Colleges, Military Institutes, Universities, and Normal Schools, respectively. Total land earnings were \$3,523,700 in FY 2013 and are estimated to be \$3,523,700 in FY 2014.</p> <p>Purpose of Fund: To operate agricultural and mechanical colleges, to support university Reserve Officers' Training Corps programs, to match private funds attracting distinguished faculty, and to operate teacher training programs, respectively. The displayed expenditures represent only that portion of trust land earnings transferred to university endowments to support outstanding faculty. ABOR transfers all other trust land earnings to University Collections Funds, which reflect those monies.</p>		
Funds Expended	3,513,400	3,577,600
Year-End Fund Balance	53,900	0

Arizona State University - Tempe/DPC

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6,142.9	6,142.9	6,142.9
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	38,396,000
Equipment	19,676,000	21,365,700	21,365,700
OPERATING SUBTOTAL	555,582,500	576,558,500	576,558,500
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	30,666,600
Research Infrastructure Lease-Purchase Payment	13,555,000	13,555,000	13,555,000
AGENCY TOTAL	683,854,500	723,296,900	733,519,100
FUND SOURCES			
General Fund	255,735,200	270,228,200	280,450,400
Other Appropriated Funds			
University Collections Fund	428,119,300	453,068,700	453,068,700
SUBTOTAL - Other Appropriated Funds	428,119,300	453,068,700	453,068,700
SUBTOTAL - Appropriated Funds	683,854,500	723,296,900	733,519,100
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	1,859,929,900

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 Baseline includes \$576,558,500 and 5,293.7 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$212,052,600
University Collections Fund	364,505,900

These amounts are unchanged from FY 2014.

Biomedical Informatics

The Baseline 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 Baseline 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 Baseline includes \$30,666,600 and 45 FTE Positions from the General Fund in FY 2015 for the Parity Funding Special Line Item (SLI). FY 2015 adjustments would be as follows:

Parity Funding Increase GF 10,222,200

The Baseline includes an increase of \$10,222,200 from the General Fund in FY 2015 to move towards aligning 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 \$30,666,600. (See ABOR narrative for more information.)

Research Infrastructure Lease-Purchase Payment

The Baseline includes \$13,555,000 from the General Fund in FY 2015 for the Research Infrastructure Lease-Purchase Payment Special Line Item. 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-Tempe/DPC has issued \$187,200,000 in COPs.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes (Please see ABOR for universitywide standard footnotes.)

It is the intent of the Legislature 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.

The appropriated monies shall not be used by the Arizona State University College of Law Legal Clinic for any lawsuits involving inmates of the State Department of Corrections in which the state is the adverse party.

It is the intent of the Legislature that the General Fund base funding for Arizona State University - Tempe and Downtown Phoenix Campus is \$280,450,400, which includes a deferral of \$74,760,400 from FY 2015 to FY 2016 and the \$13,555,000 lease-purchase appropriation in Laws 2003, Chapter 267.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral

The Baseline 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 Baseline is \$280,450,400. Of this amount:

- \$192,135,000 would be 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.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	122,414,500	137,725,800
Year-End Fund Balance	9,140,600	9,099,900

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Designated Fund (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	431,625,300	470,811,500
Year-End Fund Balance	305,640,400	343,543,600
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	1,687,700	0
Year-End Fund Balance	84,154,100	97,339,600
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	266,869,100	279,165,300
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	28,379,600	30,643,500
Year-End Fund Balance	17,353,300	9,464,400
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
Purpose of Fund: To provide one-third of the amount of federal student loans. The federal government provides the other two-thirds. The amounts displayed do not include an administrative allowance, which is reflected in the Designated Fund.		
Funds Expended	221,600	0
Year-End Fund Balance	13,684,600	13,811,700
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the ABOR Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	117,684,600	130,840,100
Year-End Fund Balance	41,923,400	49,086,600

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: University system revenues.		
Purpose of Fund: To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. The fund is comprised of the state university system revenues portion of the debt service payments. <i>(Please see the Capital Outlay ABOR Building System narrative for more information.)</i>		
Funds Expended	520,400	1,045,900
Year-End Fund Balance	0	0
University Collections Fund (ASA1411/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	428,119,300	453,068,700
Year-End Fund Balance	0	0

Arizona State University - East Campus

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	425.6	425.6	425.6
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	5,246,700
Research Infrastructure Lease-Purchase Payment	917,000	917,000	917,000
TRIF Lease-Purchase Payment	2,000,000	2,000,000	2,000,000
AGENCY TOTAL	54,203,700	58,395,900	60,144,800
FUND SOURCES			
General Fund	20,656,200	22,704,200	24,453,100
<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
SUBTOTAL - Other Appropriated Funds	33,547,500	35,691,700	35,691,700
SUBTOTAL - Appropriated Funds	54,203,700	58,395,900	60,144,800
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	84,629,100

AGENCY DESCRIPTION — Established as a separate budget unit in 1994, Arizona State University - East Campus (ASU East), also known as the Polytechnic Campus, currently offers 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.

Operating Budget

The Baseline includes \$51,981,100 and 416.6 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$18,289,400
University Collections Fund	33,691,700

These amounts are unchanged from FY 2014.

Parity Funding

The Baseline includes \$5,246,700 and 9 FTE Positions from the General Fund in FY 2015 for the Parity Funding Special Line Item (SLI). FY 2015 adjustments would be as follows:

Parity Funding Increase GF 1,748,900
The Baseline includes an increase of \$1,748,900 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 \$5,246,700. (See Arizona Board of Regents (ABOR) narrative for more information.)

Research Infrastructure Lease-Purchase Payment

The Baseline includes \$917,000 from the General Fund in FY 2015 for the Research Infrastructure Lease-Purchase Payment Special Line Item. 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 Baseline 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.

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes (Please see ABOR for universitywide standard footnotes.)

It is the intent of the Legislature 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.

It is the intent of the Legislature that the General Fund base funding for ASU-East is \$24,453,100. This appropriation includes a deferral of \$5,750,200 from FY 2015 to FY 2016 and the \$917,000 lease-purchase appropriation in Laws 2003, Chapter 267.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral

The Baseline 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 Baseline is \$24,453,100. Of this amount:

- \$17,785,900 would be 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.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	130,800	152,700
Year-End Fund Balance	737,300	596,100
Designated Fund (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	8,011,000	14,863,200
Year-End Fund Balance	17,002,000	19,868,500

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
<i>Purpose of Fund:</i> To support endowment operations and compensate designated beneficiaries.		
Funds Expended	20,200	0
Year-End Fund Balance	1,229,500	1,545,300
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
<i>Source of Revenue:</i> Federal grants and contracts.		
<i>Purpose of Fund:</i> To support specific operating and research purposes as identified by the federal government.		
Funds Expended	4,964,500	5,667,900
Year-End Fund Balance	0	0
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the ABOR Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
<i>Purpose of Fund:</i> To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	2,700,900	3,257,700
Year-End Fund Balance	3,499,900	3,481,300
Technology and Research Initiative Fund (UNI2472/A.R.S. § 15-1648)		Appropriated
<i>Source of Revenue:</i> Automatic appropriations of a portion of a 0.6% sales tax, as authorized by voters through Proposition 301 in the November 2000 General Election and as governed by statute.		
<i>Purpose of Fund:</i> To make lease-purchase payments on certificates of participation used for technology and research capital projects.		
Funds Expended	2,000,000	2,000,000
Year-End Fund Balance	0	0
University Collections Fund (ASA1411/A.R.S. § 15-1626)		Appropriated
<i>Source of Revenue:</i> Tuition and registration fees, as well as a portion of university trust land earnings.		
<i>Purpose of Fund:</i> To operate the university.		
Funds Expended	31,547,500	33,691,700
Year-End Fund Balance	0	0

Arizona State University - West Campus

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
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
FUND SOURCES			
General Fund	33,133,900	33,328,100	33,328,100
<u>Other Appropriated Funds</u>			
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
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 Baseline 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.

TRIF Lease-Purchase Payment

The Baseline 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.

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes (Please see Arizona Board of Regents (ABOR) for universitywide standard footnotes.)

It is the intent of the Legislature that the General Fund base funding for Arizona State University - West Campus is \$33,328,100, which includes a deferral of \$10,064,800 from FY 2015 to FY 2016.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral

The Baseline 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 Baseline is \$33,328,100. Of this amount:

- \$23,263,300 would be 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.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	233,600	264,700
Year-End Fund Balance	547,400	604,400
Designated Fund (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	10,324,900	13,916,000
Year-End Fund Balance	19,517,000	19,585,700
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	55,100	0
Year-End Fund Balance	2,899,400	3,442,800
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	11,409,500	12,587,500
Year-End Fund Balance	12,946,300	14,131,000
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	0	0
Year-End Fund Balance	158,100	158,800

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
<i>Purpose of Fund:</i> To provide one-third of the amount of federal student loans. The federal government provides the other two-thirds. The amounts displayed do not include an administrative allowance, which is reflected in the Designated Fund.		
Funds Expended	0	0
Year-End Fund Balance	4,300	4,300
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the ABOR Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
<i>Purpose of Fund:</i> To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	0	6,988,200
Year-End Fund Balance	4,635,000	3,500,100
Technology and Research Initiative Fund (UNI2472/A.R.S. § 15-1648)		Appropriated
<i>Source of Revenue:</i> Automatic appropriations of a portion of a 0.6% sales tax, as authorized by voters through Proposition 301 in the November 2000 General Election and as governed by statute.		
<i>Purpose of Fund:</i> To make lease-purchase payments on certificates of participation used for technology and research capital projects.		
Funds Expended	1,600,000	1,600,000
Year-End Fund Balance	0	0
University Collections Fund (ASA1411/A.R.S. § 15-1626)		Appropriated
<i>Source of Revenue:</i> Tuition and registration fees, as well as a portion of university trust land earnings.		
<i>Purpose of Fund:</i> To operate the university.		
Funds Expended	37,054,200	39,380,300
Year-End Fund Balance	0	0

Northern Arizona University

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,057.2	2,057.2	2,057.2
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	12,983,100
Equipment	203,900	573,000	573,000
OPERATING SUBTOTAL	198,658,500	212,283,800	212,283,800
SPECIAL LINE ITEMS			
Parity Funding	3,302,600	6,605,200	9,907,800
NAU - Yuma	2,290,200	2,446,500	2,446,500
Research Infrastructure Lease-Purchase Payment	5,900,000	5,900,000	5,900,000
Teacher Training	2,145,600	2,290,600	2,290,600
AGENCY TOTAL	212,296,900	229,526,100	232,828,700
FUND SOURCES			
General Fund	104,887,800	109,245,000	112,547,600
<u>Other Appropriated Funds</u>			
University Collections Fund	107,409,100	120,281,100	120,281,100
SUBTOTAL - Other Appropriated Funds	107,409,100	120,281,100	120,281,100
SUBTOTAL - Appropriated Funds	212,296,900	229,526,100	232,828,700
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	498,476,100

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.

Operating Budget

The Baseline includes \$212,283,800 and 2,027.8 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$92,002,700
University Collections Fund	120,281,100

These amounts are unchanged from FY 2014.

Parity Funding

The Baseline includes \$9,907,800 from the General Fund in FY 2015 for the Parity Funding Special Line Item (SLI). FY 2015 adjustments would be as follows:

Parity Funding Increase	GF	3,302,600
The Baseline includes an increase of \$3,302,600 from the General Fund in FY 2015 to move towards aligning 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 \$9,907,800. (See ABOR narrative for more information.)

NAU - Yuma

The Baseline 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 Baseline includes \$5,900,000 from the General Fund in FY 2015 for the Research Infrastructure Lease-Purchase Payment Special Line Item. 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, NAU has issued \$77,475,000 in COPs.

Teacher Training

The Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes (Please see ABOR for universitywide standard footnotes.)

It is the intent of the Legislature 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.

The appropriated amount for the Teacher Training line item shall be distributed to the Arizona K-12 Center for Program Implementation and Mentor Training for the

Arizona Mentor Teacher program prescribed by the State Board of Education.

It is the intent of the Legislature that the General Fund base funding for Northern Arizona University is \$112,547,600, which includes a deferral of \$30,494,800 from FY 2015 to FY 2016 and the \$5,900,000 lease-purchase appropriation in Laws 2003, Chapter 267.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral

The Baseline 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 \$112,547,600. Of this amount:

- \$76,152,800 would be 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.
- \$5,900,000 was appropriated in Laws 2003, Chapter 267 for a lease-purchase payment.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	64,024,700	62,162,900
Year-End Fund Balance	13,972,700	10,344,300
Designated Fund (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	93,647,500	101,870,800
Year-End Fund Balance	90,417,200	61,943,700
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	68,964,300	69,654,200
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	4,155,800	4,197,300
Year-End Fund Balance	6,524,600	6,524,600
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	657,200	1,563,600
Year-End Fund Balance	3,832,000	4,268,400
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
Purpose of Fund: To provide one-third of the amount of federal student loans. The federal government provides the other two-thirds. The amounts displayed do not include an administrative allowance, which is reflected in the Designated Fund.		
Funds Expended	220,300	224,000
Year-End Fund Balance	28,708,300	30,221,100

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the ABOR Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	20,575,000	20,830,600
Year-End Fund Balance	12,143,400	10,143,400
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: University system revenues.		
Purpose of Fund: To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. Lottery bond debt service0020is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. The fund is comprised of the state university system revenues portion of the debt service payments. (<i>Please see the Capital Outlay ABOR Building System narrative for more information.</i>)		
Funds Expended	513,400	2,005,800
Year-End Fund Balance	0	0
University Collections Fund (NAA1421/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	107,409,100	120,281,100
Year-End Fund Balance	0	0

University of Arizona - Main Campus

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,365.0	5,365.0	5,365.0
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	56,224,400
Equipment	2,011,500	1,750,000	1,750,000
OPERATING SUBTOTAL	406,008,300	408,597,000	408,597,000
SPECIAL LINE ITEMS			
Agriculture	36,957,300	37,189,100	37,189,100
Arizona Cooperative Extension	12,614,500	12,525,900	12,525,900
Freedom Center	0	500,000	500,000
Research Infrastructure Lease-Purchase Payment	14,253,000	14,253,000	14,253,000
Sierra Vista Campus	5,400,100	6,943,700	6,943,700
AGENCY TOTAL	475,233,200	480,008,700	480,008,700
FUND SOURCES			
General Fund	207,555,900	208,501,000	208,501,000
<u>Other Appropriated Funds</u>			
University Collections Fund	267,677,300	271,507,700	271,507,700
SUBTOTAL - Other Appropriated Funds	267,677,300	271,507,700	271,507,700
SUBTOTAL - Appropriated Funds	475,233,200	480,008,700	480,008,700
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	1,654,514,100

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. Upon its establishment, UA received the federal land grant for Arizona, allowing the creation of agricultural and mining programs that continue today. UA-South is a branch campus of the university in Sierra Vista.

Operating Budget

The Baseline includes \$408,597,000 and 4,622.1 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$151,189,300
University Collections Fund	257,407,700

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. (See the Arizona Board of Regents (ABOR) narrative for a discussion of performance funding.)

Agriculture

The Baseline 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 Baseline includes \$12,525,900 and 155.1 FTE Positions in FY 2015 for the Arizona Cooperative Extension. These amounts consist of:

General Fund	10,826,100
University Collections Fund	1,699,800

These amounts are unchanged from FY 2014.

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 Baseline 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 Baseline includes \$14,253,000 from the General Fund in FY 2015 for the Research Infrastructure Lease-Purchase Payment Special Line Item. 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 for research infrastructure projects.

Sierra Vista Campus

The Baseline 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.

FORMAT — Operating Lump Sum with Special with Special Line Items by Agency

FOOTNOTES

Standard Footnotes (Please see ABOR for universitywide standard footnotes.)

It is the intent of the Legislature that the General Fund base funding for University of Arizona - Main Campus is \$208,501,000, which includes a deferral of \$62,153,100 from FY 2015 to FY 2016 and the \$14,253,000 lease-purchase appropriation in Laws 2003, Chapter 267.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral

The Baseline 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 university-wide payment deferral. The payment deferral is unchanged from FY 2011. *(Please see ABOR for more information.)*

The FY 2015 General Fund Baseline is \$208,501,000. Of this amount:

- \$132,094,900 would be 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.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	198,406,700	211,793,600
Year-End Fund Balance	23,077,300	19,976,200
Designated Fund (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	492,951,900	500,583,200
Year-End Fund Balance	184,477,000	151,565,700
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	144,729,200	153,610,800
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	227,965,300	239,556,700
Year-End Fund Balance	36,838,700	21,917,400
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	50,842,500	50,842,500
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	8,613,100	8,613,100
Year-End Fund Balance	0	0
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
Purpose of Fund: To provide one-third of the amount of federal student loans. The federal government provides the other two-thirds. The amounts displayed do not include an administrative allowance, which is reflected in the Designated Fund.		
Funds Expended	1,109,300	1,143,700
Year-End Fund Balance	21,288,100	22,244,400

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the ABOR Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	151,567,700	155,271,000
Year-End Fund Balance*	(7,436,400)	1,872,500
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: University system revenues.		
Purpose of Fund: To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. (<i>Please see the Capital Outlay ABOR Building System narrative for more information.</i>)		
Funds Expended	1,617,600	2,353,200
Year-End Fund Balance	0	0
University Collections Fund (UAA1402/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	267,677,300	271,507,700
Year-End Fund Balance	0	0

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

University of Arizona - Health Sciences Center

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,009.1	1,054.1	1,054.1
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
FUND SOURCES			
General Fund	61,351,600	69,585,300	69,585,300
<u>Other Appropriated Funds</u>			
University Collections Fund	40,808,800	41,117,000	41,117,000
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 4,987 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.

Operating Budget

The Baseline includes \$70,153,600 and 629.2 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
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. (See the Arizona Board of Regents (ABOR) narrative for a discussion of performance funding.)

Clinical Rural Rotation

The Baseline 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 Baseline 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 Baseline 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 Baseline 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 Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes (Please see the ABOR section for universitywide standard footnotes.)

It is the intent of the Legislature that the General Fund base funding for University of Arizona - Health Sciences Center is \$69,585,300, which includes a deferral of \$16,776,700 from FY 2015 to FY 2016.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral

The Baseline 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 Baseline is \$69,585,300. Of this amount:

- \$52,808,600 would be 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.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	10,594,000	13,248,400
Year-End Fund Balance	1,110,100	582,100
Designated Fund (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	59,355,600	82,034,600
Year-End Fund Balance	124,836,700	136,720,900
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	64,303,400	69,179,600
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	76,351,600	90,794,300
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	24,546,800	24,546,800
Year-End Fund Balance	22,497,300	33,650,100
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	2,319,200	2,319,200
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the ABOR Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	104,580,500	105,817,500
Year-End Fund Balance*	(2,082,900)	1,684,200
University Collections Fund (UAA1403/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	40,808,800	41,117,000
Year-End Fund Balance	0	0

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

Department of Veterans' Services

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	500.3	500.3	500.3
Personal Services	1,629,700	1,875,200	1,875,200
Employee Related Expenditures	622,300	648,400	648,400
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	3,218,900
SPECIAL LINE ITEMS			
Arizona State Veterans' Homes	23,274,400	27,868,200	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	34,210,800	37,429,200
FUND SOURCES			
General Fund	5,215,000	5,436,300	5,436,300
<u>Other Appropriated Funds</u>			
Home for Veterans' Trust Fund	23,274,400	27,868,200	31,086,600
Veterans' Conservatorship Fund	497,500	906,300	906,300
SUBTOTAL - Other Appropriated Funds	23,771,900	28,774,500	31,992,900
SUBTOTAL - Appropriated Funds	28,986,900	34,210,800	37,429,200
<u>Other Non-Appropriated Funds</u>			
Federal Funds	4,453,300	3,514,700	8,775,100
	458,900	392,600	392,600
TOTAL - ALL SOURCES	33,899,100	38,118,100	46,596,900

AGENCY DESCRIPTION — The agency supervises and operates 2 skilled nursing homes for Arizona veterans in Phoenix and Tucson, assists veterans in developing and filing claims for federal entitlements, acts as a guardian or conservator for incapacitated veterans or their families, and operates the Southern Arizona Veterans' Memorial Cemetery.

Operating Budget

The Baseline includes \$3,218,900 and 62.8 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$2,312,600
Veterans' Conservatorship Fund	906,300

These amounts are unchanged from FY 2014.

Arizona State Veterans' Homes

The Baseline includes \$31,086,600 and 380 FTE Positions from the Home for Veterans' Trust Fund in FY 2015 for the Arizona State Veterans' Homes. FY 2015 adjustments would be as follows:

Increased Costs at Tucson Home OF 3,218,400
The Baseline includes an increase of \$3,218,400 from the Home for Veterans' Trust Fund in FY 2015 for increased operating costs at the Tucson Veterans' Home. 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 monies in this line item are used for expenses related to the Arizona State Veterans' Homes in Phoenix and Tucson. 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 Baseline 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 Legislative Consideration for additional details*).

Veterans' Benefit Counseling

The Baseline 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.

FORMAT — Operating Lump Sum with Special Line Items by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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 \$275,600 General Fund appropriation and the estimated \$183,600 expenditure from the Southern Arizona Veterans' Cemetery Trust Fund, for a total of \$460,500 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. The department projects that construction for the Flagstaff cemetery will begin in March 2014 and conclude by September 2015. The Marana cemetery is estimated to begin in August 2014 and conclude by February 2016. The department estimates that each cemetery will need 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).

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Federal Funds (VSA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: U.S. Department of Veterans' Affairs and Department of Defense Grants.		
Purpose of Fund: To supervise and qualify educational and training programs which receive Federal Government Issued (GI) Bill monies and to provide assistance for military personnel transitioning to a career as a public school teacher. Although not displayed here, \$17,086,100 in federal monies was spent for construction of a Veterans' Home in Tucson in FY 2010 through FY 2013.		
Funds Expended	458,900	392,600
Year-End Fund Balance	55,100	9,500
Home for Veterans' Trust Fund (VSA2355/A.R.S. § 41-608.01)		Appropriated
Source of Revenue: Charges for services, fees and reimbursements received from residents, the Department of Veterans' Affairs, Medicaid, Medicare, and private insurance carriers.		
Purpose of Fund: To operate and maintain state-operated nursing homes for Arizona veterans.		
Funds Expended	23,274,400	27,868,200
Year-End Fund Balance	1,508,000	7,756,700

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Military Family Relief Fund (VSA2339/A.R.S. § 41-608.04)		Non-Appropriated
Source of Revenue: Donations, bequests, or other contributions from public or private sources. This fund received a one-time General Fund appropriation of \$100,000 in FY 2008. This fund was only established through December 31, 2018; any funds remaining unencumbered as of that date are transferred to the Veterans' Donation Fund.		
Purpose of Fund: To provide financial assistance to family members of deceased or wounded veterans who became deceased, wounded, injured, or became seriously ill after September 11, 2001. Service members must have been deployed from an Arizona military base, claimed this state as the service member's home of record, or were a member of the Arizona National Guard at the time of deployment.		
Funds Expended	433,700	443,600
Year-End Fund Balance	3,769,100	4,345,500
Southern Arizona Veterans' Cemetery Trust Fund (VSA2499/A.R.S. § 41-608.03)		Non-Appropriated
Source of Revenue: Monies, grants, gifts, and contributions from any public or private source.		
Purpose of Fund: To manage and maintain the southern Arizona veterans' cemetery.		
Funds Expended	213,300	183,600
Year-End Fund Balance	39,100	95,500
Statewide Employee Recognition Gifts (VSA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Donations, gifts, or contributions from public or private sources.		
Purpose of Fund: For the conduct of employee recognition programs.		
Funds Expended	600	0
Year-End Fund Balance	1,400	1,400
Veterans' Cemetery Fund (VSA2481/A.R.S. § 41-608.02)		Non-Appropriated
Source of Revenue: Includes a one-time \$500,000 appropriation from the General Fund and federal monies used as reimbursement for the construction of veterans' cemeteries. The department received \$1,721,300 in federal monies in FY 2013 to expand the Southern Arizona Cemetery. 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. Monies for the Flagstaff and Marana cemeteries will be spent from FY 2014 through FY 2016.		
Purpose of Fund: To acquire property for and to establish state veterans' cemeteries.		
Funds Expended	1,722,100	2,160,800
Year-End Fund Balance	35,400	35,400
Veterans' Conservatorship Fund (VSA2077/A.R.S. § 14-5414.01)		Appropriated
Source of Revenue: Fees collected from veterans, or a veteran's surviving spouse, or minor child, or the incapacitated spouse of a protected veteran, for whom the agency serves as a conservator.		
Purpose of Fund: To operate the Fiduciary Division of the Department of Veterans' Services.		
Funds Expended	497,500	906,300
Year-End Fund Balance	14,500	14,500
Veterans' Donations Fund (VSA2441/A.R.S. § 41-608)		Non-Appropriated
Source of Revenue: Donations from private individuals, corporations and organizations. Donations are made by designating a portion of one's tax refund, purchasing a license plate, or other means. Sales from the Veterans, Freedom, Gold Star, and Women Veteran license plates go into this fund. Of the \$25 license plate fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited into the Veterans' Donation Fund.		
Purpose of Fund: To benefit veterans within the state of Arizona. Separate subaccounts of this fund are used for 1) the construction and maintenance of the Enduring Freedom Memorial and 2) grants to benefit women veterans in Arizona including providing shelter to homeless women veterans.		
Funds Expended	2,083,600	726,700
Year-End Fund Balance	1,469,100	2,480,800

Arizona State Veterinary Medical Examining Board

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.5	5.5	5.5
Personal Services	215,000	265,100	265,100
Employee Related Expenditures	69,900	98,000	98,000
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	62,300
Equipment	23,100	4,200	0
AGENCY TOTAL	424,600	483,400	469,400

FUND SOURCES

<i>Other Appropriated Funds</i>			
Veterinary Medical Examining Board Fund	424,600	483,400	469,400
SUBTOTAL - Other Appropriated Funds	424,600	483,400	469,400
SUBTOTAL - Appropriated Funds	424,600	483,400	469,400
TOTAL - ALL SOURCES	424,600	483,400	469,400

AGENCY DESCRIPTION — The board licenses and regulates veterinarians, veterinary technicians, and veterinary premises.

Operating Budget

* * *

FORMAT — Lump Sum by Agency

The Baseline includes \$469,400 and 5.5 FTE Positions from the Veterinary Medical Examining Board Fund in FY 2015 for the operating budget. FY 2015 adjustments would be as follows:

Remove One-time Funding **OF** **FY 2015**
\$(14,000)

The Baseline includes a decrease of \$(14,000) from the Veterinary Medical Examining Board Fund in FY 2015 to eliminate one-time expenses for a database update.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Veterinary Medical Examining Board Fund (VTA2078/A.R.S. § 32-2205)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of veterinarians, veterinary technicians, and veterinary premises. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate veterinarians, veterinary technicians, and veterinary premises, and for board administration.		
Funds Expended	424,600	483,400
Year-End Fund Balance	1,445,500	1,090,800

Department of Water Resources

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	90.0	90.0	90.0
Personal Services	2,936,800	3,555,800	3,555,800
Employee Related Expenditures	1,124,400	1,495,100	1,495,100
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	1,648,800
Equipment	183,000	340,000	340,000
OPERATING SUBTOTAL	6,850,900	7,499,100	7,499,100
SPECIAL LINE ITEMS			
Adjudication Support	1,164,600	1,256,700	1,256,700
Assured and Adequate Water Supply Administration	1,397,400	1,989,500	1,989,500
Automated Groundwater Monitoring	343,800	410,200	410,200
Conservation and Drought Program	383,500	410,000	410,000
Lower Colorado River Litigation Expenses	0	500,000	500,000
Rural Water Studies	996,500	1,167,700	1,167,700
AGENCY TOTAL	11,136,700	13,233,200	13,233,200
FUND SOURCES			
General Fund	11,126,500	12,326,400	12,326,400
Other Appropriated Funds			
Assured and Adequate Water Supply Administration Fund	8,000	266,400	266,400
Water Resources Fund	2,200	640,400	640,400
SUBTOTAL - Other Appropriated Funds	10,200	906,800	906,800
SUBTOTAL - Appropriated Funds	11,136,700	13,233,200	13,233,200
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	23,726,300

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.

Operating Budget

The Baseline includes \$7,499,100 and 38 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$7,358,700
Water Resources Fund	140,400

These amounts are unchanged from FY 2014.

Adjudication Support

The Baseline includes \$1,256,700 and 14.5 FTE Positions from the General Fund in FY 2015 for Adjudication Support. These amounts are unchanged from FY 2014.

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 Baseline includes \$1,989,500 and 19.8 FTE Positions in FY 2015 for the Assured and Adequate Water Supply (AAWS) Program. These amounts consist of:

General Fund	1,723,100
AAWS Administration Fund	266,400

These amounts are unchanged from FY 2014.

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 Baseline includes \$410,200 and 2 FTE Positions from the General Fund in FY 2015 for Automated Groundwater Monitoring. These amounts are unchanged from FY 2014.

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 Baseline includes \$410,000 and 4.7 FTE Positions from the General Fund in FY 2015 for the Conservation and Drought Program. These amounts are unchanged from FY 2014.

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 Baseline 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 Baseline includes \$1,167,700 and 11 FTE Positions from the General Fund in FY 2015 for Rural Water Studies. These amounts are unchanged from FY 2014.

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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Monies in the Adjudication Support line item shall 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 shall not transfer any funds into or out of the Adjudication Support line item.

Monies in the Assured and Adequate Water Supply Administration line item shall 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 shall not transfer any funds into or out of the Assured and Adequate Water Supply Administration line item.

The Department of Water Resources shall not transfer any monies from the Lower Colorado River Litigation Expenses line item without the prior review of the Joint Legislative Budget Committee.

It is the intent of the Legislature that monies in the Rural Water Studies line item will 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.

STATUTORY CHANGES

The Baseline would:

- 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.
- 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.

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Administrative Fund (WCA3025/A.R.S. § 45-113)		Non-Appropriated
<i>Source of Revenue:</i> A portion of application, certificate, license, permit and inspection fees.		
<i>Purpose of Fund:</i> To cover the costs of administrative services and expenses.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Assured and Adequate Water Supply Administration Fund (WCA2509/A.R.S. § 45-580)		Appropriated
<i>Source of Revenue:</i> Fees for applications relating to adequate and assured water supply regulations for newly created subdivisions.		
<i>Purpose of Fund:</i> To support the costs and expenses incurred when determining and declaring compliance with assured and adequate water supply regulations.		
Funds Expended	8,000	266,400
Year-End Fund Balance	138,300	45,300
Augmentation and Conservation Assistance Fund (WCA2213/A.R.S. § 45-615)		Non-Appropriated
<i>Source of Revenue:</i> A portion of fees for groundwater withdrawal in Active Water Management Areas (AMA).		
<i>Purpose of Fund:</i> Generally, to support water supply augmentation projects, such as groundwater recharge, as well as AMA conservation programs. By law, each AMA has its own sub-account within the fund. The Year-End Fund Balances represent non-obligated cash and do not reflect monies already granted but not yet paid.		
Funds Expended	49,900	668,000
Year-End Fund Balance	2,019,100	2,203,800

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Colorado River Water Use Fee Clearing Account (WCA2538/A.R.S. § 45-333)		Non-Appropriated
<i>Source of Revenue:</i> Fees assessed to those who divert and consume water from the mainstream of the Colorado River.		
<i>Purpose of Fund:</i> Monies are transferred to the Lower River Multispecies Conservation Program.		
Funds Expended	7,600	7,600
Year-End Fund Balance	0	0
Dam Repair Fund (WCA2218/A.R.S. § 45-1212.01)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations, dam safety inspection fees, and filing fees.		
<i>Purpose of Fund:</i> Generally, to offer loans and grants for private dam owners to make non-emergency repairs, and for program operations.		
Funds Expended	23,400	259,000
Year-End Fund Balance	1,062,800	1,158,000
Federal Grants Fund (WCA2000/A.R.S. § 45-105)		Non-Appropriated
<i>Source of Revenue:</i> Grants from the federal government.		
<i>Purpose of Fund:</i> To support water protection, rural water studies, and water banking initiatives, as well as certain operating expenses.		
Funds Expended	256,500	277,300
Year-End Fund Balance	33,700	54,400
Flood Warning System Fund (WCA1021/A.R.S. § 45-1503)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations, grants, and contributions from other public agencies.		
<i>Purpose of Fund:</i> To develop a flood warning system, purchase flood warning equipment, and provide assistance to local entities on a cost sharing basis for the planning, design, installation, operation, and maintenance of flood warning systems.		
Funds Expended	1,300	76,300
Year-End Fund Balance	229,400	204,100
General Adjudications Fund (WCA2191/A.R.S. § 45-260)		Non-Appropriated
<i>Source of Revenue:</i> Court fees paid by water claimants and from legislative appropriations.		
<i>Purpose of Fund:</i> To cover postage and other costs of serving legal notices to water rights claimants and of publicizing court proceedings. Also to remit filing fees to the courts.		
Funds Expended	3,300	4,000
Year-End Fund Balance	39,200	40,200
Indirect Cost Recovery Fund (WCA9000/A.R.S. § 45-104)		Non-Appropriated
<i>Source of Revenue:</i> Cost allocation transfers of federal and other non-appropriated funds.		
<i>Purpose of Fund:</i> To provide various indirect administrative services, including security and cashiering.		
Funds Expended	0	500,000
Year-End Fund Balance	1,255,300	1,383,700
Interagency Service Agreement Fund (WCA2500/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Collections from other state and local agencies.		
<i>Purpose of Fund:</i> To pay for projects based upon interagency service agreements with other agencies.		
Funds Expended	483,500	655,300
Year-End Fund Balance	574,200	290,500
Production and Copying Fund (WCA2411/A.R.S. § 45-115)		Non-Appropriated
<i>Source of Revenue:</i> From monies received for department publications and for copies of department records. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the Water Resources Fund.		
<i>Purpose of Fund:</i> To produce and distribute department publications, as well as to copy department records.		
Funds Expended	100	5,100
Year-End Fund Balance	18,600	17,000

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Publication and Mailing Fund (WCA2410/A.R.S. § 45-116)		Non-Appropriated
Source of Revenue: From monies received for the publication and mailing of legal notices as required by law. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the Water Resources Fund.		
Purpose of Fund: To publish and mail legal notices.		
Funds Expended	4,700	3,000
Year-End Fund Balance	300	800
Purchase and Retirement Fund (WCA2474/A.R.S. § 45-615)		Non-Appropriated
Source of Revenue: A portion of fees for groundwater withdrawal in AMAs.		
Purpose of Fund: To purchase and retire grandfathered groundwater rights, those entitlements legally owned or used before the creation of an AMA in a given area. By law, each AMA has its own sub-account within the fund.		
Funds Expended	0	0
Year-End Fund Balance	72,600	73,100
Statewide Donations Fund (WCA2025/A.R.S. § 45-105)		Non-Appropriated
Source of Revenue: Grants, gifts or donations of money or other property from any source.		
Purpose of Fund: Funds may be used for any purpose consistent with the duties and powers of the Director of the Department of Water Resources as described in statute.		
Funds Expended	8,600	156,000
Year-End Fund Balance	142,500	66,500
Water Banking Fund (WCA2110/A.R.S. § 45-2425)		Partially-Appropriated
Source of Revenue: General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users. Revenue also comes from a portion of the 4% property tax collected by CAWCD to pay for water storage. By law, each AMA has its own sub-account within the fund. This fund operates on the calendar year. Because fees and taxes are collected at the end of the fiscal year, the Year-End Fund Balances are not reflective of the calendar year-end balances. Pursuant to an interstate water banking agreement with Nevada, the fund received a combined total of \$100,000,000 in FY 2005 and FY 2006. In 2004, the Southern Nevada Water Authority (SNWA) agreed to pay the Arizona Water Banking Authority (AWBA) an additional \$230,000,000 for delivery and storage of water. Equal payments of \$23,000,000 per year from Nevada to the AWBA were to begin in 2009 and continue through 2018. The agreement was amended allowing SNWA to delay payment until FY 2015. The agreement was further amended in 2013 to remove the FY 2015 payment resumption date and allow SNWA to pay as water is stored. In FY 2010, the AWBA received \$12,685,000 for storage and delivery of Nevada's own water in lieu of water purchased from Arizona. Appropriations from this fund may include monies received through the water banking agreement with Nevada that are used for purposes outside of contractual agreement with Nevada (Laws 2009, Chapter 332).		
Purpose of Fund: To purchase and store the unused portion of Arizona's Colorado River water allotment. The department provides administrative support for this fund, but control of expenditures is vested with AWBA. In addition, pursuant to an interstate water banking agreement with Nevada, to obtain, store, and retrieve water for Nevada.		
Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	4,743,600	6,332,800
Year-End Fund Balance	5,341,000	5,440,300
Water Protection Fund (WCA1302/A.R.S. § 45-2111)		Non-Appropriated
Source of Revenue: From purchases or leases of CAP water. Prior to FY 2012, there was a statutory \$5,000,000 General Fund deposit. Since FY 2000, session law changes have suspended the statutory General Fund appropriation. Laws 2011, Chapter 36 permanently repealed this General Fund deposit.		
Purpose of Fund: To provide grants for projects that protect water quality and quantity, as well as to maintain, enhance, and restore rivers, streams, and associated riparian habitats. The Water Protection Fund Commission reviews grant applications and determines annual recipients. The department provides administrative support for this fund, but control of expenditures is vested with the commission. The Year-End Fund Balances represent non-obligated cash and do not reflect monies already granted but not yet paid.		
Funds Expended	1,620,700	964,300
Year-End Fund Balance	4,307,100	629,800

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Water Quality Fund (WCA2304/A.R.S. § 45-618)		Non-Appropriated
Source of Revenue: From annual Water Quality Assurance Revolving Fund (WQARF) transfers negotiated with the Arizona Department of Environmental Quality (ADEQ), as well as from legislative appropriations, grants, and contributions from other public agencies.		
Purpose of Fund: To inspect wells for groundwater contamination and to take appropriate remedial action on contaminated wells. Inspections are done in conjunction with the ADEQ WQARF program.		
Funds Expended	228,900	269,800
Year-End Fund Balance	171,900	200,400
Water Resources Fund (WCA2398/A.R.S. § 45-117)		Appropriated
Source of Revenue: Consists of monies from legislative appropriations, donations, and fees collected by ADWR to carry out its statutory functions, as well as existing fees that had been deposited into the General Fund. Fund revenue includes a fee levied on municipalities for only FY 2012. The local fee was repealed as part of the FY 2013 budget.		
Purpose of Fund: Fees deposited in the Water Resources Fund are to be held in trust and only used to carry out its statutory responsibilities, including managing the state's water supplies, enforcing groundwater laws, and representing the state's water rights.		
Funds Expended	2,200	640,400
Year-End Fund Balance	2,819,100	2,844,700
Well Administration and Enforcement Fund (WCA2491/A.R.S. § 45-606)		Non-Appropriated
Source of Revenue: Well-drilling filing and permit fees.		
Purpose of Fund: To monitor, investigate, and enforce regulations concerning the construction, replacement, deepening, and abandonment of wells, as well as the capping of open wells.		
Funds Expended	279,200	314,600
Year-End Fund Balance	158,000	188,400

Department of Weights and Measures

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
PROGRAM BUDGET			
General Services	1,815,800	1,655,800	1,569,300
Oxygenated Fuel	772,200	810,600	789,700
Vapor Recovery	594,800	653,200	653,200
AGENCY TOTAL	3,182,800	3,119,600	3,012,200
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	36.4	36.4	36.4
Personal Services	1,386,000	1,475,900	1,475,900
Employee Related Expenditures	627,300	665,300	665,300
Professional and Outside Services	170,400	196,500	196,500
Travel - In State	165,700	165,700	165,700
Travel - Out of State	16,400	16,400	16,400
Other Operating Expenditures	460,100	419,700	419,700
Equipment	356,900	180,100	72,700
AGENCY TOTAL	3,182,800	3,119,600	3,012,200
FUND SOURCES			
General Fund	1,489,800	1,325,800	1,239,300
<u>Other Appropriated Funds</u>			
Air Quality Fund	1,367,000	1,463,800	1,442,900
Motor Vehicle Liability Insurance Enforcement Fund	326,000	330,000	330,000
SUBTOTAL - Other Appropriated Funds	1,693,000	1,793,800	1,772,900
SUBTOTAL - Appropriated Funds	3,182,800	3,119,600	3,012,200
TOTAL - ALL SOURCES	3,182,800	3,119,600	3,012,200

AGENCY DESCRIPTION — The department regulates the determination and representation of weight and measurement in the marketplace and also maintains 2 environmentally related gasoline inspection programs. All programs investigate consumer complaints.

Operating Budget

The Baseline includes \$3,012,200 and 36.4 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	FY 2015
General Fund	\$1,239,300
Air Quality Fund	1,442,900
Motor Vehicle Liability Insurance Enforcement Fund	330,000

FY 2015 adjustments would be as follows:

**Remove One-Time GF (86,500)
Lab Equipment Funding**

The Baseline 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.

**Remove One-Time OF (20,900)
Field Equipment Funding**

The Baseline 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.

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FORMAT — Lump Sum by Program

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
Air Quality Fund (EVA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Owners of motor vehicles pay an annual air quality fee of \$1.50 at the time of vehicle registration.		
Purpose of Fund: To pay for the department's Oxygenated Fuel and Vapor Recovery Program.		
Funds Expended	1,367,000	1,463,800
Year-End Fund Balance*	70,800	(1,393,000)
Motor Vehicle Liability Insurance Enforcement Fund (DTA2285/A.R.S. § 28-4151)		Appropriated
Source of Revenue: Fees received by the department pursuant to A.R.S. Title 28, Chapter 9, Article 4 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.		
Purpose of Fund: While the purpose of the fund for the Department of Transportation is to enforce mandatory motor vehicle liability insurance laws on all vehicles, the Department of Weights and Measures appropriation is to focus on enforcement on taxis, limousines, and livery vehicles. The Department of Weights and Measures verifies that these passenger carrying vehicles have the proper insurance and vehicle license plates, without which the department can revoke or refuse to issue a taxi license.		
Funds Expended	326,000	330,000
Year-End Fund Balance*	3,300	(326,700)

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

CAPITAL OUTLAY ESTIMATES

**Capital Outlay
Summary**

	FY 2015 BASELINE
BUILDING RENEWAL	
ADOA Building System	14,561,700
ADOT Building System	3,396,800
ABOR Building System	0
SUBTOTAL	17,958,500
INDIVIDUAL PROJECTS	
ADOA Building System	0
ADOT Building System	234,635,600
ABOR Building System	0
SUBTOTAL	234,635,600
LEASE-PURCHASE PAYMENTS	
Lease-Purchase Obligations	104,572,700
TOTALS	
ADOA Building System	119,134,400
ADOT Building System	238,032,400
ABOR Building System	0
TOTAL - ALL PROJECTS	357,166,800
FUND SOURCES	
General Fund	104,572,700
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	9,000,000
Department of Corrections Building Renewal Fund	5,464,300
State Aviation Fund	20,661,500
State Highway Fund	217,370,900
State Lottery Fund	97,400
SUBTOTAL - Other Appropriated Funds	252,594,100
SUBTOTAL - Appropriated Funds	357,166,800
Other Non-Appropriated Funds	564,857,000
Federal Funds	669,949,000
TOTAL - ALL SOURCES	1,591,972,800

DESCRIPTION — The Capital Outlay Budget consists of one-time appropriations to maintain, expand, enhance, or make a lease-purchase payment for the state's capital stock, which includes office buildings, service centers, residential treatment centers, state parks, prisons, highways, and other. For the purposes of capital management and planning, the state is divided into 3 building systems, the Arizona Department of Administration (ADOA) Building System, the Arizona Department of Transportation (ADOT) Building System, and the Arizona Board of Regents (ABOR) Building System. Capital appropriations are typically made through the Capital Outlay Bill, but may be made through other bills as well.

The following amounts are one-time appropriations:

Capital Outlay	FY 2015
	GF \$104,572,700
	OF 252,594,100

The Baseline includes a total of \$357,166,800 from Appropriated Funds in FY 2015. Of the total, \$104,572,700 is from the General Fund and \$252,594,100 is from Other Appropriated Funds. The budget consists of 3 main categories: 1) Building Renewal, 2) Individual Projects, and 3) Lease-Purchase Payments.

Building Renewal

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on support of a formula determined by the Joint Committee on Capital Review. The formula takes into account the replacement value, age, and life-cycle of a building. Available appropriations are administered by ADOA (or individual agencies within the ADOA Building System that have their own funding source for building renewal), ADOT, and ABOR.

The Baseline includes total funding of \$17,958,500 in FY 2015 for Building Renewal, which is from Other Appropriated Funds. These amounts include:

Arizona Department of Administration	\$9,000,000
Capital Outlay Stabilization Fund	
@ 26.5% (non-ADC buildings)	
Department of Corrections Building	5,464,300
Renewal Fund @ 33.3% (ADC-only	
buildings)	
State Lottery Fund @ 100%	<u>97,400</u>
Subtotal - ADOA	\$14,561,700
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

(See the individual building systems' write-ups for more information.)

Individual Projects

The Baseline includes a total of \$234,635,600 from Other Appropriated Funds in FY 2015 for individual capital projects. *(See the individual building systems' write-ups for more information.)*

Lease-Purchase Payments

The Baseline 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.)*

* * *

FOOTNOTES

Capital Standard Footnotes

Building Renewal

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 shall revert to the fund from which the monies were appropriated.

Individual Projects

Pursuant to A.R.S. § 41-1252, the Joint Committee on Capital Review shall review the scope, purpose, and estimated cost of a new capital project that has an estimated cost of more than \$250,000.

Unless otherwise specified, the monies appropriated in this act shall not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities.

Unless otherwise specified, the appropriations made in this act do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance.

Capital Outlay
Arizona Department of Administration Building System

FY 2015
 BASELINE

BUILDING RENEWAL	
Department of Administration	9,000,000
Arizona Lottery Commission	97,400
Department of Corrections	5,464,300
SUBTOTAL	14,561,700
TOTAL - ALL PROJECTS	14,561,700

FUND SOURCES

<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	9,000,000
Department of Corrections Building Renewal Fund	5,464,300
State Lottery Fund	97,400
SUBTOTAL - Other Appropriated Funds	14,561,700
SUBTOTAL - Appropriated Funds	14,561,700
TOTAL - ALL SOURCES	14,561,700

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.

The following amounts are one-time appropriations:

FY 2015
Building Renewal OF \$14,561,700

The Baseline includes \$14,561,700 from Other Appropriated Funds in FY 2015 for Building Renewal within the ADOA Building System. This amount consists of:

- \$9,000,000 from the Capital Outlay Stabilization Fund (COSF) to ADOA. This continues the COSF amount funded in FY 2014 and represents 26.5% of the non-Department of Corrections (ADC) building renewal formula. The FY 2014 allocation had represented 32.1% of the non-ADC formula.
- \$0 from the Game and Fish Fund to the Arizona Game and Fish Department. The Baseline would typically continue to fund 100% of the agency's building renewal formula for a total of \$633,200. However, as of the end of FY 2013, the agency still has the entire \$523,300 of available building renewal funding from the agency's FY 2013 appropriations, along with \$547,600 allocated in FY 2014.
- \$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.

- \$5,464,300 from the ADC Building Renewal Fund to ADC for ADC building renewal and preventative maintenance projects. This continues to fund 33.3% of the ADC-only building renewal formula. The FY 2014 budget included \$5,000,000, which also represented 33.3% of the ADC-only formula.

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The Baseline 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.

* * *

FORMAT — Lump Sum by Project by Fund

FOOTNOTES

Standard Footnotes (Please see Capital Outlay Summary for Capital standard footnotes.)

Building Renewal: The Department of Administration shall allocate the monies to state agencies for necessary building renewal. If monies in the Capital Outlay

Stabilization Fund are insufficient to fund the appropriation to the Department of Administration for building renewal, the appropriation to the Department of Administration shall be reduced by the difference between the amount appropriated to the Department of Administration from the Capital Outlay Stabilization Fund and the balance in the Capital Outlay Stabilization Fund.

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.

Individual Projects: The Department of Administration shall report on the status of project-specific FTE Positions for capital projects in its annual capital budget request.

The Department of Administration may allocate FTE Positions authorized for specific projects to other projects in this act provided that 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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

COSF Rental Rate Change & Payment Adjustments

The Baseline 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	0	3,700
	\$ (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 Baseline would fund 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 Baseline 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 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			2,100	0	0	2,100
Fire, Building and Life Safety, Dept. of					3,600	0	1,300	4,900		3,600			3,600	0	1,300	4,900
Forester, State					2,700	0	0	2,700		2,700			2,700	0	0	2,700
Gaming, Dept. of					0	15,200	0	15,200		0			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 Baseline 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 Baseline 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.

LEASE-PURCHASE APPROPRIATIONS 1/ Department of Administration Building System

	Fiscal Year 2014 - Appropriations Report				Fiscal Year 2015 - Baseline				FY 2015 - FY 2014 Difference			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
BUDGET UNITS												
Administration, AZ Department of												
Sale/Lease-Back	84,119,800	0	0	84,119,800	84,123,700			84,123,700	3,900	0	0	3,900
Corrections, Arizona Department of												
1,000 Public Prison Beds ^{2/}	3,182,300	0	0	3,182,300	0			0	(3,182,300)	0	0	(3,182,300)
4,000 Public Prison Beds	16,052,700	0	0	16,052,700	16,064,400			16,064,400	11,700	0	0	11,700
Water and Wastewater Projects	656,700	0	0	656,700	657,500			657,500	800	0	0	800
1,000 Public Prison Beds - Refinance ^{2/}	0	0	0	0	3,074,600			3,074,600	3,074,600	0	0	3,074,600
Subtotal - AZ Department of Corrections	\$19,891,700	\$0	\$0	\$19,891,700	\$19,796,500	\$0	\$0	\$19,796,500	(\$95,200)	\$0	\$0	(\$95,200)
Health Services, Department of												
Health Services Building - Refinance ^{3/}					1,793,900	1,196,200		2,990,100	1,793,900	1,196,200	0	2,990,100
Health Lab ^{2/}	0	2,315,800	0	2,315,800		0		0	0	(2,315,800)	0	(2,315,800)
Health Lab - Refinance ^{2/}	0	0	0	0	0	2,031,300		2,031,300	0	2,031,300	0	2,031,300
Arizona State Hospital Forensic Unit	3,112,200	0	0	3,112,200	3,110,500			3,110,500	(1,700)	0	0	(1,700)
Subtotal - Department of Health Services	\$3,112,200	\$2,315,800	\$0	\$5,428,000	\$4,904,400	\$3,227,500	\$0	\$8,131,900	\$1,792,200	\$911,700	\$0	\$2,703,900
GRAND TOTAL	\$107,123,700	\$2,315,800	\$0	\$109,439,500	\$108,824,600	\$3,227,500	\$0	\$112,052,100	\$1,700,900	\$911,700	\$0	\$2,612,600

^{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 2014 - Appropriations Report				Fiscal Year 2015 - Baseline				FY 2015 - FY 2014 Difference			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Arizona Department of Administration Building												
Accountancy, State Board of	0	107,700	0	107,700	0	110,400	0	110,400	0	2,700	0	2,700
Administration, Arizona Department of	799,400	2,059,900	215,200	3,074,500	819,800	2,112,500	220,700	3,153,000	20,400	52,600	5,500	78,500
Deaf and Hard of Hearing, Commission for the	0	206,700	0	206,700	0	211,900	0	211,900	0	5,200	0	5,200
Equalization, State Board of	84,300	0	0	84,300	86,400	0	0	86,400	2,100	0	0	2,100
Tax Appeals, State Board of	32,400	0	0	32,400	33,200	0	0	33,200	800	0	0	800
Subtotal - ADOA Building	\$916,100	\$2,374,300	\$215,200	\$3,505,600	939,400	2,434,800	220,700	3,594,900	\$23,300	\$60,500	\$5,500	\$89,300
Arizona Department of Environmental Quality Building												
Criminal Justice Commission, Arizona	0	10,900	169,300	180,200	0	11,200	173,600	184,800	0	300	4,300	4,600
Environmental Quality, Department of	0	3,855,300	0	3,855,300	0	3,953,700	0	3,953,700	0	98,400	0	98,400
Environmental Quality, Department of - WIFA	0	0	108,400	108,400	0	0	111,200	111,200	0	0	2,800	2,800
Fire, Building and Life Safety, Department of	141,100	0	52,100	193,200	144,700	0	53,400	198,100	3,600	0	1,300	4,900
Forester, State	107,500	0	0	107,500	110,200	0	0	110,200	2,700	0	0	2,700
Gaming, Department of	0	592,600	0	592,600	0	607,800	0	607,800	0	15,200	0	15,200
Housing, Department of	0	28,900	452,600	481,500	0	29,600	464,200	493,800	0	700	11,600	12,300
Insurance, Department of	0	0	54,900	54,900	0	0	56,300	56,300	0	0	1,400	1,400
Racing, Arizona Department of	0	148,000	0	148,000	0	151,800	0	151,800	0	3,800	0	3,800
Residential Utility Consumer Office	0	115,000	0	115,000	0	117,900	0	117,900	0	2,900	0	2,900
Technical Registration, State Board of	0	177,400	0	177,400	0	181,900	0	181,900	0	4,500	0	4,500
Tourism, Office of	0	0	182,700	182,700	0	0	187,300	187,300	0	0	4,600	4,600
Subtotal - ADEQ Building	\$248,600	\$4,928,100	\$1,020,000	\$6,196,700	\$254,900	\$5,053,900	\$1,046,000	\$6,354,800	\$6,300	\$125,800	\$26,000	\$158,100
Arizona Department of Health Services Building												
Health Services, Department of 2/	1,919,100	1,279,500	0	3,198,600	0	0	0	0	(1,919,100)	(1,279,500)	0	(3,198,600)
GRAND TOTAL	\$3,083,800	\$8,581,900	\$1,235,200	\$12,900,900	\$1,194,300	\$7,488,700	\$1,266,700	\$9,949,700	(\$1,889,500)	(\$1,093,200)	\$31,500	(\$2,951,200)

- 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.

SUMMARY OF RENT CHARGES 1/2/

	Fiscal Year 2014 - Appropriations Report				Fiscal Year 2015 - Baseline				FY 2015 Baseline - FY 2014 Appropriations Report Difference			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
BUDGET UNITS												
Acupuncture Board of Examiners												
1400 W Washington	0	4,500	0	4,500	0	4,500	0	4,500	0	0	0	0
Administration, AZ Department of												
1400 W Washington	8,300	7,800	0	16,100	8,300	7,800	0	16,100	0	0	0	0
1510 W Adams	0	354,000	0	354,000	0	353,600	0	353,600	0	(400)	0	(400)
1520 W Adams	0	148,000	0	148,000	0	147,900	0	147,900	0	(100)	0	(100)
1522 W Jackson	0	60,300	0	60,300	0	41,900	0	41,900	0	(18,400)	0	(18,400)
1537 W Jackson	0	89,200	0	89,200	0	89,100	0	89,100	0	(100)	0	(100)
1616 W Adams	0	77,400	0	77,400	0	77,300	0	77,300	0	(100)	0	(100)
1802 W Jackson	0	24,900	62,000	86,900	0	24,900	61,900	86,800	0	0	(100)	(100)
1840 W Jackson	0	48,400	0	48,400	0	63,600	0	63,600	0	15,200	0	15,200
1850 W Jackson	0	44,500	0	44,500	0	44,500	0	44,500	0	0	0	0
1700 W Washington	25,400	61,300	0	86,700	25,400	61,300	0	86,700	0	0	0	0
1789 W Jefferson (DES West)	0	16,500	0	16,500	0	16,400	0	16,400	0	(100)	0	(100)
1937 W Jefferson/CDC	0	114,700	0	114,700	0	114,600	0	114,600	0	(100)	0	(100)
1801 W Madison	0	21,600	0	21,600	0	21,500	0	21,500	0	(100)	0	(100)
1805 W Madison	0	24,700	0	24,700	0	24,700	0	24,700	0	0	0	0
400 W Congress, Tucson	0	53,500	0	53,500	0	53,500	0	53,500	0	0	0	0
402 W Congress, Tucson	0	56,200	0	56,200	0	56,200	0	56,200	0	0	0	0
416 W Congress, Tucson	0	2,700	0	2,700	0	2,700	0	2,700	0	0	0	0
Subtotal - AZ Dept of Administration	\$33,700	\$1,205,700	\$62,000	\$1,301,400	\$33,700	\$1,201,500	\$61,900	\$1,297,100	\$0	(\$4,200)	(\$100)	(\$4,300)
Administrative Hearings, Office of												
1400 W Washington	71,000	900	131,600	203,500	71,000	900	131,500	203,400	0	0	(100)	(100)
400 W Congress, Tucson	0	11,400	0	11,400	0	11,400	0	11,400	0	0	0	0
Subtotal - Office of Administrative Hearings	\$71,000	\$12,300	\$131,600	\$214,900	\$71,000	\$12,300	\$131,500	\$214,800	\$0	\$0	(\$100)	(\$100)
Agriculture, AZ Department of												
1520 W Adams	106,500	0	0	106,500	106,400	0	0	106,400	(100)	0	0	(100)
1688 W Adams	197,700	0	222,900	420,600	197,700	0	222,800	420,500	0	0	(100)	(100)
400 W Congress, Tucson	32,000	0	4,700	36,700	32,100	0	4,700	36,800	100	0	0	100
Subtotal - AZ Dept of Agriculture	\$336,200	\$0	\$227,600	\$563,800	\$336,200	\$0	\$227,500	\$563,700	\$0	\$0	(\$100)	(\$100)
Appraisal, State Board of												
15 S 15th Ave	0	33,100	0	33,100	0	32,700	0	32,700	0	(400)	0	(400)
AZ Health Care Cost Containment System												
Kingman Building	6,700	0	6,600	13,300	6,800	0	6,600	13,400	100	0	0	100
Arts, AZ Commission on the												
417 W Roosevelt	0	0	49,700	49,700	0	0	49,700	49,700	0	0	0	0
Attorney General - Department of Law												
1275 W Washington	550,600	315,600	320,300	1,186,500	550,300	315,500	320,200	1,186,000	(300)	(100)	(100)	(500)
400 W Congress, Tucson	32,600	25,600	19,100	77,300	32,600	25,600	19,100	77,300	0	0	0	0
402 W Congress, Tucson	135,700	106,400	78,800	320,900	137,700	107,900	79,900	325,500	2,000	1,500	1,100	4,600
Capitol Center	968,100	340,100	0	1,308,200	967,700	340,000	0	1,307,700	(400)	(100)	0	(500)
Subtotal - Attorney General - Dept of Law	\$1,687,000	\$787,700	\$418,200	\$2,892,900	\$1,688,300	\$789,000	\$419,200	\$2,896,500	\$1,300	\$1,300	\$1,000	\$3,600
Automobile Theft Authority												
1400 W Washington	0	34,700	0	34,700	0	34,800	0	34,800	0	100	0	100
Barbers, Board of												
1400 W Washington	0	12,600	0	12,600	0	12,500	0	12,500	0	(100)	0	(100)
Charter Schools, State Board for												
1616 W Adams	70,400	0	0	70,400	70,500	0	0	70,500	100	0	0	100
1700 W Washington	24,700	0	0	24,700	24,700	0	0	24,700	0	0	0	0
Subtotal - State Board for Charter Schools	\$95,100	\$0	\$0	\$95,100	\$95,200	\$0	\$0	\$95,200	\$100	\$0	\$0	\$100
Citizens Clean Election Commission												
1616 W Adams	0	0	54,300	54,300	0	0	54,300	54,300	0	0	0	0
Contractors, Registrar of												
400 W Congress, Tucson	0	38,000	0	38,000	0	38,000	0	38,000	0	0	0	0
1700 W Washington	0	448,900	0	448,900	0	448,800	0	448,800	0	(100)	0	(100)
Subtotal - Registrar of Contractors	\$0	\$486,900	\$0	\$486,900	\$0	\$486,800	\$0	\$486,800	\$0	(\$100)	\$0	(\$100)
Corporation Commission												
1200 W Washington	0	528,000	0	528,000	0	527,800	0	527,800	0	(200)	0	(200)
1300 W Washington	0	382,500	0	382,500	0	382,400	0	382,400	0	(100)	0	(100)

	Fiscal Year 2014 - Appropriations Report				Fiscal Year 2015 - Baseline				FY 2015 Baseline - FY 2014 Appropriations Report Difference			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
1700 W Washington	0	0	131,400	131,400	0	0	131,300	131,300	0	0	(100)	(100)
Homeopathic & Integrated Medicine Examiners, State Board of												
1400 W Washington	0	5,000	0	5,000	0	4,900	0	4,900	0	(100)	0	(100)
Independent Redistricting Commission												
1100 W Washington	24,200	0	0	24,200	24,200	0	0	24,200	0	0	0	0
Indian Affairs, AZ Commission of												
1700 W Washington	10,100	0	0	10,100	10,100	0	0	10,100	0	0	0	0
Insurance, Department of												
2910 N 44th Street	323,500	0	107,800	431,300	323,400	0	107,800	431,200	(100)	0	0	(100)
Judiciary - Court of Appeals												
400 W Congress, Tucson	380,900	0	0	380,900	380,700	0	0	380,700	(200)	0	0	(200)
Judiciary - Supreme Court												
1501 W Washington	2,860,700	0	0	2,860,700	2,859,800	0	0	2,859,800	(900)	0	0	(900)
400 W Congress, Tucson	83,900	0	0	83,900	83,800	0	0	83,800	(100)	0	0	(100)
Subtotal - Supreme Court	\$2,944,600	\$0	\$0	\$2,944,600	\$2,943,600	\$0	\$0	\$2,943,600	(\$1,000)	\$0	\$0	(\$1,000)
Subtotal - Judiciary	\$3,325,500	\$0	\$0	\$3,325,500	\$3,324,300	\$0	\$0	\$3,324,300	(\$1,200)	\$0	\$0	(\$1,200)
Juvenile Corrections, Department of												
1624 W Adams	364,900	0	0	364,900	364,700	0	0	364,700	(200)	0	0	(200)
Land Department, State												
1616 W Adams	0	780,000	0	780,000	0	779,700	0	779,700	0	(300)	0	(300)
Legislature - Auditor General												
2910 N 44th Street	387,500	0	0	387,500	342,200	0	0	342,200	(45,300)	0	0	(45,300)
Liquor Licenses and Control, Department of												
400 W Congress, Tucson	0	21,700	0	21,700	0	21,700	0	21,700	0	0	0	0
Medical Board, AZ												
9500 Doubletree Rd.	0	210,700	0	210,700	0	200,100	0	200,100	0	(10,600)	0	(10,600)
Massage Therapy Board												
1400 W Washington	0	28,500	0	28,500	0	28,500	0	28,500	0	0	0	0
Mine Inspector, State												
1700 W Washington	84,300	0	0	84,300	84,200	0	0	84,200	(100)	0	0	(100)
Naturopathic Physicians Medical Board												
1400 W Washington	0	4,300	0	4,300	0	4,200	0	4,200	0	(100)	0	(100)
Navigable Stream Adjudication Commission, AZ												
1700 W Washington	10,100	0	0	10,100	10,100	0	0	10,100	0	0	0	0
Nursing Care Inst. Admin & Asstd. Living Fac. Mgrs.												
1400 W Washington	0	23,000	0	23,000	0	23,000	0	23,000	0	0	0	0
Opticians, State Board of Dispensing												
1400 W Washington	0	5,200	0	5,200	0	5,200	0	5,200	0	0	0	0
Optometry, State Board of												
1400 W Washington	0	9,100	0	9,100	0	9,100	0	9,100	0	0	0	0
Osteopathic Examiners, AZ Board of												
9500 Doubletree Rd.	0	32,900	0	32,900	0	34,200	0	34,200	0	1,300	0	1,300
Parks Board, AZ State												
1300 W Washington	0	61,300	249,100	310,400	0	61,300	249,000	310,300	0	0	(100)	(100)
1616 W Adams	0	0	51,500	51,500	0	0	51,500	51,500	0	0	0	0
Subtotal - AZ State Parks Board	\$0	\$61,300	\$300,600	\$361,900	\$0	\$61,300	\$300,500	\$361,800	\$0	\$0	(\$100)	(\$100)
Personnel Board												
1400 W Washington	0	24,800	0	24,800	0	24,800	0	24,800	0	0	0	0
Pest Management, Office of												
1688 W Adams	0	46,300	0	46,300	0	46,300	0	46,300	0	0	0	0
400 W Congress, Tucson	0	4,000	0	4,000	0	3,900	0	3,900	0	(100)	0	(100)
Subtotal - Office of Pest Management	\$0	\$50,300	\$0	\$50,300	\$0	\$50,200	\$0	\$50,200	\$0	(\$100)	\$0	(\$100)
Pharmacy, AZ State Board of												
1616 W Adams	0	117,900	0	117,900	0	117,800	0	117,800	0	(100)	0	(100)
Podiatry Examiners, State Board of												
1400 W Washington	0	4,400	0	4,400	0	4,400	0	4,400	0	0	0	0
Private Postsecondary Education, State Board for												
1400 W Washington	0	13,600	3,300	16,900	0	13,600	3,300	16,900	0	0	0	0
Psychologist Examiners, State Board of												
1400 W Washington	0	16,900	0	16,900	0	20,600	0	20,600	0	3,700	0	3,700
Public Safety, Department of												
14 N 18th Avenue	20,300	5,300	5,600	31,200	20,100	5,300	5,600	31,000	(200)	0	0	(200)

	Fiscal Year 2014 - Appropriations Report				Fiscal Year 2015 - Baseline				FY 2015 Baseline - FY 2014 Appropriations Report Difference			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
1700 W Washington	51,000	13,300	14,000	78,300	50,900	13,300	14,000	78,200	(100)	0	0	(100)
1937 W Jefferson/Wayland	14,700	3,900	4,200	22,800	14,600	3,900	4,200	22,700	(100)	0	0	(100)
400 W Congress, Tucson	10,800	2,800	2,900	16,500	10,900	2,800	2,900	16,600	100	0	0	100
Subtotal - Department of Public Safety	\$96,800	\$25,300	\$26,700	\$148,800	\$96,500	\$25,300	\$26,700	\$148,500	(\$300)	\$0	\$0	(\$300)
Real Estate Department, State												
2910 N 44th Street	235,900	0	0	235,900	235,900	0	0	235,900	0	0	0	0
400 W Congress, Tucson	23,900	0	0	23,900	23,800	0	0	23,800	(100)	0	0	(100)
Subtotal - State Real Estate Department	\$259,800	\$0	\$0	\$259,800	\$259,700	\$0	\$0	\$259,700	(\$100)	\$0	\$0	(\$100)
Respiratory Care Examiners, Board of												
1400 W Washington	0	19,900	0	19,900	0	19,800	0	19,800	0	(100)	0	(100)
Revenue, Department of												
402 W Congress, Tucson	116,900	59,500	0	176,400	116,900	59,500	0	176,400	0	0	0	0
416 W Congress, Tucson	74,900	38,200	0	113,100	74,900	38,200	0	113,100	0	0	0	0
1600 W Monroe	1,377,700	709,700	0	2,087,400	1,377,200	709,400	0	2,086,600	(500)	(300)	0	(800)
Subtotal - Department of Revenue	\$1,569,500	\$807,400	\$0	\$2,376,900	\$1,569,000	\$807,100	\$0	\$2,376,100	(\$500)	(\$300)	\$0	(\$800)
Rio Nuevo Board												
400 W Congress, Tucson	0	0	11,200	11,200	0	0	11,200	11,200	0	0	0	0
School Facilities Board												
1700 W Washington	79,900	0	32,800	112,700	79,900	0	32,800	112,700	0	0	0	0
Secretary of State - Dept of State												
1100 W Washington	23,600	0	0	23,600	23,500	0	0	23,500	(100)	0	0	(100)
1700 W Washington	193,300	0	0	193,300	193,400	0	0	193,400	100	0	0	100
400 W Congress, Tucson	6,000	0	0	6,000	6,000	0	0	6,000	0	0	0	0
Records Management Addition	303,400	0	0	303,400	303,400	0	0	303,400	0	0	0	0
Polly Rosenbaum Building	1,593,500	0	0	1,593,500	1,593,000	0	0	1,593,000	(500)	0	0	(500)
Subtotal - Secretary of State - Dept of State	\$2,119,800	\$0	\$0	\$2,119,800	\$2,119,300	\$0	\$0	\$2,119,300	(\$500)	\$0	\$0	(\$500)
State Boards' Office												
1400 W Washington	0	19,300	0	19,300	0	19,300	0	19,300	0	0	0	0
Transportation, Department of												
1275 W Washington 3/	0	127,600	0	127,600	0	127,500	0	127,500	0	(100)	0	(100)
Treasurer, State												
1700 W Washington	0	140,900	0	140,900	0	140,900	0	140,900	0	0	0	0
Veterinary Medical Examining Board, AZ State												
9500 Doubletree Rd.	0	18,800	0	18,800	0	23,300	0	23,300	0	4,500	0	4,500
GRAND TOTAL	\$16,844,800	\$8,620,500	\$3,208,300	\$28,673,600	\$16,788,600	\$8,600,600	\$3,206,400	\$28,595,600	(\$56,200)	(\$19,900)	(\$1,900)	(\$78,000)

1/ Continues to reflect the FY 2014 rental rates enacted by Laws 2013, 1st Special Session, Chapter 6, 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.

Capital Outlay
Arizona Department of Transportation Building System

FY 2015
 BASELINE

BUILDING RENEWAL	
ADOT Building Renewal	3,396,800
SUBTOTAL	<u>3,396,800</u>
INDIVIDUAL PROJECTS	
Airport Planning and Development	20,456,600
Controlled Access Highways	84,426,000
Debt Service	111,075,000
Statewide Highway Construction	18,678,000
SUBTOTAL	<u>234,635,600</u>
TOTAL - ALL PROJECTS	<u>238,032,400</u>
FUND SOURCES	
<u>Other Appropriated Funds</u>	
State Aviation Fund	20,661,500
State Highway Fund	217,370,900
SUBTOTAL - Other Appropriated Funds	<u>238,032,400</u>
SUBTOTAL - Appropriated Funds	<u>238,032,400</u>
Other Non-Appropriated Funds	564,857,000
Federal Funds	669,949,000
TOTAL - ALL SOURCES	<u>1,472,838,400</u>

DESCRIPTION — The Arizona Department of Transportation (ADOT) Building System includes all buildings and highways controlled by ADOT. The following includes amounts for state highway construction and other projects related to ADOT's mission.

The following reflects one-time appropriations:

FY 2015

Building Renewal **OF \$3,396,800**

The Baseline 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.

Airport Planning and Development **OF 20,456,600**

The Baseline includes \$20,456,600 from the State Aviation Fund 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.

Controlled Access Highways **OF 84,426,000**

The Baseline includes \$84,426,000 from SHF in FY 2015 for the Highway User Revenue Fund (HURF) formula dedicated to the construction of urban freeways. The Maricopa Association of Governments (MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%.

Debt Service **OF 111,075,000**

The Baseline 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. (See Table 4 for more information on debt service.)

Statewide Highway Construction **OF 18,678,000**

The Baseline includes \$18,678,000 from SHF in FY 2015 for highway construction. Please see Table 7 for the HURF distribution analysis, which shows that \$18,678,000 of net SHF monies will be available for statewide highway construction in FY 2015 from the FY 2015 HURF revenue cash flow. Only a small portion of the state's total \$1,433,819,000 highway construction funding is

appropriated. Other monies available for highway construction include beginning balances and bond revenues from SHF, Federal Funds, the Maricopa Regional Area Road Fund (MRARF), and HURF for controlled access roads. (See the Total Highway Construction Funding discussion and Table 4 in Other Issues for Legislative Consideration for additional information.)

Expenditure of highway construction funding is determined by the State Transportation Board, which develops a 5-year plan.

Table 1 shows the allocation of the Baseline related to highway construction.

Table 1	
FY 2015 Highway Construction & Debt Service	
	Capital Outlay Bill
Controlled Access	\$ 84,426,000
Debt Service	111,075,000
Highway Construction	<u>18,678,000</u>
Total	\$214,179,000

* * *

FORMAT — Lump Sum by Project by Fund

FOOTNOTES

Standard Footnotes (Please see Capital Outlay Summary for Capital standard footnotes.)

Individual Projects

The amount is appropriated from the State Aviation Fund for the planning, construction, development and improvement of state, county, city or town airports as determined by the State Transportation Board. Any balances and collections in the State Aviation Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the Department of Transportation for the purposes provided in this paragraph.

The amount appropriated for highway construction is from the State Highway Fund for the planning and construction of state highways, including the national system of interstate highways within this state, the state primary or secondary system, the county primary or secondary system and urban rural routes, the acquisition of rights-of-way, the cost of contracted field administration and field engineering on construction projects and debt service payments on bonds issued for highway construction. Any balances and collections in the State Highway Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the department for the purposes provided in this paragraph.

The Department of Transportation ~~and the General Accounting Office~~ 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. ~~Before submitting the report, the Department of Transportation and the General Accounting Office shall provide the report format to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting for their review.~~ THE REPORT SHALL 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.

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.

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 shall include State Highway Fund statewide construction bonds, 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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Summary of Non-Appropriated Capital Funds Expended

Table 2 provides a summary of non-appropriated capital expenditures. For further background information regarding the funds, please see the ADOT Summary of Funds in the ADOT operating budget. 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	685,310	668,349	668,349
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 Baseline provides \$214,179,000 for highway construction, including \$18,678,000 of net SHF monies for statewide highway construction.

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)

	<u>FY 2015</u> ^{1/}
Construction	\$ 97,625
Urban Controlled Access ^{2/}	606,475
Pavement Preservation Maintenance	271,756
Other ^{3/}	68,866
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, meaning a billion dollars was spent building roads, 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 \$1,409,700,000 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 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.

Table 4

Highway Construction and Debt Service Expenditures by Fund Source
(\$ in Millions)

<u>Sources</u>	<u>FY 2013 Actual</u>	<u>FY 2014 Estimate</u>	<u>FY 2015 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	18.7
Total SHF - Appropriated	\$ 159.4	\$ 184.8	\$ 287.5
<i>Non-Appropriated</i>			
SHF Highway Construction ^{1/}	\$ -	\$ 3.4	\$ 31.3
Total SHF - Non-Appropriated	\$ -	\$ 3.4	\$ 31.3
Total SHF Highway Construction Expenditures	\$ 159.4	\$ 188.2	\$ 318.8
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	\$ 1,717.2
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 ^{2/}
Total Cash Highway Construction Expenditures			
SHF	\$ 31.7	\$ 49.2	\$ 179.8
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	\$ 1,409.7
Total Highway Construction Expenditures	\$ 1,304.5	\$ 1,699.3	\$ 1,717.2

^{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.

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 7* presents the overall HURF distribution for FY 2013 through FY 2015. The line in *Table 7* showing Net SHF Available for Statewide Highway Construction, which totals \$18,678,000 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.

The *Table 7* HURF estimates do not include the impact of the 2-year legislative proposal to offset the use of HURF for the Department of Public Safety (DPS) operating expenses in FY 2015 and FY 2016. The 2-year cost of the proposal is \$238,494,200. This proposal could be implemented either by depositing General Fund monies directly into HURF or by eliminating the use of HURF in the DPS budget and backfilling with the General Fund. In either circumstance, net HURF collections would increase by \$119,247,100 in FY 2015. *Table 6* displays the impact of the proposal on HURF beneficiaries.

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 November 2013, HURF year-to-date collections are 3.0% higher than the prior year. The Baseline, however, continues to assume a 1.0% increase in total HURF revenue collections in FY 2014 and FY 2015.

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.

Table 5

Percentage Distribution of HURF Monies

Cities	30.5%
Counties	19.0%
Controlled Access ^{1/}	7.7%
State Highway Fund ^{1/}	42.8%
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

Annual Impact of HURF Shift Proposal on Beneficiaries
(\$ in millions)

<u>Beneficiaries</u>	<u>\$ Increase</u>	<u>Revised Total</u>
Cities	\$ 36.4	\$ 376.0
Counties	22.7	234.2
Controlled Access	9.2	93.6
State Highway Construction	51.1	69.7
Total	\$119.2 ^{1/}	\$773.5

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

Table 7

Highway User Revenue Fund (HURF) Distribution
(\$ in Thousands)

	<u>FY 2013</u> <u>Actual</u>	<u>FY 2014</u> <u>Estimate</u>	<u>FY 2015</u> <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/}	<u>119,873</u>	<u>119,247</u>	<u>119,247</u> ^{5/}
Net HURF Collections	\$1,089,291	\$1,101,220	\$1,113,446 ^{5/}
Less: Cities ^{6/}	332,234	335,872	339,601 ^{5/}
Counties ^{6/}	206,965	209,232	211,555 ^{5/}
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/}	<u>82,603</u>	<u>83,502</u>	<u>84,426</u> ^{5/}
Net SHF (Discretionary)	\$ 460,839	\$ 465,853	\$ 471,007
Plus: Other Income ^{11/}	32,091	31,144	31,161
Less: Operating Budget ^{12/}	335,809	337,323	340,785
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	3,192
Motor Vehicle Third Party Payments ^{15/}	19,696	20,152	21,689
Debt Service ^{16/}	<u>110,223</u>	<u>112,237</u>	<u>111,075</u> ^{5/}
Net SHF Available for Statewide Highway Construction (5-Year Plan) ^{17/}	\$ 19,624	\$ 12,256	\$ 18,678 ^{5/}
SHF Adjustments			
Plus: Controlled Access SHF Beginning Balance	196,340	223,176	249,654
STAN Account Beginning Balance	<u>37,995</u>	<u>38,266</u>	<u>35,177</u>
Total SHF Available for Statewide Highway Construction	\$ 253,959	\$ 273,698	\$ 303,509

- ^{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 amount of \$651,500 includes \$(400) for statewide adjustments and \$26,300 for the retention payment. The Baseline continues the statewide adjustments and retention payment.
- ^{3/} The FY 2012 General Appropriation Act shifted the funding for the Motor Vehicle Division (MVD) from SHF to HURF. The FY 2013 General Appropriation Act shifted the funding for MVD back to SHF.
- ^{4/} The FY 2014 General Appropriation Act amount of \$119,247,100 includes \$719,800 for statewide adjustments and \$5,900 for the retention payment. The Baseline continues the statewide adjustments and retention payment.
- ^{5/} Does not include the impact of the 2-year legislative proposal to offset the use of Highway User Revenue Fund (HURF) for DPS operating expenses in FY 2015 and FY 2016. The 2-year cost of the proposal is \$238,494,200. This proposal could be implemented either by depositing General Fund monies directly into HURF or by eliminating the use of HURF in the DPS budget and backfilling with the General Fund. In either circumstance, net HURF collections for state and local transportation uses would increase by \$119,247,100 in FY 2015. Table 6 displays the impact if the proposal is enacted.
- ^{6/} A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.
- ^{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 \$31,161,000 includes \$30,509,000 in miscellaneous revenue and \$651,500 for the Registration Compliance program.
- ^{12/} The FY 2014 General Appropriation Act amount of \$337,323,200 includes \$(295,400) in statewide adjustments, \$5,410,800 for the retention payment. The Baseline adds \$3,461,900 for new lane miles and continues the statewide adjustments and retention payment.
- ^{13/} The FY 2014 General Appropriation Act amount of \$6,743,800 includes \$(36,200) in statewide adjustments. The Baseline continues the statewide adjustments and retention payment.
- ^{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.

Capital Outlay
Arizona Board of Regents Building Systems

FY 2015
 BASELINE

BUILDING RENEWAL

Arizona Board of Regents

TOTAL

0

0

FUND SOURCES

General Fund

TOTAL - ALL SOURCES

0

0

DESCRIPTION — The Arizona Board of Regents (ABOR) Building System is comprised of buildings controlled by the Universities.

Building Renewal

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on support of a formula determined by the Joint Committee on Capital Review (JCCR). The formula takes into account the replacement value, age, and life cycle of a building. The ABOR formula, however, has not been funded in recent years and is not included in the FY 2015 Baseline.

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 \$(5,551,400) below this amount in FY 2015 due to refinancing Certificates of Participation. 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 renewal projects, of which \$35,000,000 was issued in January 2013, with the remaining \$3,000,000 to be 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 will partially be paid in cash.

Additionally, in August 2013, the Committee favorably reviewed \$33,265,000 for ASU building renewal projects.

As a result of these actions, the entire \$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.

Table 1

University Issuances						
<u>Purpose</u>	<u>University</u>	<u>Statutory Distribution</u>	<u>Reviewed Issuance</u>	<u>Actual Issuance</u>	<u>Remaining Authority</u>	<u>Planned Issuance</u> ^{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.

Table 2

University Lottery Bonding Projects^{1/}

		<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
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
 BASELINE

LEASE-PURCHASE PAYMENTS*

Arizona Department of Administration - 2010 Leaseback Financing	84,123,700
Phoenix Convention Center	<u>20,449,000</u>
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	<u>104,572,700</u>
TOTAL - ALL SOURCES	104,572,700

DESCRIPTION — This section summarizes the state’s debt and lease-purchase obligations.

FY 2015

2010 Leaseback Financing GF \$84,123,700

The Baseline 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%. These issuances range up to 20 years in period of time. (Please see the *Debt and Lease-Purchase Financing narrative pages in the FY 2013 Appropriations Report for more information.*)

Unless the state exceeds its working capital reserve (see below), the certificates are not subject to optional prepayment by the state until FY 2020.

The sale/lease-back agreements were issued as a tax-exempt deficit financing mechanism in which the proceeds were used for state operational expenses. In this circumstance, the federal government essentially requires the state to set aside any cash reserves above certain thresholds.

At the current time, these set aside requirements are based on the state’s total cash reserve, which is defined by the federal government to consist of: the General Fund balance, the Budget Stabilization Fund (BSF), and monies in certain Department of Revenue clearing accounts. In a given fiscal year, the limit on cash reserves is 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. For FY 2013, the lesser of these items is the 5% of General Fund spending, which leaves a cash reserve limit of \$436 million.

The FY 2011 Budget Procedures BRB (Laws 2010, 7th Special Session, Chapter 3) requires ADOA to annually submit to JLBC by December 31 of each year a Working Capital Surplus Report associated with meeting the requirements for tax-exempt deficit financing concerning agreements entered into after January 1, 2009. At the time of this writing, ADOA has not submitted the Working Capital Surplus Report for FY 2013.

If the working capital threshold is exceeded in any fiscal year during FY 2012 – FY 2014, the state is required to purchase tax-exempt securities to the extent that the state’s total cash reserve exceeds the limitation. The state is able to meet this requirement as part of its ongoing investment of the state’s operating fund balance, and as such these funds do not need to be appropriated for this specific purpose. These temporary investments are held throughout the fiscal year as long as the state’s cash reserve (which includes the BSF) remains above the threshold. However, the state may divest these funds as needed to meet budgeted expenditures.

Beginning with the working capital report for FY 2015 (published in mid-FY 2016 as required by statute), the state may be required to commence the process of early payback of these issuances by the amount that its cash reserve exceeds the limitations. The Executive is currently exploring how the FY 2015 ending balance will be treated for the purposes of any mandatory repayment of operating issuances made during the FY 2010 shortfall.

Phoenix Convention Center GF 20,449,000

The Baseline 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.

* * *

FORMAT — Lump Sum by Project by Fund

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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 California and Illinois have a lower Standard & Poor's (S&P) credit rating, while 3 states share a similar S&P credit rating as Arizona (New Jersey, 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.

Fund Type	FY 2015 Payment	Lease Completion
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.

The refinance received a favorable review from JCCR in October 2013 and reduces SFB's total lease-purchase payments by \$(1,445,200) in FY 2014 and \$(3,800,800) in 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 setting aside any cash reserves above a certain threshold also apply to the Lottery Revenue Bonds. (Please see the 2010 Leaseback Financing section in the earlier part of this narrative for more information on these requirements.)

Lease-Purchase Summary	Overall Balance	GF Balance	Overall FY 15 Payment	FY 15 GF Payment	Retirement FY
<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)

<u>Bonding Summary</u>	<u>Overall Balance</u>	<u>1/</u>	<u>GF Balance</u>	<u>1/</u>	<u>Overall FY 15 Payment</u>	<u>2/</u>	<u>FY 15 GF Payment</u>	<u>2/</u>	<u>Retirement FY</u>
<u>School Facilities Board</u>									
Deficiencies Correction:									
Proposition 301	\$	316,650,400	\$	-	\$	65,732,300	\$	-	FY 20
State Land Trust - FY 2004		<u>63,500,000</u>	\$	-		<u>23,291,000</u>		-	FY 18
<i>Subtotal - SFB</i>	\$	380,150,400	\$	-	\$	89,023,300		-	
Department of Transportation <u>6/</u>	\$	1,808,500,000	\$	-	\$	203,873,000	\$	-	FY 14 - 38
<u>ABOR Building System</u>									
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)		<u>524,615,000</u>		-		<u>24,359,600</u>		-	FY 48
<i>Subtotal - ABOR</i>	\$	2,119,185,000	\$	-	\$	171,118,200	\$	-	
Lottery Revenue Bond <u>4/</u>	\$	372,880,000	\$	372,880,000	\$	37,499,000	\$	37,499,000	FY 29
<i>TOTAL - Bonding</i>	\$	<i>4,680,715,400</i>	\$	<i>372,880,000</i>	\$	<i>501,513,500</i>	\$	<i>37,499,000</i>	
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 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.*)

REVENUE FORECAST

GENERAL FUND REVENUE

FY 2014

FY 2014 General Fund Baseline revenues are projected to be \$9.46 billion. As indicated in *Table 1*, the revised FY 2014 revenue estimate is \$402.7 million higher than the estimate from the FY 2014 budget enacted June 2013.

Table 1

FY 2014 Revenue Forecast (\$ in Millions)

Adopted FY 2014 Revenue Estimate	\$9,054.4
Revised Revenue Forecast	\$ 402.7
Revised FY 2014 Revenue Estimate	\$9,457.1

The Baseline Revenue projection is \$402.7 million higher than the original forecast due to:

- A gain of \$100 million in ongoing revenues under the updated January consensus forecast, as discussed below.
- An increase of \$101 million in the estimate for one-time financing sources, due primarily to the mortgage settlement litigation and several other smaller one-time sources which were not included in the original budget.
- Increased balance forward from FY 2013. The original budget assumed an ending balance of \$694 million for FY 2013. The actual balance carried forward into FY 2014 was \$895 million, an increase of \$201 million. This increase was due to a combination of both higher than expected revenue collections and lower than expected expenditures in FY 2013.

The FY 2014 base revenue growth is based on the consensus forecasting process (*see FY 2015 section below*). “Base Revenues” reflect the underlying growth in the economy and do not include one-time adjustments, urban revenue sharing or new tax law changes. *Table 2* shows the FY 2014 base revenue growth rates for the “Big 3” General Fund revenue sources (sales tax, individual, and corporate income tax) provided by each of the components comprising the 4-sector consensus forecast.

Based on the weighted average of the components of the 4-sector consensus forecast, “Big 3” General Fund revenue would grow by 4.5% in FY 2014. After adjusting for small revenue categories, the base revenue growth rate would be 4.3%. After including tax law changes, the projected adjusted revenue growth would be 3.6%.

Table 2

FY 2014 4-Sector Forecast Percentages

	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg.</u>
Sales	6.2%	4.4%	6.2%	6.5%	5.8%
Individual Income	6.3%	3.0%	4.7%	4.5%	4.6%
Corporate Income	(9.7)%	0.9%	1.9%	(7.0)%	(3.5)%
Weighted Average ^{1/}	4.9%	3.5%	5.2%	4.5%	4.5%

^{1/} Once adjusted for minor revenue categories, the base FY 2014 revenue increase is 4.3%.

The original FY 2014 budget assumed a revenue level of \$9.05 billion, which represented base revenue growth of 4.9%. Due to a higher than expected FY 2013 collections, General Fund Revenues would need to increase by 3.1% to meet the original forecast. Relative to that projection, year-to-date results through December for the 3 major revenue categories are mixed. While sales tax revenues have grown 6.7%, individual income tax has increased 3.3%, and corporate income tax collections have decreased (14.5)%.

Based on preliminary tax collections through December, year-to-date ongoing revenues are 4.0% above the same period in FY 2013. While this growth rate includes tax law changes, this estimate is likely comparable to base revenues. Most tax law changes will affect the second half of FY 2014.

FY 2014 state revenue collections were also affected by the increase in capital gain and dividend taxes at the federal level on January 1, 2013. This change incentivized taxpayers to take capital gains and businesses to issue dividends in the 4th quarter of calendar year 2012 rather than wait until calendar year 2013 or beyond. As a result, income tax collections on these gains were accelerated into FY 2013 from FY 2014 through FY 2016. If this acceleration had not occurred, FY 2014 collections would have been higher. Rather than growing by 4.3%, base revenues would have increased 5.3%.

The individual revenue detail for FY 2014 is found in *Table 7* at the end of this section.

FY 2015

While base revenues are forecast to grow in FY 2015, one-time factors are forecast to reduce overall FY 2015 collections to \$9.36 billion, or \$(93.7) million below FY 2014. This net revenue loss includes:

- \$477.2 million representing a 5.3% gain in base revenues under the 4-sector consensus forecast for FY 2014, as outlined below.
- \$(240.3) million decrease in the balance forward from the previous fiscal year.
- \$(153.6) million loss as a result of discontinuing fund transfers.
- \$(47.9) million loss due to an increase in urban revenue sharing.
- \$(129.1) million loss due to previously enacted legislation.

The FY 2015 Baseline estimated growth rates for the “Big 3” ongoing revenue categories were developed through a consensus process. The Baseline revenue estimate is based on averaging the results of the following 4 forecasts:

- Finance Advisory Committee panel forecast of January 2014. Consisting of 14 public and private sector economists, this independent panel meets 3 times a year to provide the Legislature with guidance on the status of the Arizona economy.
- The University of Arizona Economic and Business Research (EBR) General Fund Baseline model. The model is a simultaneous-equation model consisting of more than 100 equations that are updated on a regular basis to reflect changes in the economy. The model uses more than 200 variables related to Arizona’s economy and is updated quarterly.
- EBR’s conservative forecast model, and
- JLBC Staff projections.

The growth rates from each sector of the forecast are detailed in *Table 3*.

	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales	6.1%	2.7%	6.6%	6.0%	5.4%
Individual Income	6.0%	2.3%	5.3%	6.3%	5.0%
Corporate Income	(0.4)%	0.2%	8.4%	11.9%	5.0%
Weighted Average	5.6%	2.3%	6.2%	6.6%	5.2% ^{1/}

^{1/} Once adjusted for minor revenue categories, the base FY 2015 revenue increase is 5.3%.

Sales tax is expected to grow by 5.4%, and individual and corporate income tax collections are each expected to grow by 5.0%. After adjusting for small revenue categories, FY 2015 base revenues would grow by 5.3%, or in dollar terms, \$477.2 million.

Risks to the Revenue Forecast

Growth in state revenue still faces uncertainty, but some of the major risks seen in past years have decreased. This improving environment is reflected in the Federal Reserve Board’s (the Fed) announcement at the end of 2013 that it views the downside risk to the U.S. economy as diminishing and becoming more balanced with upside risk. Consequently, the Fed decided to lower its purchase of financial assets intended to stimulate economic activity. Bipartisan federal budget legislation passed in 2013 also partly averts the spending sequester (scheduled limits to government spending) in federal fiscal years 2014 and 2015 while reducing the chance of another government shutdown. Continued uncertainty is still reflected though in the Fed’s new promise to retain the near 0% short-term interest rate if inflation remains low, regardless if the unemployment rate falls below the 6.5% threshold.

Some of the risks to the revenue forecast include:

Unforeseen natural disasters and political events – A U.S. invasion of Syria is a recent example of a potential event that would have had important economic consequences.

International economics – A fragile European economic recovery could be disrupted and negatively impact the U.S. economy if worries over sovereign debt in the region resurge.

Monetary policy uncertainty – Based on its economic outlook in December 2013, the Fed announced it will begin reducing its monthly purchases of U.S. Treasury bonds and mortgage-backed securities, from \$85 billion to \$75 billion. How they choose to time this tapering in the coming months or years, and the market’s response, may have a large impact on lending and investment. If low inflation persists or economic performance slows, it is possible the Fed will choose to reverse tapering and extend its monthly purchases of financial assets.

Federal fiscal policy uncertainty – The federal government’s current borrowing limit of \$16.7 trillion may be reached in late February or early March of 2014, depending on temporary measures taken by the U.S. Treasury. Unless the debt ceiling is raised at that time, however, there would be immediate, steep reductions in government spending since the federal government will be able to spend only what it receives in revenues. Such a sharp reduction in government spending could cause the economy to contract and enter a new recession.

Apart from the possibility of another debt ceiling crisis, there is also long-run uncertainty associated with the spending sequester. While federal budget legislation passed in 2013 provides some sequester relief in federal fiscal years 2014 and 2015, it leaves intact spending caps scheduled to occur between federal fiscal years 2016 and 2021. The continued sequester would therefore limit some domestic and defense spending, which could especially

affect Arizona defense contractors. Such impacts would, in turn, negatively affect the state's revenues after FY 2015; the January Consensus forecast includes revenue projections for FY 2014 through FY 2017.

Revenue Adjustments

Table 4 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 6) and one-time financing sources.

Table 4

**General Fund Revenue Baseline
For FY 2014 and FY 2015
(\$ in Millions)**

	<u>FY 2014</u>	<u>%</u>	<u>FY 2015</u>	<u>%</u>
Base Revenue	\$8,969.0 ^{1/}	3.6%	\$9,446.2	5.3%
Prior Budget				
Legislation	N/A		(129.1)	
Urban Revenue				
Sharing	(561.0)		(608.9)	
<i>One-Time Financing</i>				
Fund Transfers	153.6		0.0	
Balance Forward	<u>895.5</u>		<u>655.2</u>	
Adjusted Revenue	\$9,457.1	(1.1)%	\$9,363.4	(1.0)%

^{1/} The FY 2014 Base Revenue of \$8.97 billion includes \$(61.8) million in ongoing tax law and revenue changes. Adjusting for these changes, the FY 2014 base increase is 4.3%.

Prior Budget Legislation

Each year, statutory tax law and other revenue changes affect 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

In FY 2014, ongoing budget legislation is expected to reduce General Fund revenues by \$(61.8) 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.

Pre-2013 Tax Law Changes

In addition to the tax law and revenue changes enacted during the 2013 legislative session, the following changes (as described below) were enacted in prior sessions and will have an impact on FY 2014 revenue collections.

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

Table 5

**FY 2014 Budget Legislation Changes
With Ongoing Revenue Impact
(\$ in Millions)**

<u>Pre-2013 Tax Law Changes (Year Enacted)</u>	
1) Job Tax Credit (2011)	\$ (4.0)
2) Corporate Sales Factor Change for Service Providers (2012)	0.0
3) Reduction of Long-Term Capital Gains (2012)	(10.2)
4) Income Tax Deduction for Federal Bonus Depreciation (2012)	0.0
5) Qualified Facility Credit (2012)	(4.0)
Subtotal	\$ (18.2)
<u>2013 Tax Law and Revenue Changes</u>	
6) Prior FBLS Fee Increase	\$ 0.3
7) IRS Conformity	9.1
8) Data Center TPT Exemption	(4.2)
9) Foster Care Credit	(0.9)
10) Interlock Device TPT Exemption	(0.6)
11) Increased 529 College Savings Plan Deductions	(4.0)
12) Expanding Working Poor Credit to Include Non-Itemizers	(18.0)
13) Exempts EZ Credit Certification Requirement	(0.5)
14) Business Expensing	(24.8)
Subtotal	\$ (43.6)
Total – FY 2014 Revenue Impact	\$ (61.8)

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 was originally estimated to reduce revenues by \$(18.2) million in FY 2014. Based on actual credit data, however, the FY 2014 estimate has since been revised to \$(4.0) million. (For the revenue impact after FY 2014, see page 430.)

2) 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 FY 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 since been determined that the first-year impact will not occur until FY 2015. For this reason, the revised FY 2014 estimate shows no impact. (For the revenue impact after FY 2014, see page 430.)

3) 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 was initially estimated to reduce individual income tax collections by \$(17.5) million in FY 2014. However, as a result of updated capital gains data, the estimated revenue reduction in FY 2014 has since been revised to \$(10.2) million. *(For the revenue impact after FY 2014, see page 430.)*

4) Income Tax Deduction for Federal Bonus Depreciation – 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 2013. This provision was originally estimated to result in a one-time individual income tax loss of \$(4.2) million in FY 2014. However, as a result of further review of this provision, it has since been determined that the fiscal impact will not occur until FY 2015. In addition, the impact is labeled as ongoing rather than one-time. Although the 50% federal bonus depreciation provision under the American Taxpayer Relief Act of 2012 expired on December 31, 2013, past actions by the U.S. Congress suggest that it is reasonable to assume that this provision may be extended retroactively (from January 1, 2014) in the early part of calendar year 2014. Finally, as a result of updated estimates by the federal Joint Committee of Taxation, the revenue reduction of this individual income tax provision has been revised to \$(1.8) million, beginning in FY 2015. *(This is shown in Table 6 on page 430.)*

5) 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 430.)*

2013 Tax Law Changes

In the 2013 Session, the Legislature enacted the following ongoing tax law and revenue changes.

6) Prior FBLS Fee Increase – A.R.S. § 41-2144 and § 41-2146 authorize 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-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.

7) Internal Revenue Code Conformity – Laws 2013, Chapter 65 conforms Arizona tax statutes to the Internal Revenue Code (IRC) as of January 3, 2013 and establishes a tax credit for Tax Year 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 result in a revenue increase of \$9.1 million in FY 2014 over and above the revenue gain of \$4.6 million in FY 2013.

8) 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 430.)*

9) Foster Care Tax Credit – Laws 2013, 1st Special Session, Chapter 9 expands (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.

10) 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.

11) 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 expected to result in an annual individual income tax reduction of \$(4.0) million, beginning in FY 2014.

12) Expanding Working Poor Credit to Non-Itemizers – Laws 2013, Chapter 236 removes 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.

13) Exempts Enterprise Zone Credit Certification Requirement – 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 430.*)

14) Business Expensing – Laws 2013, Chapter 256 removes 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, for income tax purposes, 100% of their qualified equipment purchases (up to a certain amount, which is \$500,000 in TY 2013) in the year that the equipment was purchased rather than in smaller installments over several years according to a federal depreciation schedule. The \$25,000 deduction cap was instituted in the state in 2004 as a result of the Legislature's decision (Laws 2004, Chapter 196) 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 taxable years beginning after December 31, 2012. Under the American Taxpayer Relief Act of 2012, a business is allowed to fully expense (deduct for income tax purposes) the first \$500,000 of qualified equipment purchases. This provision, however, expired December 31, 2013. For this reason, Chapter 256 was initially estimated to result in a

one-time revenue loss of \$(24.8) million in FY 2014. Since the U.S. Congress has retroactively extended expired provisions several times in the past, however, the Baseline now assumes that the federal \$500,000 business expensing allowance will be ongoing rather than one-time. Under this revised assumption, income taxes will be reduced by \$(24.8) million annually, beginning in FY 2014.

FY 2015 – FY 2017

In recent years, the Legislature has enacted a number of tax provisions with delayed effective dates. In some cases, there can be a 2- to 3-year period of time between the initial estimates developed by the JLBC Staff and the subsequent implementation of the provision. The JLBC Staff's general approach is to revisit the original estimate as the provision is about to be implemented. Any such revision, however, depends on the availability of new data. Thus, no revision has been made unless new data has been released since the original estimate of the provision was prepared. *Table 6* below compares the initial and revised revenue estimates of some of these provisions.

In FY 2015, General Fund revenue estimates have been adjusted downward by \$(129.1) million relative to FY 2014 to reflect the start of a previously enacted tax law change or its ongoing phase-in. The FY 2016 estimates have been further adjusted downward by \$(115.6) million relative to FY 2015 for additional phase-ins. In FY 2017, the Baseline revenues were reduced by another \$(108.7) million relative to FY 2016 as the phase in continues. In total, the previously enacted tax law changes will reduce Baseline revenues by \$(353.4) million compared to FY 2014.

As noted above, *Table 6* lists prior year tax law changes with ongoing revenue impact in FY 2015 through FY 2017 under both prior and current scoring. Below follows a description of each of the provisions included in *Table 6*.

15) Elimination of Small Business Capital Gains – Laws 2011, 2nd Special Session, Chapter 1 eliminates capital gains on income derived from small businesses certified by the Arizona Commerce Authority 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 now been revised to \$(8.6) million. The FY 2016 estimate (relative to FY 2015) has been revised from \$(0.7) million to \$(0.4) million and the FY 2017 estimate (relative to FY 2016) has been revised from \$(0.6) million to \$(0.8) million.

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>						
15) Eliminates capital gains on income derived from small businesses.	\$(11.6)	\$(0.7)	\$(0.6)	\$(8.6)	\$(0.4)	\$(0.8)
16) Phases down corporate tax rate from 6.968% to 4.9% over 4 years.	(53.8)	(62.2)	(67.5)	(50.4)	(60.7)	(61.7)
17) Phases in corporate sales factor from 80% to 100% over 4 years.	(24.6)	(22.7)	(20.5)	(39.3)	(37.9)	(31.7)
18) 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)
19) 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>						
20) 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>						
21) 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)
22) Provides income tax deduction equal to 10% of federal bonus depreciation for assets placed in service in 2012. ^{5/}	4.2	0.0	0.0	(1.8)	0.0	0.0
23) Creates an income tax credit for capital investments in new/expanded manufacturing/research facilities and commercial headquarters.	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
<u>Laws 2013, Ch. 236</u>						
24) Exempts certain Enterprise Zone income tax credit certification requirements.	0.2	0.3	0.0	0.2	0.3	0.0
<u>Laws 2013, Ch. 255</u>						
25) 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, Ch. 256</u>						
26) Conforms state tax statutes to Section 179 (business expensing or "instant depreciation" provision) of the federal Internal Revenue Code. ^{6/}	24.8	0.0	0.0	0.0	0.0	0.0
<u>Laws 2013, 1st SS, Ch. 9</u>						
27) Exempts data center equipment from TPT. ^{4/}	(1.8)	(1.9)	0.0	(1.8)	(1.9)	0.0
Revenue Impact Over Prior Year	\$(110.3)	\$(108.6)	\$(99.0)	\$(129.1)	\$(115.6)	\$(108.7)

^{1/} Represents marginal pricing; All impacts are stated relative to the prior year. See Table 5 for first 14 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.

Table 6 Continued

- 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.
- 5/ Original estimate assumed a one-time loss of \$(4.2) million 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. Additionally, based on recent estimates by the federal Joint Committee of Taxation, the first-year impact has been reduced to \$(1.8) million. Revised estimate assumes that federal bonus depreciation will be extended.
- 6/ Original estimate assumed that this provision would result in a one-time revenue loss of \$(24.8) million in FY 2014. Revised estimate assumes that the federal Section 179 business expensing provision will be extended.

16) 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 been revised to \$(50.4) million. The FY 2016 estimate (relative to FY 2015) has been revised from \$(62.2) million to \$(60.7) million and the FY 2017 estimate (relative to FY 2016) has been revised from \$(67.5) million to \$(61.7) million.

17) 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 now been revised to \$(39.3) million. The FY 2016 estimate (relative to FY 2015) has been revised from \$(22.7) million to \$(37.9) million and the FY 2017 estimate (relative to FY 2016) has been revised from \$(20.5) million to \$(31.7) million.

18) Job Tax Credit – Laws 2011, 2nd Special Session, Chapter 1. *For a detailed description of this provision, see 1) on page 427.* 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 now been revised to \$(4.2) million. The FY 2016 estimate (relative to FY 2015) has been revised from \$(6.8) million to \$(4.2) million and the FY 2017 estimate (relative to FY 2016) has been revised from \$(1.0) million to \$(3.1) million.

19) Expansion of Small Business Eligibility for 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 ACA's 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.

20) Corporate Sales Factor for Service Providers – Laws 2012, Chapter 2. *For a detailed description of this provision, see 2) on page 427.* This tax law change was originally estimated to reduce corporate income tax collections by \$(3.0) million in FY 2014. In addition, it was estimated to further reduce revenue by \$(0.5) million in FY 2015 relative to FY 2014, \$(0.4) million in FY 2016 relative to FY 2015, and \$(0.5) million in FY 2017 relative to FY 2016. However, as discussed on page 427, under the revised estimate, the first-year impact of \$(3.0) million is shifted from FY 2014 to FY 2015. The timing of the estimates after FY 2015, for scoring purposes, has been adjusted accordingly.

21) Reduction of Long Term Capital Gains – Laws 2012, Chapter 343. *For a detailed description of this provision, see 3) on page 428.* 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 now been revised to \$(15.7) million. The FY 2016 estimate (relative to FY 2015) has been revised from \$(16.0) million to \$(12.1) million and the FY 2017 estimate (relative to FY 2016) has been revised from \$(4.9) million to \$(7.0) million.

22) Income Tax Deduction for Federal Bonus Depreciation – Laws 2012, Chapter 343. *For a detailed description of this provision, see 4) on page 428.* This provision was originally estimated to result in a one-time individual income tax loss of \$(4.2) million in FY 2014. However, as discussed on page 428, the revised estimate assumes that the fiscal impact will not occur until FY 2015. Moreover, as a result of newer federal data, the FY 2015 estimate has been reduced from \$(4.2) million to

\$(1.8) million. In addition, the impact is labeled as ongoing rather than one-time.

23) Qualified Facility Credit – Laws 2012, Chapter 343. *For a detailed description of this provision, see 5) on page 428.* 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.

24) Exempts Enterprise Zone Credit Certification Requirement – Laws 2013, Chapter 236. *For a detailed description of this provision, see 13) on page 429.* 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.

25) 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 TPT net increase of \$1.3 million, beginning in FY 2016. The original estimate of this provision has not been revised.

26) Business Expensing – Laws 2013, Chapter 256. *For a detailed description of this provision, see 14) on page 429.* This provision was originally estimated to result in a one-time income tax revenue loss of \$(24.8) million in FY 2014. Thus, under the original estimate, the General Fund would have incurred FY 2015 savings of \$24.8 million relative to the FY 2014 base. For reasons discussed on page 429, however, the revised estimate assumes that the business expensing provision (and its associated fiscal impact) is ongoing rather than one-time.

27) Data Center TPT Exemption – Laws 2013, 1st Special Session, Chapter 9. *For a detailed description of this provision, see 8) on page 428.* This exemption is estimated to reduce TPT collections by \$(1.8) million in FY 2015 (relative to FY 2014) and \$(1.9) million in FY 2016 (relative to FY 2015). The original estimate of this provision has not been revised.

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. As shown in *Table 7*, 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 has the effect of reducing FY 2014 General Fund revenues by \$(962.2) million relative to FY 2013.

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 7*, total URS distributions will increase from \$561.0 million in FY 2014 to \$608.9 million in FY 2015. This URS increase results in a FY 2015 General Fund revenue loss of \$(47.9) million relative to FY 2014.

One-Time Financing

As shown in *Table 7*, one-time financing sources are included in the budget for FY 2014 and FY 2015. The following is a discussion of these one-time financing sources.

FY 2014

The \$1,049.1 million in one-time financing sources for FY 2014 includes:

Fund Transfers – The enacted FY 2014 budget provides for a total of \$76.9 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 and
- \$(7.1) million of General Fund monies transferred to the Automation Projects Fund.

Under the FY 2015 Baseline, this FY 2014 amount has been adjusted to \$153.6 million. The \$76.7 million increase in fund transfers under the Baseline is due to:

- 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 \$655.2 million in one-time financing sources for FY 2015 includes:

Balance Forward – The FY 2014 General Fund ending balance carried forward into FY 2015 is estimated to be \$655.2 million. Compared to the \$895.5 million FY 2014 beginning balance, the projected FY 2015 balance reflects a loss of \$(240.3) million.

Fund Transfers - The FY 2015 Baseline does not continue the FY 2014 fund transfers.

Table 7

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%	3,501,381.6	3.1%	103,836.5	3,675,771.0	5.0%	174,389.4
- Corporate	662,026.4	2.8%	634,979.6	-4.1%	(27,046.8)	666,946.1	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%	8,604,871.3	3.7%	308,705.5	9,064,180.3	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%	30,570.0	3.9%	1,148.8	31,487.1	3.0%	917.1
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%	32,000.0	3.0%	920.8	32,960.0	3.0%	960.0
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%	364,138.7	0.8%	2,871.8	381,986.4	4.9%	17,847.7
Subtotal On-Going Revenue	8,657,432.7	5.4% ^{1/}	8,969,009.9	3.6% ^{2/}	311,577.3	9,446,166.7	5.3%	477,156.8
Previously Enacted Tax Law Changes	0.0	N/A	0.0	N/A	0.0	(129,100.0)	N/A	(129,100.0)
Budget Legislation	0.0	N/A	0.0	N/A	0.0	0.0	N/A	0.0
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%	8,969,009.9	-6.8%	(650,594.7)	9,317,066.7	3.9%	348,056.8
Urban Revenue Sharing (URS)	(513,584.0)	21.0%	(561,001.2)	9.2%	(47,417.2)	(608,935.7)	8.5%	(47,934.5)
Subtotal w/Tax Law Changes/URS	9,106,020.7	4.6%	8,408,008.7	-7.7%	(698,011.9)	8,708,131.0	3.6%	300,122.3
One-Time Financing Sources:								
Fund Transfers	46,000.0	-85.0%	153,591.6	233.9%	107,591.6	0.0	-100.0%	(153,591.6)
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%	153,591.6	171.8%	97,091.6	0.0	-100.0%	(153,591.6)
Subtotal - Revenues	9,162,520.7	1.1%	8,561,600.3	-6.6%	(600,920.3)	8,708,131.0	1.7%	146,530.7
Balance Forward	396,960.0	12140.5%	895,475.0	N/A	498,515.0	655,224.9	-26.8%	(240,250.1)
Total - Resources	9,559,480.7	5.4%	9,457,075.3	-1.1%	(102,405.3)	9,363,355.9	-1.0%	(93,719.4)

1/ The 5.4% FY 2013 increase includes \$(85.3) million in tax law and other revenue changes. Adjusting for these changes, base FY 2013 revenue growth was 6.4%.

2/ The 3.6% FY 2014 increase includes \$(61.8) million in tax law and other revenue changes. Adjusting for these changes, base FY 2014 revenue growth is 4.3%.

BUDGET STABILIZATION FUND

Background

The Budget Stabilization Fund (BSF) for Arizona was enacted in 1990 (A.R.S. § 35-144). The fund is administered by the State Treasurer, who is responsible for transferring General Fund money into and out of the BSF as required by law. The BSF is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth. The 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 2012

Arizona real adjusted personal income increased by 3.42% in CY 2011. Since this was 2.07% above the trend growth rate of 1.35%, the formula recommended a BSF deposit of \$167.4 million in FY 2012. This amount was less than the \$250.0 million BSF deposit authorized by Laws 2012, Chapter 294.

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

At the end of FY 2014, the BSF is projected to have a balance of \$455.9 million. The 7% cap on the BSF would equal \$588.6 million. At a maximum, only an additional \$132.7 million could be deposited into the Fund.

The University of Arizona's Economic and Business Research Center (EBR) estimates that Arizona real adjusted personal income will increase by 1.67% in CY 2013. Since this is 2.08% above the estimated trend growth rate of (0.41)%, the formula is expected to recommend a BSF deposit of \$189.4 million in FY 2014. The full deposit of \$189.4 million cannot be made, however, since this would result in a BSF balance that

Table 1

Budget Stabilization Fund ^{1/}
(\$ in Thousands)

	Actual FY 2012	Actual FY 2013	Estimate FY 2014	Estimate FY 2015
General Fund Revenues				
Adjusted Revenues	\$8,704,595.1	\$9,106,020.7	\$8,408,008.7	\$8,708,131.0
Statutory Limit of Revenues	7.0%	7.0%	7.0%	7.0%
Maximum Balance	609,321.7	637,421.4	588,560.6	609,569.2
Arizona Personal Income in Prior CY				
Real Adjusted Annual Income Growth	3.42%	1.99%	1.67%	3.08%
7-Year Average Income Growth	<u>1.35%</u>	<u>0.32%</u>	<u>(0.41)%</u>	<u>(0.27)%</u>
Annual Difference	2.07%	1.67%	2.08%	3.35%
BSF Transactions				
Beginning BSF Balance	0.0	250,062.8	453,772.8	455,932.8
BSF Formula Recommendation	167,370.4	145,576.6	189,405.2	281,668.3
Actual Transfer In				
Actual Appropriation – L'12, Ch. 294 ^{2/}	250,000.0	200,000.0	0.0	0.0
Actual Transfer Out				
Transfer of BSF Interest Income – L'13, 1 st SS, Ch. 9 ^{3/}	<u>0.0</u>	<u>0.0</u>	<u>(2,000.0)</u>	<u>0.0</u>
Balance	250,000.0	450,062.8	451,772.8	455,932.8
Interest Earnings & Equity Gains/Losses ^{4/}	62.8	3,710.0	4,160.0	4,160.0
Ending BSF Balance	\$ 250,062.8	\$ 453,772.8	\$ 455,932.8	\$ 460,092.8
Percent of Revenues	2.9%	5.0%	5.4%	5.3%

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 of the Arts and \$1.0 million to the State Parks Revenue Fund administered by the Arizona State Parks Board.

4/ Estimated interest earnings for FY 2014 and FY 2015 were provided by the State Treasurer's Office.

would exceed the 7% cap in FY 2014 by \$56.7 million. The original FY 2014 budget included no additional deposit into the BSF.

Laws 2013, 1st Special Session, Chapter 9 provided that \$1.0 million in BSF interest earnings were deposited into the Arts Fund (administered by the Arizona Commission of 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

At the end of FY 2015, the BSF is projected to have a balance of \$460.1 million. The 7% cap on the BSF would equal \$609.6 million. At a maximum, only an additional \$149.5 million could be deposited into the Fund.

EBR currently projects that Arizona real adjusted personal income will increase by 3.08% in CY 2014. Since this is 3.35% above the estimated trend growth rate of (0.27)%, the formula is expected to recommend a BSF deposit of \$281.7 million in FY 2015. The full deposit of \$281.7 million cannot be made, however, since this would result in a BSF balance that would exceed the 7% cap in FY 2015 by \$132.2 million.

LONG TERM GENERAL FUND ESTIMATES

LONG TERM GENERAL FUND ESTIMATES

Summary

A.R.S. § 35-125 requires the annual General Appropriation Act to include a 3-year revenue and expenditure projection. To assist in this effort, the JLBC Staff has developed General Fund Baseline estimates through FY 2017, as shown in *Table 2*. Based on the assumptions described below, the Baseline ending shortfall is estimated to be \$(17) million in FY 2016 and \$(383) million in FY 2017, or \$(400) million if the FY 2016 shortfall is not resolved. Under the legislative 2-year Highway User Revenue Fund (HURF) proposal, the FY 2016 ending shortfall is estimated to be \$(256) million in FY 2016 and \$(383) million in FY 2017, or \$(639) million if the FY 2016 shortfall is not resolved.

Under the current terms of the state's 2010 \$1.5 billion debt financing, the state must begin to buy back that debt if its reserves reach a certain level. Based on FY 2015 balances, the required FY 2017 buyback is estimated at \$210 million. Unless the Executive revises the buyback terms, the FY 2017 shortfall under the 2-year HURF proposal would become \$(593) million. If the FY 2016 shortfall is not resolved, the FY 2017 shortfall would be \$(849) million.

These estimates exclude the Budget Stabilization Fund (BSF) monies. The BSF is estimated to have a fund balance of approximately \$460 million by the end of FY 2015.

Given the multiple year forecast, 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 \$575 million in the third year.

Baseline Revenues

The Baseline revenue estimates are based on a consensus forecasting process. As with FY 2015 revenues, the long run estimates average 4 different forecasts. This process is described in more detail in the *General Fund Revenue* section.

The "4-sector" consensus projected an average General Fund base revenue growth of 5.3% in FY 2015, 5.2% in FY 2016 and 5.6% in FY 2017. *Table 1* includes the individual forecast components in FY 2016 and FY 2017. These growth rates reflect revenue growth prior to tax law changes and Urban Revenue Sharing.

The Legislature enacted significant multi-year tax reductions in prior years. In FY 2016, these adjustments are projected to reduce revenue by \$(116) million relative to FY 2015. There would be a further reduction of \$(109) million in FY 2017 relative to FY 2016. The details of the tax reductions are in *Table 6* of the *General Fund Revenue* section.

Due to the impact of the 2011 and 2012 tax reductions and declining levels of the beginning balance, General Fund revenues are projected to remain relatively flat between FY 2014 and FY 2017. The projected level of General Fund revenue would decrease from \$9.46 billion in FY 2014 to \$9.36 billion in FY 2015, then increase slightly to \$9.39 billion in FY 2016 and \$9.47 billion in FY 2017, including balances. These figures are prior to the legislative 2-year HURF proposal; including the proposal, the FY 2016 beginning balance would be \$208 million instead of \$327 million under the Baseline. Neither the Baseline nor the legislative 2-year HURF proposal would provide a beginning balance for FY 2017. The *General Fund Revenue* section also details the potential risks to the forecast.

Table 1
4-Sector Consensus Forecast Percentages

	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
<u>FY 2016</u>					
Sales Tax	5.8%	4.7%	7.2%	6.1%	6.0%
Individual					
Income Tax	5.5%	3.0%	5.4%	5.9%	5.0%
Corporate					
Income Tax	5.6%	1.9%	8.1%	4.1%	<u>5.0%</u>
Wgt Avg					5.2%
<u>FY 2017</u>					
Sales Tax	5.5%	5.6%	7.1%	6.2%	6.1%
Individual					
Income Tax	5.4%	5.2%	5.9%	6.2%	5.7%
Corporate					
Income Tax	5.8%	2.4%	4.7%	5.5%	<u>4.6%</u>
Wgt Avg					5.6%

Baseline Spending

The long term General Fund expenditures reflect the requirements of existing statutory funding formulas and other obligations. This spending is projected to increase by \$370 million in FY 2016 (4.1%) above FY 2015 and \$652 million in FY 2017 (6.9%) above FY 2016 prior to the legislative 2-year HURF proposal. Without the \$210 million debt buyback, the FY 2017 increase would be \$442 million, or 4.7%, above FY 2016.

These spending adjustments include normal caseload growth in caseload-driven agencies such as the Arizona

Department of Education (ADE) and AHCCCS. The adjustments also include \$61 million in FY 2016 and \$122 million in FY 2017 for the conversion of certain district schools to charter status. This issue is explained in more detail in the ADE section of the Baseline narrative.

Overall spending, including one-time adjustments, would be \$9.41 billion in FY 2016 and \$9.85 billion in FY 2017 prior to the legislative 2-year HURF proposal. *(See Table 3 for the projected spending levels of major agencies under this scenario.)*

In addition, the long term estimates assume the continued annual suspension of over \$300 million of funding formula requirements that are permanently authorized in law and the continued non-funding of \$136 million in non-statutory funding formulas for building renewal. *(See Table 4.)* If these programs or any other new permanent initiatives are funded in the FY 2015 budget, the projected FY 2016 and FY 2017 shortfalls would increase.

Table 2

**JLBC BASELINE 1/
STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES 2/
WITH ONE-TIME FINANCING SOURCES**

	FY 2014 Adjusted	FY 2015 Baseline	FY 2016 Baseline	FY 2017 Baseline
REVENUES				
Ongoing Revenues	\$8,969,009,900	\$9,446,166,700	\$9,797,137,900	\$10,225,172,700
Previously Enacted Changes		(129,100,000)	(115,600,000)	(108,700,000)
Urban Revenue Sharing	(561,001,200)	(608,935,700)	(620,454,200)	(651,407,600)
Net Ongoing Revenues	\$8,408,008,700	\$8,708,131,000	\$9,061,083,700	\$9,465,065,100
One-time Financing Sources				
Balance Forward	\$895,475,000	\$655,224,900	\$327,428,100	
Fund Transfers	153,591,600			
Subtotal One-time Revenues	\$1,049,066,600	\$655,224,900	\$327,428,100	\$0
Total Revenues	\$9,457,075,300	\$9,363,355,900	\$9,388,511,800	\$9,465,065,100
EXPENDITURES				
Operating Budget Appropriations	\$8,816,495,400	\$9,084,447,100	\$9,445,812,100	\$9,887,998,000
FY 2014 Supplementals	(1,166,900)			
Administrative Adjustments	22,380,200	51,480,700	60,000,000	60,000,000
Reversions	(85,801,100)	(100,000,000)	(100,000,000)	(100,000,000)
Subtotal Ongoing Expenditures	\$8,751,907,600	\$9,035,927,800	\$9,405,812,100	\$9,847,998,000
One-time Expenditures				
Capital Outlay	\$49,942,800			
Operating Debt Buyback				210,000,000 ^{3/}
Subtotal One-time Expenditures	\$49,942,800	\$0	\$0	\$210,000,000
Total Expenditures	\$8,801,850,400	\$9,035,927,800	\$9,405,812,100	\$10,057,998,000
Baseline Ending Balance ^{4/}	\$655,224,900	\$327,428,100	(\$17,300,300)	(\$592,932,900) ^{3/5/}
<i>Legislative HURF Proposal</i>		\$119,247,100	\$119,247,100	
<i>Ending Balance - w/ HURF Proposal ^{6/}</i>	\$655,224,900	\$208,181,000	(\$255,794,500)	(\$592,932,900) ^{3/7/}
<i>Structural Balance ^{8/}</i>	(\$343,898,900)	(\$327,796,800)	(\$344,728,400)	(\$382,932,900)

^{1/} Represents an estimate of available balances with a consensus revenue forecast and a statutory funding formula expenditure projection.

^{2/} Significant one-time revenues and expenditures are separately detailed so as to permit the calculation of ongoing revenue and expenditures.

^{3/} Under the current terms of the state's 2010 \$1.4 billion debt financing, the state must begin to buyback that debt if its reserves reach a certain level. Based on the FY 2015 ending balance, the required FY 2017 buyback is estimated to be approximately \$210 million. Unless the Executive revises the terms of the financing agreement, the FY 2017 projected shortfall would become \$(592,932,900).

^{4/} This calculation reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization Fund balance.

^{5/} The FY 2017 Baseline Ending Balance assumes the FY 2016 projected shortfall is solved prior to the beginning of FY 2017. If the shortfall were carried forward, the FY 2017 projected shortfall would become \$(610,233,200).

^{6/} This calculation reflects the difference between total revenues and total expenditures, including the Legislative HURF Proposal, which has an annual cost of \$119,247,100 in FY 2015 and FY 2016. Excludes any Budget Stabilization Fund balance.

^{7/} The FY 2017 "Ending Balance - w/ HURF Proposal" amount assumes the FY 2016 projected shortfall is solved prior to the beginning of FY 2017. If the shortfall were carried forward, the FY 2017 projected shortfall would become \$(848,727,400).

^{8/} This calculation reflects the difference between ongoing revenues and expenditures and excludes one-time adjustments. Excludes any Budget Stabilization Fund balance.

Table 3

BASELINE SPENDING ESTIMATES BY MAJOR BUDGET UNITS

	FY 2014 Adjusted	FY 2015 \$ Above FY 14	FY 2015 Baseline	FY 2016 \$ Above FY 15	FY 2016 Baseline	FY 2017 \$ Above FY 16	FY 2017 Baseline
EXPENDITURES							
Operating Budget							
– Department of Administration	\$11,694,300		\$11,694,300		\$11,694,300		\$11,694,300
– ADOA Automation Projects Fund	18,400,000	7,100,000	25,500,000	(9,198,000)	16,302,000	(9,202,000)	7,100,000
– AHCCCS	1,334,933,400	(49,883,900)	1,285,049,500	65,270,600	1,350,320,100	72,212,800	1,422,532,900
– Attorney General	22,464,600		22,464,600		22,464,600		22,464,600
– Commerce Authority	31,500,000		31,500,000		31,500,000		31,500,000
– Community Colleges	69,508,700	(4,110,500)	65,398,200	1,851,400	67,249,600	1,526,000	68,775,600
– Department of Corrections	971,743,900	24,733,200	996,477,100	10,753,000	1,007,230,100	2,683,100	1,009,913,200
– County Funding	7,150,500		7,150,500		7,150,500		7,150,500
– Department of Economic Security	690,112,900	45,136,300	735,249,200	26,605,700	761,854,900	29,476,700	791,331,600
– Department of Education	3,620,831,200	166,687,900	3,787,519,100	229,896,400	4,017,415,500	302,642,800	4,320,058,300
– Department of Environmental Quality	7,000,000		7,000,000		7,000,000		7,000,000
– Department of Health Services	550,646,400	64,905,200	615,551,600	18,214,800	633,766,400	20,795,300	654,561,700
– Judiciary	109,841,000	36,000	109,877,000		109,877,000		109,877,000
– Department of Juvenile Corrections	43,822,700		43,822,700		43,822,700		43,822,700
– State Land Department	12,345,400	160,300	12,505,700		12,505,700		12,505,700
– Department of Public Safety	51,560,800	(750,000)	50,810,800		50,810,800		50,810,800
– Public Safety Personnel Retirement System	5,000,000		5,000,000		5,000,000		5,000,000
– Department of Revenue	47,025,300		47,025,300		47,025,300		47,025,300
– School Facilities Board	193,181,400	(3,823,600)	189,357,800	2,721,500	192,079,300	6,774,700	198,854,000
– Office of Tourism	7,102,600		7,102,600		7,102,600		7,102,600
– Universities	735,517,300	15,273,700	750,791,000	15,273,700	766,064,700	15,273,700	781,338,400
– Department of Water Resources	12,326,400		12,326,400		12,326,400		12,326,400
– All Other Budgets	158,164,500	2,729,000	160,893,500	(15,000)	160,878,500		160,878,500
– Civic Center Payment	20,449,000		20,449,000		20,449,000		20,449,000
– Asset Sale/Lease-Back Debt Service	84,119,800	3,900	84,123,700	(9,100)	84,114,600	2,800	84,117,400
– Lease-Purchase/Rent		(192,500)	(192,500)		(192,500)		(192,500)
– Unallocated Adjustments	53,300	(53,300)	0				
Total - Operating Budget	<u>\$8,816,495,400</u>	<u>\$267,951,700</u>	<u>\$9,084,447,100</u>	<u>\$361,365,000</u>	<u>\$9,445,812,100</u>	<u>\$442,185,900</u>	<u>\$9,887,998,000</u>
– FY 2014 Supplementals	(\$1,166,900)	\$1,166,900					
– Capital Outlay	49,942,800	(49,942,800)					
– Operating Debt Buyback						210,000,000	210,000,000
– Administrative Adjustments	22,380,200	29,100,500	51,480,700	8,519,300	60,000,000		60,000,000
– Revertments	(85,801,100)	(14,198,900)	(100,000,000)		(100,000,000)		(100,000,000)
Total Spending	<u>\$8,801,850,400</u>	<u>\$234,077,400</u>	<u>\$9,035,927,800</u>	<u>\$369,884,300</u>	<u>\$9,405,812,100</u>	<u>\$652,185,900</u>	<u>\$10,057,998,000</u>

Table 4

FY 2015 FUNDING FORMULA SUSPENSIONS ^{1/}

	FY 2015 Formula Requirement
<u>Statutory</u>	
Community Colleges - STEM and Workforce Programs State Aid Suspension	\$ 21,930,500
Department of Education - District Additional Assistance	238,985,500 ^{2/}
Department of Education - Charter School Additional Assistance	15,656,000
Department of Education - Fund Large JTEDs at 91%	4,162,000
Department of Environmental Quality - WQARF	8,000,000
Department of Health Services - Restoration to Competency (RTC)	1,200,000 ^{3/}
Department of Health Services - Sexually Violent Persons (SVP)	3,130,000 ^{4/}
Universities - Financial Aid Trust	<u>21,363,000</u>
 Total - FY 2015 Statutory Funding Formula Suspensions/No HURF Shift in FY 15/16	 \$ 314,427,000
 Department of Public Safety - Highway User Revenue Fund (HURF)	 <u>109,247,100 ^{5/}</u>
 Total - FY 2015 Statutory Funding Formula Suspensions/Continue HURF Shift	 \$ 423,674,100
 <u>Non-Statutory</u>	
Department of Administration - Building Renewal	\$ 28,033,200
Universities - Building Renewal	<u>107,480,500</u>
 Total - FY 2015 Non-Statutory Funding Formula Suspensions	 \$ 135,513,700

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

^{2/} Excludes \$19,511,800 suspended in non-state aid districts, which are not funded through the state budget.

^{3/} Excludes costs that counties incur to treat RTC patients in alternative facilities.

^{4/} Reflects estimate of remaining direct costs to counties for SVP care.

^{5/} This amount is in addition to the \$10 million allocated to DPS from the HURF pursuant to A.R.S. § 28-6993.

TECHNICAL BUDGET ASSUMPTIONS

TECHNICAL BUDGET ASSUMPTIONS

Baseline

This book reflects General Fund baseline revenue and spending estimates. The revenue projections are based on a consensus economic forecast while the spending estimates represent funding formula requirements and other obligations. The Baseline does not represent a budget proposal. By providing an estimate of available resources after statutory requirements, however, the Baseline will help members of the Legislature evaluate the availability of resources for these discretionary adjustments. As such, the Baseline is only a starting point for discussion on the FY 2015 budget.

FY 2015 Budget

A.R.S. § 35-101 specifies 17 state agencies as “annual budget units” receiving one annual appropriation; all other agencies are “biennial budget units” receiving biennial appropriations with the dollar amounts itemized for each fiscal year. The biennial period starts with the even-numbered year. Since the FY 2014 budget suspended biennial budgeting, the Baseline includes FY 2015 funding for all budget units. The Baseline also includes supplemental FY 2014 funding for selected budget units. All FY 2015 changes are referenced to the original FY 2014 appropriated amount.

Changes from Prior Year

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

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

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

- *FY 2013 Actual* - This dollar amount represents the FY 2013 expenditures as reported by the agency. This amount includes monies ex-appropriated for a state employee premium holiday which was not reflected in the individual agency tables in the *FY 2013 Appropriations Report*.
- *FY 2014 Estimate* - This dollar amount represents the FY 2014 appropriations as of the end of the 51st Legislature, 1st Regular Session (including the 1st Special Session).

- *FY 2015 Baseline* - This dollar amount represents the FY 2015 Baseline spending estimate.

Each budget summary includes the level of non-appropriated and Federal Funds available to the agency. The detail for these funds can be found in the “Summary of Funds” section at the end of each individual agency’s narrative pages.

Statewide and Standard Changes

Personal Services - This category includes salaries paid to state employees. The Baseline does not include a state employee pay adjustment for FY 2015.

ERE Rates - This category typically represents changes in the state’s cost of employee benefits. The rates have been held constant from FY 2014 to FY 2015 in the Baseline.

Medical and Dental Insurance - The Baseline includes no funding for a medical and dental insurance adjustment. Funding for the employer share of health insurance in an individual agency’s FY 2015 Baseline is the same as in FY 2014. Total FY 2015 medical and dental insurance costs are estimated to be approximately \$828.6 million in total funds, a combination of estimated ongoing FY 2014 costs of \$757.9 million plus \$70.7 million of new FY 2015 costs, reflecting 9.7% medical expenditure growth, including \$6.7 million from 2 taxes associated with the federal Affordable Care Act. The Baseline assumes that this 9.7% increase will be funded by drawdowns of the Health Insurance Trust Fund balance. After the 9.7% adjustment, the FY 2015 ending balance is estimated at \$293.6 million. *(Please see the Health Insurance Trust Fund (HITF) discussion in the Arizona Department of Administration (ADOA) narrative for further details on HITF balances.)*

Life Insurance - \$23.40 per employee per year, unchanged from the FY 2014 rate. ADOA is currently soliciting for new providers, which could result in a new rate. The Baseline does not include funding for any increase, which, if any, is expected to be minimal.

Unemployment Insurance - 0.15% of Personal Services for each agency, unchanged from the FY 2014 rate effective as of January 1, 2014.

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 0.24%.

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. 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 Legal Services - \$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 2014.

Federal Insurance Contributions Act (FICA) - Social Security employer 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 Baseline does not adjust agency budgets for this change.

In addition, Medicare employer 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.

Retirement - FY 2015 rates as determined by the state's retirement systems have changed from the FY 2014 rates. The total contribution from ASRS employees and employers combined will increase from 22.60% in FY 2014 to 22.96% in FY 2014. Employee contribution rates for the Elected Officials Retirement Plan and the Public Safety Personnel Retirement Plan also changed pursuant to changes set in statute.

	GF	OF	Total
<u>Increase</u>			
ASRS	\$ 531,400	\$ 271,600	\$ 803,000
Non-ASRS	<u>4,533,600</u>	<u>4,105,400</u>	<u>8,639,000</u>
Total	\$5,065,000	\$4,377,000	\$9,442,000
<u>System</u>			
ASRS	\$ 64,424,400	\$ 90,852,700	\$155,277,100
Non-ASRS	<u>91,248,500</u>	<u>63,169,000</u>	<u>154,417,500</u>
Total	\$155,672,900	\$154,021,700	\$309,694,600

^{1/} Excludes non-appropriated funds

The Baseline does not include funding for the employer share of the retirement rate adjustment. If funded, the General Fund cost would be \$5.1 million, including \$531,400 for ASRS and \$4.5 million for non-ASRS employees as noted in *Table 1*. The rates for the different retirement systems, as a percent of Personal Services, are shown in *Table 2*. In FY 2015, the total General Fund cost of the employer share, including this latest adjustment, is \$155.7 million. Of this amount, the ASRS cost is \$64.4 million while the non-ASRS cost is \$91.2 million.

Risk Management - Individual agency budgets' Other Operating Expenditures include funding for Risk Management charges billed by ADOA. The billings vary by individual agency and are unchanged from the budgeted FY 2014 rates.

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

ADOA charges \$13.08 per square foot for all state agencies occupying state-owned space and \$4.74 per square foot for state-owned storage space in FY 2014. These rates are based upon usable square feet. The Baseline assumes no changes to these rates for FY 2015.

Table 2

Retirement Rates

Retirement System	Employer		Employee
	FY 2014	FY 2015	FY 2015 ^{1/}
<i>Arizona State Retirement System</i>	11.30	11.48	11.48
<i>Correctional Officers Ret. Plan</i>			
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 Officials Retirement Plan^{3/}</i>	25.94	23.50	13.00
<i>University Optional</i>	7.00	7.00	7.00
<i>Public Safety Personnel Retirement</i>			
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 Baseline would fund an Other Appropriated Funds 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 to these changes, the Baseline also includes an increase of \$1,700,900 from the General Fund and \$911,700 in Other Appropriated Funds for lease-purchase payment increases, and a decrease of \$(1,889,500) in General Fund monies and \$(1,093,200) in Other Appropriated Funds for changes in privatized-lease-to-own payments. (Please see the *Other Issues for Legislative Consideration* section in the *Capital Outlay - ADOA Building System* narrative for more details.)

The Baseline does not address increases in rent for privately-owned space.

Full-Time Equivalent (FTE) Positions

Each agency section in this book includes the proposed FY 2015 ceiling of Full-Time Equivalent (FTE) Positions for the agency, along with the FTE Position ceiling for FY 2013 and FY 2014. Any changes from the prior year total are noted in the agency narrative. The number of FTE

Positions reflects personnel funded from both Personal Services and Special Line Items.

Format

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

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

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

Details on each of these common formats are below:

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

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

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

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

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

Modified Lump Sum - The appropriation consists of at least 3 lines: Personal Services, Employee Related Expenditures, and All Other Operating Expenditures. Any

Special Line Items would be listed separately. Under this format, an agency must seek approval of the Joint Legislative Budget Committee before moving any funds into or out of the Personal Services or ERE line items (A.R.S. § 35-173(e)). In the General Appropriation Act, the agency's budget would appear as follows:

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

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

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

Footnotes

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

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

Please see the *Major Footnote Changes* section for a listing of major footnote changes from FY 2014.

Statewide Footnotes

In addition to individual agency footnotes, the Baseline would include several footnotes applying to statewide issues to the General Appropriation Act. All the following footnotes are unchanged from FY 2014 unless noted.

Expenditure Reporting - 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.

FTE Position Reporting - The FTE Positions in the General Appropriation Act are subject to appropriation. The ADOA Director shall compile an FTE Position utilization report for FY 2015 for submission to the JLBC Director by October 1, 2015. This report shall include both appropriated and non-appropriated positions. The Department of Economic Security, Universities, and Department of Environmental Quality are exempt from the ADOA report but are to report in a comparable manner. In addition, each agency shall submit a report to the JLBC Director by October 1, 2014 on the number of filled, appropriated and non-appropriated FTE Positions by fund source as of September 1, 2014.

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

Interim Reporting Requirements - ADOA shall provide to the JLBC a preliminary estimate of the FY 2014 General Fund ending balance by September 15, 2014. 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.

Long-Term Budget Estimates - A.R.S. § 35-125 requires that the General Appropriation Act delineate the revenue and expenditure estimates for the budget year and the following 2 years. The expenditure estimates are to be based on existing statutory funding requirements. A.R.S. § 35-125 requires the Legislature to discuss the estimates in a public hearing before the adoption of the General Appropriation Act. For details on the FY 2015 - FY 2017 revenue and expenditure estimates, please see the *Long-Term General Fund Estimates* section.

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

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

JLBC Review - For the purposes of the General Appropriation Act, “review by the Joint Legislative Budget Committee” means a review by a vote of a majority of a quorum of the members.

Statutory Changes

The individual agency sections of this book include proposed statutory changes related to the budget. These changes will be introduced in Budget Reconciliation Bills (BRBs). *(Please see the FY 2015 Budget Reconciliation Bill Provisions section for a complete listing of proposed statutory changes.)*

In addition to agency-specific statutory changes, the Baseline would, as session law, continue to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services. The Baseline would also, as session law, continue to clarify that all agencies will only receive annual budgets in FY 2015.

Other Issues for Legislative Consideration

This section may also include other information of general interest, including FY 2014 supplementals.

Statewide Expenditure Adjustments

In addition to changes in individual agency budgets, the Baseline includes 2 “balance sheet” expenditure items not discussed elsewhere: Administrative Adjustments, Revertments, and Statutory Revertments.

Administrative Adjustments - The Baseline assumes that state agencies will have expenditures totaling \$22,380,200 in FY 2014 for FY 2013 expenditures. Agencies are permitted to make administrative adjustments for expenditures obligated in FY 2013 but for which the state was unbilled until FY 2014. An agency’s administrative adjustments cannot exceed its prior year revertment, or unused appropriation authority. The \$22,380,200 is a decrease of \$(37,619,800) from the originally-budgeted FY 2014 total. The FY 2014 amount is based on an analysis of individual agency spending reports and extrapolating final administrative adjustments based on those agencies’ historical trends. The estimate is 14% of FY 2013 revertments, significantly below the range from previous years of below 30% to above 70%. Most of the unspent revertments are in caseload-driven agencies such as the Arizona Department of Education (ADE) and AHCCCS.

In addition to the FY 2014 figure, the Baseline assumes a FY 2015 administrative adjustment total of \$51,480,700, an increase of \$29,100,500 from the revised FY 2014 total. The FY 2015 amount reflects 60% of prior-year revertments (*see Revertments discussion below*).

Revertments - The Baseline assumes that state agencies will revert \$(85,801,100) of FY 2014 appropriations back

to the General Fund because the agencies will not spend their entire appropriation. Agencies will be permitted to make administrative adjustments totaling no more than this amount in FY 2015. This amount is an decrease of revertments of \$15,098,900 from the originally-budgeted FY 2014 total of \$(100,900,000). The revised FY 2014 amount reflects 1.0% of total spending. This figure primarily reflects \$55,801,800 in anticipated caseload-driven Medicaid surpluses in AHCCCS and DHS. All other FY 2014 revertments are forecast to be \$30,000,000.

In addition to the FY 2014 estimate, the Baseline also assumes a FY 2015 revertment total of \$(100,000,000), an increase of \$(14,198,900) from the FY 2014 total. This amount is about 1.1% of total spending.

*JLBC STAFF
AND
AGENCY DIRECTORY LISTINGS*

**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	Ben Henderson	Brian McNeil [Director]	602-542-1500
Administrative Hearings, Office of	Bob Hull	Cliff J. Vanell [Director]	602-542-9830
Agriculture, Arizona Department of	Henry Furtick	Jack Peterson [Director]	602-542-4373
Arizona Health Care Cost Containment System	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	Brian Salata [Executive Director]	602-364-2888
Barbers, Board of	Steve Grunig	Sam LaBarbera [Executive Director]	602-542-4498
Behavioral Health Examiners, Board of	Steve Grunig	Debra Rinaudo [Executive Director]	602-542-1884
Charter Schools, State Board for	Tom Ritland	DeAnna Rowe [Executive Director]	602-364-3080
Chiropractic Examiners, State Board of	Steve Grunig	Pamela Paschal [Interim 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]	602-845-1215
Community Colleges, Arizona	Tom Ritland	--	--
Constable Ethics Standards and Training Board	Steve Grunig	Vince Roberts [Chairman]	420-250-1179
Contractors, Registrar of	Bob Hull	Bill Mundell [Director]	602-542-1525
Corporation Commission	Matt Gress	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]	602-364-1171
Deaf and the Blind, Arizona State Schools for the	Tom Ritland	Robert Hill [Superintendent]	520-770-3704
Deaf and the Hard of Hearing, Commission for the	Micaela Larkin	Sherri L. Collins [Executive Director]	602-542-3323
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 [Interim Executive Director]	602-771-5100
Economic Security, Department of	Ben Beutler/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]	602-771-2309
Equal Opportunity, Governor's Office of	Bob Hull	Carolyn Pitre Wright [Director]	602-542-4814
Equalization, State Board of	Bob Hull	George R. Shook [Interim Chairman]	602-364-1611
Executive Clemency, Board of	Micaela Larkin	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	Matt Gress	Lauren W. Kingry [Superintendent]	602-255-4421
Fire, Building and Life Safety, Department of	Bob Hull	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
Homeopathic and Integrated Medicine Examiners, Board of	Steve Grunig	Christine Springer [Executive Director]	602-542-3095
House of Representatives	Bob Hull	Honorable Andy Tobin [Speaker of the House]	602-926-5495

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Housing, Arizona Department of	Matt Gress	Michael Traylor [Director]	602-771-1000
Independent Redistricting Commission	Krista MacGahan	Ray Bladine [Executive Director]	602-542-5221
Indian Affairs, Arizona Commission of	Bob Hull	Kristine FireThunder [Executive Director]	602-542-4421
Industrial Commission of Arizona	Bob Hull	Laura I. McGrory [Director]	602-542-4411
Insurance, Department of	Matt Gress	Germaine Marks [Director]	602-364-3471
Joint Legislative Budget Committee	Bob Hull	Richard Stavneak [Director]	602-926-5491
Juvenile Corrections, Department of	Eric Billings	Charles Flanagan [Director]	602-364-4051
Land Department, State	Henry Furtick	Vanessa Hickman [Land Commissioner]	602-542-4621
Legislative Council	Bob Hull	Mike E. Braun [Executive Director]	602-926-4236
Liquor Licenses & Control, Department of	Micaela Larkin	Alan Everett [Director]	602-542-9020
Lottery Commission, Arizona State	Jon Stall	Jeff Hatch-Miller [Executive Director]	480-921-4505
Massage Therapy, Board of	Steve Grunig	Kathleen Phillips [Executive Director]	602-542-8804
Medical Board, Arizona	Micaela Larkin	Pat McSorley [Acting Executive Director]	480-551-2720
Mine Inspector, State	Krista MacGahan	Honorable Joe Hart [State Mine Inspector]	602-542-5971
Naturopathic Physicians Medical Board	Steve Grunig	Gail Anthony [Director]	602-542-8242
Navigable Stream Adjudication Commission, AZ	Henry Furtick	George Mehnert [Executive Director]	602-542-9214
Northern Arizona University	Art Smith	John D. Haeger, Ph.D. [President]	928-523-3232
Nursing, State Board of	Bob Hull	Joey Ridenour [Executive Director]	602-771-7800
Nursing Care Institution Administrators & Assisted Living Facility Managers, Board of Examiners of	Steve Grunig	Allen Imig [Executive Director]	602-542-8156
Occupational Safety & Health Review Board	Bob Hull	Gary Lasham [Chairman]	602-542-4411
Occupational Therapy Exam., Board of	Steve Grunig	J. Randy Frost [Executive Director]	602-589-8352
Opticians, State Board of Dispensing	Steve Grunig	Lori D. Scott [Executive Director]	602-542-8158
Optometry, State Board of	Steve Grunig	Margaret Whelan [Executive Director]	602-542-8155
Osteopathic Examiners, Arizona Board of	Micaela Larkin	Jenna Jones [Executive Director]	480-657-7703
Parents Commission on Drug Education and Prevention, AZ	Bob Hull	Tammy Paz-Combs [Director]	602-542-3643
Parks Board, Arizona State	Art Smith	Bryan Martyn [Executive Director]	602-542-4174
Personnel Board, State	Bob Hull	Laurie Barcelona [Executive Director]	602-542-3888
Pest Management, Office of	Henry Furtick	Jack Peterson [Acting Director]	602-255-3664
Pharmacy, Arizona State Board of	Henry Furtick	Hal Wand [Executive Director]	602-771-2740
Physical Therapy, Board of	Steve Grunig	Charles Brown [Executive Director]	602-542-8157
Pioneers' Home, Arizona	Micaela Larkin	Ted Ihrman [Superintendent]	928-445-2181
Podiatry Examiners, State Board of	Steve Grunig	Sarah Penttinen [Executive Director]	602-542-8151
Postsecondary Education, Commission for	Tom Ritland	April L. Osborn [Executive Director]	602-258-2435
Power Authority, Arizona	Krista MacGahan	Michael A. Gazda [Acting Executive Director]	602-368-4265
Private Postsecondary Education, State Board for	Tom Ritland	Teri R. Stanfill [Executive Director]	602-542-2399
Psychologist Examiners, State Board of	Steve Grunig	Cindy Olvey [Director]	602-542-8162
Public Safety, Department of	Eric Billings	Robert Halliday [Director]	602-223-2464
Public Safety Personnel Retirement System	Ben Henderson	Jim Hacking [Administrator]	602-255-5575
Racing, Arizona Department of	Henry Furtick	Bill Walsh [Director]	602-364-1730
Radiation Regulatory Agency	Henry Furtick	Aubrey V. Godwin [Director]	602-255-4845
Real Estate Department, State	Steve Grunig	Judy Lowe [Commissioner]	602-771-7799
Regents, Arizona Board of	Art Smith	Eileen Klein [President]	602-229-2500
Residential Utility Consumer Office	Matt Gress	Patrick Quinn [Director]	602-364-4835
Respiratory Care Examiners, Board of	Steve Grunig	Jack Confer [Director]	602-542-5995
Retirement System, Arizona State	Ben Henderson	Paul Matson [Director]	602-240-2031
Revenue, Department of	Eric Billings	David Raber [Acting Director]	602-716-6090
School Facilities Board	Ben Henderson	Dean Gray [Executive Director]	602-542-6143
Secretary of State, Department of State	Krista MacGahan	Honorable Ken Bennett [Secretary of State]	602-542-4285
Senate	Bob Hull	Honorable Andy Biggs [President of the Senate]	602-926-5584
State Boards' Office	Steve Grunig	Megan Darian [Office Manager]	602-542-3095
Superior Court	Eric Billings	David K. Byers [Director]	602-452-3301
Supreme Court	Eric Billings	Rebecca White Berch [Chief Justice]	602-452-3536
Tax Appeals, State Board of	Bob Hull	Amy W. Fellner [Chairperson]	602-364-1102
Technical Registration, State Board of	Henry Furtick	Melissa Cornelius [Executive Director]	602-364-4930
Tourism, Office of	Henry Furtick	Sherry Henry [Director]	602-364-3717
Transportation, Department of	Ben Beutler	John Halikowski [Director]	602-712-7227
Treasurer, State	Eric Billings	Honorable Doug Ducey [State Treasurer]	602-604-7800
Uniform State Laws, Commission on	Krista MacGahan	Timothy Berg [Commissioner]	602-916-5151
University of Arizona	Art Smith	Ann Weaver Hart, Ph.D. [President]	520-621-5511
Veterans' Services, Department of	Henry Furtick	Ted Vogt [Director]	602-234-8415

AGENCY/DEPT./BUDGET AREA

Veterinary Medical Examining Board, AZ State
Water Resources, Department of
Weights & Measures, Department of

OTHER ASSIGNMENTS

Capital Review
Economic & Revenue Forecast

Federal/Non-Appropriated Funds
County Funding
Fiscal Note Manager

JLBC ANALYST

Steve Grunig
Krista MacGahan
Matt Gress

Jack Brown
Tim Everill
Hans Olofsson
Jack Brown
Jon Stall
Stefan Shepherd
Ben Beutler
Stefan Shepherd

AGENCY/DEPARTMENT HEADS

Victoria Whitmore [Executive Director]
Sandy A. Fabritz-Whitney [Director]
Kevin Tyne [Director]

TELEPHONE
NUMBER

602-542-8150
602-771-8426
602-771-4920

[] Denotes Title for Information Purposes

**STAFF OF THE
JOINT LEGISLATIVE BUDGET COMMITTEE**

- Director Richard Stavneak
- Office Manager Linda Monsanto
- Deputy Directors Steve Schimpp
Stefan Shepherd
- Principal Economist Tim Everill
- Chief Economist Hans Olofsson
- Principal Fiscal Analysts Eric Billings
Jack Brown
Bob Hull
Art Smith
- Senior Fiscal Analysts Ben Beutler
Steve Grunig
Jon Stall
- Fiscal Analysts Henry Furtick
Matthew Gress
Ben Henderson
Micaela Larkin
Krista MacGahan
Tom Ritland
- Administrative Assistant/JLBC Clerk Kristy Paddack
- Administrative Assistant/JCCR Clerk Tera Scherer