

**FY 2016**  
**Baseline Book**

**January 2015**

**JLBC**

# FY 2016 BASELINE BOOK

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***SUMMARY***

## FY 2016 BASELINE SUMMARY

### Overview

The FY 2016 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 2016.

In terms of the budget outlook:

- Total FY 2016 General Fund revenue is projected to be \$8.77 billion. Revenues would be \$(440) million less than in FY 2015. While the 4-sector consensus base revenues are forecast to grow by \$300 million, or 3.3%, 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 2016 spending is projected to be \$9.45 billion. This amount reflects \$90 million, or 1.0%, growth in expenditures, which is limited to current funding formulas. K-12 growth of \$181 million is offset by declines in one-time information technology, capital, Department of Child Safety spending, and technical adjustments for administrative adjustments and reverts.
- The projected FY 2016 ending balance shortfall is \$(678) million prior to any resolution of the K-12 inflation litigation and assuming that the FY 2015 shortfall is solved with one-time measures. The shortfall would increase slightly to \$(690) million in FY 2017, then decline to \$(581) million in FY 2018.
- The litigation regarding unfunded K-12 inflation could significantly affect the projected shortfall. The additional cost per year to "reset" the Basic State Aid weight at the level sought by the plaintiffs is \$337 million in FY 2016, with similar costs in subsequent years. If the state were ultimately required to reset the rate at that level, the FY 2016 shortfall would increase to \$(1.02) billion. These figures do not include the impact of back payments for years without the additional inflation payments. The plaintiffs seeking back payments have suggested the state pay an additional \$1.26 billion total over a 5-year period.
- The projected FY 2015 ending balance shortfall is now projected to be \$(148) million, primarily the result of a decrease in forecasted FY 2015 revenues. This figure does not include additional obligations that might be required pursuant to resolution of the K-12 inflation litigation.
- These cash balance estimates do not include \$464 million in the state's Rainy Day reserve (Budget Stabilization Fund).

### The Path from a Healthy Surplus to a Large Shortfall

At the end of FY 2013, the state had a balance of \$895 million. The following factors lead to the projected FY 2016 shortfall of \$(678) million (or \$(1.02) billion with the K-12 litigation):

- The state had a \$300 million to \$400 million underlying structural shortfall in the past several years as ongoing spending exceeded ongoing revenue. These budgets were balanced with one-time monies such as the temporary 1-cent sales tax.
- When the \$900 million 1-cent sales tax ended in FY 2013, the FY 2014 budget replaced it with a nearly equivalent carry forward. By the end of FY 2015, however, the carry forward will have been eliminated.
- Lower-than-expected revenue growth.
- Phase-in of tax law changes enacted in 2011 and 2012.
- K-12 inflation litigation.

The current shortfall is not unexpected. The FY 2015 budget was enacted last spring with project shortfalls of \$(237) million in FY 2016 and \$(489) million in FY 2017.

## FY 2015

The FY 2015 ending balance is currently projected to be a shortfall of \$(148) million, a decrease of \$(278) million from the original budget estimate of a \$130 million balance. Total revenues, including the beginning balance, are forecast to be \$9.21 billion compared to spending of \$9.36 billion. The \$(278) million adjustment has 3 components:

- A decrease of \$(175) million in ongoing revenues under the updated January consensus forecast, the result of lower-than-budgeted FY 2014 revenues and a decrease in the FY 2015 growth rate from 5.3% to 4.3%.
- Decreased balance forward from FY 2014. The original budget assumed an ending balance of \$596 million for FY 2014. The actual balance carried forward into FY 2015 was \$577 million, a decrease of \$(18) million.
- An increase of \$85 million in FY 2015 expenditures, including \$36 million for an expected decrease in unspent FY 2015 appropriations, \$29 million for higher-than-expected administrative adjustments (expenditures for FY 2014 bills received in FY 2015), and \$17 million to reflect the actual timing of capital expenditures delayed from FY 2014. These increases are partially offset by \$(7) million of net ex-appropriations.

## FY 2016 Baseline Revenues

While base revenues are forecast to grow in FY 2016, the growth is insufficient to fully offset the loss of carry-forward balances and declines in other sources of revenues. Overall FY 2016 collections would decline to \$8.77 billion, or \$(440) million below the revised FY 2015 estimate for the following reasons:

- Based on JLBC's 4-sector consensus, FY 2016 base revenues are projected to grow by \$300 million, or 3.3%. Base revenues reflect the underlying growth in the economy and exclude one-time adjustments, urban revenue sharing and new tax law changes.
- The primary reason for the decline in overall FY 2016 revenues is a \$(577) million loss in the balance forward as the FY 2014 carry forward is fully expended in FY 2015.
- The state set-aside for urban revenue sharing formula distributions would decline slightly from \$609 million to \$606 million, thereby increasing state revenue by \$3 million.
- Previously enacted legislative changes would reduce state revenue by \$(112) million, primarily from the continued 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 \$(54) million.

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

- The Finance Advisory Committee (FAC), an independent 13-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.

The FY 2016 growth rate of 3.3% reflects sluggish growth. There are a number of reasons for the slow growth, including:

- Slowdown in housing permits and a decline in construction jobs, which is particularly noticeable amidst growth in the construction sector nationally
- Federal defense contract reductions
- Lingering effects of the "housing bubble" that led to the 2007-2009 recession.

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

## FY 2016 Baseline Spending

Based on statutory funding formulas and other obligations, FY 2016 Baseline spending is projected to be \$9.45 billion, a \$90 million, or a 1.0%, increase above FY 2015 prior to any potential spending associated with the K-12 inflation litigation. The major adjustments are:

- Department of Education spending would increase by \$181 million due to a 1.4% increase in student enrollment, base support level inflation increase of 1.6%, an increase in the state share of homeowner K-12 property taxes, and an offset from new construction property taxes. Since charter school and special education pupils are a larger proportion of student growth (and are more expensive per student), the Baseline includes a higher cost per pupil.
- AHCCCS and Department of Health Services Medicaid spending would increase by \$7 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 the hospital assessment.
- The Department of Economic Security (DES) budget would also increase by \$22 million for Developmental Disabilities Medicaid growth.
- Department of Corrections spending would increase \$8 million to annualize the costs of opening 500 medium-security private beds and 500 maximum-security state-operated beds in the middle of FY 2015. The Baseline excludes funding to address the recent prison health litigation settlement.
- One-time spending for capital, information technology and establishing the Department of Child Safety would not be repeated in FY 2016, reducing spending by \$(86) million.

The \$9.45 billion spending level would support a Full-Time Equivalent (FTE) Position ceiling of 50,733 state employees.

### Forecast Risks

As an estimate of state revenues and spending obligations, there are both positive and negative risks to the JLBC Baseline estimates. Because small percent changes in growth assumptions can have a substantial impact – over 3 years, a 1% change in base revenue growth could change available revenues by \$575 million through FY 2018 – these risks could significantly change the final results of these budgets.

The potential gains to the forecast include:

- Improving national economic recovery: The national economy has been improving since the second quarter of 2014. Stronger economic growth, better job prospects, and an increase in consumer confidence could translate into increased net migration to the state, which would also result in more demand for housing and an overall boost to the Arizona economy and related revenue growth.
- The “windfall” from the sharp reduction in gasoline prices: If gas prices remain at the current level for the next 12 months, it could free up an estimated \$2 billion for Arizona households. While consumers are likely to save part of this windfall, they will also spend a portion of their gains. Considering the volatility of energy prices, however, any related windfall in state revenues from such a shift in consumer spending should be regarded as one-time.

The potential losses to the forecast include:

- Uncertainty of international events: As Arizona’s economy has become increasingly tied to the international economy, so has the potential for economic disruptions from global events. Adverse weather events, terrorist actions, and a sluggish worldwide economic situation could dampen the economic recovery nationally and in Arizona.
- Litigation expenses: Beyond the K-12 inflation litigation, the state faces other resolved and potential litigation impacts that have not been incorporated into the Baseline. These impacts include the following:
  - Prison health care settlement (a potential \$26 million impact).
  - Higher state employer contribution rates related to retirement litigation (a potential \$2 million or \$21 million impact, depending on whether higher rates are phased-in).
  - Hospital assessment litigation (a potential minimum impact of \$64 million): If the hospital assessment was eliminated, the state would at least have the cost of backfilling the assessment used to fund the mandatory Proposition 204 parents program. The cost would be substantially higher if childless adults were retained on the program.

### JLBC Staff Suggested Budget Reforms and 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:

Align Ongoing Revenues and Spending Over Several Years: While the state can operate with a structural shortfall in the short term if it has one-time balances, the current structural shortfall does not significantly shrink in subsequent years. As a result, a fiscal policy goal should be to bring permanent revenues and expenditures into alignment.

Develop Multi-Year Targets and Formalize in General Appropriation Act: The Legislature may not be able to eliminate the structural shortfall in a single year. As a result, the JLBC Staff recommends that the General Appropriation Act include a multi-year plan for resolving budget shortfalls with specific out-year targets.

Dedicate One-Time Revenues for One-Time Spending: The Legislature may want to consider whether to deposit one-time revenues into a new special initiatives fund for one-time purposes. One-time revenues would include higher-than-expected General Fund balances and unusually large income tax collections from capital gains. The latter would require developing a reporting mechanism for “excess” capital gain tax growth so as to permit the deposit of these monies into the one-time special initiatives fund.

While the tax base for most General Fund revenue categories is fairly stable over time, other revenue sources are inherently volatile. For example, it is not unusual for capital gains and corporate income tax to grow at double-digit rates in one year only to be followed by double-digit rate declines in the next year. Such large swings in revenue collections make the budgeting process more difficult. One-time revenue windfalls can also come from non-recurring events such as the recent decline in gas prices. Since energy prices can rise and fall in a short span of time, any revenue windfall associated with such shift in spending patterns is likely to be short-lived.

Voters in California recently approved a ballot measure (“Proposition 2”) that requires the state to deposit any “excess” revenue from capital gains taxes into its Rainy Day Fund. In addition, the state would deposit 1.5% of its General Fund revenue into the fund. Half of the fund will remain in reserve while the other half will be used to buy down state debts, including unfunded retirement and operating loans.

Better Tax Reporting: Estimating General Fund revenues is made more difficult by not having current information of tax credit usage. The Baseline includes statutory provisions requiring more timely fiscal year tax credit reporting by the Department of Revenue and insurance premium tax reporting by the Department of Insurance.

Annual Retirement Report: The current budget structure does not give a full picture of retirement expenditures by system, agency, and fund source. The JLBC Staff recommends a new statutory report separately delineating the state’s retirement expenses. The JLBC Staff begins this initiative by incorporating a new section, the Consolidated Retirement Report, in the *FY 2016 Baseline Book* which provides this information.

Review of Acute and Behavioral Health Services Integration: AHCCCS and the Department of Health Services have begun to implement smaller scale integration projects. The JLBC Staff suggests that the Legislature evaluate accountability measures as it considers further consolidation of the acute and behavioral health services systems.

In addition to these items which affect overall budget or multiple agencies, the Baseline also includes these agency-specific suggestions:

- Contracted Health Care Rates (Arizona Department of Corrections): The Baseline includes a provision requiring increases in ADC contracted health per diem rates to be reviewed by JLBC, similar to the current process used in the Medicaid program. In the past year, ADC raised contracted health per diem, which may have a budget impact.
- Divisional of Developmental Disabilities (DDD) Budget Transparency (Department of Economic Security): The Baseline separately delineates DDD administrative expenditures to help provide a total budget picture of DDD services. These administrative expenditures had previously been displayed in DES’ overall administrative costs.
- 1% Property Tax Cap Subsidy (Arizona Department of Education): The Baseline delineates the state subsidy to local districts which exceed the 1% property tax cap; these costs are currently incorporated into a larger line item. The Arizona Constitution prohibits homeowners from paying more than 1% of their assessed value in primary property taxes from all sources. The Constitution does not specify the solution if a local jurisdiction exceeds 1%, but the state has effectively paid the difference. The projected FY 2016 cost to the state is \$28 million.
- Proposition 301 0.6% Sales Tax Planning (Arizona Department of Education): The Proposition 301 sales tax expires after FY 2021. The JLBC Staff recommends that the Legislature begin a planning process to accommodate this expiration.
- Intergovernmental Agreement Funding Transparency (Department of Health Services): The Baseline includes a provision to divide DHS’ Intergovernmental Agreements/Interagency Service Agreements Fund into 4 separate funds to ensure that monies are not inappropriately comingled.
- Probation and Automation Transparency (Judiciary): The Baseline shifts funding within the Judiciary’s budget in order to better align expenditures with appropriations and bring transparency to how much money the Judiciary transfers to counties for probation activities and how much money the Judiciary spends on other activities.
- Local K-12 Bonding Report (School Facilities Board): The Baseline includes a provision requiring SFB to report annually on capital bond approvals by school districts to provide a better understanding of bond issuances and school construction occurring outside of state funding.



- University Tuition Collections: Tuition collections are split between appropriated and non-appropriated amounts. To increase transparency, the JLBC Staff recommends that tuition collections either be fully appropriated or fully non-appropriated.
- Displaying Rio Nuevo Expenditures (Revenues): The Baseline shifts the display of Rio Nuevo expenditures from being an offset to General Fund revenue to being an operating budget expenditure, increasing transparency and conforming its display with that of the Phoenix Civic Center payment.

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

<b>Debt</b>
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In FY 2016, the state’s projected level of lease-purchase and bonding obligations is \$7.5 billion. This amount includes:

- \$3.2 billion, state and university office buildings
- \$1.7 billion, state highway construction projects
- \$1.1 billion, school district projects
- \$1.2 billion, state operating debt from FY 2011
- \$260 million, Phoenix Convention Center

The associated annual debt service payment is \$913 million.

Of the \$7.5 billion in total obligations, the General Fund share is \$2.8 billion. The General Fund annual debt service is projected to be \$365 million in FY 2016.

As a remnant of the Great Recession, the state pays \$1.2 billion of current year obligations in the next year (the “rollover”). The \$7.5 billion estimate of total obligations also does not include any unfunded retirement liability.

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, Arizona is tied for fourth worst, with only New Jersey, California and Illinois having 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; while the rating is positive, that outlook was released a year ago.

<b>Other Funds</b>
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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 2016 Other Fund appropriated spending level of \$3.5 billion, or (0.8)% below FY 2015.

The level of FY 2016 non-appropriated state funds is expected to be \$8.0 billion, while non-appropriated Federal Funds are forecast to be \$12.3 billion. When all appropriated and non-appropriated fund sources are combined, total FY 2016 state spending would be \$33.2 billion.

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

	<b>FY 2015 Adjusted</b>	<b>FY 2016 Baseline</b>	<b>FY 2017 Baseline</b>	<b>FY 2018 Baseline</b>
<b>REVENUES</b>				
Ongoing Revenues	\$9,185,619,500	\$9,485,611,700	\$9,793,222,200	\$10,208,715,000
Previously Enacted Changes		(105,700,000)	(78,300,000)	(76,900,000)
Urban Revenue Sharing	(608,935,700)	(605,634,300)	(621,469,700)	(626,088,400)
Net On-going Revenues	<u>\$8,576,683,800</u>	<u>\$8,774,277,400</u>	<u>\$9,093,452,500</u>	<u>\$9,505,726,600</u>
One-time Financing Sources				
Balance Forward	\$577,399,200			
Previously Enacted Changes		(6,100,000)		
Fund Transfers	53,900,000			
Subtotal One-time Revenues	<u>\$631,299,200</u>	<u>(\$6,100,000)</u>	<u>\$0</u>	<u>\$0</u>
<b>Total Revenues</b>	<b>\$9,207,983,000</b>	<b>\$8,768,177,400</b>	<b>\$9,093,452,500</b>	<b>\$9,505,726,600</b>
<b>EXPENDITURES</b>				
Operating Budget Appropriations	\$9,321,780,500	\$9,471,552,000	\$9,823,919,500	\$10,127,159,300
Supplementals	(6,996,800)			
Administrative Adjustments	80,000,000	60,000,000	60,000,000	60,000,000
Revertments	(80,000,000)	(85,000,000)	(100,000,000)	(100,000,000)
Subtotal Ongoing Expenditures	<u>\$9,314,783,700</u>	<u>\$9,446,552,000</u>	<u>\$9,783,919,500</u>	<u>\$10,087,159,300</u>
One-time Expenditures				
Capital Outlay	\$41,631,100			
Subtotal One-time Expenditures	<u>\$41,631,100</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total Expenditures</b>	<b>\$9,356,414,800</b>	<b>\$9,446,552,000</b>	<b>\$9,783,919,500</b>	<b>\$10,087,159,300</b>
<b>Ending Balance <u>2/</u></b>	<b>(\$148,431,800)</b>	<b>(\$678,374,600)</b>	<b>(\$690,467,000)</b>	<b>(\$581,432,700)</b>
<b>Structural Balance <u>3/</u></b>	<b>(\$738,099,900)</b>	<b>(\$672,274,600)</b>	<b>(\$690,467,000)</b>	<b>(\$581,432,700)</b>
<b>K-12 Litigation (Reset Only)</b>	<b>332,032,000</b>	<b>336,680,400</b>	<b>341,393,900</b>	<b>346,173,400</b>
<b>Ending Balance (w/ K-12 Litigation) <u>4/</u></b>	<b>(\$480,463,800)</b>	<b>(\$1,015,055,000)</b>	<b>(\$1,031,860,900)</b>	<b>(\$927,606,100)</b>
<b>Structural Balance (w/ K-12 Litigation) <u>3/</u></b>	<b>(\$1,070,131,900)</b>	<b>(\$1,008,955,000)</b>	<b>(\$1,031,860,900)</b>	<b>(\$927,606,100)</b>

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

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

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

4/ Expenditures include the impact of the Maricopa County Superior Court ruling in the K-12 litigation which would require the state to "reset" the per pupil amount prospectively to adjust for foregone inflation in prior years. Expenditures do not include "back payments" for K-12 inflation payments which did not occur in prior years, as the Superior Court has not issued a ruling on this matter. Ending balance estimates do not include any Budget Stabilization Fund balance.

## **SUMMARY OF FY 2016 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 \$9.21 billion and spending of \$9.36 billion, the budget has a projected FY 2015 shortfall of \$(148) million. With the K-12 inflation “reset” ruling, the shortfall would be \$(480) million.
- Given forecasted FY 2016 General Fund revenues of \$8.77 billion and spending of \$9.45 billion, the budget has a projected FY 2016 shortfall of \$(678) million. With the “reset” ruling, the shortfall would be \$(1.02) billion.
- Under the 3-year budget projections, there would be a shortfall of \$(690) million in FY 2017 and \$(581) million in FY 2018. With the “reset” ruling, the shortfall would be \$(1.03) billion in FY 2017 and \$(928) million in FY 2018.
- The ending balance projections exclude the state’s Budget Stabilization Fund reserve of \$464 million.

### **General Fund Revenues**

- Projected FY 2016 revenues are \$8.77 billion. While base revenues are forecast to grow in FY 2016, overall net revenues would decline by \$(440) million compared to FY 2015.
  - ⇒ Based on JLBC’s 4-sector consensus, base revenues are projected to grow by \$300 million, or 3.3%.
  - ⇒ A \$(577) million decrease in the beginning balance, from \$577 million at the beginning of FY 2015 to zero at the start of FY 2016.
  - ⇒ The state set-aside for urban revenue sharing formula distributions would decline from \$609 million to \$606 million, thereby increasing state revenue by \$3 million.
  - ⇒ Enacted tax and revenue legislative changes would reduce state revenue by \$(112) million, primarily from a reduction in corporate income taxes.
  - ⇒ Elimination of all fund transfers would reduce revenue by \$(54) million.

### **General Fund Spending**

- FY 2016 General Fund spending is projected to be \$9.45 billion, an increase of \$90 million, or 1.0% above FY 2015.
- The entire FY 2016 state budget, including both appropriated and non-appropriated funds, is projected to be approximately \$33.2 billion.

### **Education**

#### **Department of Education**

- ADE General Fund spending would increase by \$181.2 million, or 4.8%, including:
  - ⇒ \$16.5 million for higher-than-budgeted FY 2015 enrollment growth.
  - ⇒ \$7.4 million for higher-than-budgeted 1% cap cost in FY 2015.
  - ⇒ \$82.2 million for 1.4% student growth, for a total student count of 1,097,260.
  - ⇒ \$22.5 million for higher average cost per pupil due to special education and charter growth.
  - ⇒ \$87.0 million for a 1.59% inflation adjustment of per pupil base level, transportation and charter additional assistance.
  - ⇒ \$(36.8) million for an increase in property tax collections due to new construction.
  - ⇒ \$26.0 million for higher Homeowner’s Rebate due to enacted property tax reductions.
  - ⇒ \$(24.5) million for charter school conversions.
  - ⇒ \$3.2 million for new voter-approved Yuma County JTED.
- If the Superior Court ruling on the K-12 inflation litigation is upheld, ADE’s budget would increase by another \$332.0 million in FY 2015 and \$336.7 million in FY 2016. The Superior Court has held that the K-12 formula is to be adjusted for any foregone inflation payments between FY 2009 and FY 2013.

#### **School Facilities Board**

- SFB General Fund spending would increase by \$2.1 million, or 1.1%, including \$2.2 million for increased debt service associated with past lease-purchase agreements.
- The cost of new school construction is projected to decrease by \$(91,600).

#### **Universities**

- The Universities’ General Fund spending would decrease by \$(2.5) million, or (0.3)%, for previously appropriated adjustments from the refinancing of the lease-purchase payments for research infrastructure.
- Total university enrollment is expected to be 151,866 full-time equivalent students in FY 2016, or 3.6% above FY 2015.

### **Community Colleges**

- Community College General Fund spending would decrease by \$(1.3) million, or (1.8)%, due to statutory changes.
- FY 2014 enrollment decreased by (5,832) full-time equivalent students, or (4.4)%, for a total enrollment of 128,085.

### **Health and Welfare**

#### **Medicaid Agencies**

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

#### **AHCCCS**

- AHCCCS' General Fund spending would decrease by \$(2.1) million, or (0.2)%, including:
  - ⇒ \$13.3 million for formula adjustments, including a 2% enrollment increase.
  - ⇒ \$(15.3) million in mandatory expansion adjustments, primarily due to a lower-than-expected child expansion enrollment and an enhanced federal match rate.
  - ⇒ The hospital assessment continues to fund the state AHCCCS costs of the Proposition 204 population and Adult Expansion.
- AHCCCS enrollment is projected to grow to 1.67 million by June 2016. This level represents a caseload increase of 33,467, or 2.0%, above June 2015.

#### **Department of Child Safety**

- DCS General Fund spending would decrease by \$(9.9) million, or (2.7)%, including:
  - ⇒ \$4.0 million for preventive services funding.
  - ⇒ \$(10.7) million to remove one-time FY 2015 funding related to the backlog of 60-day non-active cases.
  - ⇒ \$1.0 million to shift DCS-related funding from the Attorney General's budget to DCS.
  - ⇒ \$(1.5) million to remove one-time equipment funding for staff added in FY 2015.
  - ⇒ \$(3.0) million to remove one-time funding used to pay off a portion of the deferral.
- Main Baseline changes were based on the Executive's May 2014 Special Session proposal and the Legislature's 3-year spending plan. The Baseline also removes \$(25.0) million in one-time funding to the Arizona Department of Administration (ADOA) for costs associated with the establishment of DCS.

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

- DHS General Fund spending would increase by \$8.9 million, or 1.5%, including:
  - ⇒ \$10.2 million for formula adjustments, including a 2% enrollment increase.
  - ⇒ \$(1.3) million for the elimination of one-time funding for the Alzheimer's Disease Research line item.

#### **Department of Economic Security**

- DES General Fund spending would increase by \$22.3 million, or 4.7%, including:
  - ⇒ \$22.8 million for formula adjustments, including a 4.5% enrollment and 3% capitation rate increase in FY 2016.
  - ⇒ \$(500,000) for removal of one-time Homeless Capital Grant funding.

### **Criminal Justice/Public Safety**

#### **Department of Corrections**

- ADC General Fund spending would increase by \$7.5 million, or 0.8%, including:
  - ⇒ \$7.2 million for annualizing the costs of the 500 private medium-security beds that opened January 1, 2015.
  - ⇒ \$343,900 for annualizing the costs for the 500 maximum-security beds opened in early December 2014.
- The total public and private population is projected to be 43,693, or a growth of 960 inmates above FY 2015. ADC would have a permanent bed shortfall of (5,512) in June 2016. The shortfall would be offset with the availability of 5,478 temporary beds.

#### **Judiciary**

- Judiciary General Fund spending would decrease by \$(500,000), or (0.5)%, to eliminate one-time funding.

#### **Department of Public Safety**

- DPS General Fund spending would decrease by \$(750,000), or (0.8)%, to remove one-time funding for the operating costs of the Arizona Counter Terrorism Information Center (ACTIC).

## 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 deletes a one-time extra allocation of \$500,000 to Graham County.
- The Baseline includes a decrease of \$(3.3) million, or (0.5)%, for lower urban revenue sharing payments to city governments. Total funding would be \$605.6 million.

## General Government

### **Automation**

- The Baseline includes \$20.1 million for large-scale automation projects. Of this amount, \$16.3 million is financed from the General Fund and \$3.8 million is financed from Other Funds. The \$20.1 million FY 2016 amount includes the following:
  - ⇒ \$9.2 million for the final year of a 4-year project to replace the state's financial and accounting system.
  - ⇒ \$2.2 million for technology projects and project management at ADOA.
  - ⇒ \$7.0 million for ADE's IT project, the Education Learning and Accountability System (ELAS).
  - ⇒ \$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.
  - ⇒ \$21 million of DES payments and \$11 million of DCS payments.

### **Reversions**

- The Baseline assumes projected reversions at \$(85.0) million. (Reversions are unspent appropriations.)
- FY 2016 Administrative Adjustments are forecast to be \$60.0 million.

### **FY 2015 General Fund Supplementals**

- The Baseline includes a net decline of \$(7.0) million for FY 2015 adjustments, including:
  - ⇒ \$(33.2) million as a one-time ex-appropriation associated with a Medicaid surplus in AHCCCS.
  - ⇒ \$8.7 million for additional funding associated with a Medicaid shortfall in DHS.
  - ⇒ \$(9.4) million as a one-time ex-appropriation associated with a School Facilities Board refinancing agreement.
  - ⇒ \$64,200 for the Land Department's Central Arizona Project payments.
  - ⇒ \$2.9 million for ADE costs associated with the Transwestern property tax settlement.
  - ⇒ \$23.9 million for additional funding for ADE state aid shortfall.

## State Employee Issues

### **FTE Positions**

- The Baseline increases the Full-Time Equivalent (FTE) ceiling by 45.2 Positions in FY 2016. The Department of Economic Security is adding 47.1 FTE Positions due to Developmental Disabilities caseload growth in FY 2016. The DES base has been adjusted for 207 existing positions that were previously covered by vacant Department of Child Safety positions.
- These adjustments would bring the total appropriated FTE Position ceiling to 50,732.9.

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

- In the Arizona State Retirement System, both employer and employee contribution rates will decrease from 11.60% to 11.47%.
- Employer and employee retirement contribution rates will increase in the Public Safety Personnel Retirement System (PSPRS) and the Corrections Officer Retirement Plan (CORP).
  - ⇒ The employer contribution rate increases in PSPRS and CORP are primarily due to the *Fields v. Elected Officials' Retirement Plan* litigation, which restored the prior formula for permanent benefit increases. To diminish the immediate fiscal impact of these increases, the PSPRS Board of Trustees has adopted a policy allowing employers to choose to pay the full contribution amount calculated by plan actuaries (which includes the immediate impact of the *Fields* ruling) or a reduced rate (phased-in rate) that gradually increases to the actuarial rate by FY 2018.
  - ⇒ In PSPRS, the FY 2016 increase in the aggregate employer contribution rate would be either 2.1% or 8.8%, depending on whether a phased-in or full contribution rate is selected; the employee contribution rates will increase by up to 0.6% as part of prior-year retirement legislation.

- ⇒ In CORP, the FY 2016 increase in the aggregate employer contribution rate would be either 0.6% or 3.8%, depending on whether a phased-in or full contribution rate is selected; the employee contribution rates will remain same.
- In the Elected Officials' Retirement Plan, both employer and employee contribution rates will remain the same as the rates are fixed in statute. Given the *Fields* ruling, the higher cost requirements would leave the EORP Fund depleted in 22 years.
  - If the Legislature chooses to fund the FY 2016 employer contribution rate changes, there are at least 2 budget scenarios. In Scenario 1, the employer contribution rate increase for PSPRS and CORP would be phased-in, costing the General Fund \$2.3 million (\$2.8 million Total State Funds) in FY 2016. In Scenario 2, the employer contribution rate for PSPRS and CORP would be increased to the full actuarial rate and the employer contribution rate for EORP would also be increased, costing the General Fund \$20.7 million (\$32.2 million Total State Funds) in FY 2016. The Baseline does not include funding for the employer share of these rate adjustments 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 opened beds in December 2014.
- The Baseline includes no adjustment for lease-purchase and privatized lease-to-own payments changes, and also includes no adjustment for rent charges. All changes will be funded from existing agency appropriations and will have no corresponding change in agency funding levels.

## FY 2016 GENERAL FUND SUMMARY BY AGENCY

	FY 2015 Estimate	FY 2016 Baseline	FY 2016 Baseline - FY 2015
<b><u>BUDGET UNITS</u></b>			
Administration, Arizona Department of	\$11,193,000	\$11,193,000	\$0
Administration, Arizona Department of Automation Projects Fund	35,500,000	16,302,000	(19,198,000)
Administration, Arizona Department of - Department of Child Safety	25,000,000	0	(25,000,000)
Administrative Hearings, Office of	862,500	862,500	0
African-American Affairs, Arizona Commission of	125,000	125,000	0
Agriculture, Arizona Department of	8,323,000	8,124,600	(198,400)
AHCCCS	1,274,403,200	1,272,328,700	(2,074,500)
Attorney General - Department of Law	23,465,100	22,465,100	(1,000,000)
Charter Schools, State Board for	994,700	994,700	0
Child Safety, Department of	361,005,400	351,132,600	(9,872,800)
Commerce Authority, Arizona	31,800,000	31,500,000	(300,000)
Community Colleges, Arizona	71,906,400	70,634,600	(1,271,800)
Corporation Commission	610,500	609,900	(600)
Corrections, State Department of	996,845,600	1,004,386,800	7,541,200
County Funding	7,650,500	7,150,500	(500,000)
Deaf and the Blind, Schools for the	22,497,900	21,802,100	(695,800)
Economic Security, Department of	479,290,300	501,618,300	22,328,000
Education, Department of	3,808,392,700	3,989,558,900	181,166,200
Emergency and Military Affairs, Dept of	13,044,400	9,169,000	(3,875,400)
Environmental Quality, Department of	7,000,000	7,000,000	0
Equal Opportunity, Governor's Office of	188,600	188,600	0
Equalization, State Board of	641,800	641,800	0
Executive Clemency, Board of	958,600	958,600	0
Financial Institutions, State Department of	3,020,200	3,020,200	0
Fire, Building and Life Safety, Department of	2,205,300	2,205,300	0
Forester, State	9,103,800	8,946,800	(157,000)
Geological Survey, Arizona	941,700	941,700	0
Governor, Office of the	6,920,100	6,920,100	0
Gov's Ofc of Strategic Planning and Budgeting	1,994,000	1,994,000	0
Health Services, Department of	613,362,100	622,273,500	8,911,400
Historical Society, Arizona	3,156,000	3,156,000	0
Historical Society, Prescott	826,300	826,300	0
Independent Redistricting Commission	1,115,300	1,115,300	0
Indian Affairs, Arizona Commission of	56,900	56,900	0
Insurance, Department of	5,366,700	5,366,700	0
Judiciary			
Supreme Court	16,012,900	18,893,500	2,880,600
Court of Appeals	14,380,200	14,380,200	0
Superior Court	80,102,500	76,721,900	(3,380,600)
SUBTOTAL - Judiciary	110,495,600	109,995,600	(500,000)
Juvenile Corrections, Department of	44,165,900	44,165,900	0
Land Department, State	12,509,800	12,574,000	64,200
Legislature			
Auditor General	18,246,400	17,996,400	(250,000)
House of Representatives	13,372,200	13,372,200	0
Joint Legislative Budget Committee	2,493,000	2,493,000	0
Legislative Council	8,248,900	8,248,900	0
Senate	8,283,800	8,283,800	0
SUBTOTAL - Legislature	50,644,300	50,394,300	(250,000)
Mine Inspector, State	1,215,600	1,215,600	0
Navigable Stream Adjudication Commission	129,200	129,200	0
Nursing, State Board of	150,000	0	(150,000)
Parks Board, Arizona State	500,000	0	(500,000)
Pioneers' Home, Arizona	1,603,400	1,603,400	0
Postsecondary Education, Commission for	1,396,800	1,396,800	0
Public Safety, Department of	89,324,900	88,574,900	(750,000)
Public Safety Personnel Retirement System	6,000,000	6,000,000	0
Racing, Arizona Department of	2,029,500	2,029,500	0
Radiation Regulatory Agency	1,468,900	773,600	(695,300)

	FY 2015 Estimate	FY 2016 Baseline	FY 2016 Baseline - FY 2015
Real Estate Department, State	2,989,700	2,989,700	0
Revenue, Department of	48,139,400	48,139,400	0
School Facilities Board	189,358,400	191,499,700	2,141,300
Secretary of State	15,027,800	15,027,800	0
Tax Appeals, State Board of	265,600	265,600	0
Tourism, Office of	9,103,700	7,103,700	(2,000,000)
Transportation, Department of	50,400	50,400	0
Treasurer, State	1,205,100	1,205,100	0
Universities			
Board of Regents	21,928,400	21,928,400	0
Arizona State University - Tempe/DPC	290,104,300	287,581,000	(2,523,300)
Arizona State University - East Campus	25,853,400	25,853,400	0
Arizona State University - West Campus	33,328,100	33,328,100	0
Northern Arizona University	118,281,200	118,282,900	1,700
University of Arizona - Main Campus	209,341,200	209,341,600	400
University of Arizona - Health Sciences Center	69,585,300	69,585,300	0
SUBTOTAL - Universities	<u>768,421,900</u>	<u>765,900,700</u>	<u>(2,521,200)</u>
Veterans' Services, Department of	5,438,300	5,645,400	207,100
Water Infrastructure Finance Authority	1,000,000	0	(1,000,000)
Water Resources, Department of	13,330,300	13,330,300	0
Weights and Measures, Department of	1,475,700	1,407,700	(68,000)
<b>OPERATING BUDGET TOTAL</b>	<u>\$9,207,207,800</u>	<u>9,356,988,400</u>	<u>149,780,600</u>
FY 2015 Supplemental/Ex-Appropriation <sup>1/</sup>	(6,996,800)	0	6,996,800
Capital Outlay Projects	41,631,100 <sup>2/</sup>	0	(41,631,100)
Debt Service Payments	84,123,700	84,114,600	(9,100)
Civic Center Debt Service	20,449,000	20,449,000	0
Rio Nuevo Distribution	10,000,000 <sup>3/</sup>	10,000,000 <sup>3/</sup>	0
Administrative Adjustments	80,000,000	60,000,000	(20,000,000)
Revertments	<u>(80,000,000)</u>	<u>(85,000,000)</u>	<u>(5,000,000)</u>
<b>GRAND TOTAL</b>	<u><u>\$9,356,414,800</u></u>	<u><u>\$9,446,552,000</u></u>	<u><u>\$90,137,200</u></u>

<sup>1/</sup> Please see page S-27 for individual agency detail.

<sup>2/</sup> Includes \$17,431,100 in FY 2015 for the Department of Administration for 500 maximum-security Department of Corrections beds. This amount is from the \$50,000,000 total originally appropriated to the Department of Corrections in FY 2013 and FY 2014, as Laws 2012, Chapter 295 made this amount available until completion of the project.

<sup>3/</sup> In prior years, distributions of monies to the Rio Nuevo Multipurpose Facility District were accounted for as a reduction of state Transaction Privilege Tax revenue. Beginning with the FY 2016 Baseline, these payments will instead be displayed as a state expenditure.



## FY 2016 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	FY 2015 Estimate	FY 2016 Baseline	FY 2016 Baseline - FY 2015
<b><u>BUDGET UNITS</u></b>			
Accountancy, State Board of			
Board of Accountancy Fund	\$1,936,800	\$1,936,800	\$0
Acupuncture Board of Examiners			
Acupuncture Board of Examiners Fund	154,700	154,700	0
Administration, Arizona Department of			
Air Quality Fund	927,100	927,100	0
Automation Operations Fund	22,020,700 <sup>1/</sup>	22,020,700	0
Capital Outlay Stabilization Fund	18,080,400	18,080,400	0
Corrections Fund	574,100	574,100	0
Federal Surplus Materials Revolving Fund	464,100	464,100	0
Information Technology Fund	3,238,100	3,238,100	0
Motor Vehicle Pool Revolving Fund	10,156,100	10,156,100	0
Personnel Division Fund	12,914,000	12,914,000	0
Risk Management Revolving Fund	91,995,400	91,995,400	0
Special Employee Health Insurance Trust Fund	5,267,400	5,267,400	0
State Surplus Materials Revolving Fund	2,399,800	2,399,800	0
State Web Portal Fund	4,250,000	4,250,000	0
Telecommunications Fund	1,855,000	1,855,000	0
Total - Arizona Department of Administration	174,142,200	174,142,200	0
Administration, Arizona Department of -			
Automation Projects Fund	70,034,700	20,052,000	(49,982,700)
Administrative Hearings, Office of			
Healthcare Group Fund	12,300	12,300	0
AHCCCS			
Budget Neutrality Compliance Fund	3,384,400	3,482,900	98,500
Children's Health Insurance Program Fund	6,649,800	8,780,700	2,130,900
Prescription Drug Rebate Fund - State	79,035,000	83,778,100	4,743,100
Tobacco Products Tax Fund			
Emergency Health Services Account	18,202,400	17,331,400	(871,000)
Tobacco Tax and Health Care Fund			
Medically Needy Account	34,178,800	31,180,000	(2,998,800)
Total - AHCCCS	141,450,400	144,553,100	3,102,700
Appraisal, State Board of			
Board of Appraisal Fund	861,800	821,800	(40,000)
Arts, Arizona Commission on the			
Budget Stabilization Fund	1,000,000	0	(1,000,000)
Athletic Training, Board of			
Athletic Training Fund	118,200	118,200	0
Attorney General - Department of Law			
Antitrust Enforcement Revolving Fund	244,300	244,300	0
Attorney Gen'l Legal Svcs Cost Allocation Fund	2,087,600	2,087,600	0
Collection Enforcement Revolving Fund	6,888,200	6,888,200	0
Consumer Protection-Consumer Fraud Rev. Fund	5,306,800	5,306,800	0
Interagency Service Agreements Fund	14,830,300	14,830,300	0
Risk Management Revolving Fund	9,443,000	9,443,000	0
State Aid to Indigent Defense Fund	800,100	800,100	0
Victims' Rights Fund	3,758,600	3,758,600	0
Total - Attorney General - Department of Law	43,358,900	43,358,900	0
Automobile Theft Authority			
Automobile Theft Authority Fund	5,297,800	5,297,800	0
Barbers, Board of			
Board of Barbers Fund	333,900	333,900	0
Behavioral Health Examiners, Board of			
Board of Behavioral Health Examiners Fund	1,758,600	1,758,600	0
Child Safety, Department of			
Child Abuse Prevention Fund	1,459,100	1,459,100	0
Children and Family Services Training Program Fund	207,700	207,700	0
Federal Child Care and Development Fund			

	FY 2015 Estimate	FY 2016 Baseline	FY 2016 Baseline - FY 2015
Block Grant	27,000,000	27,000,000	0
Federal Temporary Assistance for Needy Families Block Grant	132,000,400	132,000,400	0
Total - Department of Child Safety	160,667,200	160,667,200	0
Chiropractic Examiners, State Board of Board of Chiropractic Examiners Fund	450,600	450,600	0
Contractors, Registrar of Registrar of Contractors Fund	12,196,700	12,196,700	0
Corporation Commission Arizona Arts Trust Fund	50,100	50,100	0
Investment Management Regulatory and Enforcement Fund	715,700	715,700	0
Public Access Fund	6,622,200	6,567,200	(55,000)
Securities Regulatory and Enforcement Fund	5,569,200	4,919,200	(650,000)
Utility Regulation Revolving Fund	14,221,800	14,221,800	0
Total - Corporation Commission	27,179,000	26,474,000	(705,000)
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	13,684,400	13,684,400	0
State Charitable, Penal and Reformatory Institutions Land Fund	360,000	360,000	0
State Education Fund for Correctional Education	516,300	670,100	153,800
Transition Program Fund	1,300,000	1,300,000	0
Total - State Department of Corrections	44,911,900	45,065,700	153,800
Cosmetology, Board of Board of Cosmetology Fund	1,785,000	1,785,000	0
Criminal Justice Commission, Arizona Criminal Justice Enhancement Fund	650,100	650,100	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	5,955,100	5,955,100	0
Deaf and the Blind, Arizona Schools for the Schools for the Deaf and the Blind Fund	12,590,200	11,590,200	(1,000,000)
Deaf and the Hard of Hearing, Comm. for the Telecommunication Fund for the Deaf	4,021,200	3,801,200	(220,000)
Dental Examiners, State Board of Dental Board Fund	1,215,100	1,215,100	0
Economic Security, Department of Child Support Enforcement Administration Fund	16,802,200	16,802,200	0
Domestic Violence Shelter Fund	2,220,000	2,220,000	0
Federal Child Care and Development Fund Block Grant	103,773,600	103,773,600	0
Federal Temporary Assistance for Needy Families Block Grant	86,727,700	86,727,700	0
Long Term Care System Fund	31,225,400	31,225,400	0
Public Assistance Collections Fund	427,200	427,200	0
Special Administration Fund	2,830,600	2,830,600	0
Spinal and Head Injuries Trust Fund	1,874,900	1,874,900	0
Statewide Cost Allocation Plan Fund	1,000,000	1,000,000	0
Workforce Investment Act Grant	56,060,800	56,060,800	0
Total - Department of Economic Security	302,942,400	302,942,400	0
Education, Department of Department of Education Empowerment Scholarship Account Fund	200,100	200,100	0
Permanent State School Fund	46,475,500	47,359,500	884,000
Proposition 301 Fund	7,000,000	7,000,000	0
Student Success Fund	21,500,000	21,500,000	0
Technology-Based Language Development and Literacy Intervention Fund	300,000	246,800	(53,200)
Teacher Certification Fund	2,360,500	2,360,500	0
Total - Department of Education	77,836,100	78,666,900	830,800

	FY 2015 Estimate	FY 2016 Baseline	FY 2016 Baseline - FY 2015
Emergency and Military Affairs, Dept of			
Emergency Response Fund	132,700	132,700	0
Environmental Quality, Department of			
Air Permits Administration Fund	7,145,300	7,145,300	0
Air Quality Fund	5,377,200	5,377,200	0
Emissions Inspection Fund	28,392,900	26,592,900	(1,800,000)
Hazardous Waste Management Fund	1,743,000	1,743,000	0
Indirect Cost Recovery Fund	13,410,100	13,410,100	0
Recycling Fund	1,359,700	1,359,700	0
Solid Waste Fee Fund	1,243,000	1,243,000	0
Underground Storage Tank Fund Revolving Fund	22,000	22,000	0
Water Quality Fee Fund	10,548,600	10,548,600	0
Total - Department of Environmental Quality	69,241,800	67,441,800	(1,800,000)
Exposition and State Fair Board, Arizona			
Arizona Exposition and State Fair Fund	11,620,800	11,620,800	0
Financial Institutions, Department of			
Financial Services Fund	1,247,400	1,237,400	(10,000)
Funeral Directors and Embalmers, Board of			
Board of Funeral Directors' and Embalmers' Fund	353,700	353,700	0
Game and Fish Department, Arizona			
Capital Improvement Fund	999,700	999,700	0
Game and Fish Fund	34,545,900	34,545,900	0
Game, Nongame, Fish and Endangered Species Fund	346,800	346,800	0
Watercraft Licensing Fund	4,565,800	4,565,800	0
Waterfowl Conservation Fund	0	0	0
Wildlife Endowment Fund	16,000	16,000	0
Total - Arizona Game and Fish Department	40,474,200	40,474,200	0
Gaming, Department of			
Tribal-State Compact Fund	2,104,900	2,104,900	0
State Lottery Fund	300,000	300,000	0
Arizona Benefits Fund	11,111,300	11,111,300	0
Total - Department of Gaming	13,516,200	13,516,200	0
Health Services, Department of			
Arizona State Hospital Fund	9,588,600	9,588,600	0
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	5,122,400	5,122,400	0
Environmental Laboratory Licensure Revolving Fund	927,100	927,100	0
Federal Child Care and Development Fund Block Grant	879,400	879,400	0
Health Services Licensing Fund	9,275,100	9,275,100	0
Indirect Cost Fund	8,573,500	8,573,500	0
Newborn Screening Program Fund	6,739,600	6,739,600	0
Nursing Care Institution Resident Protection Revolving Fund	88,200	38,200	(50,000)
Substance Abuse Services Fund	2,250,000	2,250,000	0
Tobacco Tax and Health Care Fund Health Research Account	3,000,000	3,000,000	0
Tobacco Tax and Health Care Fund Medically Needy Account	35,467,000	35,467,000	0
Vital Records Electronic Systems Fund	3,635,500	3,635,500	0
Total - Department of Health Services	87,851,000	87,801,000	(50,000)
Homeopathic and Integrated Medicine Examiners, Board of			
Board of Homeopathic and Integrated Medicine Examiners' Fund	102,100	102,100	0
Housing, Department of			
Housing Trust Fund	314,600	314,600	0
Industrial Commission of AZ			
Administrative Fund	19,994,800	19,994,800	0
Judiciary - Supreme Court			
Confidential Intermediary and Fiduciary Fund	488,200	488,200	0
Court Appointed Special Advocate Fund	2,941,100	2,941,100	0

	FY 2015 Estimate	FY 2016 Baseline	FY 2016 Baseline - FY 2015
Criminal Justice Enhancement Fund	3,004,800	4,358,200	1,353,400
Defensive Driving School Fund	4,194,700	4,194,700	0
Judicial Collection Enhancement Fund	14,002,400	14,002,400	0
State Aid to the Courts Fund	2,944,600	2,944,600	0
Total - Judiciary - Supreme Court	27,575,800	28,929,200	1,353,400
Judiciary - Superior Court			
Criminal Justice Enhancement Fund	7,002,200	5,648,800	(1,353,400)
Judicial Collection Enhancement Fund	6,029,200	6,029,200	0
Drug Treatment and Education Fund	500,200	500,200	0
Total - Judiciary - Superior Court	13,531,600	12,178,200	(1,353,400)
SUBTOTAL - Judiciary	41,107,400	41,107,400	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	2,313,700	1,612,600	(701,100)
Total - Department of Juvenile Corrections	3,942,900	3,241,800	(701,100)
Land Department, State			
Due Diligence Fund	500,000	500,000	0
Environmental Special Plate Fund	260,000	260,000	0
Trust Land Management Fund	4,862,500	3,662,500	(1,200,000)
Total - State Land Department	5,622,500	4,422,500	(1,200,000)
Liquor Licenses and Control, Department of			
Liquor Licenses Fund	3,589,200	2,962,500	(626,700)
Lottery Commission, Arizona State			
State Lottery Fund	103,731,300	108,886,800	5,155,500
Massage Therapy, Board of			
Board of Massage Therapy Fund	438,700	438,700	0
Medical Board, Arizona			
Arizona Medical Board Fund	5,740,300	5,740,300	0
Mine Inspector, State			
Aggregate Mining Reclamation Fund	112,500	112,500	0
Naturopathic Physicians Medical Board			
Naturopathic Physicians Medical Board Fund	177,600	177,600	0
Nursing, State Board of			
Board of Nursing Fund	4,272,100	4,422,100	150,000
Nursing Care Institution Administrators Board			
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	420,300	420,300	0
Occupational Therapy Examiners, Board of			
Occupational Therapy Fund	184,200	172,600	(11,600)
Opticians, State Board of Dispensing			
Board of Dispensing Opticians Fund	135,800	135,800	0
Optometry, State Board of			
Board of Optometry Fund	206,100	206,100	0
Osteopathic Examiners, Arizona Board of			
Board of Osteopathic Examiners Fund	801,700	801,700	0
Parks Board, Arizona State			
State Parks Revenue Fund	12,842,100	12,842,100	0
Personnel Board, State			
Personnel Board Subaccount of the Personnel Division Fund	375,000	375,000	0
Pest Management, Office of			
Pest Management Fund	1,700,500	1,700,500	0
Pharmacy, Arizona State Board of			
Arizona State Board of Pharmacy Fund	2,053,900	2,017,600	(36,300)
Physical Therapy, Board of			
Board of Physical Therapy Fund	408,000	408,000	0
Pioneers' Home, Arizona			
Miners' Hospital Fund	2,080,100	2,050,600	(29,500)
State Charitable Fund	2,578,000	2,578,000	0
Total - Arizona Pioneers' Home	4,658,100	4,628,600	(29,500)
Podiatry Examiners, State Board of			
Podiatry Fund	147,300	147,300	0
Postsecondary Education, Commission for			

	FY 2015 Estimate	FY 2016 Baseline	FY 2016 Baseline - FY 2015
Postsecondary Education Fund	1,535,400	1,535,400	0
Private Postsecondary Education, Board for			
Board for Private Postsecondary Education			
Fund	395,700	395,700	0
Psychologist Examiners, State Board of			
Board of Psychologist Examiners Fund	413,600	389,800	(23,800)
Public Safety, Department of			
Arizona Deoxyribonucleic Acid Identification			
System Fund	6,323,200	6,323,200	0
Arizona Highway Patrol Fund	19,024,300	19,024,300	0
AZ Automated Fingerprint Identification System Fund	2,909,700	2,909,700	0
Automation Operations Fund	296,200	296,200	0
Concealed Weapons Permit Fund	1,276,400	1,276,400	0
Crime Laboratory Assessment Fund	871,300	871,300	0
Crime Laboratory Operations Fund	14,723,800	14,723,800	0
Criminal Justice Enhancement Fund	2,873,400	2,873,400	0
GIITEM Border Security and Law			
Enforcement Subaccount	2,390,000	2,390,000	0
Highway User Revenue Fund	89,255,000	89,255,000	0
Motorcycle Safety Fund	205,000	205,000	0
Parity Compensation Fund	1,950,100	1,950,100	0
Public Safety Equipment Fund	2,890,000	2,890,000	0
Risk Management Revolving Fund	1,233,700	1,233,700	0
Safety Enforcement and Transportation			
Infrastructure Fund	1,566,300	1,566,300	0
State Aid to Indigent Defense Fund	700,000	700,000	0
State Highway Fund	6,743,900	6,743,900	0
Total - Department of Public Safety	155,232,300	155,232,300	0
Racing, Arizona Department of			
Racing Regulation Fund	2,900,700	2,900,700	0
Radiation Regulatory Agency			
State Radiologic Technologist Certification			
Fund	273,400	273,400	0
Radiation Regulatory Fee Fund	579,800	579,800	0
Total - Radiation Regulatory Agency	853,200	853,200	0
Residential Utility Consumer Office			
Residential Utility Consumer Office			
Revolving Fund	1,337,800	1,337,800	0
Respiratory Care Examiners, Board of			
Board of Respiratory Care Examiners Fund	297,200	297,200	0
Retirement System, Arizona State			
Long-Term Disability Trust Fund Administration			
Account	2,800,000	2,800,000	0
Arizona State Retirement System Administration			
Account	26,494,700	24,280,200	(2,214,500)
Total - Arizona State Retirement System	29,294,700	27,080,200	(2,214,500)
Revenue, Department of			
Department of Revenue Administrative Fund	24,436,800	24,436,800	0
Liability Setoff Revolving Fund	397,300	397,300	0
Tobacco Tax and Health Care Fund	679,500	679,500	0
Total - Department of Revenue	25,513,600	25,513,600	0
Secretary of State			
Election Systems Improvement Fund	2,941,100	2,941,100	0
Records Services Fund	741,300	741,300	0
Total - Secretary of State	3,682,400	3,682,400	0
State Boards' Office			
Special Services Revolving Fund	231,100	231,100	0
Technical Registration, State Board of			
Technical Registration Fund	2,124,600	2,124,600	0
Transportation, Department of			
Air Quality Fund	74,500	74,500	0
Driving Under the Influence Abatement Fund	153,900	153,900	0
Highway User Revenue Fund	651,800	651,800	0
Motor Vehicle Liability Insurance			
Enforcement Fund	1,087,100	1,087,100	0
Safety Enforcement and Transportation			

	FY 2015 Estimate	FY 2016 Baseline	FY 2016 Baseline - FY 2015
Infrastructure Fund	1,881,000	1,881,000	0
State Aviation Fund	1,624,900	1,624,900	0
State Highway Fund	340,869,900	340,869,900	0
Transportation Department Equipment Fund	18,507,000	18,507,000	0
Vehicle Inspection and Title Enforcement Fund	1,464,600	1,464,600	0
Total - Department of Transportation	366,314,700	366,314,700	0
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	2,584,300	2,584,300	0
State Treasurer's Management Fund	197,600	197,600	0
Total - State Treasurer	5,005,700	5,005,700	0
Universities			
Arizona State University - Tempe/DPC			
University Collections Fund	516,830,500 <sup>3/</sup>	516,830,500	0
Arizona State University - East Campus			
University Collections Fund	29,509,500 <sup>3/</sup>	29,509,500	0
Technology and Research Initiative Fund	2,000,000	2,000,000	0
Total - Arizona State University - East Campus	31,509,500	31,509,500	0
Arizona State University - West Campus			
University Collections Fund	40,975,500 <sup>3/</sup>	40,975,500	0
Technology and Research Initiative Fund	1,600,000	1,600,000	0
Total - Arizona State University - West Campus	42,575,500	42,575,500	0
Northern Arizona University			
University Collections Fund	132,857,500 <sup>3/</sup>	132,857,500	0
University of Arizona - Main Campus			
University Collections Fund	301,560,300 <sup>3/</sup>	301,560,300	0
University of Arizona - Health Sciences Center			
University Collections Fund	43,434,900 <sup>3/</sup>	43,434,900	0
SUBTOTAL - Universities	1,068,768,200	1,068,768,200	0
Veterans' Services, Department of			
State Veterans' Conservatorship Fund	906,600	906,600	0
State Home for Veterans' Trust Fund	31,095,000	31,095,000	0
Total - Department of Veterans' Services	32,001,600	32,001,600	0
Veterinary Medical Examining Board			
Veterinary Medical Examining Board Fund	577,300	546,800	(30,500)
Water Resources, Department of			
Assured and Adequate Water Supply Admin Fund	266,500	266,500	0
Water Resources Fund	640,400	640,400	0
Total - Department of Water Resources	906,900	906,900	0
Weights and Measures, Department of			
Air Quality Fund	1,443,200	1,443,200	0
Motor Vehicle Liability Insurance Enf. Fund	330,100	330,100	0
Total - Department of Weights and Measures	1,773,300	1,773,300	0
<b>OPERATING BUDGET TOTAL</b>	<b>\$3,228,887,600</b>	<b>\$3,178,598,700</b>	<b>(\$50,288,900)</b>
Unallocated ASRS Retirement Adjustment	314,700	0	(314,700)
Capital	256,649,800	279,417,500	22,767,700
<b>GRAND TOTAL</b>	<b>\$3,485,852,100</b>	<b>\$3,458,016,200</b>	<b>(\$27,835,900)</b>

<sup>1/</sup> Pursuant to a FY 2015 General Appropriation Act footnote, ADOA reported to the JLBC in September 2014 the intent to expend Automation Operations Fund revenues in excess of \$19,108,000. ADOA reported increasing the appropriation authority for the Automation Operations Fund by \$2.9 million in FY 2015 for a total of \$22.0 million.

<sup>2/</sup> Revised Lottery forecast.

<sup>3/</sup> Reflects tuition collections receipts above the amount appropriated by the Legislature in FY 2015. A footnote in the FY 2015 General Appropriation Act appropriated any tuition collections receipts above the appropriated amount to the university.

## DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

	FY 2015 GF Current	FY 16 Baseline 1/ Above FY 15	FY 2016 GF JLBC Baseline
<b>OPERATING SPENDING CHANGES</b>			
<b>DOA - Arizona Department of Administration</b>	11,193,000		11,193,000
<b>APF - Automation Projects Fund/ADOA</b>	35,500,000		16,302,000
APF - Remove One-Time ADE Automation		(5,000,000)	
APF - Remove One-Time DCS Automation		(5,000,000)	
APF - Remove One-Time ADOA Automation		(9,198,000)	
<b>DOA/DCS - Department of Child Safety/ADOA</b>	25,000,000		0
DOA/DCS - Remove One-Time Funding		(25,000,000)	
<b>OAH - Office of Administrative Hearings</b>	862,500		862,500
<b>AAM - Commission of African-American Affairs</b>	125,000		125,000
<b>AGR - Department of Agriculture</b>	8,323,000		8,124,600
AGR - NEMF Decrease		(198,400)	
<b>AXS - AHCCCS</b>	1,274,403,200		1,272,328,700
AXS - Formula Adjustments		(1,976,000)	
AXS - Statutory Adjustment		(98,500)	
<b>ATT - Attorney General</b>	23,465,100		22,465,100
ATT - Attorney General Realignment		(1,000,000)	
ATT - Tobacco Enforcement Shift (Operating to new SLI)		0	
<b>CHA - State Board for Charter Schools</b>	994,700		994,700
<b>DCS - Department of Child Safety</b>	361,005,400		351,132,600
DCS - Remove One-Time Funding		(15,143,600)	
DCS - Annualize FY 15 Staff Increase		270,800	
DCS - Additional Preventive Services		4,000,000	
DCS - Attorney General Realignment		1,000,000	
<b>ACA - Arizona Commerce Authority</b>	31,800,000		31,500,000
ACA - Remove One-Time Funding		(300,000)	
<b>CCO - Arizona Community Colleges</b>	71,906,400		70,634,600
CCO - Enrollment Changes		(1,813,500)	
CCO - Property Value Changes		541,700	
<b>COR - Corporation Commission</b>	610,500		609,900
COR - Remove One-Time Funding		(600)	
<b>ADC - Department of Corrections</b>	996,845,600		1,004,386,800
ADC - Annualize Maximum Security Beds		343,900	
ADC - Annualize Medium Security Beds		7,197,300	
<b>CF - County Funding</b>	7,650,500		7,150,500
CF - Remove One-Time Funding		(500,000)	
<b>SDB - Arizona State Schools for the Deaf and the Blind</b>	22,497,900		21,802,100
SDB - Remove One-Time Funding		(695,800)	
<b>DES - Department of Economic Security</b>	479,290,300		501,618,300
DES - Remove One-Time Funding		(500,000)	
DES - Formula Adjustments		22,828,000	

	FY 2015 GF Current		FY 16 Baseline 1/ Above FY 15	FY 2016 GF JLBC Baseline
<b>ADE - Arizona Department of Education</b>	3,808,392,700			3,989,558,900
ADE - Base Adjustment			23,907,200	
ADE - Enrollment Growth			82,177,100	
ADE - Higher Average Cost Per Pupil			22,500,000	
ADE - 1.59% Inflation Adjustment			87,040,300	
ADE - Property Taxes from New Construction			(36,778,400)	
ADE - Career Ladder Phase Out			(716,700)	
ADE - Empowerment Scholarship Accounts			700,000	
ADE - Remove One-Time Funding			(25,000,000)	
ADE - Lower Assessment Ratio			26,000,000	
ADE - Endowment Earnings			(884,000)	
ADE - New Voter Approved JTED			3,220,700	
ADE - Special Education Enrollment Reduction			(1,000,000)	
<b>EMA - Department of Emergency &amp; Military Affairs</b>	13,044,400			9,169,000
EMA - NEMF Decrease			(1,375,400)	
EMA - Remove One-Time Funding			(2,500,000)	
<b>DEQ - Department of Environmental Quality</b>	7,000,000			7,000,000
<b>OEO - Governor's Office of Equal Opportunity</b>	188,600			188,600
<b>EQU - State Board of Equalization</b>	641,800			641,800
<b>EXE - Board of Executive Clemency</b>	958,600			958,600
<b>DFI - Dept of Financial Institutions</b>	3,020,200			3,020,200
<b>BFS - Department of Fire, Building &amp; Life Safety</b>	2,205,300			2,205,300
<b>FOR - State Forester</b>	9,103,800			8,946,800
FOR - Remove One-Time Funding			(157,000)	
<b>GEO - Arizona Geological Survey</b>	941,700			941,700
<b>GOV - Office of the Governor</b>	6,920,100			6,920,100
<b>OSP - Gov's Ofc of Strategic Planning &amp; Budgeting</b>	1,994,000			1,994,000
<b>DHS - Department of Health Services</b>	613,362,100			622,273,500
DHS - Formula Adjustments			10,161,400	
DHS - Remove One-Time Funding			(1,250,000)	
<b>AZH - Arizona Historical Society</b>	3,156,000			3,156,000
<b>PAZ - Prescott Historical Society</b>	826,300			826,300
<b>IND - Independent Redistricting Commission</b>	1,115,300			1,115,300
<b>CIA - Arizona Commission of Indian Affairs</b>	56,900			56,900
<b>INS - Department of Insurance</b>	5,366,700			5,366,700
<b>SPA - Judiciary - Supreme Court</b>	16,012,900			18,893,500
SPA - Automation Centralization from Superior Court			2,880,600	
<b>COA - Judiciary - Court of Appeals</b>	14,380,200			14,380,200
<b>SUP - Judiciary - Superior Court</b>	80,102,500			76,721,900
SUP - Shift Automation to Supreme Court			(2,880,600)	
SUP - Eliminate One-Time Funding			(500,000)	
<b>DJC - Department of Juvenile Corrections</b>	44,165,900			44,165,900



	FY 2015 GF Current		FY 16 Baseline 1/ Above FY 15	FY 2016 GF JLBC Baseline
LAN - State Land Department	12,509,800			12,574,000
LAN - Cap Rate Adjustment			64,200	
Legislature				
AUD - Auditor General	18,246,400			17,996,400
AUD - Remove One-Time Funding			(250,000)	
HOU - House of Representatives	13,372,200			13,372,200
JLBC - Joint Legislative Budget Committee	2,493,000			2,493,000
LEG - Legislative Council	8,248,900			8,248,900
SEN - Senate	8,283,800			8,283,800
MIN - State Mine Inspector	1,215,600			1,215,600
NAV - Arizona Navigable Steam Adjudication Comm.	129,200			129,200
NUR - State Board of Nursing	150,000			0
NUR - Fund Shift			(150,000)	
SPB - Arizona State Parks Board	500,000			0
SPB - Remove One-Time Funding			(500,000)	
PIO - Arizona Pioneers' Home	1,603,400			1,603,400
POS - Commission for Postsecondary Education	1,396,800			1,396,800
DPS - Department of Public Safety	89,324,900			88,574,900
DPS - Elimination of One-Time Funding			(750,000)	
PSP - Public Safety Personnel Retirement System	6,000,000			6,000,000
RAC - Arizona Department of Racing	2,029,500			2,029,500
RAD - Radiation Regulatory Agency	1,468,900			773,600
RAD - NEMF Decrease			(695,300)	
REA - State Real Estate Department	2,989,700			2,989,700
REV - Department of Revenue	48,139,400			48,139,400
SFB - School Facilities Board	189,358,400			191,499,700
SFB - New School Construction			(91,600)	
SFB - Lease-Purchase Changes			2,232,900	
SOS - Secretary of State	15,027,800			15,027,800
TAX - State Board of Tax Appeals	265,600			265,600
TOU - Office of Tourism	9,103,700			7,103,700
TOU - Remove One-Time Funding			(2,000,000)	
DOT - Department of Transportation	50,400			50,400
TRE - State Treasurer	1,205,100			1,205,100

	FY 2015 GF Current	FY 16 Baseline 1/ Above FY 15	FY 2016 GF JLBC Baseline
<b>UNI - Universities</b>			
UNI - Arizona Board of Regents	21,928,400		21,928,400
UNI - ASU - Tempe/DPC	290,104,300		287,581,000
UNI - Refinance Savings		(2,523,300)	
UNI - ASU - East Campus	25,853,400		25,853,400
UNI - ASU - West Campus	33,328,100		33,328,100
UNI - Northern Arizona University	118,281,200		118,282,900
UNI - Refinance Adjustment		1,700	
UNI - UA - Main Campus	209,341,200		209,341,600
UNI - Refinance Adjustment		400	
UNI - UA - Health Sciences Center	69,585,300		69,585,300
VSC - Department of Veterans' Services	5,438,300		5,645,400
VSC - New Cemetery Operating Cost		207,100	
WIFA - Water Infrastructure Finance Authority	1,000,000		0
WIFA - Remove One-Time Deposit		(1,000,000)	
WAT - Department of Water Resources	13,330,300		13,330,300
WEI - Department of Weights & Measures	1,475,700		1,407,700
WEI - Remove One-Time Funding		(68,000)	
<b>OTH - Other</b>			
OTH - FY 15 Supplemental/Ex-Appropriation	(6,996,800)	6,996,800	0
OTH - Debt Service Payments	84,123,700	(9,100)	84,114,600
OTH - Civic Center Debt Service	20,449,000	0	20,449,000
OTH - Rio Nuevo Distribution	10,000,000	0	10,000,000
OTH - Administrative Adjustments	80,000,000	(20,000,000)	60,000,000
OTH - Revertments	(80,000,000)	(5,000,000)	(85,000,000)
<b>TOTAL - OPERATING SPENDING CHANGES</b>	<b>9,314,783,700</b>	<b>131,768,300</b>	<b>9,446,552,000</b>
<b>CAPITAL SPENDING</b>			
ADOA - 500 Maximum Security ADC Beds (Enacted)	17,431,100	(17,431,100)	0
ADOA Building Renewal	9,000,000	(9,000,000)	0
ABOR Building Renewal	3,000,000	(3,000,000)	0
DOC Building Renewal	3,000,000	(3,000,000)	0
Veterans' Services - Yuma Facility	9,200,000	(9,200,000)	0
<b>TOTAL - CAPITAL SPENDING</b>	<b>41,631,100</b>	<b>(41,631,100)</b>	<b>0</b>
<b>TOTAL - ALL SPENDING</b>	<b>9,356,414,800</b>	<b>90,137,200</b>	<b>9,446,552,000</b>
<b>REVENUE CHANGES</b>			
REV - Ongoing Revenue	8,576,683,800	197,593,600	8,774,277,400
REV - One-Time Revenue	53,900,000	(60,000,000)	(6,100,000)
REV - Beginning Balance	577,399,200	(577,399,200)	0
<b>TOTAL - REVENUE CHANGES (INCL. FUND TRANSFERS) 2/</b>	<b>9,207,983,000</b>	<b>(439,805,600)</b>	<b>8,768,177,400</b>
<b>ENDING BALANCE</b>	<b>(148,431,800)</b>	<b>(529,942,800)</b>	<b>(678,374,600)</b>

1/ Represents FY 2016 Baseline cost above FY 2015 Baseline estimate.

2/ Represents all revenue changes, including fund transfers.

## DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

	FY 2015 OF <u>1</u> / Current	FY 16 Baseline <u>2</u> / Above FY 15	FY 2016 OF JLBC Baseline
<b>OPERATING SPENDING CHANGES</b>			
SBA - State Board of Accountancy	1,936,800		1,936,800
ACU - Acupuncture Board of Examiners	154,700		154,700
DOA - Arizona Department of Administration	174,142,200		174,142,200
APF - Automation Projects Fund/ADOA	70,034,700		20,052,000
APF - Remove One-Time ADE Automation		(5,000,000)	
APF - Remove One-Time DCS Automation		(5,000,000)	
APF - Remove One-Time ADOA AFIS Automation		(17,331,000)	
APF - Remove One-Time ADOA ASET Funding		(6,851,700)	
APF - Remove One-Time DEQ Automation		(6,800,000)	
APF - Remove One-Time DOR Tobacco Tax Automation		(1,000,000)	
APF - Remove One-Time ADC Automation		(8,000,000)	
OAH - Office of Administrative Hearings	12,300		12,300
AXS - AHCCCS	141,450,400		144,553,100
AXS - Formula Adjustments		3,102,700	
APP - State Board of Appraisal	861,800		821,800
APP - Remove One-Time Funding		(40,000)	
ART - Arizona Commission on the Arts	1,000,000		0
ART - Remove One-Time Funding (BSF)		(1,000,000)	
BAT - Board of Athletic Training	118,200		118,200
ATT - Attorney General	43,358,900		43,358,900
ATA - Automobile Theft Authority	5,297,800		5,297,800
BAR - Board of Barbers	333,900		333,900
BHE - Board of Behavioral Health Examiners	1,758,600		1,758,600
DCS - Department of Child Safety	160,667,200		160,667,200
BCE - State Board of Chiropractic Examiners	450,600		450,600
ROC - Registrar of Contractors	12,196,700		12,196,700
COR - Corporation Commission	27,179,000		26,474,000
COR - Remove One-Time Funding (PAF/SREF)		(705,000)	
ADC - Department of Corrections	44,911,900		45,065,700
ADC - Fund Adjustment (SEFCE)		153,800	
COS - Board of Cosmetology	1,785,000		1,785,000
JUS - Arizona Criminal Justice Commission	5,955,100		5,955,100
SDB - AZ State Schools for the Deaf and the Blind	12,590,200		11,590,200
SDB - Realign ASDB Expenditures with Revenue (ASDB Fund)		(1,000,000)	
HEA - Comm for the Deaf & the Hard of Hearing	4,021,200		3,801,200
HEA - One-Time Modernization of Agency Business Systems		(220,000)	
DEN - Board of Dental Examiners	1,215,100		1,215,100

	FY 2015 OF 1/ Current		FY 16 Baseline 2/ Above FY 15	FY 2016 OF JLBC Baseline
DES - Department of Economic Security	302,942,400			302,942,400
ADE - Arizona Department of Education	77,836,100			78,666,900
ADE - Base Adjustment (Tech Based Lang Dev Literacy Intervention Fund)			(53,200)	
ADE - Endowment Earnings (Perm State School Fund)			884,000	
EMA - Department of Emergency & Military Affairs	132,700			132,700
DEQ - Department of Environmental Quality	69,241,800			67,441,800
DEQ - Remove One-Time Funding (Emissions Insp Fund)			(1,800,000)	
COL - Arizona Exposition and State Fair Board	11,620,800			11,620,800
DFI - Dept of Financial Institutions	1,247,400			1,237,400
DFI - Remove One-Time Funding			(10,000)	
EMB - Board of Funeral Directors and Embalmers	353,700			353,700
FIS - Arizona Game and Fish Department	40,474,200			40,474,200
GAM - Department of Gaming	13,516,200			13,516,200
DHS - Department of Health Services	87,851,000			87,801,000
DHS - Remove One-Time Funding (Nursing Care Resident Protection Fund)			(50,000)	
HOM - Board of Homeopathic & Integrated Medicine Examiners	102,100			102,100
DOH - Department of Housing	314,600			314,600
IND - Industrial Commission	19,994,800			19,994,800
SPA - Judiciary - Supreme Court	27,575,800			28,929,200
SPA - Automation Centralization from Superior Court			1,353,400	
SUP - Judiciary - Superior Court	13,531,600			12,178,200
SUP - Shift Automation to Supreme Court (CJEF/JCEF)			(1,353,400)	
DJC - Department of Juvenile Corrections	3,942,900			3,241,800
DJC - Appropriation Adjustment (Educ Fund for Committed Youth)			(701,100)	
LAN - State Land Department	5,622,500			4,422,500
LAN - Remove One-Time Funding (Trust Land Mgmt Fund)			(1,200,000)	
LIQ - Department of Liquor Licenses & Control	3,589,200			2,962,500
LIQ - Remove One-Time Funding			(626,700)	
LOT - Arizona State Lottery Commission	103,731,300			108,886,800
LOT - Sales Adjustment			5,155,500	
MAS - Board of Massage Therapy	438,700			438,700
MED - Arizona Medical Board	5,740,300			5,740,300
MIN - State Mine Inspector	112,500			112,500
NAT - Naturopathic Physicians Medical Board	177,600			177,600
NUR - State Board of Nursing	4,272,100			4,422,100
NUR - Fund Shift			150,000	
NCI - Nursing Care Inst. Administrators Board	420,300			420,300

	FY 2015 OF 1/ Current		FY 16 Baseline 2/ Above FY 15	FY 2016 OF JLBC Baseline
OCC - Board of Occupational Therapy Examiners	184,200			172,600
OCC - Remove One-Time Funding			(11,600)	
DIS - State Board of Dispensing Opticians	135,800			135,800
OPT - State Board of Optometry	206,100			206,100
OST - Arizona Board of Osteopathic Examiners	801,700			801,700
SPB - Arizona State Parks Board	12,842,100			12,842,100
PER - Personnel Board	375,000			375,000
PES - Office of Pest Management	1,700,500			1,700,500
PHA - Arizona State Board of Pharmacy	2,053,900			2,017,600
PHA - Remove One-time Leave Payout			(36,300)	
PHY - Board of Physical Therapy Examiners	408,000			408,000
PIO - Arizona Pioneers' Home	4,658,100			4,628,600
PIO - Remove One-Time Funding (Miners' Hospital Fund)			(29,500)	
POD - State Board of Podiatry Examiners	147,300			147,300
POS - Commission for Postsecondary Education	1,535,400			1,535,400
PRI - Board for Private Postsecondary Education	395,700			395,700
PSY - State Board of Psychologist Examiners	413,600			389,800
PSY - Remove One-Time Funding			(23,800)	
DPS - Department of Public Safety	155,232,300			155,232,300
RAC - Arizona Department of Racing	2,900,700			2,900,700
RAD - Radiation Regulatory Agency	853,200			853,200
RUC - Residential Utility Consumer Office	1,337,800			1,337,800
RES - Board of Respiratory Care Examiners	297,200			297,200
RET - Arizona State Retirement System	29,294,700			27,080,200
RET - Remove One-Time Funding (ASRS Admin Account)			(2,214,500)	
REV - Department of Revenue	25,513,600			25,513,600
SOS - Secretary of State	3,682,400			3,682,400
SBO - State Boards' Office	231,100			231,100
TEC - State Board of Technical Registration	2,124,600			2,124,600
DOT - Department of Transportation	366,314,700			366,314,700
TRE - State Treasurer	5,005,700			5,005,700
UNI - Universities				
UNI - ASU - Tempe/DPC	516,830,500			516,830,500
UNI - ASU - East Campus	31,509,500			31,509,500
UNI - ASU - West Campus	42,575,500			42,575,500

	FY 2015 OF 1/ Current	FY 16 Baseline 2/ Above FY 15	FY 2016 OF JLBC Baseline
UNI - Northern Arizona University	132,857,500		132,857,500
UNI - UA - Main Campus	301,560,300		301,560,300
UNI - UA - Health Sciences Center	43,434,900		43,434,900
VSC - Department of Veterans' Services	32,001,600		32,001,600
VME - Veterinary Medical Examining Board	577,300		546,800
VME - Remove One-Time Funding		(30,500)	
WAT - Department of Water Resources	906,900		906,900
WEI - Department of Weights & Measures	1,773,300		1,773,300
OTH - Other			
OTH - Unallocated ASRS Retirement Adjustment	314,700	(314,700)	0
<b>TOTAL - OPERATING SPENDING CHANGES</b>	<b>\$3,229,202,300</b>	<b>(\$50,603,600)</b>	<b>\$3,178,598,700</b>
<b>CAPITAL SPENDING CHANGES</b>			
<b>Building Renewal</b>			
Arizona Department of Administration	9,000,000	0	9,000,000
ADC Building Renewal and Preventative Maintenance	5,464,300	0	5,464,300
Arizona Lottery Commission	97,400	6,200	103,600
Arizona Department of Transportation	3,396,800	0	3,396,800
<b>New Projects</b>			0
ADOT '15/'16 Statewide Highway Construction	13,398,000	22,244,000	35,642,000
ADOT '15/'16 Controlled Access Highways	84,426,000	4,237,000	88,663,000
ADOT '15/'16 Debt Service	111,075,000	4,281,000	115,356,000
ADOT '15/'16 Airport Planning & Development	20,012,300	1,779,500	21,791,800
ADOT '15/'16 De-Icer Storage	2,280,000	(2,280,000)	0
ADOT '15/'16 Vehicle Wash Systems	3,000,000	(3,000,000)	0
Arizona Exposition and State Fair Board Capital Projects	1,000,000	(1,000,000)	0
Parks - Capital Projects	1,500,000	(1,500,000)	0
DPS - Microwave Towers	2,000,000	(2,000,000)	0
<b>TOTAL - CAPITAL SPENDING CHANGES</b>	<b>\$256,649,800</b>	<b>\$22,767,700</b>	<b>\$279,417,500</b>
<b>TOTAL - OPERATING &amp; CAPITAL SPENDING</b>	<b>\$3,485,852,100</b>	<b>(\$27,835,900)</b>	<b>\$3,458,016,200</b>
<b>FUND TRANSFERS</b>			
<b>APF/DOA - Automation Projects Fund/ Arizona Department of Administration</b>			
APF/DOA - Automation Operations from DOA	9,057,300	(9,057,300)	0
APF/DOA - State Web Portal from DOA	0	2,150,000	2,150,000
APF/DOA - AHCCCS Traditional Medicaid Services	1,000,000		0
APF/DOA - Education Learning & Accountability Fund	1,600,000		1,600,000
APF/DOA - Emission Fund from DEQ	6,800,000	(6,800,000)	0
APF/DOA - Prison Construction & Operation Fund from ADC	5,500,000	(5,500,000)	0
APF/DOA - Corrections Fund from ADC	2,500,000	(2,500,000)	0
<b>TOTAL - FUND TRANSFERS</b>	<b>\$26,457,300</b>	<b>(\$21,707,300)</b>	<b>\$3,750,000</b>

1/ Represents original FY 2015 appropriations adjusted for technical revisions.

2/ Represents FY 2016 Baseline cost above FY 2015 Baseline estimate.

## FY 2015 SUPPLEMENTALS

Change to  
Original '15  
Budget

<b>General Fund</b>	
AHCCCS	(\$33,232,900)
Department of Education	26,861,100
Department of Health Services	8,726,700
State Land Department	64,200
School Facilities Board	(9,415,900)
<b>General Fund - Total</b>	<b>(\$6,996,800)</b>
<b>Other Funds</b>	<b>\$0</b>
<b>Expenditure Authority</b>	
AHCCCS	<b>\$376,665,400</b>

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES**  
**For Fiscal Years 2014, 2015 and 2016 !/**

	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
<b>BUDGET UNITS</b>			
Department of Administration (ADA)			
Administration - AFIS II Collections (4203)	\$1,924,500	\$3,692,900	\$3,692,900
Anti-Racketeering Revolving (2131)	49,400	0	0
Certificate of Participation (5005)	120,112,100	110,186,800	112,153,400
Construction Insurance (4219)	1,418,400	3,447,400	3,362,400
Co-Op State Purchasing Agreement (4213)	2,438,900	4,061,000	4,061,000
Electronic Commerce (2482)	0	0	0
Emergency Telecommunication Services Revolving (2176)	15,015,100	21,677,800	19,697,800
Employee Related Expenditures/Benefits Admin (ITA3035)	35,595,500	36,477,000	36,565,600
Federal Grants (2000)	2,139,500	3,119,900	2,784,900
Federal Grants - American Recovery and Reinvestment Act (2999)	1,489,500	2,499,800	0
IGA and ISA (2500)	9,952,400	6,764,000	6,764,000
Payroll Administration (9200)	145,500	143,000	143,000
Privatized Lease-to-Own (2495)	9,741,800	9,949,700	10,202,000
Retiree Accumulated Sick Leave (3200)	12,243,300	12,353,100	12,353,100
Special Employee Health Insurance Trust (3015)	745,729,700	785,319,900	824,786,200
Special Events (2503)	4,700	15,000	15,000
Special Services Revolving (4208)	765,100	855,700	855,700
State Employee Travel Reduction (2261)	476,500	535,000	535,000
State Web Portal (2531)	0	0	0
Statewide ARRA Administration SWCAP (2950)	0	0	0
Statewide Donations (2025)	14,800	60,000	60,000
Statewide E-Rate Program (2584)	0	0	0
Total - Department of Administration	\$959,256,700	\$1,001,158,000	\$1,038,032,000
Department of Administration - Automation Projects Fund (ADA)			
Automation Projects (2566)	\$5,595,300	\$0	\$0
Office of Administrative Hearings (HGA)			
IGA and ISA (2500)	\$1,063,400	\$873,400	\$873,400
Arizona Commission of African-American Affairs (AMA)			
African-American Affairs, Arizona Commission of (2397)	\$0	\$0	\$0
Arizona Department of Agriculture (AHA)			
Administrative Support (2436)	\$25,500	\$38,900	\$38,900
Agricultural Consulting and Training Trust (1239)	1,300	1,700	1,700
Agricultural Products Marketing (2368)	620,800	557,500	557,500
Agricultural Protection (2381)	0	0	0
Aquaculture Trust (2297)	0	6,200	6,200
Beef Council (2083)	292,100	292,000	292,000
Citrus, Fruit and Vegetable Trust (2260)	300,800	351,600	351,600
Citrus Trust (2299)	23,300	64,500	59,700
Commercial Feed Trust (2012)	276,700	302,200	302,200
Commodity Promotion (2458)	7,900	8,000	8,000
Cotton Research and Protection Council (2013)	2,239,500	3,038,000	3,038,000
Dangerous Plants, Pests and Diseases Trust (2054)	61,800	50,000	50,000
Designated (3011)	550,800	577,700	577,700
Egg Inspection Trust (2022)	1,123,700	1,273,500	1,273,500
Equine Inspection (2489)	300	300	300
Federal (2000)	5,093,900	4,436,900	4,436,900
Federal-State Inspection (2113)	3,028,900	2,823,000	2,823,000
Fertilizer Materials Trust (2081)	297,100	314,900	314,900
Grain Trust (2201)	118,400	132,100	132,100
Iceberg Lettuce Trust (2259)	88,200	100,000	100,000
IGA and ISA (2500)	104,100	104,100	104,100
Indirect Cost Recovery (9000)	25,400	102,200	102,200
Livestock and Crop Conservation (2378)	439,400	898,100	898,100
Livestock Custody Trust (2065)	43,500	122,500	122,500
Nuclear Emergency Management (2138)	0	0	0
Pesticide Trust (2051)	272,900	415,300	415,300
Protected Native Plant Trust (2298)	70,600	83,100	83,100
Seed Law Trust (2064)	50,900	53,500	53,500
Total - Arizona Department of Agriculture	\$15,157,800	\$16,147,800	\$16,143,000
AHCCCS (HCA)			
County Funds (2120/2223)	\$293,921,500	\$295,396,100	\$300,049,800
Employee Recognition (2025)	6,500	6,500	6,500
Federal - Medicaid Direct Services (2120)	24,719,400	48,065,400	40,516,500



	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Federal Funds (2000)	209,200	1,019,200	1,019,200
Federal Grants - American Recovery and Reinvestment Act (2999)	38,619,200	48,734,300	48,734,300
Federal Medicaid Authority (2120/2223)	4,695,580,900	5,801,463,600	6,489,470,400
Healthcare Group (3197)	10,623,500	0	0
Hospital Assessment (9692)	74,964,400	204,597,700	245,180,700
Hospital Loan Residency (2532)	0	0	0
Intergovernmental Service (2438)	7,117,100	8,000,000	8,000,000
Nursing Facility Provider Assessment (2567)	16,528,300	21,657,300	5,841,700
Political Subdivision (1111)	233,303,300	118,010,900	103,648,600
Prescription Drug Rebate (2546)	196,563,800	212,459,300	222,458,100
Proposition 202 - Trauma and Emergency Services (2494)	21,521,700	21,558,300	21,558,300
Third Party Liability and Recovery (3791/3019)	16,900	204,700	201,000
Tobacco Litigation Settlement, Arizona (TRA2561)	100,764,700	100,000,000	100,000,000
Tobacco Tax and Health Care - Medically Needy Account (1306)	0	0	0
Tobacco Products Tax Fund - Proposition 204 Protection Account (1303)	38,965,700	38,225,000	36,396,000
<b>Total - AHCCCS</b>	<b>\$5,753,426,100</b>	<b>\$6,919,398,300</b>	<b>\$7,623,081,100</b>
Arizona Commission on the Arts (HUA)			
Arts Special Revenues (2116)	\$1,094,000	\$1,024,700	\$1,024,700
Arts Trust, Arizona (3043)	2,128,900	1,725,200	1,725,200
Federal Grant (2000)	778,600	791,300	791,300
State Poet Laureate (2569)	2,500	2,500	2,500
<b>Total - Arizona Commission on the Arts</b>	<b>\$4,004,000</b>	<b>\$3,543,700</b>	<b>\$3,543,700</b>
Attorney General - Department of Law (AGA)			
Anti-Racketeering Revolving (2131)	\$16,616,800	\$22,038,000	\$22,038,000
Attorney General Expendable Trust (3102)	973,900	1,383,700	1,383,700
CJEF Distribution to County Attorneys (2068)	3,728,800	3,800,000	3,800,000
Colorado River Land Claims Revolving (2430)	0	0	0
Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving (2573)	61,800	1,006,200	1,006,200
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving (2573)	0	2,459,700	2,459,700
Court-Ordered Trust (3180)	10,167,500	1,346,100	1,346,100
Criminal Case Processing (2461)	65,200	71,100	71,100
Federal Grants (2000)	4,935,800	5,564,400	7,252,000
Indirect Cost Recovery (9000)	2,343,300	3,142,400	3,142,400
Intergovernmental Agreements (2500)	2,661,900	6,440,800	6,440,800
Motor Carrier Safety Revolving (2380)	0	0	0
Prosecuting Attorneys' Advisory Council Training (2057)	1,255,700	1,251,600	1,251,600
Victim Witness Assistance (2228)	57,200	57,200	57,200
<b>Total - Attorney General - Department of Law</b>	<b>\$42,867,900</b>	<b>\$48,561,200</b>	<b>\$50,248,800</b>
Automobile Theft Authority (ATA)			
Settlement (1991)	\$25,000	\$0	\$0
State Board for Charter Schools (CHA)			
Charter Arizona Online Instruction Processing (2319) Implementation Project (2025)	\$6,000	\$3,000	\$3,000
New Charter Application Processing (2568)	8,300	1,400	1,400
<b>Total - State Board for Charter Schools</b>	<b>\$105,300</b>	<b>\$101,900</b>	<b>\$101,900</b>
Department of Child Safety (CHA)			
Child Safety Expedited Substance Abuse Treatment (2421)	\$0	\$0	\$0
Child Safety Expenditure Authority (2009)	245,684,700	326,301,700	324,290,600
Client Trust (3152)	400	1,703,500	1,703,500
Economic Security Donations (3145)	0	0	0
Joint Substance Abuse Treatment (2429)	0	0	0
<b>Total - Department of Child Safety</b>	<b>\$245,685,100</b>	<b>\$328,005,200</b>	<b>\$325,994,100</b>
Citizens Clean Elections Commission (ECA)			
Citizens Clean Elections Fund (2425)	\$6,616,400	\$10,041,600	\$10,041,600
Arizona Commerce Authority (CAA)			
Application Fees (3005)	\$224,400	\$666,100	\$666,100
Commerce Authority, Arizona (2547)	0	0	0
Commerce Authority Carryover, Arizona (1001)	2,685,300	4,845,000	0
Commerce Authority Local Communities, Arizona (EPA2498)	0	0	0
Commerce Development Bond (2196)	500	5,000	5,000
Competes, Arizona (2548)	0	0	0
Corporation for Skilled Workforce (1002)	0	0	0
Donations (3189)	0	212,500	212,500
Federal Funds (2000)	1,684,100	5,010,000	1,595,200
Innovation Accelerator, Arizona (9507)	226,200	225,600	225,600
Job Training (1237)	6,220,300	16,745,800	16,745,800

	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Twenty-First Century Competitive Initiative, Arizona (2524)	0	0	0
Total - Arizona Commerce Authority	\$11,040,800	\$27,710,000	\$19,450,200
Arizona Community Colleges (CMA)			
Tribal Assistance (NA)	\$743,700	\$762,900	\$762,900
Workforce Development Accounts (varies by account)	16,318,600	16,933,700	16,933,700
Total - Arizona Community Colleges	\$17,062,300	\$17,696,600	\$17,696,600
Constable Ethics Standards and Training Board (CNA)			
Constable Ethics Standards and Training (2346)	\$301,400	\$391,400	\$391,400
Registrar of Contractors (RGA)			
Residential Contractors' Recovery (3155)	\$3,202,500	\$4,666,800	\$4,666,800
Corporation Commission (CCA)			
Federal (2000)	\$388,800	\$700,000	\$700,000
Federal Grants - American Recovery and Reinvestment Act (2999)	42,100	0	0
IGA and ISA (2500)	1,200	0	0
Utility Siting (2076)	0	0	0
Total - Corporation Commission	\$432,100	\$700,000	\$700,000
State Department of Corrections (DCA)			
Correctional Industries Revolving, Arizona (4002)	\$40,143,100	\$38,802,400	\$38,802,400
Community Corrections Enhancement (2395)	414,800	430,700	430,700
Corrections Donations (3147)	200	0	0
Federal (2000)	8,742,500	9,079,100	9,049,300
Indirect Cost Recovery (9000)	120,200	513,600	513,600
Inmate Store Proceeds (2505)	4,393,700	4,468,000	4,468,000
Interagency Service Agreement (2500)	60,500	58,200	58,200
Prisoner Spendable Accounts (2428)	0	0	0
Special Services (3187)	1,663,400	4,990,000	4,990,000
State DOC Revolving (2515)	1,641,700	1,627,300	1,627,300
Statewide Employee Recognition Gifts/Donations (2449)	0	0	0
Total - State Department of Corrections	\$57,180,100	\$59,969,300	\$59,939,500
Arizona Criminal Justice Commission (JCA)			
Drug and Gang Enforcement Account (2134)	\$6,033,700	\$6,342,600	\$6,120,900
Federal Grants (2000)	9,302,200	10,271,000	5,617,400
Total - Arizona Criminal Justice Commission	\$15,335,900	\$16,613,600	\$11,738,300
Arizona State Schools for the Deaf and the Blind (SDA)			
ASDB Classroom Site (2486)	\$1,310,600	\$1,508,700	\$1,508,700
Enterprise (4222)	78,900	115,600	115,600
Federal Grants (2000)	1,692,700	1,952,000	1,952,000
IGA and ISA (2500)	0	0	0
Instructional Improvement (2492)	68,600	86,000	86,000
Regional Cooperatives (4221)	15,973,000	15,597,500	15,597,500
State Grants (2011)	550,600	491,900	491,900
Trust (3148)	119,800	129,600	129,600
Total - Arizona State Schools for the Deaf and the Blind	\$19,794,200	\$19,881,300	\$19,881,300
Commission for the Deaf and the Hard of Hearing (DFA)			
Private Grants (3000)	\$0	\$0	\$0
Arizona Early Childhood Development and Health Board			
Early Childhood Development and Health (2542)	\$156,792,700	\$167,347,200	\$143,163,100
Federal Grants (2000)	1,645,300	140,000	140,000
Federal Grants - American Recovery and Reinvestment Act (2999)	742,200	0	0
Total - Arizona Early Childhood Development and Health Board	\$159,180,200	\$167,487,200	\$143,303,100
Department of Economic Security (DEA)			
Child Restraint (2192)	\$104,600	\$154,000	\$154,000
Child Support Enforcement Administration (2091)	34,555,900	40,409,800	40,409,800
Client Trust (3152)	674,200	687,600	687,600
Developmentally Disabled Client Investment (3146)	12,800	14,600	14,600
Developmentally Disabled Client Services Trust (2019)	36,000	36,700	36,700
Donations (3145)	7,000	6,800	6,800
Economic Security Capital Investments (2093)	0	230,900	230,900
Federal Grants (2000)	517,234,700	494,413,200	494,413,200
Industries for the Blind, Arizona (4003)	18,001,100	18,616,700	18,616,700
Job Training, Arizona (1237)	1,057,400	1,029,700	1,029,700
Long Term Care System - Federal Matched (2225)	628,110,800	746,038,300	818,198,700
Neighbors Helping Neighbors (2348)	38,300	55,000	55,000
Special Olympics Tax Refund (3207)	33,600	115,200	115,200
Unemployment Insurance Benefits (7510)	573,611,300	328,700,000	286,988,000
Unemployment Special Assessment (2558)	4,273,100	222,500	61,000
Total - Department of Economic Security	\$1,777,750,800	\$1,630,731,000	\$1,661,017,900
Department of Education (EDA)			
Agricultural Youth Organization Special Plate, Arizona (2650)	\$64,500	\$65,400	\$65,400

	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Assistance for Education (2420)	319,400	225,300	225,300
Character Education Special Plate (2522)	25,500	45,500	45,500
Classroom Site (2471)	404,353,700	391,045,500	391,045,500
Department of Education Empowerment Scholarship Account (2570)	36,800	58,500	58,500
Education Commodity (4210)	56,100	22,100	22,100
Education Donations (2025)	175,600	48,100	48,100
Education Learning and Accountability (2552)	0	0	0
Failing Schools Tutoring (2470)	1,517,300	1,581,100	1,581,100
Federal (2000)	1,056,141,700	1,074,395,400	1,074,395,400
Federal Grants - American Recovery and Reinvestment Act (2999)	19,023,300	8,000,000	500
Golden Rule Special Plate (2366)	192,500	191,000	191,000
IGA and ISA (2500)	4,802,500	4,922,800	4,922,800
Indirect Cost Recovery (9000)	4,767,100	5,678,300	5,678,300
Instructional Improvement (2492)	24,564,500	49,564,500	49,564,500
Internal Services (4209)	2,923,700	4,058,300	4,058,300
Production Revolving (4211)	1,997,000	2,628,800	2,628,800
Proposition 301 (1014)	97,346,100	98,278,100	98,278,100
Special Education (1009)	0	0	0
Structured English Immersion, Arizona (2535)	0	0	0
Youth Farm Loan, Arizona (2136)	95,000	65,000	65,000
Total - Department of Education	\$1,618,402,300	\$1,640,873,700	\$1,632,874,200
Department of Emergency and Military Affairs (MAA)			
Camp Navajo (2106)	\$9,765,400	\$13,195,800	\$9,594,200
Emergency Management Training (2087)	0	0	0
Federal Funds - Emergency (2000)	8,458,400	10,110,800	10,510,500
Federal Funds - Military (2000)	49,986,600	32,120,700	27,808,500
Freedom Academy (2104)	0	0	0
Indirect Cost Recovery (9000)	857,800	935,900	935,900
Interagency Service Agreement (2500)	1,664,200	1,384,700	1,384,700
Military Installation (1010)	0	0	0
Morale, Welfare and Recreational (2124)	6,200	6,000	6,000
National Guard (2140)	143,300	150,000	150,000
National Guard Relief (2349)	0	0	0
Nuclear Emergency Management (2138)	0	0	0
State Armory Property (2146)	0	0	0
Statewide Donations (2025)	0	0	0
Total - Department of Emergency and Military Affairs	\$70,881,900	\$57,903,900	\$50,389,800
Department of Environmental Quality (EVA)			
Brownfields Cleanup Revolving Loan (2456)	\$0	\$0	\$0
Donations (2449)	2,300	2,500	2,500
Federal (2000)	14,449,400	15,204,200	15,204,200
Federal Grants - American Recovery and Reinvestment Act (2999)	0	0	0
Hardship Grant (2437)	0	0	0
IGA and ISA (2500)	6,272,200	3,046,200	3,046,200
Institutional and Engineering Control (2563)	20,100	51,400	51,400
Intergovernmental Agreement (2180)	0	0	0
Monitoring Assistance (2308)	612,900	735,200	735,200
Regulated Substance (2545)	9,228,200	10,098,300	10,098,300
Specific Site Judgment (3006)	51,800	339,900	339,900
Underground Storage Tank Revolving Summary (2271)	7,166,900	6,998,400	6,998,400
Voluntary Lawn and Garden Equipment Emissions Reduction (2306)	0	0	0
Voluntary Remediation (2564)	281,300	475,100	475,100
Voluntary Vehicle Repair and Retrofit Program (2365)	0	1,000,000	1,000,000
Water Quality Assurance Revolving (2221)	14,792,800	15,075,000	15,075,000
Total - Department of Environmental Quality	\$52,877,900	\$53,026,200	\$53,026,200
Governor's Office of Equal Opportunity (AFA)			
Equal Employment and Economic Development (2000)	\$0	\$200	\$200
State Department of Financial Institutions (BDA)			
IGA and ISA (2500)	\$77,900	\$75,600	\$75,600
Mortgage Recovery (1997)	0	0	0
Receivership Revolving (3023)	631,700	924,700	50,700
Revolving (2126)	821,700	1,000,000	1,000,000
Total - State Department of Financial Institutions	\$1,531,300	\$2,000,300	\$1,126,300
Department of Fire, Building and Life Safety (MMA)			
Arson Detection Reward (2169)	\$0	\$0	\$0
Building and Fire Safety (2211)	2,500	0	0
Condominium and Planned Community Hearing Office (2537)	10,200	0	0
Consumer Recovery (3090)	15,300	0	0
Federal Grants (2000)	262,600	302,600	302,600

	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Interagency Service Agreement (2500)	78,500	71,900	71,900
Manufactured Housing Cash Bond (3722)	0	0	0
Mobile Home Relocation (2237)	440,800	333,200	333,200
Trampoline Court Safety (2578)	0	2,300	2,300
Total - Department of Fire, Building and Life Safety	\$809,900	\$710,000	\$710,000
State Forester (FOA)			
Cooperative Forestry (2232)	\$7,238,900	\$6,624,100	\$6,624,100
Fire Suppression Revolving (2360)	27,107,200	20,497,700	20,497,700
Total - State Forester	\$34,346,100	\$27,121,800	\$27,121,800
Arizona Game and Fish Department (GFA)			
Big Game Permit (3712)	\$0	\$0	\$0
Conservation Development (2062)	1,863,900	1,305,500	1,305,500
Federal (2000)	0	0	0
Federal Grants - American Recovery and Reinvestment Act (2999)	700	0	0
Federal Revolving (2028)	33,909,500	37,275,800	37,275,800
Firearms Safety and Ranges (2442)	18,500	18,500	18,500
Game and Fish Publications Revolving (4007)	136,800	156,800	156,800
Game and Fish Trust (3111)	2,309,000	2,309,000	2,309,000
Heritage (2295)	8,270,800	11,564,500	11,564,500
IGA and ISA (2500)	882,600	0	0
Indirect Cost Recovery (9000)	4,067,700	5,234,400	5,234,400
Kaibab Co-op (3714)	16,700	0	0
Off Highway Vehicle Recreation (2253)	1,513,500	1,907,900	1,907,900
Wildlife Conservation (2497)	5,858,900	6,897,700	6,897,700
Wildlife Theft Prevention (2080)	60,600	60,500	60,500
Total - Arizona Game and Fish Department	\$58,909,200	\$66,730,600	\$66,730,600
Arizona Geological Survey (GSA)			
Federal Grants (2000)	\$1,307,300	\$3,388,900	\$1,270,200
Federal Grants - American Recovery and Reinvestment Act (2999)	5,247,300	1,177,100	0
Geological Survey (3030)	412,900	239,300	148,400
Indirect Cost Recovery (9000)	564,700	955,300	270,000
Total - Arizona Geological Survey	\$7,532,200	\$5,760,600	\$1,688,600
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 and Agriculture Promotion (2037)	0	0	0
Endowment Partnership (3206)	1,598,600	1,079,900	1,079,900
Energy Conservation (3209)	0	0	0
Energy Office Donations (EPA3189)	0	0	0
Federal Grants (2000)	22,818,600	19,224,000	19,224,000
Federal Grants - American Recovery and Reinvestment Act (2999)	5,713,200	0	0
Governor's Arizona Promotional & Public Service (3207)	0	0	0
Human Trafficking Victim Assistance (3210)	0	0	0
IGA and ISA (2500)	880,000	1,230,300	1,230,300
Inauguration (3214)	0	0	0
Indirect Cost Recovery (9000)	890,000	1,073,900	1,073,900
Oil Overcharge (3171)	536,800	359,500	359,500
Other Non-Appropriated Funds (2038)	0	0	0
Prevention of Child Abuse (2439)	323,000	321,000	321,000
Statewide ARRA Administration SWCAP (2950)	51,300	27,700	27,700
Total - Office of the Governor	\$32,811,500	\$23,316,300	\$23,316,300
Department of Health Services (HSA)			
Breast and Cervical Cancer Screening and Diagnostic Special Plate (2513)	\$138,800	\$180,000	\$180,000
Childhood Cancer and Rare Childhood Disease Research (NA)	0	0	0
Disease Control Research (2090)	3,162,100	4,157,500	4,157,500
Donations - DHS (3010/2025)	658,300	658,300	658,300
Donations - Statewide (2025)	4,100	2,200	2,200
Federal Funds (2000)	299,629,000	301,854,200	301,854,200
Federal Grants - American Recovery and Reinvestment Act (2999)	238,900	0	0
Federal Medicaid Services (2500)	910,821,300	1,206,172,700	1,285,991,700
IGA/County Contributions (2144/2500)	87,399,400	86,248,400	86,248,400
Internal Services (4202)	10,600	10,600	10,600
Medical Marijuana (2544)	7,282,500	7,871,300	7,871,300
Medical Student Loan (3306)	0	0	0
Oral Health (3038)	173,200	285,000	285,000
Risk Assessment (2427)	15,700	60,000	60,000
Serious Mental Illness Services (2464)	0	0	0
Seriously Mentally Ill Housing Trust (2555)	2,724,900	2,035,300	2,035,300

	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Smoke-Free Arizona (2541)	2,779,400	3,000,000	3,000,000
Tobacco Tax and Health Care - Health Education Account (1308)	16,578,900	19,425,000	19,425,000
Tobacco Tax and Health Care - Health Research Account (2096)	4,719,900	4,953,000	4,953,000
Tobacco Tax and Health Care - Medically Needy Account (1306)	0	0	0
Total - Department of Health Services	\$1,336,337,000	\$1,636,913,500	\$1,716,732,500
Arizona Historical Society (HIA)			
Federal Grants (2000)	\$16,800	\$100	\$1,900
Permanent Arizona Historical Society Revolving (2900)	395,800	524,500	561,500
Preservation and Restoration (2125)	38,600	45,100	35,900
Private (9447)	400,000	379,000	355,300
Private Grants (9449)	112,600	67,000	45,400
Restricted (9448)	136,900	131,700	81,400
Trust (9450)	35,000	30,100	29,900
Total - Arizona Historical Society	\$1,135,700	\$1,177,500	\$1,111,300
Prescott Historical Society of Arizona (PHA)			
Sharlot Hall Historical Society (9505)	\$571,500	\$589,200	\$589,200
Department of Homeland Security (HLA)			
Federal Funds (2000)	\$23,871,000	\$34,680,800	\$12,983,000
Arizona Department of Housing (HDA)			
Federal Funds (2000)	\$80,492,300	\$77,895,800	\$79,758,500
Federal Grants - American Recovery and Reinvestment Act (2999)	0	0	0
Housing Development (2313)	0	0	0
Housing Program (2200)	4,652,200	5,089,600	5,228,700
Housing Trust (2235)	5,733,900	5,250,200	7,595,000
IGA and ISA (2500)	381,500	346,400	304,600
Total - Arizona Department of Housing	\$91,259,900	\$88,582,000	\$92,886,800
Arizona Commission of Indian Affairs (IAA)			
IGA and ISA (2500)	\$0	\$0	\$0
Indian Town Hall, Arizona (4014)	0	5,000	5,000
Publications (4013)	200	1,400	1,400
Statewide Donations (2025)	10,800	16,000	16,000
Total - Arizona Commission of Indian Affairs	\$11,000	\$22,400	\$22,400
Industrial Commission of Arizona (ICA)			
Federal Grants (2000)	\$5,173,400	\$5,633,900	\$5,685,100
Revolving (2002)	182,500	155,600	155,600
Special (9003)	44,878,800	29,963,900	19,371,700
Total - Industrial Commission of Arizona	\$50,234,700	\$35,753,400	\$25,212,400
Department of Insurance (IDA)			
Assessment Fund for Voluntary Plans (2316)	\$144,000	\$141,900	\$141,900
Captive Insurance Regulatory/Supervision (2377)	179,600	311,400	311,400
Federal (2000)	898,700	1,016,300	879,000
Financial Surveillance (2473)	225,200	379,500	379,500
Health Care Appeals (2467)	182,500	182,900	182,900
Insurance Examiners' Revolving (2034)	4,443,100	5,402,700	5,402,700
Life and Disability Insurance Guaranty (2154)	2,155,800	2,157,900	2,157,900
Property and Casualty Insurance Guaranty, Arizona (2114)	1,710,500	1,752,700	12,752,700
Receivership Liquidation (3104)	68,800	46,400	46,400
Total - Department of Insurance	\$10,008,200	\$11,391,700	\$22,254,400
Judiciary - Supreme Court (SPA)			
Alternative Dispute Resolution (3245)	\$321,100	\$230,700	\$230,700
Certified Reporters (2440)	119,200	121,300	121,300
Grants and Special Revenue (2084)	15,206,800	19,787,400	19,787,400
Juvenile Probation Services (2193)	0	0	0
Lengthy Trial, Arizona (2382)	623,100	613,000	613,000
Public Defender Training (3013)	690,500	675,200	675,200
Total - Judiciary - Supreme Court	\$16,960,700	\$21,427,600	\$21,427,600
Judiciary - Superior Court (SPA)			
Community Punishment Program Fines (2119)	\$0	\$0	\$0
Drug and Gang Enforcement Account (2074)	0	0	0
Drug Treatment and Education (2277)	884,700	752,100	752,100
Grants and Special Revenue (2084)	95,100	0	0
Juvenile Probation Services (2193)	0	0	0
State Aid to Detention (2141)	6,900	0	0
Total - Judiciary - Superior Court	\$986,700	\$752,100	\$752,100
Department of Juvenile Corrections (DJA)			
DJC Career Technical Education (2326)	\$0	\$0	\$0

	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
DJC Restitution (2476)	0	0	0
Employee Recognition (2449)	2,000	2,000	2,000
Federal (2000)	1,802,300	1,802,600	1,802,600
IGA and ISA (2500)	0	0	0
Indirect Cost Recovery (9000)	0	0	0
Instructional Improvement (2492)	0	0	0
Juvenile Corrections (3024)	72,900	72,900	72,900
State Education System for Committed Youth Classroom Site (2487)	74,200	74,200	74,200
Statewide Donations (2025)	2,300	2,300	2,300
Training Institute (2001)	0	0	0
Total - Department of Juvenile Corrections	\$1,953,700	\$1,954,000	\$1,954,000
State Land Department (LDA)			
CAP Municipal and Industrial Repayment (2129)	\$0	\$0	\$0
Federal (2000)	22,000	253,100	0
Federal Grants - American Recovery and Reinvestment Act (2999)	246,800	164,500	0
Federal Reclamation Trust (2024)	700	10,000	10,000
Interagency Agreements (2212)	23,900	37,000	37,000
Military Airport Land Exchange (NA)	0	0	0
Off-Highway Vehicle Recreation (2253)	186,800	290,000	290,000
Resource Analysis Division Revolving (4009)	307,800	421,700	44,600
State Land Department (2451)	328,900	425,000	425,000
Total - State Land Department	\$1,116,900	\$1,601,300	\$806,600
Legislature - Auditor General (AUA)			
Audit Services Revolving (2242)	\$1,758,300	\$1,744,900	\$1,744,900
Department of Liquor Licenses and Control (LLA)			
Anti-Racketeering Revolving (2131)	\$31,200	\$0	\$0
Audit Surcharge (3010)	170,300	169,700	169,700
DPS - FBI Fingerprint (2159)	0	0	0
Enforcement Surcharge - Enforcement Unit (3012)	430,500	383,000	383,000
Enforcement Surcharge - Multiple Complaints (3011)	375,300	421,800	421,800
Federal Grants (2000)	126,100	0	0
Statewide Donations (2025)	0	0	0
Total - Department of Liquor Licenses and Control	\$1,133,400	\$974,500	\$974,500
Arizona State Lottery Commission (LOA)			
State Lottery (2122)	\$458,083,900	\$480,879,400	\$513,559,100
Debt Service Fund (NA)	37,499,800	37,499,000	37,501,800
University Capital Improvement (NA)	17,572,600	24,133,600	40,582,000
Mass Transit (NA)	11,262,600	11,444,400	11,444,400
Total - Arizona State Lottery Commission	\$524,418,900	\$553,956,400	\$603,087,300
State Mine Inspector (MIA)			
Abandoned Mines Safety (2408)	\$10,100	\$60,000	\$60,000
Federal Education and Training (2400)	161,500	62,000	62,000
Federal Grants (2000)	271,200	217,000	217,000
IGA and ISA (2500)	0	0	0
Total - State Mine Inspector	\$442,800	\$339,000	\$339,000
State Board of Nursing (BNA)			
Nurse Aide Training and Registration (2000)	\$426,100	\$414,700	\$414,700
Statewide Donations (2025)	11,900	0	0
Total - State Board of Nursing	\$438,000	\$414,700	\$414,700
Arizona Parents Commission on Drug Education and Prevention (PCA)			
Drug Treatment and Education (2277)	\$4,406,000	\$4,986,700	\$4,986,700
Arizona State Parks Board (PRA)			
Arizona Trail Fund (2525)	\$0	\$0	\$0
Federal (2000)	2,503,600	6,306,800	3,903,800
Land Conservation - Administration Account (2432)	566,400	1,000,000	1,000,000
Land Conservation - Donation Account (2432)	0	0	0
Land Conservation - Public Conservation Account (2432)	15,470,400	761,300	52,500
Off Highway Vehicle Recreation (2253)	1,942,400	6,985,100	4,028,100
Partnership (2448)	132,300	242,500	242,500
State Lake Improvement (2105)	6,231,800	11,261,200	7,093,300
State Parks Fund (3117)	98,900	305,000	190,000
Sustainable State Parks and Roads (3125)	0	0	0
Yarnell Hill Memorial (3124)	0	0	0
Total - Arizona State Parks Board	\$26,945,800	\$26,861,900	\$16,510,200
Office of Pest Management (SBA)			
Federal (2000)	\$159,100	\$113,500	\$113,500
Arizona State Board of Pharmacy (PMA)			

	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Controlled Substances Prescription Monitoring Program (2359)	\$579,800	\$427,400	\$427,400
Federal Grants (2000)	2,700	2,000	2,000
Total - Arizona State Board of Pharmacy	\$582,500	\$429,400	\$429,400
Arizona Pioneers' Home (PIA)			
IGA and ISA (2500)	\$0	\$0	\$0
Pioneers' Home Fund (Cemetery Proceeds) (3144)	27,500	16,500	16,500
Pioneers' Home Fund (Donations) (3143)	4,000	10,600	10,600
Statewide Employee Recognition Gifts (2449)	5,200	5,200	5,200
Total - Arizona Pioneers' Home	\$36,700	\$32,300	\$32,300
Commission for Postsecondary Education (PEA)			
Family College Savings Program Trust (3121)	\$443,000	\$471,100	\$471,100
Federal Grants (2000)	1,188,200	22,400	0
IGA and ISA (2500)	0	546,800	0
Mathematics, Science, and Special Education			
Teacher Student Loan (2358)	0	0	0
Postsecondary Education (2405)	30,700	108,500	108,500
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	\$1,661,900	\$1,148,800	\$579,600
Arizona Power Authority (PAA)			
Hoover Uprating (1113)	\$34,433,500	\$32,675,200	\$32,675,200
Interest Income (1112)	6,300	3,500	3,500
Power Authority, Arizona (9506)	248,600	2,144,800	2,144,800
Total - Arizona Power Authority	\$34,688,400	\$34,823,500	\$34,823,500
State Board for Private Postsecondary Education (PVA)			
Student Tuition Recovery (3027)	\$106,400	\$136,600	\$136,600
Department of Public Safety (PSA)			
Anti-Racketeering Revolving (3123)	\$5,889,500	\$6,151,700	\$6,151,700
Capitol Police Administrative Towing (1999)	24,900	4,500	4,500
Conferences, Workshops, and Other Education (2700)	25,200	0	0
Criminal Justice Enhancement (3702)	0	0	0
DPS Administration (2322)	2,483,400	2,751,000	2,751,000
DPS Licensing Fund (2490)	1,159,800	1,301,500	1,301,500
Driving Under the Influence Abatement (2422)	2,015,800	2,015,800	2,015,800
Families of Fallen Police Officers Special Plate Fund (2386)	195,000	184,100	184,100
Federal Grants and Reimbursements (2000)	36,913,200	30,624,000	25,311,300
Fingerprint Clearance Card (2433)	4,504,100	6,048,700	6,048,700
Fingerprinting Fund, Board of (2435)	508,000	571,900	571,900
IGA and ISA (2500)	7,693,200	10,216,700	9,481,500
Indirect Cost Recovery (9000)	360,900	3,000,900	441,700
Motor Carrier Safety Revolving (2380)	7,300	5,800	5,800
Peace Officers' Training (2049)	6,500,900	7,998,500	7,099,700
Public Safety Equipment Fund (2391)	1,123,600	1,200,000	1,200,000
Records Processing (2278)	4,741,500	5,164,200	5,164,200
State Highway Work Zone Safety (2480)	0	0	0
Statewide Donations (2025)	0	0	0
State Traffic and Parking Control (ADA2453)	0	0	0
Victims' Rights Enforcement (2519)	0	0	0
Total - Department of Public Safety	\$74,146,300	\$77,239,300	\$67,733,400
Public Safety Personnel Retirement System (NA)			
Fire Fighter, Peace Officer, and Corrections Officer Cancer Insurance Policy Program Account (NA)	\$30,900	\$31,500	\$32,100
Investment and Administrative Expenses (NA)	11,746,300	11,977,500	12,213,800
Total - Public Safety Personnel Retirement System	\$11,777,200	\$12,009,000	\$12,245,900
Arizona Department of Racing (RCA)			
Breeders Award, Arizona (2206)	\$0	\$17,500	\$17,500
County Fair Racing (2170)	0	0	0
County Fairs Racing Betterment (2207)	0	0	0
Greyhound and Retired Racehorse Adoption (2015)	3,300	3,100	3,100
Racing Administration (2018)	0	0	0
Racing Investigation (2369)	85,200	40,000	40,000
Racing Regulation Fund - Mixed Martial Arts Account (2393)	86,900	29,400	29,400
Stallion Award (2315)	0	0	0
Total - Arizona Department of Racing	\$175,400	\$90,000	\$90,000
Radiation Regulatory Agency (AEA)			
Federal Grants (2000)	\$285,500	\$285,500	\$285,500

	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Laser Safety (2138)	30,600	30,600	30,600
Nuclear Emergency Management (2138)	0	0	0
Total - Radiation Regulatory Agency	\$316,100	\$316,100	\$316,100
State Real Estate Department (REA)			
Education Revolving (4011)	\$18,000	\$100	\$100
Recovery (3119)	24,000	230,000	230,000
Total - State Real Estate Department	\$42,000	\$230,100	\$230,100
Arizona State Retirement System (RSA)			
Administrative Account - Investment Expenses (1407)	\$85,212,000	\$96,005,500	\$100,609,000
Long-Term Disability Trust Fund Administration Account (1408)	9,100	0	0
Total - Arizona State Retirement System	\$85,221,100	\$96,005,500	\$100,609,000
Department of Revenue (RVA)			
Client County Equipment Capitalization (2457)	\$0	\$0	\$0
Escheated Estates (3745)	0	0	0
Estate and Unclaimed Property (1520)	0	0	0
I Didn't Pay Enough (6001)	0	0	0
IGA and ISA (2500)	1,685,000	5,834,900	5,834,900
Revenue Publications Revolving (2166)	6,200	12,500	12,500
Special Collections (2168)	0	0	0
Statewide Employee Recognition Gifts/Donations (2449)	2,300	0	0
Waste Tire (2356)	0	0	0
Total - Department of Revenue	\$1,693,500	\$5,847,400	\$5,847,400
School Facilities Board (SFA)			
Building Renewal Grant (2392)	\$0	\$0	\$0
Emergency Deficiencies Correction (2484)	133,600	712,000	0
Land Trust Bond Debt Service (5030)	27,394,400	24,901,000	24,905,000
Lease-to-Own Debt Service (2373)	0	0	0
New School Facilities (2460)	5,396,600	9,300	9,300
School Improvement Revenue Bond Debt Service (5020)	56,259,000	64,125,300	64,148,500
Total - School Facilities Board	\$89,183,600	\$89,747,600	\$89,062,800
Secretary of State - Department of State (STA)			
Address Confidentiality Program (2557)	\$110,400	\$151,100	\$151,100
Blue Book Revolving, Arizona (2006)	0	0	0
Data Processing Acquisition (2265)	268,500	268,500	268,500
Election Training (2521)	100	100	100
Federal Grants (LAA2000)	3,727,700	3,727,700	3,727,700
IGA and ISA (2500)	65,000	92,900	0
Museum Gift Shop Revolving (LAA4008)	97,700	97,700	97,700
Notary Bond (2387)	100,000	100,000	100,000
Standing Political Committee Administrative (2426)	0	0	0
State Library (LAA2115)	1,759,900	633,700	633,700
Total - Secretary of State - Department of State	\$6,129,300	\$5,071,700	\$4,978,800
Office of Tourism (TOA)			
Tourism (2236)	\$14,411,100	\$13,580,200	\$13,580,200
Department of Transportation (DTA)			
Highways Magazine, Arizona (2031)	\$4,585,300	\$4,827,400	\$4,827,400
Cash Deposits (2266)	8,000	0	0
Contract Counsel (4212)	0	0	0
ADOT Donations (3080)	0	0	0
Federal Grants (2097)	2,979,800	2,000,000	2,000,000
Highway Expansion and Extension Loan Program (2417)	0	12,500,000	12,500,000
International Development Authority, Arizona (1994)	0	0	0
Local Agency Deposits (3701)	650,600	0	0
Maricopa Regional Area Road (2029)	27,577,700	150,382,000	150,382,000
Motor Carrier Safety Revolving (2380)	0	0	0
Railroad Corridor Acquisition Fund (2493)	147,200	0	0
Rental Tax and Bond Deposit (3737)	0	0	0
Shared Location and Advertising Agreements Expense (2414)	15,700	20,000	20,000
Statewide Employee Recognition Gifts/Donations (2449)	16,000	39,400	39,400
Statewide Special Plates (2650)	1,378,100	1,800,000	1,800,000
Underground Storage Tank Revolving (3728)	0	0	0
Total - Department of Transportation	\$37,358,400	\$171,568,800	\$171,568,800
State Treasurer (TRA)			
Criminal Justice Enhancement (3702)	\$4,772,400	\$4,772,400	\$4,772,400
Public Deposit Administration (2574)	0	0	0
Total - State Treasurer	\$4,772,400	\$4,772,400	\$4,772,400
Arizona Board of Regents (BRA)			
Federal (2000)	\$387,600	\$1,085,000	\$939,700



	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Health Education Center Program, Arizona (BRA2)	0	0	0
Regents Local (BRA1)	5,512,200	7,966,500	5,499,500
Technology and Research Initiative (2472)	3,351,300	4,467,000	2,000,000
Trust Land (3131/3132/3134/3136)	3,865,100	3,811,300	3,811,300
Total - Arizona Board of Regents	<u>\$13,116,200</u>	<u>\$17,329,800</u>	<u>\$12,250,500</u>
Arizona State University - Tempe/DPC (ASA)			
Auxiliary (UNI8906)	\$130,767,900	\$126,591,800	\$129,123,000
Designated (UNI8905)	512,918,400	578,589,100	636,448,000
Endowment and Life Income (UNI8904)	1,841,500	0	0
Federal Grants (UNI8903)	272,250,800	282,074,200	291,467,000
Indirect Cost Recovery (Non-Federal) (UNI8900)	28,835,700	30,902,700	31,933,000
Loan (UNI8901)	368,400	0	0
Restricted (Excluding Federal Funds) (UNI8907)	119,557,900	125,119,900	131,378,000
University Capital Improvement Lease-to-Own and Bond (BRA3042)	3,415,800	6,401,000	11,921,000
Total - Arizona State University - Tempe/DPC	<u>\$1,069,956,400</u>	<u>\$1,149,678,700</u>	<u>\$1,232,270,000</u>
Arizona State University - East Campus (ASA)			
Auxiliary (UNI8906)	\$91,800	\$31,600	\$33,000
Designated (UNI8905)	10,537,200	13,089,500	13,612,000
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	5,911,600	6,139,000	6,344,000
Restricted (Excluding Federal Funds) (UNI8907)	2,454,300	1,013,800	1,024,000
Total - Arizona State University - East Campus	<u>\$18,994,900</u>	<u>\$20,273,900</u>	<u>\$21,013,000</u>
Arizona State University - West Campus (ASA)			
Auxiliary (UNI8906)	\$135,500	\$13,000	\$57,000
Designated (UNI8905)	13,896,000	13,627,000	14,173,000
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	10,811,300	11,194,200	11,567,000
Restricted (Excluding Federal Funds) (UNI8907)	6,880,000	6,681,300	6,747,000
Total - Arizona State University - West Campus	<u>\$31,722,800</u>	<u>\$31,515,500</u>	<u>\$32,544,000</u>
Northern Arizona University (NAA)			
Auxiliary (UNI8906)	\$55,670,700	\$60,755,600	\$66,050,000
Designated (UNI8905)	105,377,100	113,599,100	116,597,500
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	70,084,000	69,864,600	70,579,700
Federal Indirect Cost Recovery (UNI8902)	3,974,300	4,934,300	5,051,800
Indirect Cost Recovery (Non-Federal) (UNI8900)	1,939,200	2,200,000	2,266,400
Loan (UNI8901)	0	237,000	245,000
Restricted (Excluding Federal Funds) (UNI8907)	17,845,300	18,757,700	19,203,400
University Capital Improvement Lease-to-Own and Bond (BRA3042)	6,551,200	6,147,800	9,494,100
Total - Northern Arizona University	<u>\$261,441,800</u>	<u>\$276,496,100</u>	<u>\$289,487,900</u>
University of Arizona - Main Campus (UAA)			
Auxiliary (UNI8906)	\$203,875,500	\$210,596,100	\$216,914,000
Designated (UNI8905)	521,907,900	528,377,600	533,669,700
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	188,519,100	188,755,000	194,422,800
Federal Indirect Cost Recovery (UNI8902)	46,373,100	46,854,500	47,349,100
Indirect Cost Recovery (Non-Federal) (UNI8900)	9,337,900	9,524,700	9,810,400
Loan (UNI8901)	1,216,100	1,240,400	1,277,600
Restricted (Excluding Federal Funds) (UNI8907)	155,608,500	158,688,600	163,449,800
University Capital Improvement Lease-to-Own and Bond (BRA3042)	11,998,700	11,448,700	18,343,700
Total - University of Arizona - Main Campus	<u>\$1,138,836,800</u>	<u>\$1,155,485,600</u>	<u>\$1,185,237,100</u>
University of Arizona - Health Sciences Center (UAA)			
Auxiliary (UNI8906)	\$9,560,700	\$10,294,200	\$10,369,100
Designated (UNI8905)	84,501,800	105,460,100	108,024,100
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	71,462,800	71,408,000	73,550,400
Federal Indirect Cost Recovery (UNI8902)	22,332,300	22,778,800	23,462,100
Indirect Cost Recovery (Non-Federal) (UNI8900)	3,221,100	3,285,500	3,384,100
Restricted (Excluding Federal Funds) (UNI8907)	108,643,500	110,848,800	114,174,200
Total - University of Arizona - Health Sciences Center	<u>\$299,722,200</u>	<u>\$324,075,400</u>	<u>\$332,964,000</u>
Department of Veterans' Services (VSA)			
Federal (2000)	\$531,800	\$850,600	\$850,600
Military Family Relief (2339)	318,100	443,600	443,600
Southern Arizona Veterans' Cemetery Trust (2499)	219,500	183,600	321,600
Statewide Employee Recognition Gifts (2449)	0	0	0
Veterans' Cemetery (2481)	33,500	7,725,800	7,725,800
Veterans' Donations (2441)	1,824,700	726,700	726,700
Total - Department of Veterans' Services	<u>\$2,927,600</u>	<u>\$9,930,300</u>	<u>\$10,068,300</u>
Water Infrastructure Finance Authority (WFA)			

	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Clean Water Revolving (2254)	\$70,079,100	\$82,528,600	\$82,528,600
Drinking Water Revolving (2307)	40,028,900	32,691,700	32,691,700
Federal (2000)	36,450,400	31,540,200	31,540,200
Greater Arizona Development Authority Revolving (2311)	85,800	228,000	228,000
Small Water Systems (2225)	0	0	0
Water Supply Development Revolving (2336)	0	0	0
Total - Water Infrastructure Financing Authority	<u>\$146,644,200</u>	<u>\$146,988,500</u>	<u>\$146,988,500</u>
Department of Water Resources (WCA)			
Administrative (3025)	\$0	\$0	\$0
Augmentation and Conservation Assistance (2213)	335,000	550,000	550,000
Colorado River Water Use Fee Clearing Account (2538)	9,500	9,500	9,500
Dam Repair (2218)	47,600	312,800	312,800
Federal Grants (2000)	32,100	469,400	469,400
Flood Warning System (1021)	1,300	52,000	52,000
General Adjudications (2191)	13,100	10,000	10,000
Indirect Cost Recovery (9000)	202,200	675,600	675,600
Interagency Service Agreement (2500)	243,600	258,400	258,400
Production and Copying (2411)	6,900	3,000	3,000
Publication and Mailing (2410)	3,700	3,000	3,000
Purchase and Retirement Fund (2474)	0	0	0
Statewide Donations (2025)	10,000	50,000	50,000
Water Banking, Arizona (2110)	5,058,500	5,510,400	5,510,400
Water Protection, Arizona (1302)	889,400	866,500	866,500
Water Quality, Arizona (2304)	139,600	306,000	306,000
Well Administration and Enforcement (2491)	278,800	298,400	298,400
Total - Department of Water Resources	<u>\$7,271,300</u>	<u>\$9,375,000</u>	<u>\$9,375,000</u>
OPERATING TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	\$16,420,271,400	\$18,229,556,500	\$19,167,966,400
Subtotal - Other Funds	6,930,309,900	7,417,989,100	7,560,445,600
Subtotal - Federal Funds	9,489,961,500	10,811,567,400	11,607,520,800
OPERATING TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$16,420,271,400</u>	<u>\$18,229,556,500</u>	<u>\$19,167,966,400</u>
CAPITAL - NON-APPROPRIATED			
Aviation Federal Funds (DTA2267)	\$727,000	\$940,000	\$1,100,000
Federal Grants (DTA2097)	669,747,000	669,748,000	669,748,000
Economic Strength Project (DTA2244)	1,000,000	1,000,000	1,000,000
Highway Expansion and Extension Loan Program (DTA2417)	0	12,500,000	37,500,000
Local Agency Deposits (DTA3701)	84,484,000	90,000,000	85,000,000
Maricopa Regional Area Road (DTA2029)	232,415,000	706,015,000	343,392,000
Department of Public Safety Federal Funds (PSA2000)	204,000	0	0
CAPITAL TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	\$988,577,000	\$1,480,203,000	\$1,137,740,000
Subtotal - Other Funds	317,899,000	809,515,000	466,892,000
Subtotal - Federal Funds	670,678,000	670,688,000	670,848,000
CAPITAL TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$988,577,000</u>	<u>\$1,480,203,000</u>	<u>\$1,137,740,000</u>
GRAND TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	\$17,408,848,400	\$19,709,759,500	\$20,305,706,400
Subtotal - Other Funds	7,248,208,900	8,227,504,100	8,027,337,600
Subtotal - Federal Funds	10,160,639,500	11,482,255,400	12,278,368,800
GRAND TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$17,408,848,400</u>	<u>\$19,709,759,500</u>	<u>\$20,305,706,400</u>

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

NA = No Fund Number

## STATE PERSONNEL SUMMARY

### Full-Time Equivalent Positions by Agency for Fiscal Years 2015 and 2016 1/

BUDGET UNITS	Fiscal Year 2015			Fiscal Year 2016		
	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	86.2	417.9	504.1	86.2	417.9	504.1
Automation Projects Fund	0.0	75.0	75.0	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	86.2	497.9	584.1	86.2	497.9	584.1
Administrative Hearings, Office of	12.0	0.0	12.0	12.0	0.0	12.0
African-American Affairs, Arizona Commission of	3.0	0.0	3.0	3.0	0.0	3.0
Agriculture, Arizona Department of <u>2/</u>	161.0	1.9	162.9	161.0	0.0	161.0
AHCCCS	426.2	597.0	1,023.2	426.2	597.0	1,023.2
AHCCCS - DES Eligibility	564.2	620.9	1,185.1	564.2	620.9	1,185.1
SUBTOTAL - AHCCCS <u>3/</u>	990.4	1,217.9	2,208.3	990.4	1,217.9	2,208.3
Appraisal, State Board of	0.0	9.0	9.0	0.0	9.0	9.0
Athletic Training, Board of	0.0	1.5	1.5	0.0	1.5	1.5
Attorney General - Department of Law	234.2	336.7	570.9	199.7	359.2	558.9
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	11.0	0.0	11.0	11.0	0.0	11.0
Child Safety, Department of <u>4/</u>	1,633.2	1,411.9	3,045.1	1,645.2	1,411.9	3,057.1
Chiropractic Examiners, State Board of	0.0	5.0	5.0	0.0	5.0	5.0
Contractors, Registrar of	0.0	105.6	105.6	0.0	105.6	105.6
Corporation Commission	6.0	294.9	300.9	6.0	294.9	300.9
Corrections, State Department of	9,528.0	6.0	9,534.0	9,528.0	6.0	9,534.0
Cosmetology, Board of	0.0	24.5	24.5	0.0	24.5	24.5
Criminal Justice Commission, Arizona	0.0	9.0	9.0	0.0	9.0	9.0
Deaf and the Blind, Arizona State Schools for the	263.8	277.4	541.2	263.8	277.4	541.2
Deaf and the Hard of Hearing, Commission for the	0.0	15.0	15.0	0.0	15.0	15.0
Dental Examiners, State Board of	0.0	11.0	11.0	0.0	11.0	11.0
Economic Security, Department of <u>5/6/</u>	1,310.4	2,779.2	4,089.6	1,325.1	2,811.6	4,136.7
Education, Department of	143.2	32.7	175.9	143.2	32.7	175.9
Emergency and Military Affairs, Department of <u>2/ 7/</u>	68.6	0.0	68.6	64.1	0.0	64.1
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 and State Fair Board, Arizona	0.0	184.0	184.0	0.0	184.0	184.0
Financial Institutions, State Department of	46.1	14.0	60.1	46.1	14.0	60.1
Fire, Building and Life Safety, Department of	48.0	0.0	48.0	48.0	0.0	48.0
Forester, State	55.0	0.0	55.0	55.0	0.0	55.0
Funeral Directors and 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 and Budgeting	22.0	0.0	22.0	22.0	0.0	22.0
Health Services, Department of	904.3	272.4	1,176.7	900.9	275.8	1,176.7
Historical Society, Arizona	51.9	0.0	51.9	51.9	0.0	51.9
Historical Society of Arizona, Prescott	13.0	0.0	13.0	13.0	0.0	13.0
Homeopathic and Integrated Medicine Exams., Bd. of	0.0	1.0	1.0	0.0	1.0	1.0
Housing, Department of	0.0	3.0	3.0	0.0	3.0	3.0
Indian Affairs, Arizona Commission of	3.0	0.0	3.0	3.0	0.0	3.0
Industrial Commission of Arizona	0.0	235.6	235.6	0.0	235.6	235.6
Insurance, Department of	90.5	0.0	90.5	90.5	0.0	90.5
Judiciary						
Supreme Court	136.6	38.4	175.0	136.6	38.4	175.0
Court of Appeals	136.8	0.0	136.8	136.8	0.0	136.8
Superior Court	128.8	8.7	137.5	128.8	8.7	137.5
SUBTOTAL - Judiciary	402.2	47.1	449.3	402.2	47.1	449.3
Juvenile Corrections, Department of	698.5	40.0	738.5	698.5	40.0	738.5
Land Department, State	125.7	5.0	130.7	125.7	4.0	129.7
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	49.0	0.0	49.0	49.0	0.0	49.0
SUBTOTAL - Legislature	262.8	0.0	262.8	262.8	0.0	262.8
Liquor Licenses and 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, Arizona	0.0	58.5	58.5	0.0	58.5	58.5
Mine Inspector, State	14.0	0.0	14.0	14.0	0.0	14.0
Naturopathic Physicians Medical Board	0.0	2.0	2.0	0.0	2.0	2.0
Navigable Stream Adjudication Commission, Arizona	2.0	0.0	2.0	2.0	0.0	2.0

BUDGET UNITS	Fiscal Year 2015			Fiscal Year 2016		
	General	Other	Total	General	Other	Total
	Fund	Fund		Fund	Fund	
Nursing, State Board of	0.0	42.2	42.2	0.0	42.2	42.2
Nursing Care Institution of Administrators, Bd	0.0	6.0	6.0	0.0	6.0	6.0
Occupational Therapy Examiners, Board of	0.0	1.5	1.5	0.0	1.5	1.5
Opticians, State Board of Dispensing	0.0	1.0	1.0	0.0	1.0	1.0
Optometry, State Board of	0.0	2.0	2.0	0.0	2.0	2.0
Osteopathic Examiners, Arizona Board of	0.0	6.7	6.7	0.0	6.7	6.7
Parks Board, Arizona State	0.0	163.0	163.0	0.0	163.0	163.0
Personnel Board, State	0.0	3.0	3.0	0.0	3.0	3.0
Pest Management, Office of	0.0	30.0	30.0	0.0	30.0	30.0
Pharmacy, Arizona State Board of	0.0	18.0	18.0	0.0	18.0	18.0
Physical Therapy, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Pioneers' Home, Arizona	17.0	89.3	106.3	17.0	89.3	106.3
Podiatry Examiners, State Board of	0.0	1.0	1.0	0.0	1.0	1.0
Postsecondary Education, Commission of	0.0	5.0	5.0	0.0	5.0	5.0
Private Postsecondary Education, Board for	0.0	4.0	4.0	0.0	4.0	4.0
Psychologist Examiners, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Public Safety, Department of	683.7	1,224.0	1,907.7	683.7	1,224.0	1,907.7
Racing, Arizona Department of	0.0	40.5	40.5	0.0	40.5	40.5
Radiation Regulatory Agency 2/	20.0	13.5	33.5	20.0	9.0	29.0
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	835.8	45.0	880.8	867.8	13.0	880.8
School Facilities Board	17.0	0.0	17.0	17.0	0.0	17.0
Secretary of State, Department of State	130.9	10.2	141.1	131.1	10.0	141.1
State Boards' Office	0.0	3.0	3.0	0.0	3.0	3.0
Tax Appeals, State Board of	4.0	0.0	4.0	4.0	0.0	4.0
Technical Registration, State Board of	0.0	25.0	25.0	0.0	25.0	25.0
Tourism, Office of	28.0	0.0	28.0	28.0	0.0	28.0
Transportation, Department of	2.0	4,546.0	4,548.0	2.0	4,546.0	4,548.0
Treasurer, State	0.0	30.4	30.4	0.0	30.4	30.4
Universities 8/						
Regents, Arizona Board of	25.9	0.0	25.9	25.9	0.0	25.9
Arizona State University - Tempe/DPC Campus	6,142.9	0.0	6,142.9	6,142.9	0.0	6,142.9
Arizona State University - East Campus	425.6	0.0	425.6	425.6	0.0	425.6
Arizona State University - West Campus	562.9	0.0	562.9	562.9	0.0	562.9
Northern Arizona University	2,057.2	0.0	2,057.2	2,057.2	0.0	2,057.2
University of Arizona - Main Campus	5,393.0	0.0	5,393.0	5,393.0	0.0	5,393.0
University of Arizona - Health Sciences Center	1,054.1	0.0	1,054.1	1,054.1	0.0	1,054.1
SUBTOTAL - Universities	15,661.6	0.0	15,661.6	15,661.6	0.0	15,661.6
Veterans' Services, Department of	104.3	396.0	500.3	104.3	406.0	510.3
Veterinary Medical Examining Board, Arizona. State	0.0	6.0	6.0	0.0	6.0	6.0
Water Resources, Department of	94.5	1.5	96.0	94.0	2.0	96.0
Weights and Measures, Department of	20.9	17.5	38.4	20.9	17.5	38.4
<b>TOTAL APPROPRIATED FUNDS</b>	<b>34,882.0</b>	<b>15,805.7</b>	<b>50,687.7</b>	<b>34,898.0</b>	<b>15,834.9</b>	<b>50,732.9</b>

- 1/ Full-Time Equivalent (FTE) Positions shown for individual agencies include only those positions funded by appropriated funds. The detail for changes in FTE Positions that occurred between FY 2015 and FY 2016 can be found in the individual agency pages.
- 2/ Laws 2013, Chapter 12 appropriated 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. The FY 2016 NEMF allocations and FTE Position amounts will be made through a bill separate from the General Appropriation Act.
- 3/ Includes 1,174.7 FTE Positions in FY 2015 and FY 2016 in the Other Fund FTE Positions columns funded from the Federal Medicaid Expenditure Authority.
- 4/ In FY 2015 and FY 2016, the amount in the Other Fund FTE Positions column also includes 871.2 FTE Positions that are funded with Expenditure Authority.
- 5/ Includes 1,830.9 FTE Positions in FY 2015 and 1,863.3 FTE Positions in FY 2016 in the Other Fund FTE Positions columns funded by the Long Term Care System Fund and Federal Funds for Child Support Enforcement.
- 6/ The FY 2015 DES amount has been adjusted for 207 existing FTE Positions that were previously covered by vacant Department of Child Safety positions.
- 7/ Includes 1 General Fund FTE Position in the Department of Emergency and Military Affairs for the administration of the Military Installation Fund per A.R.S. § 26-263.
- 8/ All University FTE Positions are attributed to the General Fund, although the Universities fund these positions from Other Appropriated Funds as well.

## FY 2016 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, notwithstanding A.R.S. § 35-111 to permit the Governor to submit an annual budget for FY 2017.
2. As session law, notwithstanding A.R.S. § 35-113 to permit the head of each department to submit an annual budget for FY 2017.
3. As session law, continue to set the FY 2016 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.
4. As session law, continue to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.
5. \* As permanent law, require annual budget requests for all departments to specify the amount of FTE Positions and Personal Services by retirement system and fund source.
6. \* As permanent law, require JLBC Staff to report on an annual retirement expenses budget, delineating the state's spending for the employer contribution. Departments would be required to submit the necessary information to the Joint Legislative Budget Committee.

### Counties and Cities & Towns

7. As session law, continue to 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 2016. Requires counties using this authority to report to the Director of the JLBC on the intended amount and sources of funds by October 1, 2015.
8. \* As session law, modify the JLBC's reporting requirements relating to the fiscal impact of government property excise tax (GPLET) rates by requiring counties to provide the JLBC Staff with the information necessary to complete the report, eliminating a report section pertaining to the determination of the property tax levy per square foot, and permitting the JLBC Staff to sample leases to produce the report.
9. \* As permanent law, add the JLBC Staff to the list of recipients of GPLET payment information produced by counties and currently reported to the Department of Revenue.

### Arizona Department of Administration

10. ~~As session law, permit use of building renewal monies for building demolition in FY 2015.~~
11. \* As permanent law, eliminate the annual electronic transaction reporting requirement pursuant to A.R.S. § 35-142.
12. \* As session law, repeal the Working Capital Surplus Limitation associated with 2010 state buildings sale and lease-back. Require ADOA, in response to the Investment Yield Restriction, to report to JLBC on the investment yield amount and whether the department reduced the yield of investments or modified investments to meet the terms of the restriction.

### Arizona Commission of African-American Affairs

13. \* As permanent law, transfer the administration of the African-American Commission Fund from the Treasurer to the Arizona Commission of African-American Affairs.

### Department of Agriculture

14. As session law, continue fee raising authority and an exemption relating to establishing fees for the Department of Agriculture in FY 2016. The bill continues an intent clause that limits additional revenues to \$357,000.

### AHCCCS

#### *Rates and Services*

15. 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.
16. As session law, state that it is the intent of the Legislature that AHCCCS not increase capitation rates more than 3% in FY 2016, FY 2017 and FY 2018.

#### *Counties*

17. As session law, set FY 2016 county Arizona Long Term Care System (ALTCS) contributions at \$250,170,100.
18. As session law, set the County Acute Care contribution at \$47,233,500. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328.

19. As session law, require AHCCCS to transfer any excess monies back to the counties by December 31, 2016 if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.
20. 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.
21. As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations.

#### *Hospitals*

22. As session law, establish FY 2016 disproportionate share (DSH) distributions to the Maricopa Special Healthcare District, the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center.
23. ~~As session law, retroactively revise the FY 2014 DSH distribution to the Arizona State Hospital from \$26.7 million to \$28.5 million.~~

#### *Erroneous Payments*

24. ~~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.~~
25. 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*

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

#### *Reports*

27. As session law, continue to require AHCCCS to submit a report by December 1, 2015 on utilization of emergency departments for non-emergency use by AHCCCS enrollees.
28. As session law, continue to require AHCCCS and DHS to submit a joint report by January 1, 2016 on hospital costs and charges.

#### **Arizona Commission on the Arts**

29. ~~As session law, appropriate \$1,000,000 of Budget Stabilization Fund interest income in FY 2015 to the continuously appropriated Arts Fund.~~

#### **Attorney General - Department of Law**

30. As session law, continue to permit the Attorney General to use State Aid to Indigent Defense Fund for capital postconviction prosecution activities in FY 2016.

#### **Department of Child Safety**

31. As session law, continue to require the department to report with the Early Childhood Development and Health Board on collaborative efforts on child welfare issues.
32. \* As session law, require the Auditor General to evaluate the department's permanency practices, the effectiveness of a differential response system, and the department's foster home placement practices.

#### **Arizona Community Colleges**

33. As session law, continue to suspend Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs funding formula for FY 2016 and specify the funding in the General Appropriation Act.

#### **State Department of Corrections**

34. 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.
35. As session law, continue to require the department to report actual FY 2015, estimated FY 2016, and requested FY 2017 expenditures as delineated in the prior year when the department submits its FY 2017 budget request pursuant to A.R.S. § 35-113.
36. As session law, continue to allow the Transition Program Fund but not the Interagency Service Agreement Fund to be used for general operations.

#### **Department of Economic Security**

37. 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.

- 38. 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.
- 39. \* As permanent law, require DES to transfer any FY 2015 equity balance from capitated payments in the Long Term Care System Fund to the General Fund by June 30, 2016. Require DES to report the transfer amount to JLBC.

**Department of Education**

- 40. As session law, continue to fund state aid for Joint Technical Education Districts (JTEDs) with more than 2,000 students at 95.5% of the formula requirement and reduce budget limits accordingly. Continues to fund smaller JTEDs at 100%.

*Formula Requirements*

- 41. 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 1.59% for standard inflation.

*Funding Formula Changes*

- 42. 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 2016 by the amount that would be reduced if they did qualify for state aid for FY 2016 and reduce budget limits accordingly.
- 43. As session law, continue to reduce Charter Additional Assistance by \$15,656,000.
- 44. As session law, continue to 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 2016 and reduce budget limits accordingly.
- 45. As session law, continue to cap total District Additional Assistance reductions for school districts with fewer than 1,100 students at \$5,000,000.
- 46. ~~As session law, establish provisions for phase-out of charter school conversions.~~

*Other*

- 47. As session law, continue to require community colleges and universities to transfer \$6 per pupil to ADE by December 1, 2015 for deposit into the Education Learning and Accountability Fund.
- 48. As session law, continue to stipulate that \$100,000 of the \$3,646,400 School Safety Program appropriation for FY 2016 is to be used for a pilot program on school emergency readiness and establish requirements for the pilot program.
- 49. ~~As session law, establish K-12 Broadband Task Force of legislators, ASET director, Superintendent of Public Instructions and stakeholders. Task force required to report by December 2014 on available information and by December 2015 on recommendations on how to proceed.~~
- 50. As session law, continue for FY 2016 the distribution formula for the Student Success Funding program that was in effect for FY 2015.

**Department of Environmental Quality**

- 51. 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 2016 for department administrative expenses.
- 52. 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.
- 53. ~~As session law, allow \$1.8 million of the department’s Emissions Inspection Fund monies to be spent on the Safe Drinking Water Program.~~
- 54. ~~As session law, establish procedures for Underground Storage Tank operations and funding.~~

**Department of Financial Institutions**

- 55. ~~As session law, extend the permission for the agency to spend up to \$850,000 from the Receivership Revolving Fund in FY 2014 for information technology upgrades into FY 2015.~~
- 56. As session law, continue to allow the Department of Financial Institutions to use the Financial Services Fund for general operating expenditures of the department.

**Department of Health Services**

- 57. As session law, revise language regarding counties’ cost of care of Sexually Violent Persons (SVP) at the Arizona State Hospital to clarify that all counties are required to pay 33% of their total SVP costs in FY 2016, which is comparable to the FY 2015 cost-sharing. Require counties to pay SVP costs throughout the entire commitment process, including pre-adjudication proceedings.
- 58. As session law, continue to require all cities and counties to pay 100% of cost of Restoration to Competency treatment in FY 2016. Allow counties to use any source of county revenue to make the transfers.

- 59. As session law, continue to notwithstanding A.R.S. § 36-773 to permit DHS to use Tobacco Tax and Health Care Fund - Health Research Account for Alzheimer's disease research.
- 60. \* As permanent law, establish 4 separate funds that DHS must use for intergovernmental/interagency service agreements.
- 61. \* As permanent law, delete a DHS homeland security allocation and reporting requirement pursuant to A.R.S. § 41-4255.
- 62. ~~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.~~
- 63. ~~As session law, state that it is the intent of the Legislature that DHS may increase behavioral health service provider rates up to 2% beginning on October 1, 2014.~~

**Department of Insurance**

- 64. As session law, continue to suspend the requirement that fees collected by the department be between 95% and 110% of the department's appropriation.
- 65. \* As permanent law, require the Department of Insurance to report Insurance Premium Tax collection information periodically during the fiscal year to JLBC and OSPB.
- 66. \* As permanent law, require the Department of Insurance to report Insurance Premium Tax credit information for a given fiscal year within 3 months of the end of a fiscal year.

**Judiciary**

- 67. 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.

**Arizona Navigable Stream Adjudication Commission**

- 68. 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**

- 69. As session law, continue to allow the use of \$692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs.

**Department of Public Safety**

- 70. As session law, continue to require DPS to receive JLBC review of the expenditure plan for the GIITEM Subaccount FY 2016 appropriation prior to its expenditure.
- 71. As session law, continue to suspend the schedule established by A.R.S. § 28-6537 governing the level of Highway User Revenue Fund (HURF) revenues available to fund DPS' Highway Patrol costs.
- 72. As session law, continue to allow use of the State Aid to Indigent Defense Fund for Department of Public Safety operating expenses.

**Department of Racing**

- 73. ~~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**

- 74. As session law, continue fee raising authority and an exemption relating to establishing fees for the Radiation Regulatory Agency in FY 2016. The bill continues an intent clause that limits additional revenues to \$561,000.

**Revenues**

- 75. \* As session law, notwithstanding the requirements for any deposit to or any withdrawals from the Budget Stabilization Fund in FY 2016.

**School Facilities Board**

- 76. \* As permanent law, require the board to report annually to the JLBC by December 1 on all Class B bond approvals by school districts in that year.
- 77. \* As session law, notwithstanding the School Facilities Board's awards for new construction in FY 2016, and instead require the School Facilities Board to construct the Benson Unified School District K-4 project to accommodate 84 students based on JLBC Staff enrollment projections.



**State Treasurer**

78. \* As permanent law, transfer the administration of the African-American Commission Fund from the Treasurer to the Arizona Commission of African-American Affairs.

**Universities**

79. 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 Veterans' Services**

80. \* As permanent law, change the name of the Southern Arizona Veterans' Cemetery Trust Fund to the Arizona State Veterans' Cemetery Trust Fund. Monies deposited into this fund would be used to operate and maintain all 3 cemeteries in the state.

**Department of Water Resources**

81. 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 2016.

82. ~~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.~~

**FY 2016 GENERAL APPROPRIATION ACT PROVISIONS**

The Baseline would include the following provisions in the General Appropriation Act. These provisions would be in addition to the individual agency appropriations.

**Arizona Department of Administration**

83. As session law, provide the Department of Administration the FY 2016 appropriation authority to spend certain Automation Projects Fund remaining balances as of June 30, 2015 for the same respective purposes specified in FY 2015 after a report to JLBC.

**Arizona Commerce Authority**

84. 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 2016.

**Department of Child Safety**

85. As session law, continue the \$11,000,000 payment deferral to providers from FY 2016 to FY 2017. Appropriate \$11,000,000 in FY 2017 for these deferred payments.

**Department of Economic Security**

86. As session law, continue the \$21,000,000 payment deferral to providers from FY 2016 to FY 2017. Appropriate \$21,000,000 in FY 2017 for these deferred payments.

**Department of Education**

87. As session law, continue to defer \$930,727,700 in Basic State Aid payments from FY 2016 to FY 2017. Appropriate \$930,727,700 in FY 2017 for these deferred 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, 2016.

88. As session law, continue to require school districts to include in the FY 2016 revenue estimates that they use for computing their FY 2016 tax rates the rollover monies that they will receive for FY 2016 in July 2016.

**Universities**

89. As session law, continue the \$200,000,000 universitywide payment deferral to the universities from FY 2016 to FY 2017. Appropriate \$200,000,000 in FY 2017 for these deferred payments.

**Debt Service**

90. As session law, appropriate \$84,114,600 from the General Fund to the Arizona Department of Administration in FY 2016 for a debt service payment on the 2010 sale and lease-back of state buildings.

**Revenues**

91. As session law, continue to specify revenue and expenditure estimates for FY 2015, FY 2016, FY 2017, and FY 2018.
92. As session law, continue to require the Executive branch to provide JLBC preliminary estimates of FY 2015 ending balances by September 15, 2015. Require JLBC Staff to report to JLBC by October 15, 2015 as to whether FY 2016 revenues and ending balance are expected to change by more than \$50,000,000 from budgeted projections.

**Statewide**

93. As session law, continue to specify FY 2016 individual agency charges totaling \$1,809,500 for general agency counsel provided by the Attorney General.
94. 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.
95. As session law, continue to require ADOA to compile a report on Full-Time Equivalent (FTE) Position usage in FY 2016 in all agencies and provide it to the JLBC Director by October 1, 2016. The Department of Economic Security, Universities, and Department of Environmental Quality are exempt from the report but are required to report separately.
96. As session law, continue to require each agency to submit a report to the JLBC Director by October 1, 2015 on the number of filled appropriated and non-appropriated FTE Positions by fund source as of September 1, 2015.
97. 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**

98. As session law, continue to define “\*” as designating an appropriation exempt from lapsing.
99. As session law, continue to define “expenditure authority” as continuously appropriated monies included in individual line items of appropriations.
100. 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.

### **Department of Corrections**

- Adds footnote that any changes in per diem rates for the inmate health care contracted services shall be reviewed by the Joint Legislative Budget Committee (JLBC).
- Adds footnote allowing the department to use Medicaid reimbursement monies from previous fiscal years to offset current costs.

### **Department of Economic Security**

- Adds footnote requiring agency to report to JLBC before transferring money into or out of Case Management and new DDD Operating Lump Sum line items.

### **Judiciary**

- Adds footnotes requiring all centralized service payments for counties, probation expenses, and automation costs to be funded solely from those particular line items.

### **Universities**

- Deletes footnotes in Arizona State University - Tempe/Downtown Phoenix Campus, Arizona State University - East Campus, and Northern Arizona University budgets concerning parity funding since the FY 2015 budget concluded the parity initiative.

***INDIVIDUAL AGENCY ESTIMATES***

**Arizona State Board of Accountancy**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	626,800	738,800	738,800
Employee Related Expenditures	287,700	335,000	335,000
Professional and Outside Services	379,000	547,400	547,400
Travel - In State	2,600	5,400	5,400
Travel - Out of State	8,900	10,600	10,600
Other Operating Expenditures	192,300	291,800	291,800
Equipment	25,500	7,800	7,800
<b>AGENCY TOTAL</b>	<b>1,522,800</b>	<b>1,936,800</b>	<b>1,936,800</b>

<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Board of Accountancy Fund	1,522,800	1,936,800	1,936,800
SUBTOTAL - Other Appropriated Funds	1,522,800	1,936,800	1,936,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,522,800</b>	<b>1,936,800</b>	<b>1,936,800</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,522,800</b>	<b>1,936,800</b>	<b>1,936,800</b>

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

<b>Operating Budget</b>
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\* \* \*

The Baseline includes \$1,936,800 and 13 FTE Positions from the Board of Accountancy Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Board of Accountancy Fund (ABA2001/A.R.S. § 32-705)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate certified public accountants and public accountants, and for board administration.		
<b>Funds Expended</b>	1,522,800	1,936,800
<b>Year-End Fund Balance</b>	1,807,700	1,753,200

## Acupuncture Board of Examiners

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	86,400	88,600	88,600
Employee Related Expenditures	17,800	20,500	20,500
Professional and Outside Services	11,400	13,000	13,000
Travel - In State	1,100	1,500	1,500
Other Operating Expenditures	26,000	29,800	29,800
Equipment	1,900	1,300	1,300
<b>AGENCY TOTAL</b>	<b>144,600</b>	<b>154,700</b>	<b>154,700</b>

### FUND SOURCES

<u>Other Appropriated Funds</u>			
Acupuncture Board of Examiners Fund	144,600	154,700	154,700
SUBTOTAL - Other Appropriated Funds	144,600	154,700	154,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>144,600</b>	<b>154,700</b>	<b>154,700</b>
<b>TOTAL - ALL SOURCES</b>	<b>144,600</b>	<b>154,700</b>	<b>154,700</b>

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

### Operating Budget

\* \* \*

The Baseline includes \$154,700 and 1 FTE Position from the Acupuncture Board of Examiners Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Acupuncture Board of Examiners Fund (ANA2412/A.R.S. § 32-3905)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate acupuncturists, and for board administration.		
<b>Funds Expended</b>	144,600	154,700
<b>Year-End Fund Balance</b>	131,900	129,600

## Arizona Department of Administration

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	508.1	504.1	504.1
Personal Services	27,356,600	30,881,400	30,881,400
Employee Related Expenditures	10,611,000	12,135,800	12,135,800
Professional and Outside Services	6,959,000	8,752,800	8,752,800
Travel - In State	206,500	193,400	193,400
Travel - Out of State	12,100	25,800	25,800
Other Operating Expenditures	27,381,300	34,299,400	34,299,400
Equipment	3,260,100	3,130,700	3,130,700
<b>OPERATING SUBTOTAL</b>	<b>75,786,600</b>	<b>89,419,300</b>	<b>89,419,300</b>
<b>SPECIAL LINE ITEMS</b>			
<b>Facilities Management</b>			
Utilities	7,554,800	8,275,600	8,275,600
<b>Financial Services</b>			
County Attorney Immigration Enforcement	973,700	1,213,200	1,213,200
Named Claimants	193,600	0	0
<b>Information Technology Services</b>			
Public Safety Communications	261,400	0	0
Statewide Information Security and Privacy Office	784,300	873,500	873,500
<b>Risk Management</b>			
Federal Transfer Payment	10,742,000	0	0
Risk Management Administrative Expenses	4,885,200	8,747,200	8,747,200
Risk Management Losses and Premiums	36,214,300	44,362,200	44,362,200
Workers' Compensation Losses and Premiums	26,857,100	31,159,200	31,159,200
<b>Support Services</b>			
State Surplus Property Sales Proceeds	1,734,900	1,260,000	1,260,000
<b>Other</b>			
Southwest Defense Contracts	0	25,000	25,000
<b>AGENCY TOTAL</b>	<b>165,987,900</b>	<b>185,335,200</b>	<b>185,335,200</b>
<b>FUND SOURCES</b>			
General Fund	11,095,800	11,193,000	11,193,000
<b>Other Appropriated Funds</b>			
Air Quality Fund	732,400	927,100	927,100
Automation Operations Fund	17,456,400	22,020,700	22,020,700
Capital Outlay Stabilization Fund	16,372,200	18,080,400	18,080,400
Corrections Fund	413,900	574,100	574,100
Federal Surplus Materials Revolving Fund	54,200	464,100	464,100
Information Technology Fund	2,770,500	3,238,100	3,238,100
Motor Vehicle Pool Revolving Fund	8,890,100	10,156,100	10,156,100
Personnel Division Fund	12,502,500	12,914,000	12,914,000
Risk Management Revolving Fund	85,242,100	91,995,400	91,995,400
Special Employee Health Insurance Trust Fund	4,149,400	5,267,400	5,267,400
State Surplus Materials Revolving Fund	2,775,900	2,399,800	2,399,800
State Web Portal Fund	1,725,700	4,250,000	4,250,000
Telecommunications Fund	1,806,800	1,855,000	1,855,000
SUBTOTAL - Other Appropriated Funds	154,892,100	174,142,200	174,142,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>165,987,900</b>	<b>185,335,200</b>	<b>185,335,200</b>
Other Non-Appropriated Funds	955,627,700	995,538,300	1,035,247,100
Federal Funds	3,629,000	5,619,700	2,784,900
<b>TOTAL - ALL SOURCES</b>	<b>1,125,244,500</b>	<b>1,186,493,200</b>	<b>1,223,367,200</b>

**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 \$89,419,300 and 501.1 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$9,329,100
Air Quality Fund	927,100
Automation Operations Fund	22,020,700
Capital Outlay Stabilization Fund (COSF)	10,430,500
Corrections Fund	574,100
Federal Surplus Materials Revolving Fund	464,100
Information Technology Fund	2,364,600
Motor Vehicle Pool Revolving Fund	10,156,100
Personnel Division Fund	12,914,000
Risk Management Revolving Fund	7,726,800
Special Employee Health Insurance Trust Fund	5,267,400
State Surplus Materials Revolving Fund	1,139,800
State Web Portal Fund	4,250,000
Telecommunications Fund	1,855,000

These amounts are unchanged from FY 2015.

**Facilities Management**

**Utilities**

The Baseline includes \$8,275,600 in FY 2016 for Utilities. This amount consists of:

General Fund	625,700
COSF	7,649,900

These amounts are unchanged from FY 2015.

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 2016 for County Attorney Immigration Enforcement. This amount is unchanged from FY 2015.

This line item is for distribution to county attorneys and county sheriffs for the purpose of enforcement of Title 23, Chapter 2, Article 2, Arizona Revised Statutes, which

prohibits an employer from knowingly employing unauthorized immigrants.

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

- \$200,000 shall be distributed to the county attorney of a county with a population of 2,000,000 or more persons.
- \$500,000 shall be distributed to the county sheriff of a county with a population of 2,000,000 or more persons.
- Subject to prior approval by the Joint Legislative Budget Committee (JLBC), the remaining monies may be distributed to county attorneys and county sheriffs of counties with populations of less than 2,000,000 persons.
- In addition, the footnote requires that each county shall submit an annual report to ADOA by October 1, 2015 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, 2015.

At its April 2014 meeting, the JLBC approved a proposal by ADOA to distribute FY 2014 funds to non-Maricopa counties proportionally based on population. ADOA additionally proposed that, if a county officer had previously returned their FY 2013 funding, had reported no use for their FY 2014 funding, or had failed to report any intended use of their FY 2014 funding, ADOA would not distribute their proportionate share of funds. The Committee approved ADOA's proposal resulting in a planned distribution of \$300,500 of the \$513,200 designated for all non-Maricopa counties for a total distribution of \$1.0 million. Some county officers ultimately returned their distribution resulting in the FY 2014 actual expenditure of \$973,700.

At its December 2014 meeting, the JLBC approved a proposal by ADOA to distribute \$231,400 of the \$513,200 designated for all non-Maricopa counties for FY 2015. ADOA proposed to distribute funds to 9 county officers who requested funds regardless of whether FY 2014 funding was returned or unused. The JLBC additionally requested more information on the Pima County Sheriff's request for \$97,700 for further review.

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.



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**Information Technology Services**

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**Public Safety Communications**

The Baseline includes no funding from the General Fund in FY 2016 for Public Safety Communications. This amount is unchanged from FY 2015.

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

In August 2013, ADOA received a \$2,900,000 federal grant which was to be administered by PSCC. The State and Local Implementation Grant Program (SLIGP) was distributed as part of the National Public Safety Broadband Network (NPSBN) initiative, a national effort to construct a nationwide, standards-based, high-speed data network by reserving a part of the electromagnetic spectrum for public safety. ADOA will continue to administer SLIGP funds through other programs.

With the elimination of the commission, a FY 2015 General Appropriation Act footnote required ADOA to submit a report by October 1, 2014 to JLBC for review of the expenditures to date and progress of implementation for any SLIGP funds. Additionally, the footnote allows JLBC to require ADOA to submit more frequent reports as necessary for further review. Through September 2014, ADOA reported spending \$379,600 of the \$2.9 million grant.

**Statewide Information Security and Privacy Office**

The Baseline includes \$873,500 and 3 FTE Positions from the Information Technology Fund in FY 2016 for the Statewide Information Security and Privacy Office. These amounts are unchanged from FY 2015.

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

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**Risk Management**

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**Federal Transfer Payment**

The Baseline includes no funding from the Risk Management Revolving Fund in FY 2016 for payment to the federal government. This amount is unchanged from

FY 2015. Laws 2014, Chapter 18, Section 105 included an FY 2014 supplemental appropriation of \$10,742,000 from the Risk Management Revolving Fund to repay the federal government for restricted uses. This amount consisted of:

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

In addition, Laws 2014, Chapter 18 specifies that it is the intent of the Legislature that ADOA shall not enter into any agreements to pay for any federal reimbursements related to excess retained earnings in the Special Employee Health Insurance Trust Fund (HITF), or interest payments made for the Human Resource Information Solution (HRIS) Certificate of Participation (COP), unless the proposed agreements are reviewed by the JLBC.

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 the Federal Financial Participation section in Other Issues for Legislative Consideration for more information.)*

**Risk Management Administrative Expenses**

The Baseline includes \$8,747,200 from the Risk Management Revolving Fund in FY 2016 for Risk Management Administrative Expenses. This amount is unchanged from FY 2015.

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 \$44,362,200 from the Risk Management Revolving Fund in FY 2016 for Risk Management Losses and Premiums. This amount is unchanged from FY 2015.

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 \$31,159,200 from the Risk Management Revolving Fund in FY 2016 for Workers' Compensation Losses and Premiums. This amount is unchanged from FY 2015.

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 2016 for State Surplus Property Sales Proceeds. This amount is unchanged from FY 2015.

This line item separates surplus sales proceeds returned to agencies from the division's operating budget. The surplus property yard returns 90% of sales proceeds to the agency from which the property originated. The yard retains 10% of the proceeds to fund its operations.

**Other**

**Southwest Defense Contracts**

The Baseline includes \$25,000 from the General Fund in FY 2016 for Southwest Defense Contracts. This amount is unchanged from FY 2015.

This line item is for the distribution to a nonprofit organization that advocates for the preservation and enhancement of critical defense missions and assets in the southwestern United States.

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**FORMAT** — Operating Lump Sum with Special Line Items by Agency

**FOOTNOTES**

*Standard Footnotes*

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

Of the \$1,213,200 appropriated to the County Attorney Immigration Enforcement line item, \$200,000 must be distributed to the county attorney of a county in this state having a population of 2,000,000 or more persons for the purpose of enforcing Title 23, Chapter 2, Article 2, Arizona Revised Statutes, and \$500,000 must be distributed to the county sheriff of a county in this state having a population of 2,000,000 or more persons for the purpose of enforcing Title 23, Chapter 2, Article 2, Arizona Revised Statutes. Subject to the prior approval of the Joint Legislative Budget Committee, the remaining monies may be distributed to county attorneys and county sheriffs of counties with populations of less than 2,000,000 persons for the purpose of enforcing Title 23, Chapter 2, Article 2, Arizona Revised Statutes. ~~This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.~~ The appropriated monies may be spent in the sole discretion of the county attorney or county sheriff to whom the monies are distributed for the purpose of enforcing Title 23, Chapter 2, Article 2, Arizona Revised Statutes, without any further approval or other action by the county board of supervisors of the county. Each county shall submit an annual report to the Department of Administration on or before October 1, 2015 on the actual use of the monies in the previous fiscal year and the projected use of the monies in the current fiscal year. The Department of Administration shall report to the Directors of the Governor's Office of Strategic Planning and Budgeting and the Joint Legislative Budget Committee on or before November 1, 2015 on the use of these monies. *(The stricken language would require future unused monies to lapse. In FY 2014, \$239,500 were either not disbursed or returned. Please see the County Attorney Immigration Enforcement Section for more information.)*

On or before October 1, 2015, the department shall submit a report for review by the Joint Legislative Budget Committee of the expenditures to date and progress of implementation for any monies received from the State and Local Implementation Grant Program associated with the National Public Safety Broadband Network Initiative. The Joint Legislative Budget Committee may require the department to submit more frequent reports as necessary for further review.

It is the intent of the Legislature that the Department of Administration not enter into any agreements to pay for any federal reimbursements related to excess balances in the Special Employee Health Insurance Trust Fund established by A.R.S. § 38-654, or interest payments made for the Human Resource Information Solution Certificate of Participation, unless the proposed agreements are reviewed by the Joint Legislative Budget Committee.

All State Surplus Materials Revolving Fund revenues received by the Department of Administration in excess of the \$2,399,800 in FY 2016 are appropriated to the department. Before the expenditure of State Surplus Materials Revolving Fund receipts in excess of \$2,399,800

in FY 2016, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee.

The amount appropriated for Southwest Defense Contracts must be used for distribution to a nonprofit organization that advocates for the preservation and enhancement of critical defense missions and assets in the southwest United States.

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

The appropriation for the Automation Operations Fund established by A.R.S. § 41-711 is an estimate representing all monies, including balance forward, revenue and transfers during FY 2016. These monies are appropriated to the Department of Administration for the purposes established in A.R.S. § 41-711. The appropriation is adjusted as necessary to reflect receipts credited to the Automation Operations Fund for automation operation center projects. Before the expenditure of any Automation Operations Fund revenues in excess of \$22,020,700 in FY 2016, 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.

*Deletion of Prior Year Footnotes*

The Baseline would delete a footnote requiring ADOA to submit a plan to reduce the level of federal reimbursement regarding excess balances from funds other than the Special Employee Health Insurance Trust Fund.

**STATUTORY CHANGES**

The Baseline would, as permanent law, eliminate the annual electronic transaction reporting requirement pursuant to A.R.S. § 35-142. *(See the Electronic Transaction Reporting Section in the Other Issues for Legislative Consideration Section for more information.)*

**OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

This section includes information on the following topics:

- Automation Projects
- Health Insurance Trust Fund
- Risk Management Revolving Fund
- Federal Financial Participation Repayments
- Electronic Transaction Reporting

**Automation Projects**

The Baseline includes \$11,352,000 transferred from the General Fund and Other Funds to the Automation Projects Fund in FY 2016 for automation and information technology projects at ADOA. This amount consists of:

**AFIS Replacement**

The Baseline includes \$9,202,000 from the Automation Projects Fund in FY 2016 for the final year of a 4-year project to replace the state’s financial and accounting system.

The new AFIS system “goes live” in FY 2016. ADOA anticipates funding its operating costs by implementing a transaction and usage charge to each agency that uses the new AFIS system. The operating costs include staffing to support the new system, software licensing and maintenance, hosted production and disaster recovery.

**ASET Initiatives**

The Baseline includes \$2,150,000 from the Automation Projects Fund in FY 2016 to fund project management 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 2014, HITF had a balance of \$325,600,000. Recent budgets have included a number of measures to reduce the HITF balance.

	<b>Estimated FY 2015</b>	<b>Estimated FY 2016</b>
Beginning Balance	\$325.6	\$321.5
Receipts	\$839.7	\$839.7
Expenses	\$781.5	\$823.6
FFP Repayment <sup>1/</sup>	8.4	0.0
Transfer	<u>53.9</u>	<u>0.0</u>
Net Expenses	\$843.8	\$823.6
<b>HITF Ending Balance</b>	<b>\$321.5</b>	<b>\$337.6</b>

<sup>1/</sup> Represents an estimated payment not yet authorized by the Legislature for the transfer of monies made in FY 2014.

The FY 2015 General Appropriation Act (Laws 2014, Chapter 18, Section 139) required a \$53,900,000 transfer from the HITF balance to the General Fund. Some of the HITF revenues are generated from Federal Funds. As a

result, when HITF monies are transferred to the General Fund, the federal government requires that they receive a refund as well, known as a federal financial participation (FFP) repayment. Chapter 18 appropriated \$10,742,000 from the Risk Management Revolving Fund in FY 2014 for an FFP repayment, which included \$3,443,000 for FY 2013 transfers from HITF. While not yet authorized by the Legislature, the FY 2015 FFP repayment for FY 2014 HITF transfers is estimated to be \$8,433,700. This repayment may alternatively be financed from the Risk Management Revolving Fund.

Despite the FY 2015 and previous balance reduction measures, HITF is expected to have a fund balance of \$330.4 million at the end of FY 2016. 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 over \$50 million.

*Table 2* depicts actual balance, revenue, and expenditure information for FY 2014 as well as the estimated amounts for FY 2015 and FY 2016. 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 2015 and FY 2016, which are closer to historical spending levels. Under these adjusted estimates, the balance would be \$91.7 million in FY 2015 and \$107.8 million in FY 2016.

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 Department of Public Safety (DPS) disaster recovery planning, DPS-Capitol Police salaries, and Arizona Navigable Streams Adjudication Commission litigation costs.

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

### **Federal Financial Participation Repayment**

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

### **Fund Transfers**

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

### **Disallowed Costs**

The federal government does not allow the use of Federal Funds to pay state agency charges in certain circumstances. For example, the state's oversight of

	<u>Actual FY 2014</u>	<u>Estimated FY 2015</u>	<u>Estimated FY 2016</u>
<b>Beginning Balance</b>	65,378.5	75,691.8	76,725.9
<b>Revenues</b>	<u>106,910.2</u>	<u>103,706.2</u>	<u>103,760.2</u>
<i>Total Funds Available</i>	172,288.7	179,398.0	180,486.1
<b>Expenditures</b>			
ADOA	74,500.1	91,995.4	91,995.4
Federal Repayment	<u>10,742.0</u>	-	-
<i>ADOA Subtotal</i>	85,242.1	91,995.4	91,995.4
Other Agencies	9,770.0	10,676.7	10,676.7
Legislative Transfers	661.8	-	-
Admin Adjustment	<u>923.0</u>	-	-
<i>Total Expenditures</i>	96,596.9	102,672.1	102,672.1
<b>Ending Balance</b>	<b>75,691.8</b>	<b>76,725.9</b>	<b>77,814.0</b>
<b>Spending Adjustment <sup>1/</sup></b>	-	(15,000.0)	(15,000.0)
<b>Adjusted Expenditures</b>		87,672.1	87,672.1
<b>Revised Balance</b>	<b>75,691.8</b>	<b>91,725.9</b>	<b>107,814.0</b>

<sup>1/</sup> Would reduce projected expenditures closer to historical spending levels which would increase the revised ending balance.

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

#### Excess Retained Earnings

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

#### FY 2014

In FY 2014, the federal government charged the state \$10,742,000 for fund transfers and disallowed spending of federal monies in FY 2013. This amount consists of:

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

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

Laws 2014, Chapter 18 also required ADOA to submit a plan to reduce the level of federal reimbursement regarding excess retained earnings from funds other than the Special Employee Health Insurance Trust Fund for review by the JLBC.

ADOA's report did not directly respond to the reporting requirement. The Joint Legislative Budget Committee reviewed this issue at its December 17, 2014 meeting. Based on JLBC Staff analysis, the Committee was presented with 4 options to address the issue of excess balances:

- Maintain current balances and continue to reimburse the federal government.

- Return proportional shares of the excess balance to the General Fund and the federal government.
- Reduce internal service rates to eliminate excess balances.
- Take no action.

The Committee recommended that in order to reduce the level of federal reimbursements related to excess balances in funds, excess balances should be proportionally returned to the state and federal government. Unless ADOA voluntarily transfers the state's share to the General Fund, this action would require a statutory change. The transfer would generate approximately \$12.4 million in one-time General Fund revenue based on FY 2014 balances.

#### FY 2015

Based on prior experiences of federal repayment and estimates provided by ADOA, the federal government is likely to charge the state approximately \$9,272,200 for restricted use of Federal Funds, as follows:

- \$3,052,700 related to FY 2014 fund transfers from 9 different funds.
- \$292,800 for disallowed costs related to statewide IT charges in FY 2014.
- \$5,926,700 for excess retained earnings in 5 different funds in FY 2014

This amount does not include excess retained earnings or fund transfers from HITF. *(Please see the Federal Transfer Payment line item above for more information.)*

#### 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 of 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.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Administration - AFIS II Collections Fund (ADA4203/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Financial transaction processing fees.		
<b>Purpose of Fund:</b> To operate the Arizona Financial Information System (AFIS) II.		
<b>Funds Expended</b>	1,924,500	3,692,900
<b>Year-End Fund Balance</b>	1,967,800	0
<b>Air Quality Fund (ADA2226/A.R.S. § 49-551)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Annual air quality and emissions fees assessed on motor vehicle registrations, as well as legislative appropriations.		
<b>Purpose of Fund:</b> To administer a travel reduction program, as defined by A.R.S. § 49-588, including bus ride subsidies for state employees.		
<b>Funds Expended</b>	732,400	927,100
<b>Year-End Fund Balance</b>	0	0
<b>Anti-Racketeering Fund (ADA2131/A.R.S. § 13-2314.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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 the Department of Public Safety which have been subsequently transitioned to ADOA for the Public Safety Interoperability Communications Office.		
<b>Purpose of Fund:</b> Provides funding to ADOA's Public Safety Interoperability Communications Office for expanding standards-based P25 communications capability along the southern border.		
<b>Funds Expended</b>	49,400	0
<b>Year-End Fund Balance</b>	0	0
<b>Automation Operations Fund (ADA4230/A.R.S. § 41-711)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide agencies and other political entities data processing and information technology consulting services and to maintain the integrity and security of state information. Balances reflect a transfer into the Automation Projects Fund of \$8,130,000 in FY 2014 and \$9,057,000 in FY 2015. (See the Automation Projects Fund page for more details.)		
<b>Funds Expended</b>	17,456,400	22,020,700
<b>Transfer to Automations Project Fund</b>	8,130,000	9,057,000
<b>Year-End Fund Balance</b>	13,862,500	13,366,900
<b>Capital Outlay Stabilization Fund (ADA1600/A.R.S. § 41-792.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Rental and tenant improvement charges to agencies occupying ADOA owned buildings.		
<b>Purpose of Fund:</b> To pay maintenance, utilities, construction, and administrative costs for state-owned buildings.		
<b>Funds Expended</b>	16,372,200	18,080,400
<b>Year-End Fund Balance</b>	19,098,300	6,717,400
<b>Certificate of Participation Fund (ADA5005/A.R.S. § 41-791.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Rental and tenant improvement charges to agencies occupying buildings under Certificate of Participation (COP) lease-purchase agreements.		
<b>Purpose of Fund:</b> To make COP lease-purchase payments on buildings under such agreements.		
<b>Funds Expended</b>	120,112,100	110,186,800
<b>Year-End Fund Balance</b>	1,000,000	1,166,300
<b>Construction Insurance Fund (ADA4219/A.R.S. § 41-622)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To self-insure state construction projects against tort losses from design and construction defects.		
<b>Funds Expended</b>	1,418,400	3,447,400
<b>Year-End Fund Balance</b>	10,576,500	10,129,100

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Co-Op State Purchasing Agreement Fund (ADA4213/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide microfiche of state purchasing information to local governments, as well as to reproduce public records for local governments and the public.		
<b>Funds Expended</b>	2,438,900	4,061,000
<b>Year-End Fund Balance</b>	3,388,500	2,408,500
<b>Corrections Fund (ADA2088/A.R.S. § 41-1641)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Luxury taxes on alcohol and tobacco products.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	413,900	574,100
<b>Year-End Fund Balance</b>	0	0
<b>Electronic Commerce Fund (ADA2482/A.R.S. § 41-2673)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, agency repayments, and 10% of any savings generated through the implementation of electronic commerce initiatives using fund monies.		
<b>Purpose of Fund:</b> To partially finance agency electronic commerce initiatives where other funding mechanisms do not exist.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Emergency Telecommunication Services Revolving Fund (ADA2176/A.R.S. § 41-704)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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. In addition, a tax equal to 0.8% of the gross income derived from the retail sale of prepaid wireless telecommunication services, as authorized by A.R.S. § 42-5402		
<b>Purpose of Fund:</b> To aid the political subdivisions of the state in implementing and operating emergency telecommunication services (911); to purchase necessary equipment and consulting services (up to 5% of revenue); to pay monthly recurring costs for capital, maintenance, and operations; and to reimburse wireless carriers for the costs of compliance.		
<b>Funds Expended</b>	15,015,100	21,677,800
<b>Year-End Fund Balance</b>	5,575,100	2,437,300
<b>Employee Related Expenditures/Benefits Administration Fund (ITA3035/A.R.S. § 38-651.05)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> State employer and state employee premium contributions for vision, flexible spending, disability, life, and accident insurance.		
<b>Purpose of Fund:</b> To administer state employee benefit plans and pay non-health insurance premiums.		
<b>Funds Expended</b>	35,595,500	36,477,000
<b>Year-End Fund Balance</b>	3,524,000	3,493,000
<b>Federal Grants (ADA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants, including pass through grants from the several agencies.		
<b>Purpose of Fund:</b> To pay for security related equipment and programs, as well as to administer monies as sub-grantee for federal projects.		
<b>Funds Expended</b>	2,139,500	3,119,900
<b>Year-End Fund Balance</b>	572,300	416,600

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Federal Grants - American Recovery and Reinvestment Act (ARRA)</b> (ADA2999/A.R.S. § 35-142)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,489,500	2,499,800
<b>Year-End Fund Balance</b>	1,212,300	0
<b>Federal Surplus Materials Revolving Fund (ADA4215/A.R.S. § 41-2606)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal surplus property service and handling fees.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	54,200	464,100
<b>Year-End Fund Balance*</b>	87,400	(319,000)
<b>IGA and ISA Fund (ADA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> To execute various intergovernmental and interagency service agreements.		
<b>Funds Expended</b>	9,952,400	6,764,000
<b>Year-End Fund Balance</b>	2,812,400	1,833,500
<b>Information Technology Fund (ADA2152/A.R.S. § 41-3505)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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).		
<b>Purpose of Fund:</b> 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). Balances reflect a transfer into the Automation Projects Fund of \$345,000 in FY 2014. <i>(See the Automation Projects Fund page for more details.)</i>		
<b>Funds Expended</b>	2,770,500	3,238,100
<b>Transfer to Automations Project Fund</b>	345,000	0
<b>Year-End Fund Balance</b>	772,600	590,900
<b>Legislative, Executive, and Public Buildings Land Fund (ADA3127/A.R.S. § 37-525)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> State trust land lease revenues.		
<b>Purpose of Fund:</b> To support state Legislative, Executive, and Judicial buildings. In FY 2005, to construct a new Library and Archives Building.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	6,499,400	6,499,400
<b>Monument and Memorial Repair Fund (ADA2338/A.R.S. § 41-1365)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies derived from fundraising activities, monies that are collected by the proponents of a monument or memorial, grants, donations, and legislative appropriations.		
<b>Purpose of Fund:</b> For the maintenance, repair, reconditioning, or relocation of monuments or memorials and for supporting mechanical equipment in the Governmental Mall.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	104,200	104,200



SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Motor Vehicle Pool Revolving Fund (ADA4204/A.R.S. § 41-804)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Charges to agencies for the use of motor pool vehicles.		
<b>Purpose of Fund:</b> To operate the motor vehicle pool.		
<b>Funds Expended</b>	8,890,100	10,156,100
<b>Year-End Fund Balance</b>	850,400	389,300
<b>Payroll Administration Fund (ADA9200/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	145,500	143,000
<b>Year-End Fund Balance</b>	6,097,200	6,094,200
<b>Personnel Division Fund (ADA1107/A.R.S. § 41-750)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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, 1st Special Session, Chapter 6).		
<b>Purpose of Fund:</b> To operate the ADOA Human Resources Division.		
<b>Funds Expended</b>	12,502,500	12,914,000
<b>Year-End Fund Balance</b>	1,601,400	500,000
<b>Privatized Lease-To-Own Fund (ADA2495/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges to agencies occupying privatized lease-to-own (PLTO) buildings.		
<b>Purpose of Fund:</b> To operate, maintain, and make annual rent payments on PLTO buildings.		
<b>Funds Expended</b>	9,741,800	9,949,700
<b>Year-End Fund Balance</b>	1,659,400	1,659,400
<b>Retiree Accumulated Sick Leave Fund (ADA3200/A.R.S. § 38-616)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	12,243,300	12,353,100
<b>Year-End Fund Balance</b>	2,803,400	3,450,300
<b>Risk Management Revolving Fund (AGA4216/A.R.S. § 41-622)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
<b>Purpose of Fund:</b> To pay claim costs, administrative program costs, and to purchase insurance for coverage for losses not covered under the self-insured limits.		
<b>Funds Expended</b>	85,242,100	91,995,400
<b>Year-End Fund Balance</b>	81,185,700	82,986,500

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Special Employee Health Insurance Trust Fund (ADA3015/A.R.S. § 38-654)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> Employer and employee medical and dental insurance contributions.		
<b>Purpose of Fund:</b> 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.		
<b>Appropriated Funds Expended</b>	4,149,400	5,267,400
<b>Non-Appropriated Funds Expended</b>	745,729,700	785,319,900
<b>Year-End Fund Balance</b>	325,627,100	320,832,500
<b>Special Events Fund (ADA2503/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Set-up fees for special events on state property.		
<b>Purpose of Fund:</b> To set up special events on state property.		
<b>Funds Expended</b>	4,700	15,000
<b>Year-End Fund Balance</b>	37,400	37,400
<b>Special Services Revolving Fund (ADA4208/A.R.S. § 35-193)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Payments by agencies using various centralized printing, copying, and repair services offered by ADOA.		
<b>Purpose of Fund:</b> To provide supplies, printing, copying, repair, and other office services for state agencies.		
<b>Funds Expended</b>	765,100	855,700
<b>Year-End Fund Balance</b>	109,900	109,900
<b>State Employee Travel Reduction Fund (ADA2261/A.R.S. § 41-101.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants by the Maricopa Association of Governments, the State Travel Reduction Planning Office, and the Arizona Department of Environmental Quality.		
<b>Purpose of Fund:</b> To operate and administer a ride-sharing program for the transportation of state employees between home and work.		
<b>Funds Expended</b>	476,500	535,000
<b>Year-End Fund Balance</b>	516,000	516,000
<b>State Surplus Materials Revolving Fund (ADA4214/A.R.S. § 41-2606)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> State surplus property sales revenues.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,775,900	2,399,800
<b>Year-End Fund Balance</b>	491,800	100,000
<b>State Web Portal Fund (ADA2531/A.R.S. § 41-3506)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> 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, 1st Special Section, Chapter 6).		
<b>Purpose of Fund:</b> 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 \$4,000,000 in FY 2014. Balances reflect 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>		
<b>Appropriated Funds Expended</b>	1,725,700	4,250,000
<b>Non-Appropriated Funds Expended</b>	0	0
<b>Transfer to Automations Projects Fund</b>	4,000,000	0
<b>Transfer to Highway User Revenue Fund</b>	8,173,900	0
<b>Year-End Fund Balance</b>	1,433,100	4,611,600

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Statewide ARRA Administration SWCAP Fund (GVA2950/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To defray administrative expenses of implementing the federal American Recovery and Reinvestment Act.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	888,700	692,700
<b>Statewide Donations Fund (ADA2025/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Employee donations and other miscellaneous deposits. In FY 2005, a \$1,000,000 grant for wireless emergency telecommunications was deposited into this fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	14,800	60,000
<b>Year-End Fund Balance</b>	0	0
<b>Statewide E-Rate Program Fund (ADA2584/A.R.S. § 41-3508)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Telecommunications Fund (ADA4231/A.R.S. § 41-713)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Administrative surcharges on telecommunications services for agencies and other political entities.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,806,800	1,855,000
<b>Year-End Fund Balance</b>	688,300	533,200

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

## *Arizona Department of Administration - Automation Projects Fund*

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>GENERAL FUND TRANSFERS <sup>1/</sup></b>			
AFIS Replacement	18,400,000	18,400,000	9,202,000
General Fund Transfer (ADE)	5,400,000	10,400,000	5,400,000
General Fund Transfer (DOR)	1,700,000	1,700,000	1,700,000
General Fund Transfer (DCS)	0	5,000,000	0
<b>TOTAL - ALL PROJECTS</b>	<b>25,500,000</b>	<b>35,500,000</b>	<b>16,302,000</b>

<b>FUND SOURCES</b>			
General Fund	25,500,000	35,500,000	16,302,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>25,500,000</b>	<b>35,500,000</b>	<b>16,302,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>25,500,000</b>	<b>35,500,000</b>	<b>16,302,000</b>

<b>INDIVIDUAL PROJECTS - Automation Projects Fund <sup>2/</sup></b>			
<b>Department of Administration</b>			
<i>Full Time Equivalent Positions</i>	20.0	75.0	75.0
AFIS Replacement	17,879,500	26,533,000	9,202,000
<b>ASET Initiatives</b>			
State Data Center	1,847,400	2,900,000	0
Security, Privacy, and Risk	1,525,800	3,125,000	0
Enterprise Architecture	741,800	500,000	0
Project Management	1,176,500	2,151,700	2,150,000
E-Government	2,718,200	325,000	0
Web Portal Transition Costs	1,229,100	0	0
ASET Initiatives Subtotal	9,238,800	9,001,700	2,150,000
<b>Department of Administration Subtotal</b>	<b>27,118,300</b>	<b>35,534,700</b>	<b>11,352,000</b>
<b>Department of Corrections</b>			
AIMS Replacement	0	8,000,000	0
<b>Department of Environmental Quality</b>			
E-Licensing	4,483,500	6,800,000	0
<b>Department of Education</b>			
Education Learning and Accountability System	7,000,000	12,000,000	7,000,000
<b>Department of Child Safety</b>			
CHILDS Replacement	0	5,000,000	0
<b>Department of Revenue</b>			
DOR Automation Projects	1,324,800	0	0
Tax Analysis Improvements	0	1,700,000	1,700,000
Tobacco Tax System	0	1,000,000	0
<b>Department of Revenue Subtotal</b>	<b>1,324,800</b>	<b>2,700,000</b>	<b>1,700,000</b>
<b>TOTAL - ALL PROJECTS</b>	<b>39,926,600</b>	<b>70,034,700</b>	<b>20,052,000</b>

<sup>1/</sup> General Fund monies are transferred into the APF to finance certain projects. See *Table 2* for Non-General Fund transfers into the APF. These individual transfers are discussed in the narrative as part of the individual projects listed in the APF section.

<sup>2/</sup> Represents expenditures from the APF.

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Automation Projects Fund	34,331,300	70,034,700	20,052,000
SUBTOTAL - Other Appropriated Funds	34,331,300	70,034,700	20,052,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>34,331,300</b>	<b>70,034,700</b>	<b>20,052,000</b>
Other Non-Appropriated Funds	5,595,300	0	0
<b>TOTAL - ALL SOURCES</b>	<b>39,926,600</b>	<b>70,034,700</b>	<b>20,052,000</b>

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

### Background

The FY 2013 Government Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 298) established the APF, administered by ADOA and consisting of monies appropriated by the Legislature. The FY 2014 Budget Procedures BRB (Laws 2013, 1<sup>st</sup> Special Session, Chapter 6) subjected the APF to legislative appropriation. The fund is exempt from lapsing. Monies in the fund are to be used to implement, upgrade or maintain automation and information technology projects for any state agency.

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

A FY 2015 General Appropriation Act footnote requires ADOA to submit quarterly reports, within 30 days of the end of the calendar quarter, to the JLBC on the progress of all automation projects funded through the APF, including the projects' expenditures to date, deliverables, timeline for completion, and current status. A separate General Appropriation Act footnote specifies that funds for agency projects financed through the APF may not be used for any other agency without prior review by the JLBC.

Pursuant to A.R.S. § 41-3504, any large-scale information technology (IT) projects in the APF with a total cost greater than \$5,000,000 must receive relevant third-party analysis from an independent contracted vendor before receiving approval from the Information Technology Authorization Committee (ITAC). The third-party consultant is required to review and provide guidance on the technology approach, scope, estimated cost, timeline for completion and overall feasibility of the project.

### Department of Administration

#### AFIS Replacement

The Baseline includes \$9,202,000 and 60 FTE Positions from the APF in FY 2016 for the final 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). FY 2016 adjustments would be as follows:

	FY 2016
<b>Expenditure Alignment</b>	<b>GF \$(9,198,000)</b>
	<b>OF (17,331,000)</b>

The Baseline includes a decrease of \$(9,198,000) in the General Fund transfer and a decrease of \$(17,331,000) from the APF in FY 2016 to align expenditures with the final year of a 4-year project to replace AFIS, the state's financial and accounting system. *(Please see the Arizona Department of Administration section for more information.)*

The FY 2016 \$9,202,000 General Fund and accompanying Other Fund appropriation are both from the FY 2014 General Appropriation Act. Since these monies have already been appropriated, they would not be included in the FY 2016 General Appropriation Act.

In total, the Automation Projects Fund appropriation is reduced by \$(17,331,000), which consists of \$(9,198,000) General Fund and \$(8,133,000) in revenues from IT charges. Since the General Fund monies were deposited into the APF, the total Other Fund change of \$17,331,000 includes both the General Fund and revenues from IT charges. *(Please see the FY 2015 Appropriations Report for history of this funding.)*

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 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. The new AFIS system is scheduled to "go live" on July 1, 2015.

#### **ASET Initiatives**

The Baseline includes \$2,150,000 and 15 FTE Positions from the APF in FY 2016 for ongoing IT projects by the Arizona Strategic Enterprise Technology (ASET) Office in ADOA. The 15 FTE Positions will assist in managing all projects funded from the APF. FY 2016 adjustments would be as follows:

#### **ASET Alignment OF (6,851,700)**

The Baseline includes a decrease of \$(6,851,700) from the APF in FY 2016 to align expenditures with ongoing IT projects by the ASET Office in ADOA.

The FY 2016 \$2,150,000 appropriation will be financed by a transfer from the ADOA State Web Portal Fund to the APF.

The \$2,150,000 APF appropriation will fund 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 Oversight team that manages APF projects.

### **Department of Corrections**

#### **AIMS Replacement**

The Baseline includes no funding from the APF in FY 2016 for the replacement of the Adult Inmate Management System (AIMS) at the Department of Corrections (ADC) as new monies will not be required until FY 2017. FY 2016 adjustments would be as follows:

#### **Expenditure Alignment OF (8,000,000)**

The Baseline includes a decrease of \$(8,000,000) from the APF in FY 2016 to align expenditures for the AIMS project within the ADC.

A total of \$16,000,000 (\$8,000,000 in FY 2014 and \$8,000,000 in FY 2015) has already been appropriated for replacement of the AIMS system. The AIMS system will assist in the tracking, identification, population management, sentencing calculations, and the appeals and grievances processes for inmates in the correctional system.

A contract has been awarded to a vendor to oversee the modification of a commercial "off the shelf" system to fit the needs of ADC. Of the total project cost of \$24,000,000, \$16,300,000 is allotted to pay the vendor. The remainder of the project costs include:

- \$3,200,000 for training costs (overtime that will be needed) as staff learn how to use the program and for dedicated staff for the implementation phase.
- \$2,950,000 for cost contingencies.
- \$700,000 for equipment.
- \$450,000 for the costs associated with the system interfacing with other state agencies, law enforcement entities, and the courts.
- \$400,000 for the cost of third-party consultant review for the AIMS project.

The department estimates an ongoing maintenance cost of \$1,600,000 annually.

With the projected schedule, the department anticipates the transition stage of setting up the new system occurring in fall 2016 to winter 2017.

In addition, the Baseline would continue to appropriate any remaining FY 2015 AIMS project balances for use in FY 2016.

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

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**Department of Environmental Quality**

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**E-Licensing**

The Baseline includes no funding from the APF in FY 2016 for E-Licensing. FY 2016 adjustments would be as follows:

**Expenditure Alignment OF (6,800,000)**

The Baseline includes a decrease of \$(6,800,000) from the APF in FY 2016 for the Department of Environmental Quality (DEQ) E-Licensing project. In FY 2015, \$6,800,000 was appropriated for this project to automate business processes within DEQ, consisting of 3 components:

- Professional and Outside Services \$6,450,000
- Equipment \$250,000
- Software \$100,000

Between FY 2014 and FY 2015, a total of \$11,800,000 has been appropriated to automate 34 business processes (12 processes in FY 2014 and 22 processes in FY 2015) within DEQ. The 34 automated processes will allow customers to conduct permitting, billing, payment, and data submissions online.

In addition, the Baseline would continue to appropriate any remaining FY 2015 DEQ project balances for use in FY 2016 (*see the FY 2015 Appropriations Report for history of this funding*).

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

JLBC received the first third-party report in March 2014. The March 2014 report notes that DEQ's approach to the project has "a credible path to success." The report also provided recommendations for process improvements and suggestions for increasing user engagement with the new

software. At the same time as the third-party review, DEQ adjusted the scope of the project to address external feedback for more functionality. Instead of developing fillable forms for 80 business processes in FY 2015, the portal will provide deeper functionality and assistance to users for 22 business processes.

At its June 2014 meeting, the JLBC favorably reviewed DEQ's proposed FY 2015 expenditure plan of \$6,800,000 with the provision that the ADOA and DEQ provide the results of the quarterly third-party reviews of the E-Licensing project to JLBC Staff.

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**Department of Education**

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**Education Learning and Accountability System**

The Baseline includes \$7,000,000 from the APF in FY 2016 for further development of the Education Learning and Accountability System (ELAS) at the Department of Education (ADE). ELAS will allow ADE to collect, compile, maintain and report student level data for students enrolled in public schools. FY 2016 adjustments would be as follows:

**Remove One-Time Funding GF (5,000,000)  
OF (5,000,000)**

The Baseline includes a decrease of \$(5,000,000) from the General Fund and a corresponding decrease of \$(5,000,000) from the APF to eliminate a one-time increase in program funding as specified in the Legislature's 3-year spending plan. The FY 2016 appropriation of \$7,000,000 consists of the following:

General Fund	5,400,000
ELAS Fund	1,600,000

In addition, the Baseline would continue to appropriate any remaining FY 2015 ELAS project balances for use in FY 2016. Beyond FY 2016 Baseline changes, the JLBC Staff estimates that the ADE ELAS project will require \$5,400,000 General Fund through FY 2018.

Since FY 2014, \$19,000,000 (\$7,000,000 in FY 2014 and \$12,000,000 in FY 2015) has been appropriated for the ELAS project (*see the FY 2015 Appropriations Report for history of this funding*).

A General Appropriation Act footnote stipulates that ADE's ELAS funding 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. A FY 2015 General Appropriation Act footnote in the ADE budget requires ADE to report ELAS progress on a quarterly basis, in consultation with ADOA. (*Please see*

*the Arizona Department of Education Footnotes section for more information.)*

At its June 2014 meeting, the JLBC favorably reviewed ADE’s proposed FY 2015 expenditure plan of \$12,000,000 with the provision that the ADOA and ADE provide the results of the new third-party review to the JLBC Staff by January 15, 2015, in order to evaluate the budget for ELAS in FY 2016.

The most recent report was published in October 2014. The October 2014 report notes that the current scope and approach of the project continues to represent industry best practice, and that ADE continues to improve its technology approach and cost management systems. The report also notes several issues that could impede project quality assurance, if not addressed. These issues include the following:

- Delays in the development of ELAS content management, learning management, and teacher observation tools, specifically for district use.
- Lack of functionality for teachers to upload student performances using formative assessment data (e.g., weekly quizzes).
- Content specialists are not ready to lead teacher in-service on how best to use ELAS for instructional purposes.
- An uncertain go-live date for replacing the Student Accountability Information System (SAIS), which computes state financial aid payments to schools. SAIS replacement delays are due to the technical specifications for its uniform data standards and a delay in developing the “middle section” of the SAIS IT system. The delays prevent school-based IT vendors from redesigning their own student information systems (SIS) that would allow schools to input student data, like daily student attendance counts, into SAIS.

The report warns that the above issues “will likely erode confidence and support for ELAS” and recommends ADE to establish a “clear plan, schedule and communication strategy... as soon as possible to manage the expectations of the districts.” SAIS was originally scheduled to go-live in June 2015. The October 2014 quarterly report projects that date to now be June 2016.

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***Department of Child Safety***

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***CHILDS Replacement***

The Baseline includes no funding from the APF in FY 2016 to replace the Children’s Information Library and Data Source (CHILDS) operated by the newly-established Department of Child Safety (DCS) as new monies will not

be required until FY 2017. FY 2016 adjustments would be as follows:

<b>Expenditure Alignment</b>	<b>GF (5,000,000)</b>
	<b>OF (5,000,000)</b>

The Baseline includes a decrease of \$(5,000,000) from the General Fund and a corresponding decrease of \$(5,000,000) from the APF in FY 2016 to align expenditures for the CHILDS project within DCS.

Beyond FY 2016 Baseline changes, the JLBC Staff estimates that the CHILDS replacement will require \$5,000,000 from the General Fund in FY 2017 and FY 2018 above its FY 2016 appropriation.

In addition, the Baseline would continue to appropriate any remaining FY 2015 DCS project balances for use in FY 2016.

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

The total cost for the project was originally estimated to be between \$40,000,000 and \$80,000,000, depending on the technology approach used during replacement. DCS believes that the project will qualify for a 50% federal match rate.

In September 2014, DCS received ASET approval of its plan for the first 2 phases of CHILDS replacement. During Phase 1, DCS will contract with a consultant to prepare the CHILDS replacement request for proposal (RFP). The consultant is to have experience with Statewide Automated Child Welfare Information Systems, processing requirements, advanced technology products, and information security requirements. The consulting firm is to produce (1) a definition of user requirements (functional and non-functional) to a level of detail sufficient to complete all competitive bidding for Phase 2 of the project; (2) an alternative analysis, cost benefit analysis, feasibility study, and a final report; and (3) an implementation budget and cost allocation formula.

During Phase 2, DCS will implement the RFP, selecting a vendor to design, develop, and implement the chosen CHILDS replacement solution in accordance with certain standards. Phase 2 of CHILDS replacement will span multiple fiscal years.

DCS has issued the Phase 1 RFP and plans to award the RFP in early 2015, after the plan is reviewed by JLBC. DCS was appropriated \$5,000,000 from APF for CHILDS replacement in FY 2015. The department estimates that it will spend between \$500,000 and \$1,500,000 of its FY



2015 APF appropriation on Phase 1. DCS anticipates the Phase 2 RFP will be issued in late 2015 or early 2016. DCS plans to spend the remainder of the \$5,000,000 appropriation on the first part of Phase 2.

Since DCS will not be in a position to utilize additional resources beyond the initial \$5,000,000 until after FY 2016, no additional resources for CHILDS replacement will be needed in FY 2016. The department, however, may require additional resources for CHILDS replacement in FY 2017.

A General Appropriation Act footnote stipulates that CHILDS replacement funding is contingent upon the department contracting with a third-party consultant to evaluate and assess the project's feasibility, estimated expenditures, technology approach and scope throughout the life of the project. ADOA and DCS are to provide ITAC and JLBC with a recent report from this contracted third party when seeking review of CHILDS replacement funding, as required by A.R.S. § 41-714. DCS is required to provide further ongoing reports to JLBC, as part of the quarterly benchmark report required in Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2.

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**Department of Revenue**

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**DOR Automation Projects**

The Baseline includes \$1,700,000 from the APF in FY 2016 for tax analysis IT projects at the Department of Revenue (DOR). FY 2016 adjustments would be as follows:

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

The Baseline includes a decrease of \$(1,000,000) from the APF in FY 2016 to eliminate one-time funding for the tobacco tax processing project. The \$1,000,000 FY 2015 APF appropriation was financed by a transfer from the Traditional Medicaid Services line item in AHCCCS to the APF. In FY 2015, DOR developed an automated tobacco tax processing and revenue accounting system to reach compliance with the Tobacco Master Settlement Agreement.

The \$1,700,000 of funding in FY 2016 will allow the department to further capture and analyze Individual Income Tax return data and potentially automate corporate tax returns. *(Please see Other Issues for Legislative Consideration section for a broader description of this issue.)*

The project will allow DOR to capture itemized deduction data and credit carry-forward data in the Taxpayer Accounting System (TAS). This data was not previously captured into TAS and is tracked manually. This IT project will increase the department's efficiency in

reporting tax credit information and to begin exploring electronic tax filing for corporate income tax returns.

Beyond FY 2016 Baseline changes, the JLBC Staff estimates that the DOR Tax Analysis Improvement project will require \$1,700,000 General Fund through FY 2018.

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**FORMAT — Lump Sum by Project**

**FOOTNOTES**

*Standard Footnotes*

ADE - ELAS Project

In addition to the \$7,000,000, any remaining balances as of June 30, 2015 from fees collected from universities and community college districts in the Education Learning and Accountability Fund established by A.R.S. § 15-249.02, are appropriated for implementing, upgrading and maintaining the Student Longitudinal Data System and the Education Learning and Accountability System established pursuant A.R.S. § 15-249.

It is the intent of the Legislature that the appropriations made by this subsection be used first to complete the replacement of the Student Accountability Information System established by A.R.S. § 15-1041. The Department of Education shall provide quantifiable deliverables of the Legislature's intended progress to the Information Technology Authorization Committee established by A.R.S. § 41-3521, and to the Joint Legislative Budget Committee before seeking review of the \$7,000,000 FY 2016 expenditure from the Automation Projects Fund, as required by A.R.S. § 41-714.

The funding for the Department of Education's automation project is contingent on the use of a contracted independent third-party consultant to evaluate and assess the project's feasibility, estimated expenditures, technology approach and scope throughout the life of the project. The Department of Administration and the Department of Education shall provide a recent report by the third-party consultant to the Information Technology Authorization Committee and Joint Legislative Budget Committee before seeking review of the \$7,000,000 FY 2016 expenditure from the Automation Projects Fund, as required by A.R.S. § 41-714. Following the initial review of FY 2016 expenditures, the Department of Education shall provide ongoing reports from the third-party consultant to the Joint Legislative Budget Committee on the progress of the project, as determined by the Joint Legislative Budget Committee.

Other

In addition to the initial review of expenditures from the Automation Projects Fund by the Joint Legislative Budget Committee, pursuant to A.R.S. § 41-714, monies appropriated for projects at each state agency from the

Automation Projects Fund established by A.R.S. § 41-714, may not be used for projects at any other state agency without prior review by the Joint Legislative Budget Committee.

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

Any remaining balances on June 30, 2015 in the Automation Projects Fund established by A.R.S. § 41-714, from monies appropriated in FY 2015 are appropriated to the Department of Administration in FY 2016 for the same purposes specified in FY 2015. The Department of Administration shall report any expenditure of remaining balances from previous fiscal years in the Automation Projects Fund in the department's quarterly report to the Joint Legislative Budget Committee.

*New Footnotes*

DOR - Automation Projects

The \$1,700,000 FY 2016 appropriation for the Department of Revenue automation project would include the following provisions:

- a) On or before November 1, 2015, the Department of Administration and the Department of Revenue shall provide a report to the Information Technology Authorization Committee, the Joint Legislative Budget Committee, and the Governor's Office of Strategic Planning and Budgeting on the feasibility to implement electronic filing of corporate income tax returns before seeking review of the \$1,700,000 FY 2016 expenditure from the Automation Projects Fund, as required by A.R.S. § 41-714.
- b) On or before September 30, 2015, the Department of Revenue shall report to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on the amounts of individual income tax credits claimed in FY 2015.

*Deletion of Prior Year Footnotes*

The Baseline would not continue the footnote requiring any large-scale IT projects in the APF established with a total cost greater than \$5 million to receive relevant third-party analysis from an independent contracted vendor before receiving approval from ITAC pursuant to Laws 2014, Chapter 14, Section 2. This provision is now permanent law under A.R.S. § 41-3504.

The Baseline would discontinue several footnotes requiring agencies to seek third-party review of projects before expending an allocation of funding from the APF, as the following projects have no new funding in FY 2016:

- ADC - AIMS Replacement
- DCS - CHILDS Replacement
- DEQ - E-Licensing Project

Third-party review requirements, however, remain in place for projects funded in the FY 2015 budget.

**OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

***Long-Term Budget Impacts***

Beyond FY 2016 Baseline changes for APF, the JLBC Staff estimates that 3 APF projects will require \$12.1 million General Fund in FY 2017 and FY 2018 above their FY 2016 appropriation. The FY 2017 and FY 2018 APF projects and funding amounts are as follows:

- ADE - ELAS Project 5,400,000
- DCS - CHILDS Project Replacement 5,000,000
- DOR - Tax Analysis Improvements 1,700,000

***Reporting Capital Gains Growth in DOR***

The JLBC Staff has recommended several enhancements to DOR's tax analysis. Some of the costs of these enhancements are offset by revenues generated from more timely and accurate tax analysis allowing the department to more easily prevent tax fraud. To facilitate these enhancements, the Baseline includes 2 separate appropriations to DOR for automation projects:

- 1) FY 2015 Appropriation (\$1.7 million) – Intended for a more complete automation of Individual Income Tax credit data and capital gains reported by taxpayers. For Individual Income Tax filings which are made electronically (90% of returns), DOR currently stores tax expenditure data for each filing, however there has been limited computer programming to aggregate this data. In addition, most tax expenditure data from paper returns is not captured. Given these limitations, DOR is unable to analyze tax expenditure data from Individual Income Taxpayers in an efficient and timely manner. The FY 2015 appropriation is expected to:
  - Improve Tax Analysis Capabilities - Enable tax return data to be analyzed more quickly, while also providing more complete data from both electronic and paper filings. Currently, when possible, DOR collects certain tax credit data. The FY 2015 funding would allow DOR to collect and store information on a wider range of tax policies (such as exemptions, deductions and subtractions).
  - Timely Tax Credit Reporting - While DOR currently reports on tax credit usage, that data is often delayed 1 to 2 years. It is expected that the FY 2015 funding will allow DOR to produce tax credit usage data within several months after the end of a fiscal year.
  - Improved Audit Capabilities - With more complete and timely tax expenditure data, DOR estimates it will be able to generate a net positive \$2.3 million General Fund impact. Capturing more return data in the system is estimated by

DOR to increase audit revenues by \$2.1 million annually, as improvements will allow for shifting of staff resources to audits more likely to have a revenue impact. DOR estimates that the project will reduce operating costs by \$(247,400), reduce the amount of audit leads that would not recover any taxes (from 4,800 to 2,300 audits), and allow for shifting of staff resources to audits that would have a revenue impact.

At its December 2014 meeting, the JLBC favorably reviewed DOR's proposed expenditure plan for the FY 2015 appropriation, including a provision requiring DOR to report to JLBC by February 3, 2015, as to whether the FY 2015 automation changes will permit the publication of fiscal year income tax credit data within 90 days after the end of a fiscal year. The Baseline proposes to include this 90-day deadline for reporting FY 2015 tax credit usage.

- 2) FY 2016 Appropriation (\$1.7 million) - Intended to continue to improve tax analysis, which could include, among other projects:
- Paper Tax Filing Automation - Currently, 10% of individual income tax filings are processed by paper which requires DOR to scan each paper return and manually enter certain data electronically. The FY 2016 funding amount could enable the department to use optical scanning to reduce staff time associated with transferring paper tax return data into electronic form.
  - Automate Corporate Income Tax Returns - Currently, Corporate Income Tax returns are processed only by paper. The FY 2016 funding amount could potentially begin the process of automating these filings.

#### ***APF Revenues and Transfers***

Since the APF's inception in FY 2013, state agencies have transferred monies into the APF to finance specific IT projects. *Table 2* summarizes APF revenues from FY 2014 through FY 2016.

<b>Automation Projects Fund</b>			
(\$ in thousands)			
	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
<b>Beginning Balance</b>	11,035.4	40,697.4	0
<b>Revenues</b>			
General Fund Appropriation	18,400.0	18,400.0	9,202.0
General Fund Transfer (ADE)	5,400.0	10,400.0	5,400.0
General Fund Transfer (DOR)	1,700.0	1,700.0	1,700.0
General Fund Transfer (DCS)		5,000.0	
Automation Charges	17,013.6		
ADE Education Learning and Accountability Fund	1,600.0	1,600.0	1,600.0
ADOA Automation Operations Fund	8,130.0	9,057.3	
ADOA State Web Portal Fund	4,000.0		2,150.0
ADOA Information Technology Fund	345.0		
ADC Inmate Store Proceeds Fund	5,500.0		
ADC State Revolving Fund	2,500.0		
ADC Prison Construction and Operation Fund		5,500.0	
ADC Corrections Fund		2,500.0	
AHCCCS Traditional Medicaid Services		1,000.0	
DEQ Emissions Inspection Fund	5,000.0	6,800.0	
<b>Total Funds Available</b>	<b>80,624.0</b>	<b>102,654.7</b>	<b>20,052.0</b>
Total Expenditure (Current FY Appropriation)	34,331.3	70,034.7	20,052.0
Total Expenditure (Previous FY Appropriation) <sup>1/</sup>	5,595.3	32,620.0	0
<b>Total Expenditures</b>	<b>39,926.6</b>	<b>102,654.7</b>	<b>20,052.0</b>
<b>Ending Balance</b> <sup>2/</sup>	<b>40,697.4</b>	<b>0.0</b>	<b>0.0</b>
<sup>1/</sup> Assumes all \$32.6 million in FY 2015 will be expended and will not carry forward into FY 2016. <sup>2/</sup> FY 2014 ending balance matches ADOA FY 2016 Budget Year Request Sources and Uses line item.			

<b>SUMMARY OF FUNDS</b>	<b>FY 2014</b>	<b>FY 2015</b>
	<b>Actual</b>	<b>Estimate</b>
<b>Automation Projects Fund (ADA2566/A.R.S. § 41-714)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> To implement, upgrade, or maintain automation and information technology projects for any state agency. The FY 2014 Budget Procedures BRB (Laws 2013, 1st Special Session, Chapter 6) subjected this fund to legislative appropriation.		
<b>Appropriated Funds Expended</b>	34,331,300	70,034,700
<b>Non-Appropriated Funds Expended</b>	5,595,300	0
<b>Prior Year Appropriation</b>	0	32,620,000
<b>Year-End Fund Balance</b>	40,697,400	0

**Arizona Department of Administration - Department of Child Safety**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Lump Sum Appropriation	0	25,000,000	0
<b>AGENCY TOTAL</b>	<b>0</b>	<b>25,000,000</b>	<b>0</b>
<b>FUND SOURCES</b>			
General Fund	0	25,000,000	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>0</b>	<b>25,000,000</b>	<b>0</b>
<b>TOTAL - ALL SOURCES</b>	<b>0</b>	<b>25,000,000</b>	<b>0</b>

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

**Operating Budget**

The Baseline includes no funding in FY 2016 for the creation of the Department of Child Safety. FY 2016 adjustments would be as follows:

**FY 2016**  
**Remove One-Time Funding GF \$(25,000,000)**

The Baseline includes a decrease of \$(25,000,000) from the General Fund in FY 2016 for the elimination of one-time funding. This adjustment is consistent with the Legislature's 3-year spending plan.

These monies were appropriated to ADOA for one-time costs associated with the establishment of DCS as well as the relocation of the data center operated by the Department of Economic Security (DES).

In September 2014, the Joint Legislative Budget Committee favorably reviewed 6 months of funding for DCS administrative expenses totaling \$6,502,700, as shown in *Table 1*. These administrative expenses included 40 new administrative staff; 1,700 laptops for caseworkers; and technology services, such as a website, email software, and consulting services. The Committee's actions on administrative expenses included provisions stating that (a) the favorable review did not reflect endorsement of a particular staffing level and (b) DCS report on the number of filled administrative positions and the year-to-date transition expenditures 30 days after the end of each calendar quarter. As of December 2014, DCS has not requested funding for the final 6 months of the year.

After the DES data center relocation project received the relevant approvals from the Information Technology Authorization Committee (ITAC), the Joint Legislative Budget Committee also favorably reviewed \$500,000 for the planning phase and \$2,500,000 for the implementation phase of the DES data center relocation project totaling \$3,000,000. The favorable reviews included a provision

that DES amend the Project Investment Justification and seek ITAC review if there were significant project changes or the final costs exceeded the proposed costs by 10% or more.

The final phase of the DES data center relocation project is application migration with an estimated cost of \$4,000,000. Since the Committee has not yet received DES' request for review of the \$4,000,000, it is not included in *Table 1*.

The Committee also has not yet received DCS' building plan for review. The Executive's original plan was to spend \$6,700,000 on building renovations. The building plan, however, has not been resolved as DCS is considering leasing office space.

**Table 1**

**Transition Appropriation by Purpose**

<u>Administrative Expenses</u>	<u>Amount</u>
40 Administrative and Technology Staff	\$ 2,557,200
Field Equipment (1,700 laptops)	2,524,200
Technology Services Licensing	1,121,300
Website and IT Consulting	300,000
<b>Subtotal - Administrative Expenses</b>	<b>\$ 6,502,700</b>
<b>Other Transition Expenses</b>	
DES Data Center - Planning & Implementation	\$ 3,000,000
Unallocated as of December 2014	15,497,300
<b>Subtotal - Other</b>	<b>\$18,497,300</b>
<b>Total</b>	<b>\$25,000,000</b>

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**FOOTNOTES**

*Deletion of Prior Year Footnotes*

The Baseline would delete the footnote requiring prior review of expenditure plans for the \$25.0 million appropriation.

# Office of Administrative Hearings

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	12.0	12.0	12.0
Personal Services	563,000	563,000	563,000
Employee Related Expenditures	216,100	216,200	216,200
Other Operating Expenditures	95,400	95,600	95,600
<b>AGENCY TOTAL</b>	<b>874,500</b>	<b>874,800</b>	<b>874,800</b>
<b>FUND SOURCES</b>			
General Fund	862,200	862,500	862,500
<u>Other Appropriated Funds</u>			
Healthcare Group Fund	12,300	12,300	12,300
SUBTOTAL - Other Appropriated Funds	12,300	12,300	12,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>874,500</b>	<b>874,800</b>	<b>874,800</b>
Other Non-Appropriated Funds	1,063,400	873,400	873,400
<b>TOTAL - ALL SOURCES</b>	<b>1,937,900</b>	<b>1,748,200</b>	<b>1,748,200</b>

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

## Operating Budget

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The Baseline includes \$874,800 and 12 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

**FORMAT** — Lump Sum by Agency

	<b>FY 2016</b>
General Fund	\$862,500
Healthcare Group Fund	12,300

These amounts are unchanged from FY 2015.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Healthcare Group Fund (HCA3197/A.R.S. § 36-2912.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Interagency Agreement with AHCCCS.		
<b>Purpose of Fund:</b> 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. The Healthcare Group program was repealed on January 1, 2014, and the Healthcare Group Fund is repealed on January 1, 2015.		
<b>Funds Expended</b>	12,300	12,300
<b>Year-End Fund Balance</b>	0	0
<b>IGA and ISA Fund (HGA2500/A.R.S. § 41-1092.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received by OAH for contractual, administrative law judge services provided to state agencies.		
<b>Purpose of Fund:</b> To cover actual expenses of providing personnel and services to state agencies on a contractual basis.		
<b>Funds Expended</b>	1,063,400	873,400
<b>Year-End Fund Balance</b>	0	0

**Arizona Commission of African-American Affairs**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	0.0	3.0	3.0
Professional and Outside Services	0	125,000	125,000
<b>AGENCY TOTAL</b>	<b>0</b>	<b>125,000</b>	<b>125,000</b>
<b>FUND SOURCES</b>			
General Fund	0	125,000	125,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>0</b>	<b>125,000</b>	<b>125,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>0</b>	<b>125,000</b>	<b>125,000</b>

**AGENCY DESCRIPTION** — The Arizona Commission of African-American Affairs advises state and federal agencies on policies, legislation and rules that affect the African-American community, and enables the state to be responsive to the needs of the African-American community. The commission is composed of 9 public members and 8 ex-officio members.

**Operating Budget**

The Baseline includes \$125,000 and 3 FTE Positions from the General Fund in FY 2016 for the operating budget. This amount is unchanged from FY 2015.

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**FORMAT** — Lump Sum by Agency

**STATUTORY CHANGES**

The Baseline would, as permanent law, transfer the administration of the Arizona Commission of African-American Affairs Fund from the State Treasurer to the Commission.

**OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

**Background**

Laws 2010, Chapter 271 statutorily established the Arizona Commission of African-American Affairs under A.R.S. § 41-531.

Chapter 271 additionally established the non-appropriated Arizona Commission of African-American Affairs Fund, with monies in the fund being invested and managed by the State Treasurer. The fund was authorized to receive gifts, grants, and donations from any public or private source. In FY 2014, the fund had a \$0 fund balance, received no new revenues and had \$0 expenditures.

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

<b>SUMMARY OF FUNDS</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Estimate</b>
<b>Arizona Commission of African-American Affairs Fund (AMA2397/A.R.S. § 41-533)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts, grants, and fees from the Arizona African-American town hall.		
<b>Purpose of Fund:</b> To pay for the operating costs of the Arizona Commission of African-American Affairs.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

## Arizona Department of Agriculture

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	162.9	162.9	161.0
Personal Services	3,968,100	4,153,900	4,153,900
Employee Related Expenditures	1,849,500	1,979,100	1,979,100
Professional and Outside Services	227,700	117,000	117,000
Travel - In State	543,300	572,600	572,600
Travel - Out of State	17,100	12,100	12,100
Other Operating Expenditures	1,230,200	1,042,900	1,042,900
Equipment	41,600	7,000	7,000
<b>OPERATING SUBTOTAL</b>	<b>7,877,500</b>	<b>7,884,600</b>	<b>7,884,600</b>
<b>SPECIAL LINE ITEMS</b>			
Agricultural Consulting and Training	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	198,400	198,400	0
Red Imported Fire Ant	23,200	23,200	23,200
<b>AGENCY TOTAL</b>	<b>8,315,900</b>	<b>8,323,000</b>	<b>8,124,600</b>
<b>FUND SOURCES</b>			
General Fund	8,315,900	8,323,000	8,124,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>8,315,900</b>	<b>8,323,000</b>	<b>8,124,600</b>
Other Non-Appropriated Funds	10,038,500	11,608,700	11,603,900
Federal Funds	5,119,300	4,539,100	4,539,100
<b>TOTAL - ALL SOURCES</b>	<b>23,473,700</b>	<b>24,470,800</b>	<b>24,267,600</b>

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

### Operating Budget

The Baseline includes \$7,884,600 and 161 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

### Agricultural Consulting and Training

The Baseline includes \$128,500 from the General Fund in FY 2016 for the Agricultural Consulting and Training line item. This amount is unchanged from FY 2015.

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

### Agricultural Employment Relations Board

The Baseline includes \$23,300 from the General Fund in FY 2016 for the Agricultural Employment Relations Board line item. This amount is unchanged from FY 2015.

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 2016 for the Animal Damage Control line item. This amount is unchanged from FY 2015.



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 no funding from the General Fund in FY 2016 for the Nuclear Emergency Management Fund (NEMF). FY 2016 adjustments would be as follows:

	<b>FY 2016</b>
<b>NEMF Decrease</b>	<b>GF \$(198,400)</b>

The Baseline includes a decrease of \$(198,400) and (1.9) FTE Positions from the General Fund in FY 2016 for the elimination of NEMF funding. Laws 2013, Chapter 13 appropriated \$198,400 and 1.9 FTE Positions from the General Fund in both FY 2014 and FY 2015 for off-site nuclear emergency response plans. The Department of Agriculture, Radiation Regulatory Agency, and Department of Emergency and Military Affairs received monies from this bill. The FY 2016 allocation will be made through a bill separate from the General Appropriation Act, the amount of which will be determined at a later date. *(Please see the Radiation Regulatory Agency and Department of Emergency and Military Affairs narrative for more information.)*

The Legislature is required to biennially assess a fee against each group of public service and municipal corporations operating the Palo Verde Nuclear Generating Station. The fee is set at a level to offset the General Fund appropriation to the NEMF.

Monies in the NEMF are used for the development and maintenance of a state plan for off-site responses to an emergency caused by an accident at a commercial nuclear generating station. NEMF monies are also used to provide for the equipment, personnel, facilities, training, and testing necessary to comply with federally prescribed criteria.

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 2016 for the Red Imported Fire Ant line item. This amount is unchanged from FY 2015.

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.

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**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 2016. 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 Trust Fund, and \$26,000 to the Dangerous Plants, Pests, and Diseases Trust Fund, which was also included in last year's bill.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Administrative Support Fund (AHA2436/A.R.S. § 3-108)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies are collected from each commodity council based on annually negotiated interagency agreements.		
<b>Purpose of Fund:</b> For costs incurred by the department in providing administrative support.		
<b>Funds Expended</b>	25,500	38,900
<b>Year-End Fund Balance</b>	53,200	54,600

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Agricultural Consulting and Training Trust Fund (AHA1239/A.R.S. § 5-113)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Legislative appropriations.		
<i>Purpose of Fund:</i> To fund the Agricultural Consulting and Training Program established by A.R.S. § 3-109.01. Expenditures are not displayed to avoid double counting of the General Fund.		
<b>Funds Expended</b>	1,300	1,700
<b>Year-End Fund Balance</b>	31,700	30,000
<b>Agricultural Products Marketing (AHA2368/A.R.S. § 3-419)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Assessments on the Arizona Leafy Green Products Shipper Marketing Agreement commodities.		
<i>Purpose of Fund:</i> To fund the Arizona Leafy Green Products Shipper Marketing Committee and to ensure compliance with the accepted food safety practices through mandatory government audits.		
<b>Funds Expended</b>	620,800	557,500
<b>Year-End Fund Balance</b>	533,600	322,900
<b>Agricultural Protection Fund (AHA2381/A.R.S. § 3-3304)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Gifts, grants, or donations.		
<i>Purpose of Fund:</i> To award grants to state agencies, political subdivisions, and non-profit conservation groups for the establishment of agricultural easements.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Aquaculture Trust Fund (AHA2297/A.R.S. § 3-2913)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	0	6,200
<b>Year-End Fund Balance</b>	17,800	17,800
<b>Beef Council (Livestock Board Collection and Administration) Fund (AHA2083/A.R.S. § 3-1236)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> \$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.		
<i>Purpose of Fund:</i> For collection and administration costs.		
<b>Funds Expended</b>	292,100	292,000
<b>Year-End Fund Balance</b>	1,500	0
<b>Citrus, Fruit and Vegetable Trust Fund (AHA2260/A.R.S. § 3-447)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	300,800	351,600
<b>Year-End Fund Balance</b>	123,600	117,500
<b>Citrus Trust Fund (AHA2299/A.R.S. § 3-468.04, 3-468.06)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> An assessment on citrus produced in the state, as well as fines, other charges, and interest.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	23,300	64,500
<b>Year-End Fund Balance</b>	63,100	29,200

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Commercial Feed Trust Fund (AHA2012/A.R.S. § 3-2607)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To regulate animal and bird feeds.		
<b>Funds Expended</b>	276,700	302,200
<b>Year-End Fund Balance</b>	183,600	125,100
<b>Commodity Promotion Fund (AHA2458/A.R.S. § 3-109.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide for programs to promote the production and consumption of Arizona agricultural products domestically and abroad.		
<b>Funds Expended</b>	7,900	8,000
<b>Year-End Fund Balance</b>	3,300	2,300
<b>Cotton Research and Protection Council Fund (AHA2013/A.R.S. § 3-1085)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Assessments on each bale of cotton produced in the state, as well as fines and interest earnings.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,239,500	3,038,000
<b>Year-End Fund Balance</b>	3,011,200	2,730,700
<b>Dangerous Plants, Pests and Diseases Trust Fund (AHA2054/A.R.S § 3-214.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To prevent the introduction and propagation of, and to control and destroy, dangerous plants, pests, and diseases.		
<b>Funds Expended</b>	61,800	50,000
<b>Year-End Fund Balance</b>	58,700	72,000
<b>Designated Fund (AHA3011/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To administer the purpose for which the fee, grant, or contribution is intended.		
<b>Funds Expended</b>	550,800	577,700
<b>Year-End Fund Balance</b>	652,500	651,600
<b>Egg Inspection Trust Fund (AHA2022/A.R.S. § 3-717)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To administer the Egg Inspection Program.		
<b>Funds Expended</b>	1,123,700	1,273,500
<b>Year-End Fund Balance</b>	607,600	580,800

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Equine Inspection Fund (AHA2489/A.R.S. § 3-1345.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Inspection fees for processing ownership and transportation of horses.		
<b>Purpose of Fund:</b> To fund the issuance of horse ownership and transportation certificates.		
<b>Funds Expended</b>	300	300
<b>Year-End Fund Balance</b>	400	600
<b>Federal Funds (AHA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants.		
<b>Purpose of Fund:</b> 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.)		
<b>Funds Expended</b>	5,093,900	4,436,900
<b>Year-End Fund Balance</b>	621,400	313,500
<b>Federal - State Inspection Fund (AHA2113/A.R.S. § 3-499)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees for inspection of domestic produce imported from Mexico pursuant to a cooperative agreement with the U.S. Department of Agriculture.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,028,900	2,823,000
<b>Year-End Fund Balance</b>	1,469,100	1,516,400
<b>Fertilizer Materials Trust Fund (AHA2081/A.R.S. § 3-269)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To regulate fertilizers.		
<b>Funds Expended</b>	297,100	314,900
<b>Year-End Fund Balance</b>	251,600	274,800
<b>Grain Trust Fund (AHA2201/A.R.S. § 3-590)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> An assessment on commercial grain sales.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	118,400	132,100
<b>Year-End Fund Balance</b>	112,800	111,700
<b>Iceberg Lettuce Trust Fund (AHA2259/A.R.S. § 3-526.06)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> An assessment on iceberg lettuce prepared for market.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	88,200	100,000
<b>Year-End Fund Balance</b>	72,700	72,700
<b>IGA &amp; ISA Fund (AHA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received through an interagency agreement with the Office of Pest Management.		
<b>Purpose of Fund:</b> To provide administrative services to the Office of Pest Management, including acting director, accounting, information technology, human resources, and legal services.		
<b>Funds Expended</b>	104,100	104,100
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Indirect Cost Recovery Fund (AHA9000/A.R.S. § 3-107)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants.		
<b>Purpose of Fund:</b> For indirect costs associated with administration of federal grants.		
<b>Funds Expended</b>	25,400	102,200
<b>Year-End Fund Balance</b>	463,300	463,100
<b>Livestock and Crop Conservation Fund (AHA2378/A.R.S. § 41-511.23)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> \$2 million annually from the Land Conservation Fund through FY 2011, as established by A.R.S. § 41-511.23.		
<b>Purpose of Fund:</b> Continuously appropriated for grants to landowners, as well as to grazing and agricultural lessees of state or federal land, who implement conservation measures.		
<b>Funds Expended</b>	439,400	898,100
<b>Year-End Fund Balance</b>	1,973,100	1,090,100
<b>Livestock Custody Trust Fund (AHA2065/A.R.S. § 3-1377)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To enforce any of the provisions of Title 3, relating to agriculture and dairying.		
<b>Funds Expended</b>	43,500	122,500
<b>Year-End Fund Balance</b>	177,600	122,700
<b>Nuclear Emergency Management Fund (AHA2138/A.R.S. § 26-306.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	11,900	0
<b>Pesticide Trust Fund (AHA2051/A.R.S. § 3-350)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To regulate pesticides.		
<b>Funds Expended</b>	272,900	415,300
<b>Year-End Fund Balance</b>	191,800	241,000
<b>Protected Native Plant Trust Fund (AHA2298/A.R.S. § 3-913)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For the protection of native plants.		
<b>Funds Expended</b>	70,600	83,100
<b>Year-End Fund Balance</b>	43,000	41,600

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**SUMMARY OF FUNDS**

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**FY 2014  
Actual****FY 2015  
Estimate**

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**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.

<b>Funds Expended</b>	50,900	53,500
<b>Year-End Fund Balance</b>	101,000	132,000

## Arizona Health Care Cost Containment System

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2,217.3	2,208.3	2,208.3
Personal Services	37,151,400	37,469,500	37,469,500
Employee Related Expenditures	16,424,700	16,709,600	16,709,600
Professional and Outside Services	3,785,000	5,130,900	5,212,100
Travel - In State	70,300	60,000	60,000
Travel - Out of State	24,000	33,400	33,400
Other Operating Expenditures	25,487,500	18,309,800	18,309,800
Equipment	728,600	80,300	80,300
<b>OPERATING SUBTOTAL</b>	<b>83,671,500</b>	<b>77,793,500</b>	<b>77,874,700</b>
<b>SPECIAL LINE ITEMS</b>			
<b>Administration</b>			
DES Eligibility	88,533,300	54,874,500	54,874,500
Proposition 204 - AHCCCS Administration	8,080,500	6,863,900	6,863,900
Proposition 204 - DES Eligibility	24,106,800	38,358,700	38,358,700
<b>Medical Services</b>			
Traditional Medicaid Services	3,236,881,500	3,896,186,400	3,955,185,600
Proposition 204 Services	1,306,266,400	1,948,717,900	2,635,851,300
Adult Expansion	45,032,600	227,369,700	194,521,100
Children's Rehabilitative Services	156,409,000	197,070,000	238,204,500
KidsCare Services	9,471,500	6,223,000	7,495,000
KidsCare II	46,110,700	0	0
ALTCS Services	1,241,873,200	1,358,648,600	1,346,083,700
<b>Payments to Hospitals</b>			
Disproportionate Share Payments	13,487,100	13,487,100	13,487,100
DSH Payments - Voluntary Match	25,806,900	32,455,700	34,359,700
Rural Hospitals	13,008,100	22,650,000	22,650,000
Graduate Medical Education	159,376,500	190,159,200	157,312,000
Safety Net Care Pool	487,953,300	137,000,000	137,000,000
<b>AGENCY TOTAL</b>	<b>6,946,068,900</b>	<b>8,207,858,200</b>	<b>8,920,121,800</b>
<b>FUND SOURCES</b>			
General Fund	1,173,476,700	1,274,403,200	1,272,328,700
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	3,303,900	3,384,400	3,482,900
Children's Health Insurance Program Fund	46,468,700	6,649,800	8,780,700
Healthcare Group Fund	850,000	0	0
Prescription Drug Rebate Fund - State	94,941,200	79,035,000	83,778,100
TPTF Emergency Health Services Account	18,535,500	18,202,400	17,331,400
TTHCF Medically Needy Account	32,864,700	34,178,800	31,180,000
SUBTOTAL - Other Appropriated Funds	196,964,000	141,450,400	144,553,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,370,440,700</b>	<b>1,415,853,600</b>	<b>1,416,881,800</b>
<u>Expenditure Authority Funds</u>			
County Funds	293,921,500	295,396,100	300,049,800
Federal Medicaid Authority	4,695,580,900	5,801,463,600	6,489,470,400
Hospital Assessment Fund	0	204,597,700	245,180,700
Nursing Facility Provider Assessment Fund	16,528,300	21,657,300	5,841,700
Political Subdivision Funds	233,303,300	118,010,900	103,648,600
Prescription Drug Rebate Fund - Federal	196,563,800	212,459,300	222,458,100
Third Party Liability and Recovery Fund	0	194,700	194,700
Tobacco Litigation Settlement Fund	100,764,700	100,000,000	100,000,000
TPTF Proposition 204 Protection Account	38,965,700	38,225,000	36,396,000

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
SUBTOTAL - Expenditure Authority Funds	5,564,042,100	6,792,004,600	7,503,240,000
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>6,946,068,900</b>	<b>8,207,858,200</b>	<b>8,920,121,800</b>
Other Non-Appropriated Funds	114,250,100	29,574,800	29,571,100
Federal Funds	63,547,800	97,818,900	90,270,000
<b>TOTAL - ALL SOURCES</b>	<b>7,123,866,800</b>	<b>8,335,251,900</b>	<b>9,131,565,500</b>

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

AHCCCS' FY 2016 General Fund spending would decrease by \$(2,074,500) or (0.2)%. The \$(2,074,500) includes:

- \$13,266,400 in formula base adjustments.
- \$(15,340,900) in Mandatory Expansion adjustments, primarily due to a lower-than-expected child expansion enrollment and an enhanced federal match rate.

Below is an overview of the FY 2016 formula adjustments, a status update on the mandatory policy changes and caseload impacts since the implementation of the 2010 federal health care legislation, known as the Affordable Care Act (ACA) that began on January 1, 2014, and other funding changes.

#### Formula Adjustments

Formula adjustments are comprised of FY 2015 and FY 2016 changes to caseloads, FY 2016 changes in capitation rates, FY 2016 changes to the federal match rate, a prescription drug rebate increase, an ambulance rate increase, and a decline in tobacco tax collections. The sum of these adjustments increase the AHCCCS budget by \$13,266,400 in FY 2016. *Table 1* summarizes the formula adjustments and other changes.

#### *FY 2016 Caseload Growth*

Formula adjustments include 2% caseload growth for Traditional acute care and Proposition 204 populations, 2% caseload growth for the Arizona Long Term Care System (ALTCs) population, and a (10)% decline in the KidsCare population in FY 2016. Population growth estimates were developed using historic caseload growth and expected programmatic changes. Formula adjustments do not include caseload growth for newly-eligible populations expanded under the ACA (*see next sections for additional information*). The FY 2016 formula adjustments incorporate an anticipated 7.1% caseload growth within the Traditional population in FY 2015. The

7.1% growth is primarily caused due to currently eligible but not enrolled individuals (*see Currently Eligible But Not Enrolled section for additional information*).

**Table 1**

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

##### **Formula Adjustments**

FY 2016 Caseload Growth	\$ 12
FY 2016 3% Capitation Rate Increase	30
FY 2016 Federal Match Rate Increase	(28)
Prescription Drug Rebate Fund Increase	(5)
Ambulance Rate Increase	2
Tobacco Tax Decline	<u>3</u>
<i>Subtotal</i> <sup>1/</sup>	\$ 13

##### **Mandatory Expansion**

Child Expansion	\$ (17)
Provider Rate Increase Phase Down	(6)
Health Insurer Fee	7
Currently Eligible But Not Enrolled <sup>2/</sup>	<u>--</u>
<i>Subtotal</i> <sup>1/</sup>	\$ (15)

##### **Optional Medicaid Expansion**

Childless Adults and Adult Expansion <sup>3/</sup>	N/A
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**Total Spending Change** **\$ (2)**

<sup>1/</sup> Numbers do not add due to rounding.

<sup>2/</sup> Amounts are included in the formula adjustment above.

<sup>3/</sup> The Baseline includes a \$40.6 million increase in hospital assessment funding in FY 2016 which covers the General Fund portion of these populations and the remaining Proposition 204 populations.

FY 2015 base adjustments and FY 2016 caseload changes are expected to result in a General Fund increase of \$11,570,700 in FY 2016. Caseloads, including expansions and the childless adult restoration, are shown in *Table 2*.



Table 2

JLBC Forecasted Member Months<sup>1/</sup>

Population <sup>2/</sup>	June 2014	June 2015 <sup>3/</sup>	June 2016	'15-'16% Change
Traditional Acute Care	939,643	1,006,708	1,026,842	2.0%
Prop 204 Childless Adults	215,742	293,378	299,246	2.0
Other Proposition 204	158,109	172,785	176,241	2.0
Adult Expansion <sup>4/</sup>	19,789	39,792	40,588	2.0
KidsCare	2,008	1,807	1,626	(10.0)
ALTCS - Elderly & Physically Disabled <sup>5/</sup>	28,524	29,522	30,113	2.0
Emergency Services	78,799	93,458	96,261	3.0
<b>Total Member Months<sup>6/</sup></b>	<b>1,442,614</b>	<b>1,637,450</b>	<b>1,670,917</b>	<b>2.0%</b>

1/ The figures represent June 1 estimates.

2/ The Children's Rehabilitative Services program is included in the Traditional Acute Care, Other Proposition 204, KidsCare, and ALTCS populations.

3/ Represents revised forecast.

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

5/ The ALTCS program funded in AHCCCS.

6/ In addition, approximately 29,000 people will receive Medicaid services through the Department of Economic Security's Developmental Disabilities program.

### FY 2016 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 2016 across most programs. The 3% capitation increase is budgeted to cost an additional \$30,424,200 from the General Fund in FY 2016. The 3% capitation rate adjustment was developed after analyzing recent capitation reviews, utilization, and trends in medical inflation.

### FY 2016 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 2016, the FMAP rates will adjust as follows:

- Traditional Medicaid will increase to 68.81% (0.65% increase).
- Proposition 204 Childless Adult rate will increase to 89.05% (3.57% increase).
- KidsCare and Child Expansion rates will increase to 94.48% (16.56% increase for KidsCare and 26.33% for child expansion) (see *Mandatory Changes Resulting from Federal Health Care Legislation for additional information*).
- Adult Expansion rate will remain at 100%.

The formula adjustments include a decrease of \$(28,196,600) in General Fund spending to reflect savings from the regular federal rate increase.

### Prescription Drug Rebate Fund Increase

The Baseline includes an increase of \$5,279,800 from the state portion of the Prescription Drug Rebate Fund and a corresponding \$(5,279,800) decrease from the General Fund in FY 2016 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.

### Ambulance Rate Increase

The FY 2014 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2013, 1<sup>st</sup> Special Session, Chapter 10) increases ambulance reimbursement rates from 68% to 74% in October 2014 and to 80% of the Department of Health Services (DHS)-set rate as of October 1, 2015. The budget includes an increase of \$1,749,100 from the General Fund in FY 2016 to account for this increased rate.

### Tobacco Tax Decline

The Baseline includes a decrease of \$(2,998,800) from tobacco tax revenues and a corresponding \$2,998,800 increase from the General Fund in FY 2016 from declining tobacco sales. These declines result in a (8.8)% decrease within the Tobacco Tax and Health Care Fund (TTHCF) Medically Needy Account in FY 2016.

### FY 2015 Adjustments

The Baseline includes a \$(33,232,900) ex-appropriation from the General Fund in FY 2015 associated with lower-than-expected Medicaid caseload growth within the Traditional line item population. In addition, the Baseline includes \$376,665,400 in an Expenditure Authority supplemental associated with higher-than-expected Medicaid caseload growth for the Proposition 204 Childless Adult population. (See *FY 2015 Adjustments in Other Issues for Legislative Consideration* section for more information.)

## Mandatory Changes Resulting from Federal Health Care Legislation

The 2010 Federal health care legislation, known as the Affordable Care Act (ACA), had a number of impacts on the AHCCCS and DHS Medicaid budgets that began on January 1, 2014. Mandatory changes resulting from federal health care legislation are described below. The sum of these adjustments decrease the AHCCCS budget by \$(15,340,900) in FY 2016. 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

Beginning on January 1, 2014, ACA required the expansion for children under age 19 to 133% of the Federal Poverty Level (FPL) (\$31,700 for a family of 4) and provided a 2:1 federal match rate for all enrollees in FY 2015. In addition, ACA allowed children with incomes 133% to 200% FPL to become eligible for a subsidy to purchase health insurance through the new federal health insurance exchange. Infants continue to be covered up to 140% FPL.

Prior to the ACA, AHCCCS provided coverage for children with incomes up to 200% FPL through 2 programs: KidsCare, also known as Arizona's Children's Health Insurance Program (CHIP), and KidsCare II. Both programs received an approximate 3:1 federal match rate for its recipients.

Because Arizona opted to expand Medicaid eligibility under the ACA, on January 1, 2014, 26,300 KidsCare recipients with incomes up to 133% FPL were transferred to the Traditional population. These 26,300 members would continue to receive a 3:1 federal match rate while new members after January 1, 2014 would receive a 2:1 federal match rate. Due to these programmatic changes, the KidsCare II program officially ended on January 31, 2014. Current KidsCare I recipients with income between 133% to 200% FPL continue to receive coverage in KidsCare. As of December 1, 2014, the KidsCare program has approximately 1,900 remaining members.

The FY 2015 budget estimated that approximately 27,000 newly-eligible children would enroll by June 2014, with a total of 37,200 enrolled by June 2016. By June 2014, however, actual enrollment was 30,000, a difference of approximately 3,000 members.

The Baseline revises the FY 2015 budgeted estimate to a total of 36,900 new enrollees by June 2016. Beginning on October 1, 2015, federal legislation increases the state's KidsCare and child expansion match rate to 100%. The Baseline includes a decrease of \$(16,819,400) in FY 2016 from the General Fund for the phased-in enrollment, annualization of these costs, and an enhanced FMAP.

#### *Provider Rate Increase Phase Down*

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

The FY 2015 budget assumed a PCP payment of \$12,319,700 in FY 2014 and \$8,339,000 in FY 2015. However, due to a delay in payment processing and review within the Federal Centers for Medicare and Medicaid Services (CMS), AHCCCS made payments of \$4,102,700 in FY 2014, and anticipates to pay \$7,021,600 in FY 2015 and \$2,373,900 in FY 2016.

The Baseline includes a decrease of \$(5,965,100) from the General Fund in FY 2016 for the PCP rate increase to account for the change from the FY 2015 appropriation to the expected FY 2016 payments.

#### *Health Insurer Fee*

ACA placed an \$8 billion annual fee on the health insurance industry nationwide in 2014. The fee eventually grows to \$14.3 billion in 2018 and is indexed to inflation thereafter. The fee is allocated to qualifying health insurers based on their respective market share of premium revenue in the previous year. In their FY 2015 budget year request, AHCCCS estimated the fee will increase the cost of Medicaid managed care plans by 1.24%. Health insurer fee allocations are based on a percentage of the health insurer's revenues and will be made on a retroactive mass adjustment within the Traditional capitation rate.

On August 4, 2014, CMS approved AHCCCS' proposal for a new payment methodology for calculating future health insurer fee allocations in FY 2016. The Baseline includes an increase of \$7,443,600 from the General Fund in FY 2016 for the allocation of these costs.

#### *Currently Eligible But Not Enrolled*

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

Most individuals eligible for Medicaid but not enrolled are not subject to the ACA fine. Nonetheless, publicity surrounding the individual mandate and additional availability of health insurance may induce some who are currently eligible but not enrolled to sign up. As a result, the Baseline is forecasting a caseload growth of 7.1% in the Traditional population line item.

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### ***Childless Adult Restoration, Adult Expansion, and the Hospital Assessment***

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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, along with an update on each program's enrollment since the restoration of Proposition 204 childless adults and the adult expansion beginning on January 1, 2014.

#### *Childless Adult Restoration, 0-100% FPL*

The childless adult population had an enrollment freeze starting in July 2011. As a condition of expanding Medicaid, coverage for the childless adult population was restored in January 2014. The childless adult population receives a higher match rate than the standard 2:1 match. The increased match started at 83.62% in FY 2014, increased to 85.48% in FY 2015, and increases to 89.05% in FY 2016.

Table 3

**State and Federal Funds for Optional Medicaid Expansion  
and the Proposition 204 Parents**

(in \$ millions)

		<u>FY 2015</u>			<u>FY 2016</u>		
		<u>GF</u>	<u>Budgeted</u>	<u>FF</u>	<u>GF</u>	<u>Baseline</u>	<u>FF</u>
			<u>HA</u> <sup>1/</sup>			<u>HA</u> <sup>1/</sup>	
Adult Expansion 100-133% FPL <sup>2/</sup>	AHCCCS	\$ 0	\$ 0	\$ 227	\$ 0	\$ 0	\$ 195
	DHS	<u>0</u>	<u>0</u>	<u>74</u>	<u>0</u>	<u>0</u>	<u>40</u>
	<b>Total</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 301</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 235</b>
Proposition 204 – Childless Adults 0-100% FPL <sup>2/3/</sup>	AHCCCS	\$ 0	\$ 155	\$1,043	\$ 0	\$ 188	\$1,694
	DHS	<u>37</u>	<u>0</u>	<u>244</u>	<u>36</u>	<u>0</u>	<u>291</u>
	<b>Total</b>	<b>\$ 37</b>	<b>\$ 155</b>	<b>\$1,287</b>	<b>\$ 36</b>	<b>\$ 188</b>	<b>\$1,984</b>
Proposition 204 – Parents 22-100% FPL <sup>3/4/</sup>	AHCCCS	\$ 0	\$ 49	\$ 105	\$ 0	\$ 57	\$ 125
	DHS	<u>80</u>	<u>0</u>	<u>172</u>	<u>73</u>	<u>0</u>	<u>162</u>
	<b>Total</b>	<b>\$ 80</b>	<b>\$ 49</b>	<b>\$ 277</b>	<b>\$ 73</b>	<b>\$ 57</b>	<b>\$ 287</b>
<b>Total Expenditures</b> <sup>5/</sup>	<b>Total</b>	<b>\$ 117</b>	<b>\$ 205</b>	<b>\$1,865</b>	<b>\$ 109</b>	<b>\$ 245</b>	<b>\$2,506</b>

<sup>1/</sup> Includes AHCCCS expenditures from the Hospital Assessment Fund for the Proposition 204 and Adult Expansion line items, beginning January 1, 2014. The Hospital Assessment Fund does not pay for behavioral health costs of these line items in the DHS budget.

<sup>2/</sup> The federal government pays 100% of the cost of the adult expansion from 2014 to 2016 and 90.66% of the childless adults up to 100% FPL in 2016. These percentages converge to 90% by 2020.

<sup>3/</sup> In addition to parents from 22-100% FPL, this population includes some children from 22-100% FPL and aged, blind, and disabled individuals from 75-100% FPL.

<sup>4/</sup> In addition to the General Fund, AHCCCS state costs for the Proposition 204 line item are funded with tobacco tax and tobacco litigation settlement money. Figures in this table do not display this funding and any associated federal matching funds.

<sup>5/</sup> Amounts may not add due to rounding.

The FY 2015 budget assumed that approximately 138,900 childless adults who were not previously eligible would enroll in the program by June 2014, with a total of 247,800 enrolled by June 2016. By June 2014, actual enrollment was 215,700, a difference of approximately 76,800 members.

The Baseline revises the FY 2015 budgeted estimates to a total of 299,200 new childless adults by June 2016 and includes an increase of \$32,737,800 in state match monies for the annualization of these costs in FY 2016. The state portion of the acute care costs for childless adults are paid for by the hospital assessment, which is described below.

#### *Adult Expansion, 100%-133% FPL*

ACA allowed states to expand Medicaid coverage for adults up to 133% FPL on and after January 1, 2014 and receive a higher match rate. The federal government will pay 100% of the cost of the Adult Expansion (parents and childless adults whose incomes are from 100% to 133% FPL) in calendar years 2014 to 2016. The federal share will gradually decline to 90% by 2020. The hospital assessment covers the state portion for this population (*see Hospital Assessment section for additional information*).

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 FY 2015 budget assumed that by June 2014 approximately 24,100 newly-eligible adults would enroll in the program, with a total of 60,700 enrolled by June 2016. By June 2014, actual enrollment was 19,800, a difference of approximately (4,300) members. Since newly-eligible adults are fully funded by the federal government through December 31, 2016 and then covered by the state portion through the hospital assessment thereafter, there is no change to the General Fund in FY 2016. The Baseline revises the FY 2015 budgeted estimate to a total of 40,600 new members by June 2016.

Table 4 displays June 2014 actual enrollment since January 1, 2014 for all population growth, including caseload growth related to the ACA and regular caseload growth, and future enrollment projections.

#### *Hospital Assessment*

The FY 2014 Health and Welfare BRB required AHCCCS to establish an assessment on hospital revenue, discharges, or bed days for the purpose of funding the state match portion of the Medicaid expansion and the entire Proposition 204 population on and after January 1, 2014. 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.

**Table 4**

**Total Medicaid Population Increase Since January 1, 2014 <sup>1/</sup>**

	<u>June 2014</u>	<u>June 2015</u>	<u>June 2016</u>
Childless Adult Restoration	148,000	225,600	231,500
Adult Expansion 100%-133% FPL	19,800	39,800	40,600
Child Expansion 100%- 133% FPL	29,900	36,100	36,900
Other Enrollees <sup>2/</sup>	<u>12,900</u>	<u>103,900</u>	<u>129,900</u>
<b>Total</b>	<b>210,600</b>	<b>405,400</b>	<b>438,900</b>

<sup>1/</sup> June 2014 figures are actual amounts while June 2015 and June 2016 are Baseline projections.

<sup>2/</sup> Currently eligible but not enrolled individuals are included in Other Enrollees.

In FY 2014, AHCCCS collected \$75,193,200 from the assessment, and was budgeted to collect \$204,597,700 in FY 2015. FY 2015 expenditures from the Hospital Assessment Fund are projected to be \$65.4 million above the appropriated amount. The balance is primarily the result of higher-than-expected enrollment of Proposition 204 childless adult enrollees, following the restoration of coverage beginning on January 1, 2014. *(Please see Other Issues for Legislative Consideration section for additional information.)*

Due to the higher-than-expected caseload, the Baseline assumes the assessment would need to be adjusted to \$270,000,000 in FY 2015. The FY 2016 hospital assessment is projected to be \$245,180,700 and would cover the cost of all Proposition 204 services in FY 2016.

**Operating Budget**

The Baseline includes \$77,874,700 and 895.2 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<u>FY 2016</u>
General Fund	\$25,779,100
Children's Health Insurance Program (CHIP) Fund	1,684,000
Prescription Drug Rebate Fund (PDRF) - State	197,300
Federal Medicaid Authority (FMA)	50,214,300

FY 2016 adjustments would be as follows:

**Increased PDRF Rebate OF 81,200**

The Baseline includes an increase of \$81,200 from the PDRF-State in FY 2016 due to an increase in prescription drug reimbursements pursuant to a contract adjustment.

**Administration**

**DES Eligibility**

The Baseline includes \$54,874,500 and 885 FTE Positions in FY 2016 for Department of Economic Security (DES) Eligibility services. These amounts consist of:

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

These amounts are unchanged from FY 2015.

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

**Proposition 204 - AHCCCS Administration**

The Baseline includes \$6,863,900 and 128 FTE Positions in FY 2016 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

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

These amounts are unchanged from FY 2015.

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 \$38,358,700 and 300.1 FTE Positions in FY 2016 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	17,239,300
Budget Neutrality Compliance Fund (BNCF)	3,482,900
Federal Medicaid Authority	17,636,500

FY 2016 adjustments would be as follows:

<b>Statutory Adjustments</b>	<b>GF</b>	<b>(98,500)</b>
	<b>OF</b>	<b>98,500</b>

The Baseline includes a decrease of \$(98,500) from the General Fund and a corresponding increase of \$98,500 from BNCF in FY 2016 due to reflect a statutory-required increase of county contributions in FY 2016 (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 \$3,955,185,600 in FY 2016 for Traditional Medicaid Services. This amount consists of:

General Fund	950,048,900
County Funds	49,879,700
PDRF - State	78,105,000
TTHCF Medically Needy Account	31,180,000
Third Party Liability and Recovery Fund	194,700
Federal Medicaid Authority	2,637,893,400
PDRF - Federal	207,883,900

FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF (11,524,600)</b>
	<b>OF 1,349,800</b>
	<b>EA 69,174,000</b>

The OF amount consists of \$4,348,600 from the state portion of the PDRF and \$(2,998,800) from the TTHCF Medically Needy Account. The Expenditure Authority (EA) amount consists of \$60,171,500 in Federal Medicaid Authority, \$(320,200) in County Funds, and \$9,322,700 from the federal portion of the PDRF. The formula adjustments include:

- 2% enrollment growth.
- An increase in the federal match rate from 68.15% to 68.81%.
- 3% capitation rate increase.
- \$(320,200) decrease in Maricopa County Acute Care contribution under A.R.S. § 11-292 with a corresponding General Fund increase.
- \$4,348,600 increase to the state portion of the PDRF and a corresponding General Fund decrease.
- \$9,322,700 increase to the federal portion of the PDRF and a corresponding Federal Medicaid Authority decrease.
- \$(2,998,800) 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 1-18, up to 133% FPL.

- 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 \$2,635,851,300 in FY 2016 for Proposition 204 Services. This amount consists of:

Hospital Assessment Fund	245,180,700
Tobacco Litigation Settlement Fund	100,000,000
TPTF Proposition 204 Protection Account	36,396,000
TPTF Emergency Health Services Account	17,331,400
Federal Medicaid Authority	2,236,943,200

FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>OF (871,000)</b>
	<b>EA 688,004,400</b>

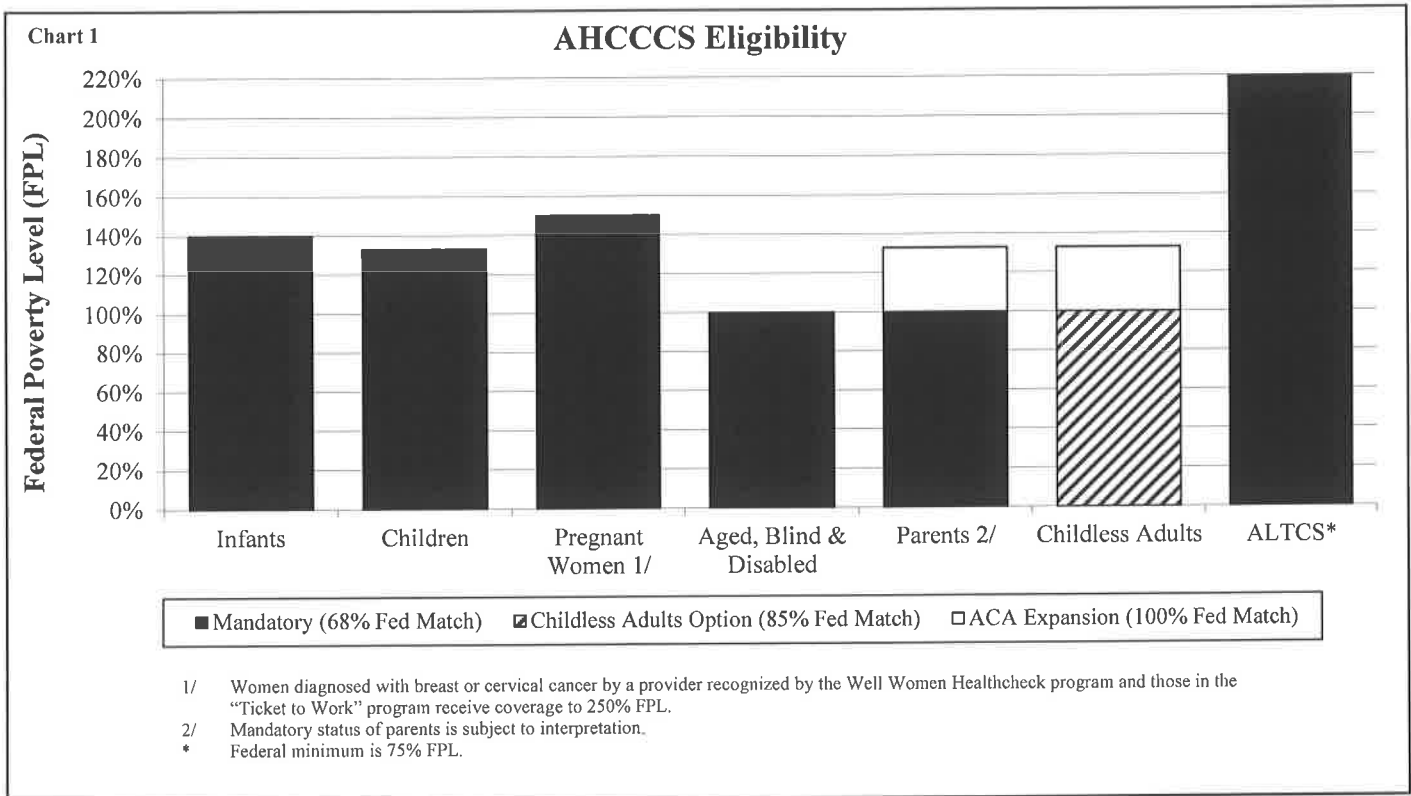
The OF consists of \$(871,000) from the TPTF Emergency Health Services Account. EA consists of \$(1,829,000) from the TPTF Proposition 204 Protection Account, \$40,583,000 in Hospital Assessment Funds and \$649,250,400 in Federal Medicaid Authority. The formula adjustments include:

- 2% enrollment growth.
- A change in the federal match rate for the non-childless adult population from 68.15% to 68.81%. A change in the federal match rate for childless adults from 85.48% to 89.05%.
- 3% capitation rate increase.
- \$(1,829,000) decrease from the TPTF Proposition 204 Protection Account due to declining tobacco tax revenues and a \$1,829,000 corresponding Hospital Assessment Fund increase.
- \$(871,000) decrease from the Emergency Health Services Account due to declining tobacco tax revenues and a \$871,000 corresponding Hospital Assessment 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 \$194,521,100 from Federal Medicaid Authority in FY 2016 for the Adult Expansion. FY 2016 adjustments would be as follows:



**Formula Adjustments EA (32,848,600)**

The formula adjustments include a decrease of \$(32,848,600) of Federal Medicaid Authority in FY 2016 for the annualization and enrollment phase-in of this population. The decrease reflects lower-than-anticipated enrollment in FY 2015.

*Background* – Beginning on January 1, 2014, the Adult Expansion line item funds Medicaid services for adults from 100% to 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 \$238,204,500 in FY 2016 for Children’s Rehabilitative Services (CRS). This amount consists of:

General Fund	74,044,500
Federal Medicaid Authority	164,160,000

FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF 11,282,600</b>
	<b>FMA 29,851,900</b>

The formula adjustments include 3% enrollment growth, an increase to the federal match rate, a 3% capitation rate increase, a provider rate increase, reinsurance, and health insurance fees. This would result in approximately 28,000 members per month being served in June 2016.

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

**KidsCare Services**

The Baseline includes \$7,495,000 in FY 2016 for KidsCare Services. This amount consists of:

General Fund	398,300
CHIP Fund	7,096,700

FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF (858,900)</b>
	<b>CHIP 2,130,900</b>

The formula adjustments include a (10)% enrollment decline, an increase to the federal match rate, and a 3% capitation rate increase.

*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.

Beginning on October 1, 2015, KidsCare will receive a 100% federal match rate through September 30, 2019. 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. The KidsCare program will receive a 3:1 federal match rate for the first quarter of the state FY 2016 (July 1, 2015 through September 30, 2015) and a 100% federal match rate beginning on October 1, 2015 thereafter, for a weighted blended FY 2016 rate of 94.48%.

### ALTCS Services

The Baseline includes \$1,346,083,700 in FY 2016 for ALTCS expenditures. This amount consists of:

General Fund	167,081,200
County Contributions	250,170,100
PDRF - State	5,475,800
Federal Medicaid Authority	902,940,700
PDRF - Federal	14,574,200
Nursing Facility Provider Assessment Fund	5,841,700

FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF</b>	<b>(701,100)</b>
	<b>OF</b>	<b>313,300</b>
	<b>EA</b>	<b>37,299,100</b>

The EA amount consists of \$31,649,100 in Federal Medicaid Authority, \$4,973,900 in County Funds and \$676,100 from the federal portion of the PDRF in FY 2016. The formula adjustments include:

- 2% enrollment growth.
- A change in the federal match rate from 68.15% to 68.81%.
- 3% capitation rate increase.
- \$313,300 increase to the state portion of the PDRF and corresponding decreases of \$(141,300) in County Contributions and \$(172,000) from the General Fund.
- \$676,100 increase to the federal portion of the PDRF and a corresponding decrease of \$(676,100) in Federal Medicaid Authority.

#### Discontinue Assessment EA (49,476,200)

The Baseline includes a \$(49,476,200) decrease in expenditure authority consisting of \$(15,815,600) in Federal Medicaid Authority and \$(33,660,600) from the Nursing Facility Provider Assessment Fund in FY 2016 to discontinue the Nursing Facility Provider Assessment.

From October 1, 2012 to September 30, 2015, Laws 2012, Chapter 213 permits AHCCCS to charge a provider assessment on health items and services provided by

nursing facilities that are not paid for by Medicare. Charges are used to obtain a federal match and make supplemental payments to facilities for covered AHCCCS expenditures. The Baseline discontinues the assessment after September 30, 2015, pursuant to Chapter 213.

The FY 2015 budget includes \$53,918,700 in supplemental payments to nursing provider facilities. A footnote, however, appropriates any payments in excess of that amount. AHCCCS has informed JLBC that they expect to expend \$67,997,800 in supplemental payments in FY 2015. On September 6, 2014, the assessment was increased from \$7.50 to \$10.50 per non-Medicare day of care for facilities with less than 43,500 Medicaid bed days per year. The assessment for facilities with more than 43,500 Medicaid bed days was increased from \$1 to \$1.40 per day. These adjustments would result in approximately 29,800 members per month being served in June 2016.

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

Clients contribute to the cost of their care based on their income and living arrangement, with institutionalized members contributing more of their income to the cost of their care. For FY 2014, AHCCCS estimates that client contributions paid for 6.5% 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 2016 for Disproportionate Share Hospital (DSH) Payments. This amount is unchanged from FY 2015.

General Fund	2,885,700
Federal Medicaid Authority	10,601,400

FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF</b>	<b>(42,700)</b>
	<b>EA</b>	<b>42,700</b>

The Baseline includes a decrease of \$(42,700) from the General Fund and a corresponding increase of \$42,700 from Federal Medicaid Authority in FY 2016 due to a change in the federal match rate.

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

<u>Eligible Funding</u>	<u>FY 2015</u>	<u>FY 2016</u>
Public Hospitals	\$ 89,877,700	\$ 89,877,700
Arizona State Hospital (ASH)	28,474,900	28,474,900
Private Hospitals	9,284,800	9,284,800
<b>Total Allocations</b>	<b>\$127,637,400</b>	<b>\$127,637,400</b>
<u>Distribution of Funding</u>		
Federal DSH to GF (Maricopa)	\$ 57,328,000	\$ 57,741,400
Federal DSH to GF (ASH)	19,493,900	19,624,900
Subtotal	\$ 76,821,900	\$ 77,366,300
County-Operated Hospitals	4,202,300	4,202,300
Private Hospitals	9,284,800	9,284,800
<b>Total</b>	<b>\$ 90,309,000</b>	<b>\$ 90,853,400</b>

The state only appropriates General Fund dollars for DSH payments to private hospitals (\$9,284,800 in total funds in FY 2016). 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). *(Please see DSH Payments - Voluntary Match SLI below for additional information.)*

***DSH Payments - Voluntary Match***

The Baseline includes \$34,359,700 in FY 2016 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds (PSF)	10,496,500
Federal Medicaid Authority	23,863,200

FY 2016 adjustments would be as follows:

<b>Increased Funding</b>	<b>PSF</b>	<b>260,000</b>
	<b>FMA</b>	<b>1,644,000</b>

The Baseline includes an increase of \$1,904,000 in FY 2016 from a federal increase in the total amount of uncompensated care payments Arizona hospitals are permitted to receive.

Under the original ACA, DSH payments were expected to decline nationwide by \$500 million in 2014 and \$600 million in 2015, or about 5% of overall payments. In addition, the reductions were expected to increase to \$5.6 billion by 2019, which was approximately 50% of the nationwide funding level. These reductions affected the expected voluntary DSH payments that can be provided to hospitals in FY 2015 and in years following. In anticipation of these reductions, DSH payments to AHCCCS' budget were decreased by \$(23,944,600) in FY 2015 to \$19,373,400 (a FY 2015 General Appropriation

Act footnote appropriates any additional payments in excess of that amount).

Subsequent federal legislation ratified in April 2014 delayed these reductions to FY 2017 (with a phase-out of all payments in FY 2024). Due to these unforeseeable DSH extensions, AHCCCS has informed JLBC that they expect total voluntary DSH payments to increase to \$32,455,700 in FY 2015. The FY 2015 amounts have been adjusted accordingly.

*Background* – Beginning in FY 2010, the state has allowed local governments, tribal governments and universities to provide voluntary DSH payments in order to receive a federal match. The FY 2015 Health and Welfare BRB made this permission permanent. In FY 2014, non-state entities contributed the state match for \$25,806,900 in total DSH payments for the benefit of 11 hospitals.

***Rural Hospitals***

The Baseline includes \$22,650,000 in FY 2016 for Rural Hospitals (which includes Critical Access Hospitals). This amount is unchanged from FY 2015.

General Fund	7,039,600
Federal Medicaid Authority	15,610,400

FY 2016 adjustments would be as follows:

<b>Formula Adjustment</b>	<b>GF</b>	<b>(131,300)</b>
	<b>FMA</b>	<b>131,300</b>

The Baseline includes a decrease of \$(131,300) from the General Fund and a corresponding increase of \$131,300 from Federal Medicaid Authority in FY 2016 due to a change in the federal match rate.

*Background* – This line item is comprised of 2 programs. The Rural Hospital Reimbursement program increases inpatient reimbursement rates for qualifying rural hospitals. The Critical Access Hospitals program provides increased reimbursement to small rural hospitals that are federally designated as critical access hospitals. Funding is distributed according to a hospital's share of the cost in serving Medicaid enrollees during the prior year. In FY 2014, 21 hospitals qualified for funding from Rural Hospital Reimbursement and 11 from Critical Access Hospitals.

***Graduate Medical Education***

The Baseline includes \$157,312,000 in FY 2016 for Graduate Medical Education (GME) expenditures. This amount consists of:

Political Subdivision Funds	50,099,900
Federal Medicaid Authority	107,212,100



FY 2016 adjustments would be as follows:

**Decreased Funding** PSF (13,200,900)  
FMA (19,646,300)

The Baseline includes a decrease of \$(32,847,200) in FY 2016 for a reduction in GME payments. Although the FY 2015 General Appropriation Act displays a \$165,918,500 appropriation for FY 2015, a footnote appropriates any additional payments in excess of that amount. AHCCCS has informed JLBC that they expect to expend \$190,159,100 in total GME payments in FY 2015. The FY 2015 amounts have been adjusted accordingly. The FY 2016 decrease is associated with a revised GME spending plan to reflect a payment reduction in 1 hospital.

*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 2014, 10 hospitals received a total of \$159,376,500 for Graduate Medical Education.

**Safety Net Care Pool**

The Baseline includes \$137,000,000 in FY 2016 for the Safety Net Care Pool (SNCP) program. This amount consists of:

Political Subdivision Funds 43,052,200  
Federal Medicaid Authority 93,947,800

FY 2016 adjustments would be as follows:

**Formula Adjustments** PSF (1,421,400)  
FMA 1,421,400

The Baseline includes a decrease of \$(1,421,400) from the Political Subdivision Funds and a corresponding increase of \$1,421,400 from Federal Medicaid Authority in FY 2016 due to a change in the federal match rate.

Although the FY 2015 General Appropriation Act displays a \$68,500,000 appropriation for FY 2015, a footnote appropriates any additional payments in excess of that amount. AHCCCS has informed JLBC that they expect to expend \$137,000,000 in total SNCP payments in FY 2015 and FY 2016 considering that the federal government has approved the continuation of the program for Phoenix Children’s Hospital (PCH) through December 31, 2015. The FY 2015 amounts have been adjusted accordingly. FY 2015 and FY 2016 SNCP payments have been delayed due to an unanticipated review and processing payments within CMS. Due to these delays, the first 6 months of calendar year 2015 will not be paid until FY 2016. The FY 2015 amounts have been adjusted accordingly.

*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.

In April 2012, AHCCCS received federal approval to establish the SNCP program. While this program was originally expected to end on December 31, 2013, the FY 2014 Health and Welfare BRB allowed the PCH to continue to participate in the SNCP program through December 31, 2017 if approved by the federal government.

\* \* \*

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

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

Medical Services

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

The AHCCCS Administration shall report to the Joint Legislative Budget Committee on or before March 1 of each year on the preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum may not be more than 2%. Before implementation of any changes in capitation rates, the AHCCCS Administration shall report its expenditure plan for review by the Joint Legislative Budget Committee. Before the Administration implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the Administration shall prepare a fiscal

impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or more for a given fiscal year, the Administration shall submit the policy changes for review by the Joint Legislative Budget Committee.

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

The AHCCCS Administration shall transfer \$436,000 from the Traditional Medicaid Services line item for FY 2016 to the Department of Revenue for enforcement costs associated with the March 13, 2013 master settlement agreement with tobacco companies.

The AHCCCS Administration shall transfer up to \$1,200,000 from the Traditional Medicaid Services line item for FY 2016 to the Attorney General for costs associated with tobacco settlement litigation.

#### Long-Term Care

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

Pursuant to A.R.S. § 11-292B the county portion of the FY 2016 nonfederal portion of the costs of providing long-term care services is \$250,170,100. This amount is included in the Expenditure Authority fund source.

Any supplemental payments received in excess of \$18,521,700 for nursing facilities that serve Medicaid patients in FY 2016, including any federal matching monies, by the AHCCCS Administration are appropriated to the Administration in FY 2016. 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.

#### Payments to Hospitals

The \$13,487,100 appropriation for Disproportionate Share Payments for FY 2016 made pursuant to A.R.S. § 36-2903.01O includes \$4,202,300 for the Maricopa County Health Care District and \$9,284,800 for private qualifying disproportionate share hospitals.

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 2016 by the AHCCCS Administration in excess of \$34,857,100 are

appropriated to the Administration in FY 2016. 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.

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 2016 costs of Graduate Medical Education, Disproportionate Share Payments - Voluntary Match and Safety Net Care Pool line items are included in the Expenditure Authority fund source.

Any monies for Graduate Medical Education received in FY 2016, including any federal matching monies, by the AHCCCS Administration in excess of \$157,312,000 are appropriated to the Administration in FY 2016. 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 received in excess of \$137,000,000 for the Safety Net Care Pool by the AHCCCS Administration in FY 2016, including any federal matching monies, are appropriated to the Administration in FY 2016. 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

On or before January 6, 2016, the AHCCCS Administration shall report to the Director of the Joint Legislative Budget Committee the total amount of Medicaid reconciliation payments and penalties received on or before that date since July 1, 2015. On June 30, 2016, the Administration shall report the same information for all of FY 2016.

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.

#### Deletion of Prior Year Footnotes

The Baseline would delete completed one-time provisions related to:

- Transfer of funding to the Automation Project Fund for tobacco tax processing and accounting system improvements at the Department of Revenue.
- 2% provider rate increase for skilled nursing facilities.
- AHCCCS reporting on an interagency agreement with DHS.
- Review of any transfer up to \$13 million of General Fund money from AHCCCS' balance in FY 2015 to cover a DHS shortfall.
- JLBC and Executive Staff reporting on Medicaid estimates using a common format.

## 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, FY 2017, and FY 2018.

### *Counties*

- As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations.
- As session law, require AHCCCS to transfer any excess monies back to the counties on December 31, 2016 if the counties' portion of the state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.
- As session law, set FY 2016 county Arizona Long Term Care System (ALTCS) contributions at \$250,170,100.
- As session law, set the County Acute Care contribution at \$47,233,500. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328.
- 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.

### *Hospitals*

- As session law, establish FY 2016 disproportionate share (DSH) distributions to the Maricopa Special Healthcare District, the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center.

### *Erroneous Payments*

- 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. Subject to legislative appropriation,

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, continue to require AHCCCS to submit a report by December 1, 2015 on the use of emergency departments for non-emergency use by AHCCCS enrollees.
- As session law, continue to require AHCCCS and DHS to submit a joint report by January 1, 2016 on hospital costs and charges.

### *Deleted Provisions*

The Baseline would not continue the session law provision that retroactively revises DSH distributions to the Arizona State Hospital. No revision to the FY 2015 distribution is necessary.

The Baselines discontinues a session law provision stating the Legislature's intent that AHCCCS comply with the Federal False Claims Act. The state is already required to adhere to this federal law.

## OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

This section includes information on the following topics:

- FY 2015 Adjustments
- Long-Term Budget Impacts
- Hospital Assessment Fund
- Hepatitis C Prescription Costs
- CMDP Appropriation Shift to DCS
- Integration of Health Services
- County Contributions
- Program Components
- Tobacco Master Settlement Agreement
- Tobacco Tax Allocations

### ***FY 2015 Adjustments***

#### General Fund

FY 2015 General Fund expenditures are projected to be \$(33,232,900) less than appropriated. The Baseline ex-appropriates these monies. The balance is primarily the result of lower-than-expected enrollment growth in the Traditional population. The FY 2015 budget assumed that publicity surrounding the federal health care individual mandate and additional availability of health insurance would induce currently eligible but not enrolled membership greater than previously budgeted.

#### Expenditure Authority

The FY 2015 Expenditure Authority expenditures are projected to be \$376,665,400 more than appropriated. Of this shortfall, \$65,402,300 is in the Hospital Assessment

Fund and \$311,263,100 is in Federal Medicaid Authority money. The Baseline provides a supplemental for these amounts in FY 2015. *(Please see Hospital Assessment Fund section below for more information.)*

### **Long-Term Budget Impacts**

Beyond FY 2016 Baseline changes for AHCCCS, JLBC Staff estimates that AHCCCS' statutory caseload changes will require an additional \$66.9 million in FY 2017 above FY 2016 and an additional \$75.4 million in FY 2018 above FY 2017 for acute services. This estimate assumes 2% enrollment growth and 3% capitation rate growth.

### **Hospital Assessment Fund**

The projected FY 2015 expenditures from the Hospital Assessment Fund are projected to be \$270.0 million, more than \$65.4 million above the appropriated amount. The balance is primarily the result of higher-than-expected enrollment of Proposition 204 childless adult enrollees, following the restoration of coverage beginning on January 1, 2014.

The FY 2015 budget estimated that by June 2015 approximately 240,600 childless adults would be enrolled in the program. By December 2014, actual enrollment had reached 276,600, exceeding the initial year-end projection by 36,000 enrollees. Statute allows AHCCCS to modify hospital payments and the assessment's payment methodology for the purpose of funding the state match portion of the Medicaid expansion (adults 100%-133% FPL) and the entire Proposition 204 population.

The Baseline revises the FY 2015 budgeted estimate to a total of 293,400 childless adults by June 2015 and includes an increase of \$32.7 million in state match monies for revised caseload estimates in FY 2016.

The FY 2016 hospital assessment is projected to be \$245.2 million and would cover the cost of all Proposition 204 services in FY 2016. The decrease from \$270.0 million to \$245.2 million is primarily the result of a higher federal match rate for Proposition 204 childless adults (from 85.48% in FY 2015 to 89.05% in FY 2016).

### **Hepatitis C Prescription Costs**

In December 2013, the Federal Drug Administration (FDA) approved a new drug, Sovaldi, for the treatment of Hepatitis C. The drug has been found to significantly improve outcomes for certain Hepatitis C-positive individuals but can cost anywhere from \$80,000 to \$150,000 per individual depending on the number of weeks of treatment. In FY 2015, funding for Sovaldi resulted in an overall capitation rate increase of 0.58% across the entire Medicaid program. Federal law requires states to cover prescription drugs from makers that

participate in Medicaid's drug rebate program, which includes the company that manufactures and sells Sovaldi. In October 2014, the FDA approved Harvoni, a Hepatitis C drug made by the same drug manufacturer as Sovaldi. Like other state Medicaid programs, AHCCCS has implemented specific eligibility criteria before a provider can prescribe Hepatitis C drugs to a member. The exact cost to the state is still unknown, Harvoni could generate a fiscal impact to the FY 2016 budget.

### **CMDP Appropriation Shift to DCS**

The Comprehensive Medical and Dental Program (CMDP) is the health plan responsible for providing health services for children in foster care. The program will primarily be administered by the Department of Child Safety (DCS) beginning in FY 2015. Currently AHCCCS is appropriated its share of acute care services in the Traditional Medicaid Services line item. AHCCCS requests shifting the Medicaid acute care portion of services in CMDP from AHCCCS to DCS. The shift in appropriation would result in a decrease of \$(16.0) million in AHCCCS, followed by a corresponding increase of \$16.0 million in DCS.

Laws 2013, Chapter 220 requires AHCCCS, the DES, and DHS to determine and report on the most effective method for delivering medical, dental and behavioral health services to children who qualify for CMDP coverage.

By June 2016, there are projected to be 16,726 eligible individuals within CMDP. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for CMDP. *(See the Department of Health Services or Department of Child Safety narrative for additional information regarding this proposed line item transfer.)*

### **Integration of Health Services**

AHCCCS and DHS currently integrate acute care services and behavioral health services for Medicaid-eligible Seriously Mentally Ill (SMI) adults in Maricopa County. DHS' FY 2016 budget request seeks to expand integration services for all Medicaid-eligible SMI adults outside Maricopa County through the Non-Maricopa Regional Behavioral Health Authority (RHBA) contracts. Under the current budget proposal and to implement both the Maricopa and Non-Maricopa RBHA contracts, AHCCCS would permanently shift the acute care appropriation of \$227.8 million in total funds (\$47.2 million General Fund, \$16.7 million in Proposition 204 Tobacco Tax Protection Account monies, and \$163.8 million Federal Funds) from AHCCCS to DHS.

In addition to the SMI integration services shift in appropriation, AHCCCS and DHS seek to permanently shift the General Mental Health funding for the "dual

<b>County</b>	<b>FY 2015</b>				<b>FY 2016</b>			
	<b>BNCF</b>	<b>Acute</b>	<b>DUC</b>	<b>ALTCS</b>	<b>BNCF</b>	<b>Acute</b>	<b>DUC</b>	<b>ALTCS</b>
Apache	\$ 111,500	\$ 268,800	\$ 87,300	\$ 616,900	\$ 114,800	\$ 268,800	\$ 87,300	\$ 625,000
Cochise	208,100	2,214,800	162,700	5,138,300	214,100	2,214,800	162,700	5,184,400
Coconino	205,300	742,900	160,500	1,851,400	211,200	742,900	160,500	1,875,400
Gila	84,300	1,413,200	65,900	2,107,400	86,700	1,413,200	65,900	2,125,500
Graham	59,900	536,200	46,800	1,442,600	61,700	536,200	46,800	1,341,800
Greenlee	15,400	190,700	12,000	76,200	15,800	190,700	12,000	80,200
La Paz	31,900	212,100	24,900	712,200	32,800	212,100	24,900	698,900
Maricopa	0	19,523,400	0	150,220,100	0	19,203,200	0	153,859,500
Mohave	239,600	1,237,700	187,400	7,972,700	246,600	1,237,700	187,400	8,063,100
Navajo	157,000	310,800	122,800	2,552,500	161,600	310,800	122,800	2,585,600
Pima	1,427,200	14,951,800	1,115,900	38,919,400	1,468,800	14,951,800	1,115,900	39,447,500
Pinal	279,200	2,715,600	218,300	15,294,300	287,400	2,715,600	218,300	15,596,600
Santa Cruz	66,000	482,800	51,600	1,914,800	67,900	482,800	51,600	1,949,200
Yavapai	263,800	1,427,800	206,200	8,314,700	271,500	1,427,800	206,200	8,447,300
Yuma	235,200	1,325,100	183,900	8,062,700	242,000	1,325,100	183,900	8,290,100
<b>Subtotal</b>	<b>\$3,384,400</b>	<b>\$47,553,700</b>	<b>\$2,646,200</b>	<b>\$245,196,200</b>	<b>\$3,482,900</b>	<b>\$47,233,500</b>	<b>\$2,646,200</b>	<b>\$250,170,100</b>
<b>Total</b>				<b>\$298,780,500</b>				<b>\$303,532,700</b>

eligible” population from DHS to AHCCCS. This request would permanently shift \$16.6 million in total funds (\$3.1 million General Fund, \$2.1 million in Proposition 204 Tobacco Tax Protection Account monies, and \$11.4 million Federal Funds) from DHS to AHCCCS. The dual eligible population consists of low-income individuals who qualify for both Medicare and Medicaid at the same time. The shift in appropriation for the both the SMI and dual eligible integration of health services is not included in the Baseline.

The JLBC Staff recommends that prior to deciding whether to move funding between agencies, the Legislature should consider studying the broader issue of integrating additional services provided by AHCCCS and DHS. (See *Other Issues for Legislative Consideration in the Department of Health Services’ narrative for more information on these proposed budget line item transfers.*)

### **County Contributions**

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

The counties’ single largest contribution is the ALTCS program. Pursuant to A.R.S. § 11-292, the state and the counties share in the growth of the ALTCS program, as defined by the following formula:

1. The growth is split 50% to the state, 50% to the counties.
2. The counties’ portion is allocated among the counties based on their FY 2014 ALTCS utilization.
3. Each county’s contribution is then limited to 90¢ per \$100 of net assessed property value. In FY 2016, this provision provides 3 counties with a total of \$5,998,600 in relief.

4. In counties with an “on-reservation” population of at least 20%, the contribution is limited by an alternative formula specified in statute. In FY 2016, this provision provides 3 counties with a total of \$15,236,000 in relief.
5. If any county could still pay more under the above provisions than under the previous statutory percentages, that county’s contribution is limited by a further alternative formula specified in statute. In FY 2016 no counties qualify for this relief.
6. The state pays for county costs above the average statewide per capita (\$39.60 in FY 2016). In FY 2016 this provision provides 8 counties with a total of \$10,466,400 in relief.

In FY 2016, provisions 3 through 6 of the ALTCS formula result in the state providing a total of \$31,701,000 in relief to 11 counties.

### **Program Components**

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

#### Capitation

The majority of AHCCCS payments are made through monthly capitated payments. This follows a health maintenance organization (HMO) model in which capitated providers accept a predetermined rate for each member. In FY 2016, the average capitation rate is expected to be approximately \$335 per member per month (or \$4,022 annually). Of that amount, an average of \$85 is from state match and \$250 from Federal Medicaid Authority.

#### Reinsurance

Reinsurance is a stop-loss program for health plans and program contractors for patients with unusually high costs.

The health plan is responsible for paying all of a member's costs until an annual deductible has been met.

#### Fee-For-Service

Rather than using Capitation, Fee-For-Service payments are made for 4 programs: 1) federally-mandated services for Native Americans living on reservations; 2) rural Federally Qualified Health Centers (FQHC); 3) temporary Fee-For-Service coverage for those who leave AHCCCS before enrolling in a capitated plan; and 4) federally-mandated emergency services for unauthorized and qualified immigrants.

#### Medicare Premiums

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

#### Clawback

AHCCCS is not required to pay for prescription drug costs for members who are eligible for Medicare. Instead, AHCCCS is required to make "Clawback" payments to Medicare based on a certain percent (75.0% in 2015) of the estimated drug costs.

### **Tobacco Master Settlement Agreement**

The Baseline requires AHCCCS to continue to transfer \$1,636,500 from the Traditional Medicaid Services line item in FY 2016 to assist in the enforcement of a multi-year settlement reached between tobacco companies and the state over the Master Settlement Agreement (MSA). This transfer amount consists of:

- \$1,200,000 to the Department of Revenue (DOR) to the Attorney General for costs associated with tobacco settlement litigation.
- \$436,500 to the DOR to fund 6 positions that will perform luxury tax enforcement and audit duties.

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

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

approved an amended settlement between participating manufacturers and 19 states, including Arizona, to resolve issues relating to the tobacco tax enforcement.

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

### **Tobacco Tax Allocations**

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 2014</u>	<u>FY 2015</u>
<b>Medically Needy Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 4,754,200	\$ 5,214,800
Transfer In - Tobacco Tax and Health Care Fund	43,375,300	45,072,600
Transfer In - Tobacco Products Tax Fund	25,095,700	24,573,200
Interest & Refunds	2,100	0
<b>Total Funds Available</b>	<b>\$ 73,227,300</b>	<b>\$ 74,860,600</b>
<u>Allocations</u>		
<u>AHCCCS</u>		
AHCCCS State Match Appropriation	\$ 32,864,700	\$ 34,178,800
Administrative Adjustments	0	0
<b>Total AHCCCS Allocations</b>	<b>\$ 32,864,700</b>	<b>\$ 34,178,800</b>
<u>DHS</u>		
Behavioral Health GF Offset	\$ 34,767,000	\$ 34,767,000
Folic Acid	379,800	400,000
Renal, Dental Care, and Nutrition Supplements	1,000	300,000
<b>Total DHS Allocations</b>	<b>35,147,800</b>	<b>35,467,000</b>
<b>Balance Forward</b>	<b>\$ 5,214,800</b>	<b>\$ 5,214,800</b>
<b>AHCCCS Proposition 204 Protection Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 6,200	\$ 0
Transfer In - Tobacco Products Tax Fund	41,946,100	38,225,000
<b>Total Funds Available</b>	<b>\$ 41,952,300</b>	<b>\$ 38,225,000</b>
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 38,965,700	38,225,000
Administrative Adjustments	2,986,600	0
<b>Balance Forward</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>AHCCCS Emergency Health Services Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 2,900	\$ 2,900
Transfer In - Tobacco Products Tax Fund	18,862,300	18,202,400
<b>Total Funds Available</b>	<b>\$ 18,865,200</b>	<b>\$ 18,205,300</b>
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 18,535,500	\$ 18,202,400
Administrative Adjustments	326,800	0
<b>Balance Forward 1/</b>	<b>\$ 2,900</b>	<b>\$ 2,900</b>
<b>DHS Health Education Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 8,223,600	\$ 9,772,600
Transfer In - Tobacco Tax and Health Care Fund	16,268,700	14,479,800
Transfer In - Tobacco Products Tax Fund	1,859,200	1,766,000
<b>Total Funds Available</b>	<b>\$ 26,351,500</b>	<b>\$ 26,018,400</b>
<u>Allocations</u>		
Tobacco Education and Prevention Program	\$ 14,458,500	\$ 17,250,000
Leading Causes of Death - Prevention and Detection	2,120,400	2,175,000
<b>Balance Forward</b>	<b>\$ 9,772,600</b>	<b>\$ 6,593,400</b>
<b>Health Research Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 2,352,800	\$ 1,217,000
Transfer In - Tobacco Tax and Health Care Fund	3,289,700	3,147,800
Transfer In - Tobacco Products Tax Fund	4,648,000	4,414,900
<b>Total Funds Available</b>	<b>\$ 10,290,500</b>	<b>\$ 8,779,700</b>
<u>Allocations</u>		
Biomedical Research	\$ 8,073,500	\$ 8,001,500
Alzheimer's Disease Research	1,000,000	1,000,000
<b>Balance Forward</b>	<b>\$ 1,217,000</b>	<b>\$ (221,800) 2/</b>

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

2/ Actual balances will not be negative.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Budget Neutrality Compliance Fund (HCA2478/A.R.S. § 36-2928)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> County contributions.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,303,900	3,384,400
<b>Year-End Fund Balance</b>	7,700	7,700
<b>Children's Health Insurance Program Fund (HCA2409/A.R.S. § 36-2995)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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 expired on December 31, 2013. The eligibility level was originally set at 175% FPL, but it was later expanded to 200% FPL.		
<b>Funds Expended</b>	46,468,700	6,649,800
<b>Year-End Fund Balance</b>	1,352,400	1,352,400
<b>County Funds (HCA2120 Acute Care/HCA2223 Long Term Care/ A.R.S. § 36-2912 Acute Care)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Statutorily prescribed county contributions.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	293,921,500	295,396,100
<b>Year-End Fund Balance</b>	0	0
<b>Employee Recognition Fund (HCA2025/A.R.S. § 36-2903)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private donations.		
<b>Purpose of Fund:</b> To be used for the agency's employee recognition program.		
<b>Funds Expended</b>	6,500	6,500
<b>Year-End Fund Balance</b>	4,800	2,800
<b>Federal - Medicaid Direct Services (HCA2120/A.R.S. § 36-2913)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	24,719,400	48,065,400
<b>Year-End Fund Balance</b>	0	0
<b>Federal Funds (HCA2000 Acute Care/A.R.S. § 36-2913)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grant monies.		
<b>Purpose of Fund:</b> To provide federal match for non-appropriated state expenditures.		
<b>Funds Expended</b>	209,200	1,019,200
<b>Year-End Fund Balance</b>	47,100	0



SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Federal Grants - American Recovery and Reinvestment Act (ARRA)</b> (HCA2999/A.R.S. § 35-142)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
<b>Purpose of Fund:</b> Federal Funds to assist Medicaid providers in adopting electronic medical records.		
<b>Funds Expended</b>	38,619,200	48,734,300
<b>Year-End Fund Balance</b>	0	0
<b>Federal Medicaid Authority (HCA2120/HCA2223 Long Term Care/</b> A.R.S. § 36-2913 Acute Care)		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
<b>Purpose of Fund:</b> For AHCCCS' administrative costs and for the provision of acute and long term services to eligible populations. Any monies received in excess of the FY 2015 budgeted appropriations for the Nursing Facility Provider Assessment, Disproportionate Share Hospital (DSH) Voluntary Match Payments, Graduate Medical Education (GME), or Safety Net Care Pool (SNCP) program by the AHCCCS Administration in FY 2015, including any federal matching monies, are appropriated to the Administration in FY 2015. Before the expenditure of these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be expended under these provisions.		
<b>Funds Expended</b>	4,695,580,900	5,801,463,600
<b>Year-End Fund Balance</b>	23,922,700	0
<b>Healthcare Group Fund (HCA3197/A.R.S. § 36-2912.01)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> Premiums paid by employers and employees enrolled in Healthcare Group, including monies to fund the administration of the Healthcare Group program.		
<b>Purpose of Fund:</b> 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 was repealed on January 1, 2014, and the Healthcare Group Fund is repealed on January 1, 2015.		
<b>Appropriated Funds Expended</b>	850,000	0
<b>Non-Appropriated Funds Expended</b>	10,623,500	0
<b>Year-End Fund Balance</b>	7,257,200	7,257,200
<b>Hospital Assessment Fund (HCA9692/A.R.S. § 36-2901.09)</b>		<b>EA/Non-Appropriated</b>
<b>Source of Revenue:</b> An assessment on hospital revenues, discharges, or beds days.		
<b>Purpose of Fund:</b> 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.		
<b>Expenditure Authority Funds Expended</b>	0	204,597,700
<b>Non-Appropriated Funds Expended</b>	74,964,400	0
<b>Year-End Fund Balance</b>	228,800	0
<b>Hospital Loan Residency Fund (HCA2532/A.R.S. §36-2921)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide interest free loans to fund start-up and ongoing costs for residency programs in accredited hospitals, with priority given to rural areas.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	900,000	900,000
<b>Intergovernmental Service Fund (HCA2438/A.R.S. § 36-2927)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected from the State of Hawaii.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	7,117,100	8,000,000
<b>Year-End Fund Balance</b>	2,092,100	1,395,600

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Nursing Facility Provider Assessment Fund (HCA2567/A.R.S. § 36-2999.53)</b>	<b>Expenditure Authority</b>	
<b>Source of Revenue:</b> Assessment on health care items and services provided by some nursing facilities, nursing facility penalties, grants, gifts, and contributions from public or private sources.		
<b>Purpose of Fund:</b> 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. Any monies received in excess of the FY 2015 budgeted appropriation for the Nursing Facility Provider Assessment program by the AHCCCS Administration in FY 2015, including any federal matching monies, are appropriated to the Administration in FY 2015. Before the expenditure of these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be expended under this provision.		
<b>Funds Expended</b>	16,528,300	21,657,300
<b>Year-End Fund Balance</b>	0	0
<b>Political Subdivision Funds (HCA1111/A.R.S. § 36-2927)</b>	<b>Expenditure Authority</b>	
<b>Source of Revenue:</b> Monies voluntarily given to AHCCCS from local governments, tribal communities, or Arizona public universities in order to obtain a federal match.		
<b>Purpose of Fund:</b> To expand funding for hospitals or to increase enrollment for KidsCare or Proposition 204. Any monies received in excess of the FY 2015 budgeted appropriations for the Disproportionate Share Hospital (DSH) Voluntary Match Payments, Graduate Medical Education (GME), or Safety Net Care Pool (SNCP) program by the AHCCCS Administration in FY 2015, including any federal matching monies, are appropriated to the Administration in FY 2015. Before the expenditure of these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be expended under these provisions.		
<b>Funds Expended</b>	233,303,300	118,010,900
<b>Year-End Fund Balance</b>	0	0
<b>Prescription Drug Rebate Fund (HCA2546/ A.R.S. § 36-2930)</b>	<b>EA/Appropriated</b>	
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>State Funds Expended</b>	94,941,200	79,035,000
<b>Federal Funds Expended</b>	196,563,800	212,459,300
<b>Year-End Fund Balance</b>	0	0
<b>Proposition 202 - Trauma and Emergency Services Fund (HCA2494/A.R.S. § 36-2903.07)</b>	<b>Non-Appropriated</b>	
<b>Source of Revenue:</b> Gaming monies received from the Arizona Benefits Fund.		
<b>Purpose of Fund:</b> For unrecovered trauma center readiness and emergency services costs.		
<b>Funds Expended</b>	21,521,700	21,558,300
<b>Year-End Fund Balance</b>	15,333,400	15,295,100
<b>Third Party Liability and Recovery Fund (HCA3791 Acute Care/HCA3019 Long Term Care/A.R.S. § 36-2913)</b>	<b>EA/Non-Appropriated</b>	
<b>Source of Revenue:</b> Collections from third-party payers and revenues from lien and estate recoveries.		
<b>Purpose of Fund:</b> To provide acute medical services to AHCCCS members.		
<b>Expenditure Authority Funds Expended</b>	0	194,700
<b>Non-Appropriated Funds Expended</b>	16,900	10,000
<b>Year-End Fund Balance</b>	1,601,300	1,601,300

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
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**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.

<b>Funds Expended</b>	100,764,700	100,000,000
<b>Year-End Fund Balance</b>	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 Accounts (70%), the Arizona Department of Health Services (DHS) for the Health Education Account (23%), the Health Research Accounts (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 unexpected 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\* Partially-Appropriated**  
(HCA1306/A.R.S. § 36-774)

**Source of Revenue:** The account receives 70¢ of each dollar deposited in the Tobacco Tax and Health Care Fund, administered by the Department of Revenue, and 27¢ of each dollar deposited into the Tobacco Products Tax Fund, also administered by the Department of Revenue. The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account and an allocation from the Healthcare Adjustment Account. These taxes were enacted in Proposition 200 and approved by voters in the 1994 General Election.

**Purpose of Fund:** For health care services including, but not limited to, preventive care, transplants and the treatment of catastrophic illness or injury. Eligible recipients include persons statutorily determined to be medically indigent, medically needy, or low-income children. A portion of the monies is transferred to the DHS for statutorily established services, grants and pilot programs.

**Tobacco Products Tax Fund - Emergency Health Services Account\* Appropriated**  
(HCA1304/A.R.S. § 36-776)

**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\* Expenditure Authority**  
(HCA1303/A.R.S. § 36-778)

**Source of Revenue:** This account receives 42¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.

**Purpose of Fund:** To fund state match costs in AHCCCS for the Proposition 204 program. These monies are non-appropriated and must be spent before any other state monies on the Proposition 204 program.

\*See Table 7

**State Board of Appraisal**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	9.0	9.0	9.0
Personal Services	340,500	427,500	427,500
Employee Related Expenditures	141,700	170,900	170,900
Professional and Outside Services	152,300	113,100	113,100
Travel - In State	4,400	1,800	1,800
Travel - Out of State	12,100	15,000	15,000
Other Operating Expenditures	126,100	133,500	93,500
<b>AGENCY TOTAL</b>	<b>777,100</b>	<b>861,800</b>	<b>821,800</b>

**FUND SOURCES**

Other Appropriated Funds

Board of Appraisal Fund	777,100	861,800	821,800
SUBTOTAL - Other Appropriated Funds	777,100	861,800	821,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>777,100</b>	<b>861,800</b>	<b>821,800</b>
<b>TOTAL - ALL SOURCES</b>	<b>777,100</b>	<b>861,800</b>	<b>821,800</b>

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

**Operating Budget**

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**FORMAT** — Lump Sum by Agency

The Baseline includes \$821,800 and 9 FTE Positions from the Board of Appraisal Fund in FY 2016 for the operating budget. FY 2016 adjustments would be as follows:

**Remove One-Time Funding OF FY 2016 \$(40,000)**  
 The Baseline includes a decrease of \$(40,000) from the Board of Appraisal Fund in FY 2016 to eliminate one-time funding for completion of a software upgrade.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Board of Appraisal Fund (APA2270/A.R.S. § 32-3608)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate and regulate real estate appraisers and property tax agents, and for board administration.		
<b>Funds Expended</b>	777,100	861,800
<b>Year-End Fund Balance</b>	198,600	3,800

## Arizona Commission on the Arts

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>SPECIAL LINE ITEMS</b>			
Arts Trust Fund Deposit	1,000,000	1,000,000	0
<b>AGENCY TOTAL</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>0</b>
<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Budget Stabilization Fund	1,000,000	1,000,000	0
SUBTOTAL - Other Appropriated Funds	1,000,000	1,000,000	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>0</b>
<i>Other Non-Appropriated Funds</i>			
Other Non-Appropriated Funds	3,225,400	2,752,400	2,752,400
Federal Funds	778,600	791,300	791,300
<b>TOTAL - ALL SOURCES</b>	<b>5,004,000</b>	<b>4,543,700</b>	<b>3,543,700</b>

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

### Arts Trust Fund Deposit

The Baseline includes no funding from the Budget Stabilization Fund in FY 2016 for deposit into the non-appropriated Arts Trust Fund. FY 2016 adjustments would be as follows:

**FY 2016**

**Remove One-Time Funding OF \$(1,000,000)**

The Baseline includes a decrease of \$(1,000,000) from the Budget Stabilization Fund in FY 2016 for the elimination of one-time funding. The FY 2015 Revenue Budget Reconciliation Bill (Laws 2014, Chapter 9) appropriated this amount from interest income earned on the Budget Stabilization Fund.

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

### STATUTORY CHANGES

#### *Deleted Provisions*

The Baseline would not continue the session law provision that would continue the FY 2015 appropriation of \$1,000,000 from the interest earned on the Budget Stabilization Fund for deposit into the Arts Trust Fund.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Arts Special Revenues Fund (HUA2116/A.R.S. § 41-983)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Public and private grants, donations, exhibit rentals, admissions and charges for services.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,094,000	1,024,700
<b>Year-End Fund Balance</b>	5,600	56,300

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Arts Trust Fund (HUA3043/A.R.S. § 41-983.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> An annual report filing fee from domestic and foreign for profit corporations, and amounts transferred in from the Budget Stabilization Fund in FY 2014 and FY 2015.		
<b>Purpose of Fund:</b> 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. Amounts transferred in from the Budget Stabilization Fund are not displayed to avoid double counting of appropriations.		
<b>Funds Expended</b>	2,128,900	1,725,200
<b>Year-End Fund Balance</b>	134,200	68,800
<b>Budget Stabilization Fund (TRA3034/A.R.S. § 35-144)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> The FY 2014 and FY 2015 Revenue Budget Reconciliation Bills (Laws 2013, 1st Special Session, Chapter 9 and Laws 2014, Chapter 9) both appropriated \$1,000,000 to the Arts Trust Fund from interest income earned on the Budget Stabilization Fund. The Arts Commission transferred these monies into the Arts Trust Fund.		
<b>Funds Expended</b>	1,000,000	1,000,000
<b>Year-End Fund Balance</b>	0	0
<b>Federal Grants (HUA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants from the National Endowment for the Arts.		
<b>Purpose of Fund:</b> To award grants to non-profits, schools and government entities in the state. A state funding match is required.		
<b>Funds Expended</b>	778,600	791,300
<b>Year-End Fund Balance</b>	1,500	1,500
<b>State Poet Laureate Fund (HUA2569/A.R.S. § 41-988)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts, grants, and donations.		
<b>Purpose of Fund:</b> To pay costs of the State poet laureate.		
<b>Funds Expended</b>	2,500	2,500
<b>Year-End Fund Balance</b>	2,500	5,000

## Board of Athletic Training

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	61,300	61,300	61,300
Employee Related Expenditures	37,400	37,400	37,400
Travel - In State	1,300	1,300	1,300
Other Operating Expenditures	18,200	18,200	18,200
<b>AGENCY TOTAL</b>	<b>118,200</b>	<b>118,200</b>	<b>118,200</b>

### FUND SOURCES

#### Other Appropriated Funds

Athletic Training Fund	118,200	118,200	118,200
SUBTOTAL - Other Appropriated Funds	118,200	118,200	118,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>118,200</b>	<b>118,200</b>	<b>118,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>118,200</b>	<b>118,200</b>	<b>118,200</b>

**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 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Athletic Training Fund (BAA2583/A.R.S. § 32-4105)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate athletic trainers, and for board administration.		
<b>Funds Expended</b>	118,200	118,200
<b>Year-End Fund Balance</b>	130,700	131,500

## Attorney General - Department of Law

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	547.9	570.9	558.9
Personal Services	28,676,800	32,149,100	31,667,500
Employee Related Expenditures	10,668,900	12,440,000	12,242,500
Professional and Outside Services	434,800	439,300	439,300
Travel - In State	97,900	145,800	145,800
Travel - Out of State	80,900	227,200	182,900
Other Operating Expenditures	5,631,400	5,761,100	5,703,100
Equipment	704,900	388,700	350,600
<b>OPERATING SUBTOTAL</b>	<b>46,295,600</b>	<b>51,551,200</b>	<b>50,731,700</b>
<b>SPECIAL LINE ITEMS</b>			
Capital Postconviction Prosecution	488,100	800,100	800,100
Child Safety and Family Services	0	1,000,000	0
Military Airport Planning	85,800	90,000	90,000
National Mortgage Settlement Distribution	7,610,600	0	0
Risk Management ISA	8,805,900	9,443,000	9,443,000
State Grand Jury	177,300	181,100	181,100
Tobacco Enforcement	0	0	819,500
Victims' Rights	3,971,700	3,758,600	3,758,600
<b>AGENCY TOTAL</b>	<b>67,435,000</b>	<b>66,824,000</b>	<b>65,824,000</b>
<b>FUND SOURCES</b>			
General Fund	22,296,300	23,465,100	22,465,100
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	25,900	244,300	244,300
Attorney General Legal Services Cost Allocation Fund	2,086,800	2,087,600	2,087,600
Collection Enforcement Revolving Fund	5,379,700	6,888,200	6,888,200
Consumer Protection - Consumer Fraud Revolving Fund	3,981,100	5,306,800	5,306,800
Court-Ordered Trust Fund	7,610,600	0	0
Interagency Service Agreements Fund	12,788,900	14,830,300	14,830,300
Risk Management Revolving Fund	8,805,900	9,443,000	9,443,000
State Aid to Indigent Defense Fund	488,100	800,100	800,100
Victims' Rights Fund	3,971,700	3,758,600	3,758,600
SUBTOTAL - Other Appropriated Funds	45,138,700	43,358,900	43,358,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>67,435,000</b>	<b>66,824,000</b>	<b>65,824,000</b>
Other Non-Appropriated Funds	37,932,100	42,996,800	42,996,800
Federal Funds	4,935,800	5,564,400	7,252,000
<b>TOTAL - ALL SOURCES</b>	<b>110,302,900</b>	<b>115,385,200</b>	<b>116,072,800</b>

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

### Operating Budget

The Baseline includes \$50,731,700 and 451.3 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

General Fund **FY 2016**  
\$22,109,100

Antitrust Enforcement Revolving Fund 244,300  
Attorney General Legal Services Cost Allocation Fund 2,087,600  
Collection Enforcement Revolving Fund (CERF) 6,888,200  
Consumer Protection - Consumer Fraud (CPCF) Revolving Fund 4,572,200  
Interagency Service Agreements (ISA) Fund 14,830,300





### **Risk Management ISA**

The Baseline includes \$9,443,000 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2016 for the Risk Management ISA. These amounts are unchanged from FY 2015.

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 2016 for the State Grand Jury. These amounts are unchanged from FY 2015.

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.

### **Tobacco Enforcement**

The Baseline includes \$819,500 in FY 2016 for a new Tobacco Enforcement line item. This amount consists of:

General Fund	84,900
CPCF Revolving Fund	734,600

FY 2016 adjustments would be as follows:

<b>Tobacco Enforcement Shift</b>	<b>GF</b>	<b>84,900</b>
	<b>OF</b>	<b>734,600</b>

The Baseline includes an increase of \$819,500 in FY 2016 to shift costs associated with tobacco settlement litigation from the Attorney General's operating budget to a new line item. The OF amount is from the CPCF Revolving Fund. A corresponding decrease of \$(819,500) can be found in the operating budget.

This line item funds the Attorney General's enforcement of the Master Settlement Agreement (MSA). The MSA is a settlement reached by major tobacco companies and 46 states in 1998 that requires these companies to compensate states annually for Medicaid costs associated with tobacco use. In exchange for annual payments from the tobacco companies, states agree to diligently enforce tobacco tax laws.

The FY 2015 budget included \$600,000 from the CPCF Revolving Fund in the operating budget for the Attorney General enforcement of the MSA. The Attorney General's Office estimates that \$84,900 and \$134,600 from its FY 2015 General Fund and CPCF Revolving Fund operating appropriations, respectively, will also be used for MSA enforcement. To improve transparency, the Baseline shifts

these resources to a new line item. In addition, the FY 2015 AHCCCS budget provided \$1,200,000 for MSA enforcement. Since FY 2009, the Attorney General has received appropriations from either the CPCF Revolving Fund or transfers from AHCCCS' budget to fund this program.

### **Victims' Rights**

The Baseline includes \$3,758,600 and 6 FTE Positions from the Victims' Rights Fund in FY 2016 for Victims' Rights. These amounts are unchanged from FY 2015.

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*

In addition to the \$14,830,300 appropriated from the Interagency Service Agreements Fund in FY 2016, an additional \$800,000 and 11 FTE Positions are appropriated from the Interagency Service Agreements Fund in FY 2016 for new or expanded interagency service agreements. The Attorney General shall report to the JLBC whenever an interagency service agreement is established that will require expenditures from the additional amount. The report must include the name of the agency or entity with which the agreement is made, the dollar amount of the contract by fiscal year and the number of associated FTE Positions.

#### *Deletion of Prior Year Footnotes*

The Baseline would delete the footnote concerning JLBC review of quarterly reports on legal settlements required by A.R.S. § 41-192, 44-1531.01 and 44-1531.02. (*See Other Issues for Legislative Consideration for more information.*)

### **STATUTORY CHANGES**

The Baseline would:

- As session law, continue the same level of Attorney General Legal Service charges set by the FY 2015 General Appropriation Act. (*See Other Issues for Legislative Consideration for more information.*)
- As session law, continue to permit the Attorney General to use \$800,100 from the State Aid to Indigent Defense Fund for Capital Postconviction Prosecution in FY 2016.

## OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

### ***Attorney General Legal Services Cost Allocation Fund***

A.R.S. § 41-191.09 requires agencies to pay annually a flat fee to the Attorney General for general legal counsel. The FY 2015 General Appropriation Act set the level of charges at \$1.8 million and specified the charge per agency as required by A.R.S. § 41-191.09. The FY 2016 General Appropriation Act would include language maintaining these charges as required by A.R.S. § 41-191.09. See *Table 1* for a list of agencies and their corresponding Attorney General Legal Services charge. (See the *FY 2015 Appropriations Report* for a more detailed history on the charge.)

### ***Consumer Restitution and Remediation Revolving Fund***

The Attorney General deposits proceeds from consumer protection-related legal settlements into the following funds: 1) the CCPF Revolving Fund; 2) the Consumer Restitution and Remediation Revolving Fund, or 3) the Antitrust Enforcement (AE) Revolving Fund.

The CCPF derives its revenue from any investigative or court costs, attorney fees or civil penalties recovered by the Attorney General as a result of enforcement of either state or federal statutes pertaining to consumer fraud. The AE Revolving Fund consists of monies recovered by the state as a result of antitrust, restraint of trade, or price-fixing activity enforcement.

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

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

The Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund consists of monies collected as a result of a settlement to rectify violations of consumer protection laws, other than monies collected for the benefit of specific, identifiable persons. Monies in this subaccount up to \$3.5 million 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 JLBC for review before expending any monies in this subaccount.

In addition to reviewing the Attorney General's expenditure plans, the JLBC also reviews quarterly reports on the allocation of legal settlement proceeds. Chapter 143 requires the Attorney General to report quarterly on the receipts and disbursements from the Consumer Restitution and Remediation Revolving Fund by subaccount (A.R.S. § 44-1531.02) and on the CCPF Revolving Fund (A.R.S. § 44-1531.01). A.R.S. § 41-192 also requires a quarterly report on deposits made pursuant to other specified settlements. These reporting requirements provide legislative oversight on how settlement monies are collected and distributed. While the Baseline would eliminate the review component for these reports, the Attorney General would still be required by statute to submit them to the JLBC on a quarterly basis.

### ***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 \$97.0 million in a direct payment from the National Mortgage Settlement. The FY 2013 General Appropriation Act required the Attorney General to direct \$50.0 million of these monies to the General Fund. After a legal challenge, the Arizona Supreme Court upheld the transfer and those monies were deposited in FY 2014. (See the *FY 2015 Appropriations Report* for more information on the transfer.)

Laws 2013, Chapter 118 appropriates the remainder, approximately \$47.0 million, 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 and FY 2014, the Attorney General expended \$0.6 million and \$7.6 million, respectively, to provide assistance to homeowners affected by fraudulent mortgage servicing and foreclosure practices and for other purposes consistent with the settlement. In FY 2015, the Attorney General plans to expend \$21.8 million of the non-lapsing appropriation for similar purposes. The FY 2015 and FY 2016 estimates do not appear under the

National Mortgage Settlement Fund Distribution Line Item because distribution of monies in either fiscal year is unknown at this time. Approximately \$19.5 million in settlement monies have not been spent as of December 2014, the latest estimate available from the Attorney General.

The Attorney General plans to use the \$47.0 million, plus \$10.0 million from a settlement with Bank of America not subject to this appropriation, as follows:

- \$20.0 million 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;
- \$10.0 million 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;
- \$5.0 million for enforcement and monitoring;
- \$5.0 million for housing counseling;
- \$4.0 million for legal services;
- \$2.5 million for Veterans' housing opportunities;
- \$2.5 million for relocation assistance;
- \$2.2 million for adjustments in the housing market and enhancement of the most successful programs;
- \$2.0 million for outreach, marketing, and education;
- \$1.7 million for homeowner advocacy programs at Arizona State University and the University of Arizona;
- \$1.5 million for supportive services; and
- \$600,000 for job training.

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

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

Table 1

## FY 2016 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
<b>Total Legal Services Charges</b>	<b>\$1,809,500</b>

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Anti-Racketeering Revolving Fund (AGA2131/A.R.S. § 13-2314.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Forfeitures of property and assets to satisfy judgments pursuant to anti-racketeering statutes.		
<b>Purpose of Fund:</b> To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
<b>Funds Expended</b>	16,616,800	22,038,000
<b>Year-End Fund Balance</b>	38,621,300	31,788,500
<b>Antitrust Enforcement Revolving Fund (AGA2016/A.R.S. § 41-191.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies recovered for the state as a result of antitrust, restraint of trade or price-fixing activity enforcement.		
<b>Purpose of Fund:</b> For antitrust enforcement expenses, excluding attorney compensation.		
<b>Funds Expended</b>	25,900	244,300
<b>Year-End Fund Balance</b>	290,000	295,700
<b>Attorney General Expendable Trust Fund (AGA3102/A.R.S. § 35-149)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Restricted donations and gifts from individuals and corporations.		
<b>Purpose of Fund:</b> For purposes specified by donors or grantors.		
<b>Funds Expended</b>	973,900	1,383,700
<b>Year-End Fund Balance</b>	588,100	0
<b>Attorney General Legal Services Cost Allocation Fund (AGA4240/A.R.S. § 41-191.09)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Flat dollar amount from agencies as annually specified by the General Appropriation Act.		
<b>Purpose of Fund:</b> To fund non-contracted Attorney General Legal Services.		
<b>Funds Expended</b>	2,086,800	2,087,600
<b>Year-End Fund Balance</b>	933,200	655,100
<b>CJEF Distribution to County Attorneys Fund (AGA2068/A.R.S. § 41-2401)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To enhance prosecutorial efforts of county attorneys.		
<b>Funds Expended</b>	3,728,800	3,800,000
<b>Year-End Fund Balance</b>	0	0
<b>Collection Enforcement Revolving Fund (AGA2132/A.R.S. § 41-191.03)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund receives 35% of monies recovered by the Attorney General from debts owed to the state.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	5,379,700	6,888,200
<b>Year-End Fund Balance</b>	4,564,500	500,000
<b>Colorado River Land Claims Revolving Fund (AGA2430/A.R.S. § 41-191.05)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receives 25% of monies recovered by the state from the settlement of the State of Arizona's sovereign land claims.		
<b>Purpose of Fund:</b> To pay ownership claims near the Colorado River.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	12,300	12,300

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Consumer Protection - Consumer Fraud Revolving Fund</b> (AGA2014/A.R.S. § 44-1531.01)		<b>Appropriated</b>
<b>Source of Revenue:</b> Any monies recovered for the state from investigative or court costs, attorney fees or civil penalties pertaining to consumer protection or consumer fraud.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,981,100	5,306,800
<b>Year-End Fund Balance</b>	11,428,000	10,221,200
<b>Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving Fund</b> (AGA2573/A.R.S. § 44-1531.02)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	61,800	1,006,200
<b>Year-End Fund Balance</b>	1,918,400	2,012,200
<b>Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund</b> (AGA2573/A.R.S. § 44-1531.02)		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
<b>Purpose of Fund:</b> 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.		
<b>Appropriated Funds Expended</b>	0	0
<b>Non-Appropriated Funds Expended</b>	0	2,459,700
<b>Year-End Fund Balance</b>	5,779,400	4,919,700
<b>Court-Ordered Trust Fund</b> (AGA3180/A.R.S. § 35-142)		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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 and FY 2014, the agency expended \$612,500 and \$7,610,600, respectively, to provide assistance to homeowners affected by fraudulent mortgage servicing and foreclosure practices. In FY 2015, the Attorney General plans to expend \$21,824,900 of the non-lapsing appropriation for similar purposes. To avoid double counting, the FY 2015 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 2014 and FY 2015 reflect court-ordered settlements other than the National Mortgage Settlement.		
<b>Appropriated Funds Expended</b>	7,610,600	0
<b>Non-Appropriated Funds Expended</b>	10,167,500	1,346,100
<b>Year-End Fund Balance</b>	53,512,300	12,418,800
<b>Criminal Case Processing Fund</b> (AGA2461/A.R.S. § 41-2421)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A portion of redirected court collections and 0.35% of the surcharge on criminal, motor vehicle, and game and fish statute violations.		
<b>Purpose of Fund:</b> For the processing of criminal cases.		
<b>Funds Expended</b>	65,200	71,100
<b>Year-End Fund Balance</b>	75,600	69,500

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Federal Grants (AGA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	4,935,800	5,564,400
<b>Year-End Fund Balance</b>	1,094,700	1,217,000
<b>Indirect Cost Recovery Fund (AGA9000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	2,343,300	3,142,400
<b>Year-End Fund Balance</b>	822,300	479,900
<b>Interagency Service Agreements Fund (AGA2657/A.R.S. § 41-192)</b>		<b>Appropriated</b>
<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.		
<b>Funds Expended</b>	12,788,900	14,830,300
<b>Year-End Fund Balance</b>	1,915,600	381,900
<b>Intergovernmental Agreements Fund (AGA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	2,661,900	6,440,800
<b>Year-End Fund Balance</b>	1,175,800	600,000
<b>Motor Carrier Safety Revolving Fund (AGA2380/A.R.S. § 28-5203)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	27,700	32,400
<b>Prosecuting Attorneys' Advisory Council Training Fund (AGA2057/A.R.S. § 41-1830.03)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	1,255,700	1,251,600
<b>Year-End Fund Balance</b>	13,300	0
<b>Risk Management Revolving Fund (AGA4216/A.R.S. § 41-622)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
<i>Purpose of Fund:</i> To pay for the legal services ISA contract between the Attorney General and ADOA.		
<b>Funds Expended</b>	8,805,900	9,443,000
<b>Year-End Fund Balance</b>	634,000	634,000



SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>State Aid to Indigent Defense Fund (AGA2445/A.R.S. § 11-588)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> <i>See 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. The FY 2015 Criminal Justice Budget Reconciliation Bill (Laws 2014, Chapter 12) continued to permit the Attorney General to use monies from this fund in FY 2015 for the same purposes.		
<b>Funds Expended</b>	488,100	800,100
<b>Year-End Fund Balance</b>	6,800	6,800
<b>Victim Witness Fund (AGA2228/A.R.S. § 41-2407)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants from the Victim Compensation and Assistance Fund and the Victims of Crime Act Fund.		
<b>Purpose of Fund:</b> To assist crime victims and surviving family members who are involved in felony cases and appellate matters.		
<b>Funds Expended</b>	57,200	57,200
<b>Year-End Fund Balance</b>	0	0
<b>Victims' Rights Fund (AGA3215/A.R.S. § 41-191.08)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For states and local entities that provide victims' rights services and assistance.		
<b>Funds Expended</b>	3,971,700	3,758,600
<b>Year-End Fund Balance</b>	3,708,000	3,329,800

## Automobile Theft Authority

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	260,300	299,600	299,600
Employee Related Expenditures	100,600	137,300	137,300
Professional and Outside Services	10,000	12,600	12,600
Travel - In State	2,600	9,000	9,000
Travel - Out of State	1,900	7,500	7,500
Other Operating Expenditures	107,600	154,100	154,100
Equipment	47,300	20,000	20,000
<b>OPERATING SUBTOTAL</b>	<b>530,300</b>	<b>640,100</b>	<b>640,100</b>
<b>SPECIAL LINE ITEMS</b>			
Automobile Theft Authority Grants	4,567,400	4,607,700	4,607,700
Reimbursable Programs	15,000	50,000	50,000
<b>AGENCY TOTAL</b>	<b>5,112,700</b>	<b>5,297,800</b>	<b>5,297,800</b>
<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Automobile Theft Authority Fund	5,112,700	5,297,800	5,297,800
SUBTOTAL - Other Appropriated Funds	5,112,700	5,297,800	5,297,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>5,112,700</b>	<b>5,297,800</b>	<b>5,297,800</b>
Other Non-Appropriated Funds	25,000	0	0
<b>TOTAL - ALL SOURCES</b>	<b>5,137,700</b>	<b>5,297,800</b>	<b>5,297,800</b>

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

### Operating Budget

The Baseline includes \$640,100 and 6 FTE Positions from the ATA Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

### Automobile Theft Authority Grants

The Baseline includes \$4,607,700 from the ATA Fund in FY 2016 for ATA Grants. This amount is unchanged from FY 2015.

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 2015, ATA expects to award approximately \$3,943,000 to the Department of Public Safety for the Arizona Vehicle Theft Task Force, which helps to investigate and pursue automobile related crimes. An additional \$534,700 is expected to be awarded to county attorneys to prosecute automobile theft-related crimes. Remaining monies would be used for equipment and to provide training.

### Reimbursable Programs

The Baseline includes \$50,000 from the ATA Fund in FY 2016 for Reimbursable Programs. This amount is unchanged from FY 2015.

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 \$15,000 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.

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**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 must be awarded with consideration given to areas with greater automobile theft problems and 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 2014 Actual	FY 2015 Estimate
<b>Automobile Theft Authority Fund (ATA2060/A.R.S. § 41-3451)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	5,112,700	5,297,800
<b>Year-End Fund Balance</b>	2,020,100	2,302,200
<b>Settlement Fund (ATA1991/A.R.S. § 41-3451)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenues from settlements issued by the courts.		
<b>Purpose of Fund:</b> To provide grants to law enforcement agencies for metal management training.		
<b>Funds Expended</b>	25,000	0
<b>Year-End Fund Balance</b>	125,000	125,000

## Board of Barbers

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	178,300	195,800	195,800
Employee Related Expenditures	71,300	71,300	71,300
Professional and Outside Services	1,200	5,000	5,000
Travel - In State	15,900	22,000	22,000
Travel - Out of State	3,400	4,000	4,000
Other Operating Expenditures	32,600	35,800	35,800
Equipment	12,800	0	0
<b>AGENCY TOTAL</b>	<b>315,500</b>	<b>333,900</b>	<b>333,900</b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Barbers Fund	315,500	333,900	333,900
SUBTOTAL - Other Appropriated Funds	315,500	333,900	333,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>315,500</b>	<b>333,900</b>	<b>333,900</b>
<b>TOTAL - ALL SOURCES</b>	<b>315,500</b>	<b>333,900</b>	<b>333,900</b>

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

#### Operating Budget

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#### FORMAT — Lump Sum by Agency

The Baseline includes \$333,900 and 4 FTE Positions from the Board of Barbers Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Board of Barbers Fund (BBA2007/A.R.S. § 32-305)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate barbers, barber schools, and barbering establishments, and for board administration.		
<b>Funds Expended</b>	315,500	333,900
<b>Year-End Fund Balance</b>	411,100	454,500

**Board of Behavioral Health Examiners**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	675,700	866,400	866,400
Employee Related Expenditures	264,300	336,700	336,700
Professional and Outside Services	245,600	322,400	322,400
Travel - In State	4,500	5,000	5,000
Travel - Out of State	4,900	10,000	10,000
Other Operating Expenditures	226,700	208,100	208,100
Equipment	25,200	10,000	10,000
<b>AGENCY TOTAL</b>	<b>1,446,900</b>	<b>1,758,600</b>	<b>1,758,600</b>

**FUND SOURCES**

<i>Other Appropriated Funds</i>			
Board of Behavioral Health Examiners Fund	1,446,900	1,758,600	1,758,600
SUBTOTAL - Other Appropriated Funds	1,446,900	1,758,600	1,758,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,446,900</b>	<b>1,758,600</b>	<b>1,758,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,446,900</b>	<b>1,758,600</b>	<b>1,758,600</b>

**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**

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The Baseline includes \$1,758,600 and 17 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Board of Behavioral Health Examiners Fund (BHA2256/A.R.S. § 32-3254)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, certify, investigate, and regulate behavioral health professionals, and for board administration.		
<b>Funds Expended</b>	1,446,900	1,758,600
<b>Year-End Fund Balance</b>	2,015,200	1,775,600

# State Board for Charter Schools

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	9.0	11.0	11.0
Personal Services	429,300	549,000	549,000
Employee Related Expenditures	178,800	203,700	203,700
Professional and Outside Services	32,000	65,400	65,400
Travel - In State	3,600	8,000	8,000
Travel - Out of State	0	3,600	3,600
Other Operating Expenditures	143,200	158,500	158,500
Equipment	0	6,500	6,500
<b>AGENCY TOTAL</b>	<b>786,900</b>	<b>994,700</b>	<b>994,700</b>
<b>FUND SOURCES</b>			
General Fund	786,900	994,700	994,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>786,900</b>	<b>994,700</b>	<b>994,700</b>
Other Non-Appropriated Funds	105,300	101,900	101,900
<b>TOTAL - ALL SOURCES</b>	<b>892,200</b>	<b>1,096,600</b>	<b>1,096,600</b>

**AGENCY DESCRIPTION** — The board reviews and approves charter school applications, including renewal applications, and monitors the schools that it sponsors for compliance with provisions of their individual charters. It consists of the Superintendent of Public Instruction, 6 members of the general public, 2 members of the business community, a charter school teacher, a charter school operator, and 3 members of the Legislature who serve as advisory members. Currently the board oversees 526 charter schools.

## Operating Budget

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The Baseline includes \$994,700 and 11 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Charter Arizona Online Instruction Processing Fund (CHA2319/A.R.S. § 15-183W)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Consists of fees collected and administered by the State Board for Charter Schools.		
<b>Purpose of Fund:</b> To fund the processing of contract amendments for charter schools participating in Arizona online instruction.		
<b>Funds Expended</b>	6,000	3,000
<b>Year-End Fund Balance</b>	3,000	3,000
<b>Implementation Project Fund (CHA2025/A.R.S § 15-182)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Consists of funds from private donations and Governor's Office of Education Innovation.		
<b>Purpose of Fund:</b> To fund the creation of the board's Performance Framework, automation of the academic dashboard development, improvements to online modules, conferences, and training.		
<b>Funds Expended</b>	8,300	1,400
<b>Year-End Fund Balance</b>	1,400	0

<b>SUMMARY OF FUNDS</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Estimate</b>
<b>New Charter Application Processing Fund (CHA2568/A.R.S. § 15-183.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Consists of fees collected and administered by the State Board for Charter Schools.		
<b>Purpose of Fund:</b> To fund the processing of applications submitted for new charters.		
<b>Funds Expended</b>	91,000	97,500
<b>Year-End Fund Balance</b>	97,500	97,500

## Department of Child Safety

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2,784.9 <sup>1/</sup>	3,045.1	3,057.1
Personal Services	99,829,900	120,650,700	120,650,700
Employee Related Expenditures	45,305,000	52,335,200	52,335,200
Professional and Outside Services	6,919,800	7,868,200	7,868,200
Travel - In State	3,017,600	3,401,600	3,401,600
Travel - Out of State	1,600	30,000	30,000
Other Operating Expenditures	19,612,600	24,410,700	24,410,700
Equipment	7,220,800	8,047,300	6,580,100
<b>OPERATING SUBTOTAL</b>	<b>181,907,300</b>	<b>216,743,700</b>	<b>215,276,500</b>
<b>SPECIAL LINE ITEMS</b>			
<b>Additional Operating Resources</b>			
Attorney General Legal Services	18,684,800	18,563,300	19,758,000
General Counsel	0	157,300	157,300
Inspections Bureau	554,600	2,748,400	2,500,400
Internet Crimes Against Children	0	350,000	350,000
Office of Child Welfare Investigations	3,041,100	10,500,400	10,771,200
Overtime	10,941,900	12,865,000	8,400,000
Records Retention Staff	0	597,400	597,400
Retention Pay	0	1,707,000	1,707,000
Training Resources	3,961,200	5,150,000	5,150,000
<b>Out-of-Home Placements</b>			
Adoption Services	160,851,900	188,483,300	188,483,300
Emergency and Residential Placement	74,618,700	86,166,300	86,166,300
Foster Care Placement	47,898,800	57,832,000	54,630,700
Grandparent Stipends	340,000	1,000,000	1,000,000
Independent Living Maintenance	2,945,500	3,469,300	3,469,300
Permanent Guardianship Subsidy	10,832,300	11,215,300	11,215,300
<b>Support Services</b>			
DCS Child Care Subsidy	33,228,100	39,753,600	39,753,600
In-Home Preventive Support Services	28,518,800	32,605,200	35,214,200
Intensive Family Services	5,000,000	8,500,000	8,500,000
Out-of-Home Support Services	127,618,400	149,566,800	142,989,900
<b>AGENCY TOTAL</b>	<b>710,943,400</b>	<b>847,974,300</b>	<b>836,090,400</b>
<b>FUND SOURCES</b>			
General Fund	261,048,400	361,005,400	351,132,600
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	1,459,100	1,459,100	1,459,100
Children and Family Services Training Program Fund	71,600	207,700	207,700
Federal CCDF Block Grant	28,272,200	27,000,000	27,000,000
Federal TANF Block Grant	133,419,100	132,000,400	132,000,400
Long Term Care System Fund (Non-Federal Matched)	40,988,300	0	0
SUBTOTAL - Other Appropriated Funds	204,210,300	160,667,200	160,667,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>465,258,700</b>	<b>521,672,600</b>	<b>511,799,800</b>
<u>Expenditure Authority Funds</u>			
Child Safety Expenditure Authority	245,684,700	326,301,700	324,290,600
SUBTOTAL - Expenditure Authority Funds	245,684,700	326,301,700	324,290,600
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>710,943,400</b>	<b>847,974,300</b>	<b>836,090,400</b>

<sup>1/</sup> Monies in FY 2014 were originally appropriated to DES. The Legislature appropriated 260.2 new FTE Positions to DCS in FY 2015.



	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
Other Non-Appropriated Funds	400	1,703,500	1,703,500
<b>TOTAL - ALL SOURCES</b>	710,943,800	849,677,800	837,793,900

**AGENCY DESCRIPTION** — The department investigates reports of child abuse and neglect, promotes the safety of a child in a stable family or other out-of-home placement in response to allegations of abuse or neglect, works with law enforcement regarding reports that include criminal conduct allegations, and coordinates services to achieve and maintain permanency on behalf of children in the child welfare system. The state’s child welfare function was previously located in the Department of Economic Security (DES) under the Division of Children, Youth and Families. In 2014, the Legislature established the Department of Child Safety (DCS) as a new stand-alone child welfare agency.

**Summary**

DCS’ FY 2016 General Fund Baseline spending would decrease by \$(9,872,800), or (2.7)%. The Baseline includes:

- \$4,000,000 for preventive services funding.
- \$270,800 to provide full-year funding for the Office of Child Welfare Investigations (OCWI) staff added in FY 2015.
- \$1,000,000 to shift funding from the Attorney General’s budget to the DCS Attorney General Legal Services line item.
- \$(10,666,100) to remove one-time FY 2015 funding related to the backlog of 60-plus-day non-active cases.
- \$(1,477,500) to remove one-time equipment funding for staff added in FY 2015.
- \$(3,000,000) to remove one-time funding used to pay off a portion of the deferral.

**Other Agency Funding**

The Arizona Department of Administration (ADOA) was appropriated \$25.0 million from the General Fund in FY 2015 for one-time costs associated with the establishment of DCS. Consistent with the Executive’s May 2014 Special Session proposal and the Legislature’s 3-year spending plan, the Baseline does not continue this one-time funding in FY 2016. *(Please see ADOA - DCS section for further details.)*

The Baseline does not include additional funding from the General Fund for the CHILDS replacement project in FY 2016 because the \$5.0 million appropriated for the project in FY 2015 is sufficient until FY 2017. *(Please see ADOA - Automation Projects Fund section for details regarding this information technology project.)*

All Baseline changes were based on the Executive’s May 2014 Special Session proposal and the Legislature’s 3-year spending plan, except for CHILDS replacement and the funding shift from the Attorney General, which is technical in nature.

Beginning in FY 2014, the Legislature appropriated child welfare resources on a Total Expenditure Authority basis. The Total Expenditure approach acknowledges all of the resources available for child welfare but does not appropriate any specific non-appropriated fund. *Table 6* in the *Other Issues for Legislative Consideration* section shows total fund spending since FY 2008.

**Backlog**

On June 2, 2014, DCS reported 13,024 backlog cases. Backlog means non-active cases for which documentation has not been entered in the child welfare automated system (CHILDS) for at least 60 days and for which services have not been authorized for at least 60 days. A total of \$23,074,300 was appropriated from the General Fund in FY 2015 to address the backlog. At the time of the May 2014 Special Session, the Executive estimated that the cost of the backlog population would decline to \$12,408,200 in FY 2016 and \$0 in FY 2017. The Baseline incorporates these estimates.

Relative to the 13,024 June 2 backlog cases, DCS has either activated the cases or closed them.

In terms of the current activity, the department reported 8,386 post-June 2 backlog cases as of December 2014. The 8,386 figure does not include about 6,400 of 13,024 June 2 backlog cases that had fallen back into inactivity by December 2014. DCS is continuing to move the June 2 backlog cases toward closure and activate post-June 2 backlog cases.

**Benchmarks**

Pursuant to a series of footnotes in Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2, DCS is required to quarterly report to the Joint Legislative Budget Committee on the backlog, hiring, and expenditures through the end of FY 2016. As of November 2014, DCS had met its major first quarter goals, hiring all 1,406 budgeted caseworkers, activating all June 2 backlog cases, and meeting expenditure reporting requirements. Although the department hired all of its budgeted caseworkers, a significant number of these new caseworkers were in training. *(Please see the benchmark footnotes italicized in the Footnote section.)*

**Operating Budget**

The Baseline includes \$215,276,500 and 2,657.9 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$88,320,500
Children and Family Services Training Program Fund	207,700
Federal TANF Block Grant	46,928,000
Child Safety Expenditure Authority	79,820,300

FY 2016 adjustments would be as follows:

<b>Remove One-Time Funding</b>	<b>GF</b>	<b>(1,229,500)</b>
	<b>EA</b>	<b>(237,700)</b>

The Baseline includes a decrease of \$(1,467,200) in FY 2016 to eliminate one-time equipment funding for caseworkers and support staff added in FY 2015, as outlined in the Executive’s May 2014 Special Session proposal and the Legislature’s 3-year spending plan.

**Additional Operating Resources**

**Attorney General Legal Services**

The Baseline includes \$19,758,000 and 234.2 FTE Positions in FY 2016 for Attorney General Legal Services. These amounts consist of:

General Fund	13,798,500
Federal TANF Block Grant	99,400
Child Safety Expenditure Authority	5,860,100

FY 2016 adjustments would be as follows:

<b>Attorney General Realignment</b>	<b>GF</b>	<b>1,000,000</b>
	<b>EA</b>	<b>194,700</b>

The Baseline includes an increase of \$1,194,700 and 12 FTE Positions in FY 2016 to shift funding from the Attorney General’s Child Safety and Family Services line item to the DCS Attorney General Legal Services line item, consolidating all DCS Attorney General resources into a single line item. There is no net change in child welfare resources.

Monies in this line item fund Attorney General Legal Services for DCS.

**General Counsel**

The Baseline includes \$157,300 and 1 FTE Position from the General Fund in FY 2016 for General Counsel. These amounts are unchanged from FY 2015.

Monies in this line item fund DCS General Counsel. The DCS General Counsel will provide legal advice to the

Director, and the Attorney General will continue to represent DCS in administrative or judicial proceedings. The department filled the General Counsel position in November 2014.

**Inspections Bureau**

The Baseline includes \$2,500,400 and 31 FTE Positions in FY 2016 for the Inspections Bureau. These amounts consist of:

General Fund	1,346,100
Federal TANF Block Grant	549,700
Child Safety Expenditure Authority	604,600

FY 2016 adjustments would be as follows:

<b>Remove One-Time Funding</b>	<b>GF</b>	<b>(248,000)</b>
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The Baseline includes a decrease of \$(248,000) from the General Fund in FY 2016 to eliminate one-time equipment funding for staff added in FY 2015, as outlined in the Executive’s May 2014 Special Session proposal and the Legislature’s 3-year spending plan.

These monies fund the Inspections Bureau, which monitors DCS policies and procedures to ensure they are being followed by all staff in accordance with federal and state law. The Inspections Bureau also reviews vendor invoices to ensure accuracy and compliance with DCS contracts. As of December 2014, the department had filled 14 of the 31 Inspections Bureau staff.

**Internet Crimes Against Children**

The Baseline includes \$350,000 from the General Fund in FY 2016 for Internet Crimes Against Children. This amount is unchanged from FY 2015.

This line item was initially funded in FY 2015. The Arizona Internet Crimes against Children Task Force (AZICAC), led by the Phoenix Police Department’s Internet Crimes Against Children Unit, received the funds. AZICAC is a joint federal/local law enforcement task force that investigates child pornography. AZICAC plans to use the funds for a statewide mobile command vehicle, equipment and training, and compensation for 1 investigator.

Given the one-time use of funds in FY 2015, the Baseline would require the Joint Legislative Budget Committee to review the FY 2016 expenditure plan.

**Office of Child Welfare Investigations**

The Baseline includes \$10,771,200 and 127 FTE Positions in FY 2016 for OCWI. These amounts consist of:

General Fund	9,620,700
Child Safety Expenditure Authority	1,150,500

FY 2016 adjustments would be as follows:

**Annualize FY 2015 Staff Increase                      GF        270,800**

The Baseline includes an increase of \$270,800 from the General Fund in FY 2016 to annualize the cost of staff added in FY 2015, as outlined in the Executive's May 2014 Special Session proposal and the Legislature's 3-year spending plan.

Monies in this line item fund OCWI, which investigates criminal conduct allegations of child abuse in conjunction with local law enforcement. As of November 2014, the department had hired 24 of the 93 additional OCWI staff appropriated for FY 2015.

**Overtime**

The Baseline includes \$8,400,000 in FY 2016 for Overtime. This amount consists of:

General Fund	2,610,700
Federal TANF Block Grant	3,859,500
Child Safety Expenditure Authority	1,929,800

FY 2016 adjustments would be as follows:

**Remove One-Time Funding                      GF        (4,465,000)**

The Baseline includes a decrease of \$(4,465,000) from the General Fund in FY 2016 to eliminate one-time funding for action determination and investigation of the backlog, as outlined in the Executive's May 2014 Special Session proposal and the Legislature's 3-year spending plan.

Monies in this line item fund overtime for DCS.

**Records Retention Staff**

The Baseline includes \$597,400 and 5 FTE Positions in FY 2016 for Records Retention Staff. These amounts consist of:

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

These amounts are unchanged from FY 2015.

Monies in this line item fund staff that process information requests about children in the state child welfare system.

**Retention Pay**

The Baseline includes \$1,707,000 from the General Fund in FY 2016 for Retention Pay. This amount is unchanged from FY 2015.

This funding provides retention pay of \$1,000 for 18 months of employment and \$3,000 for 36 months of employment, effective July 1, 2014. Retention pay is a

one-time lump sum payment upon meeting the longevity requirements.

**Training Resources**

The Baseline includes \$5,150,000 in FY 2016 for Training Resources. These amounts consist of:

General Fund	150,000
Child Safety Expenditure Authority	5,000,000

These amounts are unchanged from FY 2015.

DCS has agreements with Arizona State University (ASU) and Northern Arizona University (NAU) to educate potential caseworkers. As part of that agreement, the federal government provides Title IV-E funding for the universities' social work programs while the universities provide the state match. The federal match rate is 75%. The majority of the funding in this line is for social work programs at ASU and NAU while the remainder is for student scholarships.

Students who participate in the scholarship program receive scholarships that cover their tuition, books, and university fees. Scholarship degrees include a Bachelors of Social Work (BSW) or a Masters of Social Work (MSW). The post-graduation DCS work requirement for scholarship students is equal to the length of the academic scholarship. For example, a scholarship student in the 2-year MSW program would be required to work at DCS for 2 years; a senior year-only BSW scholarship student would be obligated to work for 1 year at DCS, although BSW students can receive scholarships starting in their junior year.

The 2-year MSW scholarship value is about \$36,000 (\$11,000 stipend and \$25,000 tuition/fees). The MSW scholarship student's \$11,000 stipend represents a monthly payment of \$600 during the 18 months of the program. Students who withdraw from the scholarship, do not fulfill their contractual obligation, or do not meet the employment requirement of DCS at the time of hiring are required to repay DCS the scholarship amount.

The Legislature appropriated \$150,000 from the General Fund in FY 2015 to streamline and shorten the classroom training of caseworkers. As of November 2014, DCS was in the process of making these changes.

DCS also operates a training academy. The training academy is funded out of the operating budget.

**Out-of-Home Placements**

**Adoption Services**

The Baseline includes \$188,483,300 in FY 2016 for Adoption Services. This amount consists of:

General Fund	62,965,800
Federal TANF Block Grant	20,645,700
Child Safety Expenditure Authority	104,871,800

These amounts are unchanged from FY 2015.

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 September 2014, 20,242 clients received adoption subsidies at an average cost of \$749. Based on an average monthly cost of \$749 per adoption placement, the funding in this line is sufficient for an average monthly caseload of 20,959 children.

**Emergency and Residential Placement**

The Baseline includes \$86,166,300 in FY 2016 for Emergency and Residential Placement. This amount consists of:

General Fund	38,128,000
Federal TANF Block Grant	16,423,000
Child Safety Expenditure Authority	31,615,300

These amounts are unchanged from FY 2015.

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

*Background* – At the end of September 2014, 347 children were in emergency placements while 1,994 children were in residential (non-foster care) placements. At an average monthly cost of \$3,932 per emergency placement and \$3,791 per residential placement, funding in this line is sufficient for an average monthly caseload of 342 emergency placements and 1,539 residential placements.

The Baseline also includes \$1,800,000 in deferred FY 2015 General Fund payments appropriated in FY 2016 by Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 and it defers the same amount for FY 2016 to FY 2017. As a result, the FY 2016 General Fund amount of \$38,128,000 would

consist of \$1,800,000 from Chapter 2 and \$36,328,000 from the FY 2016 General Appropriation Act.

**Foster Care Placement**

The Baseline includes \$54,630,700 in FY 2016 for Foster Care Placement. This amount consists of:

General Fund	25,487,500
Federal TANF Block Grant	6,973,100
Child Safety Expenditure Authority	22,170,100

FY 2016 adjustments would be as follows:

<b>Remove One-Time Funding</b>	<b>GF (2,272,000)</b>
	<b>EA (929,300)</b>

The Baseline includes a decrease of \$(3,201,300) in FY 2016 to remove the FY 2015 backlog funding, leaving \$4,543,900 from the General Fund to service the backlog in FY 2016. This change is consistent with the Executive’s May 2014 Special Session proposal and the Legislature’s 3-year spending plan.

Based upon a projected removal rate of 9% in the 2<sup>nd</sup> Special Session, the Executive estimated foster care placements for backlog cases would cost \$4,543,900 from the General Fund in FY 2016 and \$0 in FY 2017 because the children will have exited the system. The estimated monthly cost per backlog placement is \$805.

*Background* – The Foster Care Placement line item provides funding for the placement of children in the child welfare system into foster homes. This line item only includes the cost of the maintenance payments, not additional support services. At the end of September 2014, 6,657 children were in foster care. Based on an average monthly cost of \$718 per foster care placement, the funding in this line is sufficient for an average monthly caseload of 6,343 children.

The Baseline also includes \$1,900,000 in deferred FY 2015 General Fund payments appropriated in FY 2016 by Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 and it defers the same amount for FY 2016 to FY 2017. As a result, the FY 2016 General Fund amount of \$25,487,500 would consist of \$1,900,000 from Chapter 2 and \$23,587,500 from the FY 2016 General Appropriation Act.

**Grandparent Stipends**

The Baseline includes \$1,000,000 from the General Fund in FY 2016 for Grandparent Stipends. This amount is unchanged from FY 2015.

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. In FY

2014, an average of 935 clients received a \$75 monthly stipend.

**Independent Living Maintenance**

The Baseline includes \$3,469,300 in FY 2016 for Independent Living Maintenance. This amount consists of:

General Fund	2,719,300
Child Safety Expenditure Authority	750,000

These amounts are unchanged from FY 2015.

At the end of September 2014, there were 443 former foster youth between the ages of 18 and 21 in the Independent Living Maintenance program. Based on an average monthly cost of \$623 per independent living stipend, the funding in this line is sufficient for an average monthly caseload of 464 clients. These youth are living on their own and are either enrolled in a postsecondary program or employed.

Besides the stipends funded in this line item, the independent living program also provides training and support services to children who will likely reach the age of 18 while in out-of-home care. The Out-of-Home Support Services line item funds these support services. The services provided include life skills training, educational support and assistance, an education training voucher, employment assistance, counseling, allowances and financial incentives for reaching certain milestones, voluntary foster care, after care services, health care, post-secondary education and training, and other services. In 2014, the program spent \$5,200,000 on non-stipend independent living services.

**Permanent Guardianship Subsidy**

The Baseline includes \$11,215,300 in FY 2016 for the Permanent Guardianship Subsidy. This amount consists of:

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

These amounts are unchanged from FY 2015.

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 September 2014, 2,503 clients received permanent guardianship subsidies at an average cost of \$383 per subsidy. Based on an average monthly

cost of \$383 per permanent guardianship subsidy, the funding in this line is sufficient for an average monthly caseload of 2,439 children.

**Support Services**

**DCS Child Care Subsidy**

The Baseline includes \$39,753,600 in FY 2016 for the DCS Child Care Subsidy. This amount consists of:

General Fund	5,000,000
Federal CCDF Block Grant	27,000,000
Child Safety Expenditure Authority	7,753,600

These amounts are unchanged from FY 2015.

Monies in this line item fund child care for children in the DCS system. DES continues to administer the state's child care program, so this funding is passed through to DES. Children who qualify for the DCS child care subsidy are not subject to a time limit, copay, or waiting list. In September 2014, 8,873 children received DCS child care at an average cost of \$399 per child. Based on this monthly rate, the funding in this line item is sufficient for an average monthly caseload of 8,302 children. *(Please see the Child Care Subsidy line item in the DES narrative for more information.)*

**In-Home Preventive Support Services**

The Baseline includes \$35,214,200 and 1 FTE Position in FY 2016 for In-Home Preventive Support Services. These amounts consist of:

General Fund	15,794,000
Federal TANF Block Grant	5,911,200
Child Abuse Prevention Fund	1,459,100
Child Safety Expenditure Authority	12,049,900

FY 2016 adjustments would be as follows:

**Additional Preventive Services GF 4,000,000**

The Baseline includes an increase of \$4,000,000 from the General Fund in FY 2016 to provide additional preventive services, as outlined in the Executive's May 2014 Special Session proposal and the Legislature's 3-year spending plan.

**Remove One-Time Funding GF (1,391,000)**

The Baseline includes a decrease of \$(1,391,000) from the General Fund in FY 2016 to remove the FY 2015 backlog funding, leaving \$2,782,100 from the General Fund to service the backlog in FY 2016. This change was outlined in the Executive's May 2014 Special Session proposal and the Legislature's 3-year spending plan.

Based upon a projected 9% of the cases in the backlog requiring in-home services, the Executive believed the cost

would be \$2,782,100 from the General Fund in FY 2016 and \$0 in FY 2017 because the children will have exited the system. The estimated total funds cost per case is \$4,600.

*Background* – Monies in this line item fund support services for families whose children are at risk of out-of-home placement due to abuse, neglect, or dependency. These support services include parent aide, in-home services, counseling and psychology, lab services, substance abuse treatment, and other miscellaneous services. For October 2014, the department reported 10,215 in-home cases.

Table 1 shows DCS’ estimated FY 2016 expenditures for the In-Home Preventive Support Services line item, the Intensive Family Services line item, and the Out-of-Home Support Services line item by subcategory. The current CHILDS system has limitations that prevent a clear distinction between expenditures for children receiving In-Home Preventive Support Services and children receiving Out-of-Home Support Services.

**Table 1**

**In-Home and Out-of-Home Support Services<sup>1/</sup>**  
**Estimated FY 2016 Expenditures by Subcategory**

<u>Services</u>	<u>Amount</u>
Parent Aide	\$ 39,762,700
CMDP	38,092,000
Foster Home Recruitment	28,492,100
Transportation	22,557,000
In-Home <sup>2/</sup>	13,165,200
Allowances <sup>3/</sup>	10,452,700
Substance Abuse Treatment	7,784,400
Behavioral Health Services	6,793,300
Lab Services	6,014,700
Independent Living	5,545,400
Other	<u>9,083,400</u>
<b>Total</b>	<b>\$187,742,900</b>

<sup>1/</sup> Includes the Intensive Family Services line item.  
<sup>2/</sup> In-home services can include crisis intervention counseling, marital and family therapy, respite care, home management and nutrition, and linkages with community resources.  
<sup>3/</sup> Includes a clothing allowance, personal allowance, and special allowance. Some examples of special allowances are emergency clothing, special needs, books/education, graduation, and diapers.

**Intensive Family Services**

The Baseline includes \$8,500,000 from the General Fund in FY 2016 for Intensive Family Services. This amount is unchanged from FY 2015.

In FY 2014, the Legislature restored funding for Intensive Family Services. The program provides contracted intensive, time-limited services to families whose children are at risk of out-of-home placement due to abuse, neglect, or dependency. In FY 2014, this program served 1,501

families at an average cost per case of \$3,330. Based on that average case cost, funding is sufficient to provide Intensive Family Services to 2,552 families in both FY 2015 and FY 2016.

During the 2013 Legislative Session, some proponents of the new funding thought that DES would contract with a specific vendor that 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.

In June 2014, the Joint Legislative Budget Committee favorably reviewed DCS’ FY 2015 Intensive Family Services expenditure plan with the condition that DCS update the Committee on the Request for Information (RFI) and Request for Proposals (RFP) process regarding the redesign of its service delivery mechanism. As of December 2014, the department was still in the process of redesigning the service array for Intensive Family Services to comply with Title IV-E waiver requirements, pushing back the RFP to July 2015. DCS plans to spend the FY 2015 funding in the same manner as in FY 2014 by supplementing in-home services. (*Please see the Other Issues for Legislative Consideration section for further details on the IV-E waiver.*)

**Out-of-Home Support Services**

The Baseline includes \$142,989,900 in FY 2016 for Out-of-Home Support Services. These amounts consist of:

General Fund	63,504,900
Federal TANF Block Grant	28,867,800
Child Safety Expenditure Authority	50,617,200

FY 2016 adjustments would be as follows:

**Remove One-Time Deferral Funding**                      GF    **(3,000,000)**

The Baseline includes a decrease of \$(3,000,000) from the General Fund in FY 2016 to remove one-time funding that reduced the DCS deferral from \$14,000,000 to \$11,000,000.

**Remove One-Time Backlog Funding**                      GF    **(2,538,100)**  
    EA    **(1,038,800)**

The Baseline includes a decrease of \$(3,576,900) in FY 2016 to remove the FY 2015 backlog funding, leaving \$5,082,200 from the General Fund to service the backlog in FY 2016, as outlined in the Executive’s May 2014 Special Session proposal and the Legislature’s 3-year spending plan.

Based upon a projected 9% of the cases in the backlog requiring out-of-home support services, the Executive believed the cost would be \$5,082,200 from the General

Fund in FY 2016 and \$0 in FY 2017 because the children will have exited the system. The estimated monthly cost is \$900.

*Background* – The Out-of-Home Support Services line item provides support services for out-of-home clients, in the categories displayed in *Table 1*. This line item does not include the cost of residential placement. For September 2014, the department reported 16,990 out-of-home children were receiving support services.

This line item and the In-Home Preventive Support Services line item fund Arizona Families F.I.R.S.T. Individuals must meet 1 of the following 2 requirements to qualify for the program:

- Any parent, guardian or custodian of a child who is named in a child maltreatment report as a victim of abuse or neglect and whose substance abuse is a significant barrier to maintaining, preserving or reunifying the family.
- A person whose substance abuse is a significant barrier to obtaining or maintaining employment if the person is receiving TANF Cash Benefits.

The budget for Arizona Families F.I.R.S.T. is outlined in *Table 2*. This funding is part of the Substance Abuse Treatment and Lab Services categories in *Table 1*. In FY 2014, 6,509 child safety clients were referred to the Arizona Families F.I.R.S.T. program for substance abuse treatment services, and it is anticipated that 6,600 and 6,900 child safety clients will be referred to the program in FY 2015 and FY 2016, respectively.

	<b>FY 2013</b> <b>Actual</b>	<b>FY 2014</b> <b>Actual</b>	<b>FY 2015</b> <b>Estimate</b>	<b>FY 2016</b> <b>Estimate</b>
<i>Appropriated</i>				
General Fund	\$ 46,600	\$ 6,200	\$ 30,000	\$ 30,000
TANF	9,449,800	9,050,300	9,786,000	10,218,200
<i>Non-Appropriated</i>				
DCS Expedited	247,000	-	-	-
Substance Abuse Treatment Fund				
Joint Substance Abuse Trtmt Fund	-	610,800	-	-
<b>Total</b>	<b>\$9,743,400</b>	<b>\$9,667,300</b>	<b>\$9,816,000</b>	<b>\$10,248,200</b>

The Out-of-Home Support Services line item also provides full coverage of the medical and dental expenses of foster children. The General Fund monies in this Comprehensive Medical and Dental program (CMDP) provide medical services to children who are not eligible for coverage through the Arizona Health Care Cost Containment System (AHCCCS). The Department of Health Services (DHS) provides behavioral health services for foster children.

The Baseline also includes \$7,300,000 in deferred FY 2015 General Fund payments appropriated in FY 2016 by Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 and it defers the same amount for FY 2016 to FY 2017. As a result, the FY 2016 General Fund amount of \$63,504,900 would consist of \$7,300,000 from Chapter 2 and \$56,204,900 from the FY 2016 General Appropriation Act.

\* \* \*

**FORMAT** — Operating Lump Sum with Special Line Items by Agency

**FOOTNOTES**

*Standard Footnotes*

Operating Resources

The Department of Child Safety shall provide training to any new child safety FTE Positions before assigning to any of these employees any client caseload duties.

It is the intent of the Legislature that the Department of Child Safety use its funding to achieve a 100% investigation rate.

On or before September 30, 2015, the department shall submit an expenditure plan for the Internet Crimes Against Children appropriation to the Joint Legislative Budget Committee for review.

The appropriation for the Office of Child Welfare Investigations is solely for the costs of employees directly hired by the Office of Child Welfare Investigations. At least 30 days before any transfer into or out of the Office of Child Welfare Investigations line item, the department shall report the proposed transfer to the Director of the Joint Legislative Budget Committee.

Out-of-Home Placements

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

The amount appropriated for Grandparent Stipends must be used for a monthly stipend for a grandparent or any level of great-grandparent if a dependent child is placed in that person's care pursuant to department guidelines.

#### Support Services

It is the intent of the Legislature that the funding in the In-Home Preventive Support Services line item be used for families whose children are at risk of out-of-home placement due to abuse, neglect or dependency, while the funding in the Out-of-Home Support Services line item is for children in out-of-home placements.

Before the expenditure of monies from the Intensive Family Services line item in FY 2016, the Department of Child Safety shall submit an expenditure plan for review by the Joint Legislative Budget Committee. The expenditure plan must include an estimate of any comparable funding in the In-Home Preventive Support Services line item.

#### Departmentwide

The Department of Child Safety shall report to the Joint Legislative Budget Committee on its progress in implementing the Auditor General's recommendations for transportation services and emergency and residential placement on or before December 31, 2015. *(The footnote is updated for the most recent audit of Emergency and Residential Placement.)*

The Department of Child Safety shall forward a monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee on or before the 30th of the following month. The report must include a plan, if necessary, for eliminating any shortfall without a supplemental appropriation.

In this section, "backlog" or "backlog cases" means nonactive cases for which documentation has not been entered in the child welfare automated system for at least 60 days and for which services have not been authorized for at least 60 days.

The FY 2016 amounts appropriated to the Department of Child Safety include increases of the following amounts in the following line items to address backlog cases:

1. Overtime: \$0 from the state General Fund.
2. In-home Preventive Support Services: \$2,782,100 in FY 2016 and \$0 in FY 2017 from the state General Fund.
3. Out-of-Home Support Services: \$5,082,200 in FY 2016 and \$0 in FY 2017 from the General Fund.
4. Foster Care Placement: \$4,543,900 in FY 2016 and \$0 in FY 2017 from the state General Fund.

THESE APPROPRIATIONS FOR THE BACKLOG ARE BASED ON THE EXECUTIVE'S MAY 2014 ESTIMATES.

#### Prior Year Footnotes Effective Through FY 2016

The italicized footnotes below were enacted in Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 to address the backlog, hiring, and expenditures. Given that the requirements in the original footnotes remain in effect through FY 2016, they would not be repeated in the FY 2016 General Appropriation Act.

*On or before September 30, 2014, and on or before the last day of every calendar quarter through June 30, 2016, the department shall present a report for review by the Joint Legislative Budget Committee on the progress made in increasing the department's number of filled FTE Positions and in reducing the number of backlog cases, as outlined in the report submitted on or before June 16, 2014 and reviewed by the Joint Legislative Budget Committee as required by this act.*

*The quarterly report must provide the same information on the total number of filled FTE Positions as is required by the monthly hiring report required by section 12 of this act.*

*The quarterly report must also delineate the disposition of backlog cases as of the close of business on June 2, 2014. The report must provide the number of cases currently closed, the number of cases currently being investigated, the number of cases currently in an out-of-home placement and the number of cases currently receiving in-home preventive support services. The report must provide the total number of backlog cases, including any cases reaching backlog status from and after June 2, 2014.*

*The quarterly report must also provide an update of the projected quarterly expenditure plan of the monies appropriated for Personal Services and for addressing the backlog, including a report of the actual expenditures. If the department is not able to report the actual expenditures for the backlog cases, the report must provide an estimate of the actual expenditures, including the methodology used to estimate the actual expenditures.*

*If the department is not able to report the actual expenditures for the backlog cases, the quarterly report must include an update of the short-term methods to improve the cost accounting for individual child welfare cases prior to full implementation of upgrades to the Children's Information and Library and Data Source authorized by Laws 2014, Chapter 18, Section 123.*

#### Deletion of Prior Year Footnotes

The Baseline would delete the footnotes concerning the backlog Request for Information, hotline wait times, retention pay, the hiring report, and submission of proposed quarterly benchmarks to JLBC. *(For more*



information, please see the Auditor General section in *Other Issues for Legislative Consideration.*)

## STATUTORY CHANGES

The Baseline would:

- As session law, in the General Appropriation Act, continue to defer \$11,000,000 in General Fund payments for FY 2016 until FY 2017. Appropriate \$11,000,000 in FY 2017 for these deferred payments.
- As session law, continue to require the Early Childhood Development and Health Board and DCS to report with DCS on their collaborative efforts to address child welfare issues of common concern.
- As session law, require the Auditor General to evaluate DCS permanency practices, the effectiveness of a differential response system, and DCS foster home placement practices. (*For more information, please see the Auditor General section in Other Issues for Legislative Consideration.*)

## OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

This section includes information on the following topics:

- Long Term Budget Impacts
- Auditor General Recommendation
- Title IV-E Waiver
- CMDP Reform
- Independent Consultant
- Child Safety Funding
- Payment Deferral
- TANF Block Grant

### ***Long-Term Budget Impacts***

Beyond FY 2016 Baseline changes, JLBC Staff estimates that DCS statutory caseload changes will require a reduction of \$(8,408,200) in FY 2017 below FY 2016 to remove one-time backlog funding. An additional \$5,000,000 will also be required in FY 2017 above FY 2016 for CHILDS replacement funding. These estimates are based on the Executive's May 2014 Special Session proposal and the Legislature's 3-year spending plan.

### ***Auditor General Recommendation***

The FY 2014 Health and Welfare Budget Reconciliation Bill (Laws 2013, Chapter 10) instructed the Auditor General to submit a report addressing expenditures for the Emergency and Residential Placement line item. Specifically, the legislation asked the Auditor General to (a) describe the reasons for the high usage of emergency and residential placements as opposed to foster homes and (b) propose possible methods to reduce the use of emergency and residential placements in the future. In FY 2013, DES spent \$79.2 million on emergency and residential placements, or 100% more than in FY 2009.

Emergency and residential placements (also known as congregate care) are the least desirable setting for the well-

being of out-of-home children as well as the most expensive placement setting for the state. In the past few years, emergency and residential placements have experienced a greater rate of growth than foster care placements. The number of children in out-of-home care grew by about 56% from September 2009 to March 2014, while the number of children in emergency and residential placements grew by approximately 73% during this same time period. Increased utilization of emergency and residential placements in Arizona runs counter to the national trend.

The Auditor General found that the dramatic growth in emergency and residential placements is based on a number of factors:

- Inadequate supply of licensed foster homes - The department has not been able to recruit sufficient foster homes relative to demand for older children, special needs children, and sibling groups, so these children are more frequently placed in emergency and residential placements. DCS' contracts for foster home recruitment-related services lack adequate performance measures, appropriate ties between contractor performance and department monitoring, and workable financial incentives. Based on this information about the difficulty of placing certain children in foster homes, the Baseline recommends an audit focused on foster home placement practices, addressing the 1,169 foster home spaces available to the department that it is unable to use.
- Various department practices, including allowing some children who wish to stay in emergency and residential placements to do so and the use of independent living and long-term foster care as permanency goals. In order to ensure the use of best practices, the Baseline includes an audit addressing the appropriateness of DCS' permanency practices.
- Inadequate access to behavioral health services for children in family foster homes.

To reduce emergency and residential placements, the Auditor General recommends a comprehensive approach, possibly through the use of an outside consultant, that focuses on service array, frontline practice, finance, performance management, and policy regulation. The Auditor General provided Tennessee as an example of successful reform, where vendors are required to provide both foster care homes and emergency and residential placements. Tennessee vendors are paid the same rate regardless of where they place the child, so vendors have an incentive to place children in foster homes, which are better for the well-being of the child and less expensive.

The Auditor General also recommends that DCS establish a timeframe for reestablishing the use of foster care receiving homes. Foster care receiving homes are available 24/7 to receive children on a temporary basis until other placement options become available. Starting

in FY 2014, the Legislature appropriated funding for 200 placements in foster care receiving homes, but DCS has not yet reinstated the use of this type of foster care placement.

Besides the audits of permanency and placement practices, the Baseline proposes that the Auditor General evaluate the effectiveness of a differential response system and case screening when responding to reports of child maltreatment. Under a differential response system, family support services would be referred for low-risk cases, and the service provider would perform the initial family needs assessment. The service provider would be required to immediately report cases to DCS for a full investigation if child abuse or endangerment is discovered. The department employed a differential response program called Family Builders from 1998 to 2009. *(For more information on the Family Builders program, see A.R.S. § 8-816.)*

The FY 2015 Health and Welfare Budget Reconciliation Bill (Laws 2014, Chapter 11) instructs the Auditor General to evaluate certain aspects of Arizona’s child welfare system and the Office of Child Welfare investigations relative to national child welfare data. The report is due on March 15, 2015.

**Title IV-E Waiver**

The U.S. Department of Health and Human Services (HHS) has granted DCS’ request for a Title IV-E waiver focused on reducing the number of children in congregate care. “IV-E” refers to the section of federal law authorizing federal government payment of foster care and related expenses. DCS plans to start operating under the waiver in 2015. Title IV-E funding has been the state’s primary source of Federal Funding for out-of-home children in the child welfare system. HHS has not approved the department’s plan for reducing the number of children entering congregate care, but the department tentatively plans to (1) establish a risk and needs assessment tool focused on uniform caseworker decision making, (2) provide evidenced-informed in-home services, and (3) emphasize caseworker training.

The IV-E waiver effectively establishes a maximum federal funding level. The ceiling is adjusted upward each year for projected caseload growth. *Table 3* shows the level of IV-E funding the waiver allocates to the state each federal fiscal year (FFY). In the first year of the waiver in FFY 2015, the cap grows to \$164.6 million. By FFY 2019, the cap is \$226.6 million. The waiver does not cap IV-E funding for CHILDS, training, and pre-placement activities.

**Table 3**

**Arizona Title IV-E Capped Allocation**

<u>FFY</u>	<u>Amount</u>
2015	\$164,642,200
2016	\$179,348,300
2017	\$192,705,400
2018	\$209,119,800
2019	\$226,592,400

Under the waiver, any IV-E funding DCS does not spend on traditional IV-E purposes, such as congregate care maintenance payments, can now be spent on in-home services, which are not normally eligible for IV-E funding.

To ensure that its in-home service mechanism meets the federal IV-E waiver standards, the department has pushed back the Intensive Family Services RFP from December 2014 to July 2015.

**CMDP Reform**

Laws 2013, Chapter 220 requires AHCCCS, DCS and DHS to determine and report on the most effective method for delivering medical, dental and behavioral health services to children who qualify for CMDP, considering the possibility of an administratively integrated system. The report is due by October 1, 2015.

As discussed in the Out-of-Home Support Services line item, CMDP provides full coverage of the medical and dental expenses of foster children under the jurisdiction of DCS. The department estimates a CMDP caseload of about 19,000 children in FY 2016, with a total funds cost of approximately \$46.6 million. Of the children in CMDP, 96% are eligible for Medicaid coverage, while the Medicaid-ineligible children are covered solely with General Fund monies.

Unlike CMDP behavioral health coverage where DHS administers the program, DCS administers acute care CMDP by directly contracting with providers. The cost for DCS to administer acute care CMDP is about \$5.0 million annually. The state’s General Fund match for acute care CMDP Medicaid is appropriated to AHCCCS, and AHCCCS reimburses DCS for costs associated with Medicaid-eligible CMDP children. In its FY 2016 budget submittal, AHCCCS proposes that the CMDP appropriation be shifted to DCS so that the program cost is aligned with the agency responsible for the program.

JLBC Staff recommends retaining CMDP funding in AHCCCS pending the October 2015 report.

**Independent Consultant**

Laws 2014, 2<sup>nd</sup> Special Session, Chapter 1 requires the Auditor General to retain an independent consultant with expertise in child welfare system planning and operations to examine the current child safety system and consider best practices to improve the delivery of services in

Arizona and provide consultation on the effective establishment of DCS with a focus on certain challenges.

The Auditor General has chosen Chapin Hall at the University of Chicago as the independent consultant. Chapin Hall is a research and policy center that focuses on improving the well-being of children and youth, families, and their communities. Chapin Hall will report its findings on July 1, 2015.

#### ***Child Safety Funding***

*Table 4* shows the growth in state funding for child safety year over year since FY 2013. *Table 5* indicates the specific job titles of the 718 new child safety FTE Positions added since FY 2013, while *Table 6* displays total child safety expenditures since FY 2008.

#### ***Payment Deferral***

The Baseline continues the \$11.0 million payment deferral from FY 2016 to FY 2017. DCS plans to defer a total of \$11.0 million in payments from the Special Line Items specified below:

Out-of-Home Support Services	7,300,000
Foster Care Placement	1,900,000
Emergency and Residential Placement	1,800,000

The \$11.0 million in FY 2016 to pay the amount deferred from FY 2015 to FY 2016 was appropriated in Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2, so this adjustment does not appear in the General Appropriation Act; however, the amount is included in the General Fund amount for DCS in this section. As a result, the FY 2016 General Fund amount of \$351.1 million would consist of \$11.0 million from the deferral appropriation and \$340.1 million from the General Appropriation Act.

#### ***TANF Block Grant***

The federal TANF Block Grant can be deposited into the federal Social Services Block Grant (SSBG); once deposited, the monies are spent on DCS programs. The federal government caps the amount of TANF Block Grant monies that can be transferred to the SSBG at 10%. A footnote in the General Appropriation Act allows DCS to make this transfer of TANF monies in the Out-of-Home Support Services, Emergency and Residential Placement, and Foster Care Placement line items to the SSBG. This amount is estimated at \$20,014,100 in FY 2016. The transfer to SSBG provides additional funding flexibility to DCS.

TANF is a major funding source for DCS. A comprehensive view of the federal TANF Block Grant is found in the narrative for DES in the *Other Issues for Legislative Consideration* section.

Table 4

**Increase in State Child Safety Funding 1/**  
(\$ in Millions)

<u>Staffing</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2015 SS</u>	<u>FY 2016 Baseline</u>	<u>Total (FY 15 Above FY 12)</u>
Child Safety Staff (caseworkers & others)	\$ 4.8	\$ 12.9 2/	\$ 15.3	\$ 6.2	\$ (1.2)	\$ 38.0
Child Safety Staff Pay Raise/Retention Stipend	1.0	-	-	1.7	-	2.7
OCWI Staff	2.3	-	1.8	5.3	0.2	9.6
Records Retention Staff	-	-	0.5	-	-	0.5
Child Safety Legal Staff	-	1.5	1.0	-	-	2.5
Internal Legal Counsel	-	-	-	0.2	-	0.2
Inspections Bureau	-	-	-	2.2	(0.2)	2.0
<u>Residential Placements</u>						
Congregate Care	-	13.0	-	-	-	13.0
Congregate Care Backfill	-	-	3/	6.5	-	6.5
Foster Care	-	4.8	-	-	-	4.8
Grandparent Stipends	-	1.0	-	-	-	1.0
Permanent Guardianship	2.4	-	-	-	-	2.4
Adoption	17.0	2.9	6.0	-	-	25.9
<u>Services</u>						
Intensive Family Services	-	5.0	3.5	-	-	8.5
Children Support Services	-	4.0	5.6	-	4.0	13.6
Child Safety Child Care	-	9.0	-	-	-	9.0
<u>Backlog</u>						
Backlog - Action Determination	-	-	-	0.2	(0.2)	-
Backlog - Investigation	-	-	-	4.2	(4.2)	-
Backlog - Out-of-Home Care Placement	-	-	-	6.8	(2.3)	4.5
Backlog - Out-of-Home Care Services	-	-	-	7.6	(2.5)	5.1
Backlog - In-Home Care Services	-	-	-	4.2	(1.4)	2.8
<u>Other</u>						
Training Resources	-	-	-	0.2	-	0.2
Internet Crimes Against Children	-	-	-	0.4	-	0.4
Partial Deferral Payoff	-	-	-	3.0	(3.0)	-
Federal Funds Backfill	18.5	-	-	-	-	18.5
Contingency	-	10.5	-	-	-	10.5
<u>Other Agency Funding</u>						
New Agency One-Time Funding (ADOA)	-	-	20.0	5.0	(25.0)	-
CHILDS Replacement (ADOA)	-	-	5.0	-	(5.0)	-
Auditor General	-	-	-	0.3	(0.3)	-
<b>Total 4/</b>	<b>\$ 46.1</b>	<b>\$ 64.7</b>	<b>\$ 58.6</b>	<b>\$ 53.8 5/</b>	<b>\$ (41.1)</b>	<b>\$ 182.1</b>

1/ Each year shows the increase over the prior fiscal year. The FY 2015 amounts are General Fund, while the FY 2014 and FY 2013 amounts include General Fund and Long Term Care System Fund.

2/ The \$5.7 million supplemental (2nd Regular Session) is not shown so as not to double count the funding.

3/ The \$5.1 million supplemental (2nd Special Session) is not shown so as not to double count the funding.

4/ Numbers do not add due to rounding.

5/ Excludes \$0.8 million for the Legislative Council Ombudsman.

Table 5

**New Child Safety FTE Positions  
(All Funds)**

	<u>FY 2013</u>	<u>Part 1</u>	<u>Part 2</u>	<u>FY 2015</u>	<u>FY 2015 SS</u>	<u>3/</u>	<u>Total Change</u>	<u>4/</u>
		<u>FY 2014</u>	<u>1/</u>					
Caseworkers/Hotline Staff	50	93	126	32	54		355	
OCWI Staff	28	5/	-	20	73		121	
Assistant Program Managers	4	2	4	-	2		12	
Unit Supervisors	-	16	20	6	10		52	
Case Aides	-	23	30	9	15		77	
Records Retention Staff	-	-	-	5	-		5	
AG Legal Staff via DCS	-	22	-	-	-		22	
AG Legal Staff (Direct)	-	-	-	12	-		12	
In-House Counsel	-	-	-	-	1		1	
Inspections Bureau	-	-	-	-	21		21	
Support Staff/Other	-	16	12	3	9		40	
Subtotal - New	82	172	192	87	185		718	
Transferred Staff	-	-	-	-	99	6/	99	
Subtotal - New and Transferred	82	172	192	87	284		817	
<b>Total Child Safety Staff</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>		<b>3,057</b>	<b>7/</b>

1/ Represents original FY 2014 budget.

2/ Represents FY 2014 supplemental in 2nd Regular Session.

3/ Reflects Executive Special Session Request.

4/ Total change in FTE Positions since FY 2012.

5/ The agency indicates that 34 OCWI staff were hired.

6/ Represents administrative staff transferred from DES, including 10 Inspections Bureau Staff.

7/ Comprised of 3,045.1 FTE Positions for the Department of Child Safety and 12 FTE Positions directly funded to the Attorney General's Office.

Table 6

**Child Safety Total Fund Expenditures  
(\$ in Millions)**

<u>Year</u>	<u>Expenditures</u>	<u>Reports of Child Maltreatment</u>
FY 2008	\$509.9	34,989
FY 2009	\$487.6	33,186
FY 2010	\$448.9	33,839
FY 2011	\$478.8	34,904
FY 2012	\$561.2	40,517
FY 2013	\$625.8	44,119
FY 2014	\$710.9	45,368
FY 2015 Estimate 1/	\$849.7	12,659 2/
FY 2016 Baseline 3/	\$837.8	-

1/ Excludes \$25.0 million for start-up funding appropriated to ADOA, \$5.0 for CHILDS replacement, \$1.0 million for child safety legal support (Attorney General), \$0.8 million for the Ombudsman, and \$0.3 million for the Auditor General.

2/ Represents data through September 2014, which is 19% higher than at this same time last year.

3/ Excludes \$0.8 million for the Ombudsman.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Child Abuse Prevention Fund (CHA2162/A.R.S. § 8-550.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,459,100	1,459,100
<b>Year-End Fund Balance*</b>	0	(451,800)
<b>Child Safety Expedited Substance Abuse Treatment Fund (CHA2421/A.R.S. § 8-812)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Appropriations from the state General Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Child Safety Expenditure Authority (CHA2009/A.R.S. § 41-101.01)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> All non-appropriated funds and Federal Funds for the Department of Child Safety, excluding the Federal Temporary Assistance for Needy Families Block Grant, the Federal Child Care and Development Fund, the Client Trust Fund, and the Economic Security Donations Fund.		
<b>Purpose of Fund:</b> To fund the Department of Child Safety.		
<b>Federal Expenditure Authority Funds Expended</b>	235,296,000	248,765,400
<b>Other Expenditure Authority Funds Expended</b>	10,388,700	77,536,300
<b>Year-End Fund Balance</b>	0	3,386,300
<b>Children and Family Services Training Program Fund (CHA2173/A.R.S. § 8-503.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A portion of monies collected from fees charged for copies of child welfare 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.		
<b>Purpose of Fund:</b> To administer training for child safety 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 child welfare files may be used only for reimbursing the department for its cost.		
<b>Funds Expended</b>	71,600	207,700
<b>Year-End Fund Balance</b>	0	209,900
<b>Client Trust Fund (CHA3152/A.R.S. § 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DCS.		
<b>Purpose of Fund:</b> To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
<b>Funds Expended</b>	400	1,703,500
<b>Year-End Fund Balance</b>	0	4,386,500
<b>Economic Security Donations Fund (CHA3145/A.R.S. § 36-571, 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants, gifts, or bequests.		
<b>Purpose of Fund:</b> To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	218,300

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Federal CCDF Block Grant (CHA2008/U.S. P.L. 104-193)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> 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. DES has a separate allocation of CCDF.		
<b>Funds Expended</b>	28,272,200	27,000,000
<b>Year-End Fund Balance</b>	0	0
<b>Federal TANF Block Grant (CHA2007/U.S. P.L. 104-193)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> 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. DES has a separate allocation of TANF.		
<b>Funds Expended</b>	133,419,100	132,000,400
<b>Year-End Fund Balance</b>	0	0
<b>Joint Substance Abuse Treatment Fund (CHA2429/A.R.S. § 8-881)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations from the General Fund and the Federal Temporary Assistance to Needy Families Block Grant.		
<b>Purpose of Fund:</b> To be jointly administered by DCS and the Department of Health Services for services to families and Federal Temporary Assistance for Needy Families recipients involved with DCS 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Long Term Care System Fund (Non-Federal Matched) (CHA2224/A.R.S. § 36-2953)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> One-time profit from the state-run Long Term Care System.		
<b>Purpose of Fund:</b> To fund administrative and program costs associated with the Long Term Care system. In FY 2014, the department was permitted to use these monies for other purposes. These monies partially funded Adoption, Emergency and Residential Placement, and Out-of-Home Support Services in FY 2014. Starting in FY 2015, these one-time monies were backfilled with General Fund, and the profit was deposited into the General Fund.		
<b>Funds Expended</b>	40,988,300	0
<b>Year-End Fund Balance</b>	0	0

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

**State Board of Chiropractic Examiners**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	182,600	202,500	202,500
Employee Related Expenditures	71,100	70,500	70,500
Professional and Outside Services	3,900	28,100	28,100
Travel - In State	0	1,800	1,800
Travel - Out of State	6,000	8,300	8,300
Other Operating Expenditures	88,800	115,400	115,400
Equipment	10,300	24,000	24,000
<b>AGENCY TOTAL</b>	<b>362,700</b>	<b>450,600</b>	<b>450,600</b>
<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Board of Chiropractic Examiners Fund	362,700	450,600	450,600
SUBTOTAL - Other Appropriated Funds	362,700	450,600	450,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>362,700</b>	<b>450,600</b>	<b>450,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>362,700</b>	<b>450,600</b>	<b>450,600</b>

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

**Operating Budget**

\* \* \*

**FORMAT** — Lump Sum by Agency

The Baseline includes \$450,600 and 5 FTE Positions from the Board of Chiropractic Examiners Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Board of Chiropractic Examiners Fund (CEA2010/A.R.S. § 32-906)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate chiropractors, and for board administration.		
<b>Funds Expended</b>	362,700	450,600
<b>Year-End Fund Balance</b>	206,400	163,800



## Citizens Clean Elections Commission

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	6,616,400	10,041,600	10,041,600
<b>TOTAL - ALL SOURCES</b>	<u>6,616,400</u>	<u>10,041,600</u>	<u>10,041,600</u>

**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 Fund Transfer to the General Fund*

Pursuant to a 1998 ballot proposition (A.R.S. § 16-954B), the CCEC is instructed to return excess monies to the General Fund if it determines that anticipated revenues exceed anticipated expenses. The CCEC determines this on an annual basis by projecting revenues and expenses over the next 4 years and designating monies above the amount needed to meet current and future expenses as "excess monies" to be transferred to the General Fund. The most recent transfer was in FY 2012, when \$10 million was transferred to the General Fund. For a complete list of Citizens Clean Elections Fund transfers to the General Fund, please see *Table 1*.

**Table 1**

#### Clean Elections Fund Transfers to General Fund

<u>Fiscal Year</u>	<u>Transfer</u>
FY 2003	\$ 1,774,600
FY 2004	3,828,000
FY 2005	973,900
FY 2006	2,500,000
FY 2008	18,876,200
FY 2009	7,000,000
FY 2010	10,000,000
FY 2011	20,000,000
FY 2012	<u>10,000,000</u>
<b>Total</b>	<b>\$74,952,700</b>

<b>SUMMARY OF FUNDS</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Estimate</b>
<b>Citizens Clean Elections Fund (ECA2425/A.R.S. § 16-949)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Available</b>		
Balance Forward	21,404,500	23,610,300
Revenue:		
Court Assessments	8,592,500	8,500,000
Qualifying Contributions	149,200	87,000
\$5 Check Off Box	79,100	0
Other	<u>1,400</u>	<u>5,000</u>
<b>Total Funds Available</b>	<b>30,226,700</b>	<b>32,202,300</b>
Expenditures:		
Operating Funds Expended	4,122,200	7,191,600
Candidate Funding	<u>2,494,200</u>	<u>2,850,000</u>
<b>Total Funds Expended</b>	<b>6,616,400</b>	<b>10,041,600</b>
<b>Transfer Out to General Fund</b>	<u>0</u>	<u>0</u>
<b>Year-End Fund Balance</b>	<b>23,610,300</b>	<b>22,160,700</b>

## Arizona Commerce Authority

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>	10,000,000	10,000,000	10,000,000
<b>SPECIAL LINE ITEMS</b>			
Arizona Competes Fund Deposit	21,500,000	21,500,000	21,500,000
Mexico City Trade Office	0	300,000	0
<b>AGENCY TOTAL</b>	<b>31,500,000</b>	<b>31,800,000</b>	<b>31,500,000</b>
<b>FUND SOURCES</b>			
General Fund	31,500,000	31,800,000	31,500,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>31,500,000</b>	<b>31,800,000</b>	<b>31,500,000</b>
Other Non-Appropriated Funds	9,130,500	22,474,400	17,629,400
Federal Funds	1,910,300	5,235,600	1,820,800
<b>TOTAL - ALL SOURCES</b>	<b>42,540,800</b>	<b>59,510,000</b>	<b>50,950,200</b>

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

### Operating Budget

The Baseline includes \$10,000,000 from the General Fund in FY 2016 for the operating budget. This amount is unchanged from FY 2015.

Of the \$10,000,000 FY 2014 operations allocation, ACA expended \$10,000,000 in FY 2014. Additionally, ACA expended \$335,900 from the Arizona Commerce Authority Fund balance for a total operating budget expenditure of \$10,335,900 in FY 2014.

### Arizona Competes Fund Deposit

The Baseline includes \$21,500,000 from the General Fund in FY 2016 for deposit into the Arizona Competes Fund. This amount is unchanged from FY 2015.

The Arizona Competes Fund receives an annual appropriation of \$21,500,000 in income tax withholding from the General Fund. Additionally, the fund also receives a non-appropriated deposit of \$3,500,000 in lottery revenues for a total annual deposit of \$25,000,000. Monies in the Arizona Competes Fund are utilized to issue grants to attract, retain, and support businesses in Arizona.

Of the \$100,000,000 deposited into the Arizona Competes Fund from FY 2012 through FY 2015, ACA has expended \$13,956,800 through October 30, 2014. (Please see *Other Issues for Legislative Consideration* section for list of award recipients.)

### Mexico City Trade Office

The Baseline includes no funding in FY 2016 for the establishment of a trade office in Mexico City. FY 2016 adjustments would be as follows:

	<b>FY 2016</b>
<b>Remove One-Time Funding</b>	<b>GF \$(300,000)</b>

The Baseline includes a decrease of \$(300,000) from the General Fund in FY 2016 for the removal of one-time monies to establish a trade office in Mexico City.

ACA currently partners with the Greater Phoenix Economic Council and the Arizona-Mexico Commission to administer trade offices in China and Hermosillo, Mexico, respectively. ACA's share of this cost was \$45,000 in FY 2014. Monies for the ongoing operation of these trade offices are expended from the operating budget.

\* \* \*

### 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 2016 to the Arizona Commerce Authority, of which \$10,000,000 is credited to the Arizona Commerce Authority Fund established by A.R.S. § 41-1506, and \$21,500,000 is credited to the Arizona Competes Fund established by A.R.S. § 41-1545.01.

## OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

### ACA Responsibilities

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

- Arizona 21<sup>st</sup> 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 \$31.5 million in income tax withholding from the General Fund. Of that amount, \$10.0 million is deposited into the Arizona Commerce Authority Fund for ACA operational expenses and \$21.5 million 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 \$3.5 million in lottery revenues to the Arizona Competes Fund. Combining General Fund and lottery revenues, ACA will have \$25.0 million in resources to provide grants to help attract, expand, or retain businesses in Arizona.

### Arizona Competes Fund Expenditures

A.R.S. § 41-1545.01 established the Arizona Competes Fund with an annual deposit of \$21.5 million in income tax withholding monies from the General Fund and an additional appropriation of \$3.5 million in lottery tax revenues. From FY 2012 – FY 2015, the Arizona Competes Fund has received \$100.0 million in total revenues and made \$25.1 million in commitments. Of these commitments, \$14.0 million has been expended

through October 30, 2014 and are displayed in *Table 1*. Currently, 3 types of grants are awarded from the fund: 1) Competes Fund grant awarded to businesses that are expanding in or relocating to Arizona; 2) Arizona Innovation Challenge grants for early-stage start-up companies; and 3) Rural Economic Development grants awarded to local governments to improve infrastructure and attract businesses.

<u>Recipients</u>	<u>Total</u>
<b>Competes Fund Grants for Expansion/Relocation</b>	
Acceler8 Technologies Corporation	\$760,000
Clear Energy Systems, Inc.	1,000,000
General Motors, LLC	13,000
GoDaddy, Inc.	500,000
Maverick Healthcare Services, Inc.	875,000
Silicon Valley Bank Financial Services	2,400,000
Ulthera, Inc.	548,400
United Healthcare Services, Inc.	2,000
Zoc Doc	7,500
<b>Total Competes Fund Grants</b>	<b>\$6,105,900</b>
<b>Arizona Innovation Challenge Grants</b>	
Agave Semiconductor LLC	\$250,000
Amber Alert GPS	75,000
appsFreedom, Inc.	245,000
Athena Wireless Communications, Inc.	250,000
Cancer Prevention Pharmaceuticals, Inc.	229,900
Clear Demand, Inc.	200,000
Contatta, Inc.	175,000
Deliver IT, Inc.	200,000
EndoVantage	75,000
Gingerbread Shed Corporation	250,000
HJ3 Composite Technologies LLC	170,000
Instant Bioscan LLC	250,000
Kutta Radios, Inc.	249,500
LawLytics	75,000
MaxQ Technology LLC	250,000
Nasseo, Inc.	225,000
Photon Medical Communications LLC	225,000
Picomic	75,000
Post.Bid.Ship., Inc.	232,000
Recoleta Partners LLC	175,000
ReplyBuy, Inc.	250,000
Serious Integrated, Inc.	250,000
Stat Health Services, Inc.	250,000
Stimwave Technologies, Inc.	152,500
Strongwatch Corporation	225,000
Triton Microtechnologies	150,000
Viomics, Inc.	250,000
Whole Sale Fund Corporation	250,000
World View Enterprises	100,000
Yolia Health, Inc.	167,500
<b>Total Arizona Innovation Challenge Grants</b>	<b>\$5,921,400</b>
<b>Rural Economic Development Grants</b>	
Casa Grande	\$150,000
Central Arizona Regional Economic Development Foundation	340,000
Flagstaff	156,800
Greater Yuma Economic Development Corporation	432,500
Northern Arizona Business and Technology Incubator	59,600
PineTop-Lakeside	185,000
Prescott	54,000
Verde Valley Wine Consortium, Inc.	255,300
Yuma	296,300
<b>Total</b>	<b>\$1,929,500</b>
<b>Total Arizona Competes Fund Grants</b>	<b>\$13,956,800</b>

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Application Fees Fund (CAA3005/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A processing fee equal to 1% of the relevant tax credit being refunded per tax credit application.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	224,400	666,100
<b>Year-End Fund Balance</b>	482,800	716,700
<b>Arizona Commerce Authority Fund (CAA2547/A.R.S. § 41-1506)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> An annual deposit of \$10,000,000 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 \$10,335,900 in FY 2014.		
<b>Purpose of Fund:</b> To fund the operating costs of the Authority.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	163,400	163,400
<b>Arizona Commerce Authority Carryover Fund (CAA1001/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,685,300	4,845,000
<b>Year-End Fund Balance</b>	4,805,600	0
<b>Arizona Commerce Authority Local Communities Fund (EPA2498/A.R.S. § 41-1505.12)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	103,900	103,900
<b>Arizona Competes Fund (CAA2548/A.R.S. § 41-1545.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receives an annual deposit of \$21,500,000 in income tax withholding revenues, \$3,500,000 in lottery ticket sales revenues, gifts, grants, and other donations. Expenditures of the income tax withholding revenues are not displayed to avoid double counting the original General Fund appropriation to this fund. Expenditures from this fund totaled \$4,123,500 in FY 2014.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	68,115,800	71,096,300
<b>Arizona Innovation Accelerator Fund (CAA9507/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The U.S. Department of Treasury State Small Business Credit Initiative Act of 2010.		
<b>Purpose of Fund:</b> To fund state created programs that increase the amount of capital made available by private lenders to small businesses.		
<b>Funds Expended</b>	226,200	225,600
<b>Year-End Fund Balance</b>	7,323,100	13,773,700

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Arizona Twenty-First Century Competitive Initiative Fund</b> (CAA2524/A.R.S. § 41-1506.01)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, earnings from the fund, gifts, and donations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Commerce Development Bond Fund (CAA2196/A.R.S. § 41-1504)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> Filing fees and charges for services related to the provision of a registry of bond allocations.		
<b>Purpose of Fund:</b> 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.		
<b>Appropriated Funds Expended</b>	0	0
<b>Non-Appropriated Funds Expended</b>	500	5,000
<b>Year-End Fund Balance</b>	163,100	230,600
<b>Corporation for Skilled Workforce Fund (CAA1002/A.R.S. § 41-1502)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Pass-thru federal funding to the Department of Economic Security.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Donations Fund (CAA3189/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts, grants, and donations.		
<b>Purpose of Fund:</b> To be expended in accordance with the restrictions placed on the respective gift, grant, or donation.		
<b>Funds Expended</b>	0	212,500
<b>Year-End Fund Balance</b>	106,500	113,400
<b>Federal Funds (CAA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants for community development, job training, and home programs.		
<b>Purpose of Fund:</b> To be expended as stipulated by federal statutes authorizing the federal grants.		
<b>Funds Expended</b>	1,684,100	5,010,000
<b>Year-End Fund Balance*</b>	(460,200)	0
<b>Job Training Fund (CAA1237/A.R.S. § 41-1544)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, gifts, grants, interest earned on investments and, primarily, proceeds from a 0.1% employers' wage tax. Tax revenues collected in FY 2014 were \$12,637,400 and are estimated to be \$10,995,000 in FY 2015. Interest earned on the fund in FY 2014 was \$398,900.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	6,220,300	16,745,800
<b>Year-End Fund Balance</b>	53,555,000	48,194,200

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

## Arizona Community Colleges

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>SPECIAL LINE ITEMS</b>			
Operating State Aid			
Cochise	5,710,100	5,343,400	5,206,000
Coconino	1,840,400	1,775,800	1,771,200
Gila	370,700	346,300	368,100
Graham	2,345,700	2,261,300	2,175,600
Maricopa	7,913,300	7,409,500	6,681,400
Mohave	1,659,400	1,543,300	1,524,000
Navajo	1,646,600	1,618,200	1,582,100
Pima	7,136,600	6,493,500	6,094,900
Pinal	2,135,000	2,023,900	1,903,500
Santa Cruz	58,700	47,900	57,300
Yavapai	893,900	887,000	890,300
Yuma/La Paz	2,754,400	2,726,600	2,702,500
<i>Subtotal - Operating State Aid</i>	34,464,800	32,476,700	30,956,900
STEM and Workforce Programs State Aid			
Cochise	450,400	1,236,700	1,150,000
Coconino	147,500	426,900	423,200
Gila	50,000	142,800	160,900
Graham	218,100	640,500	569,500
Maricopa	0	1,400,000	1,400,000
Mohave	211,700	593,700	577,700
Navajo	122,600	375,400	345,500
Pima	0	600,000	600,000
Pinal	257,700	1,009,300	909,500
Santa Cruz	16,700	45,400	53,100
Yavapai	248,600	802,900	805,700
Yuma/La Paz	276,700	882,500	867,300
<i>Subtotal - STEM and Workforce Programs State Aid</i>	2,000,000	8,156,100	7,862,400
Equalization Aid			
Cochise	4,712,400	3,870,500	4,332,800
Graham	16,075,100	15,025,500	14,538,800
Navajo	5,514,200	5,283,300	5,849,400
<i>Subtotal - Equalization Aid</i>	26,301,700	24,179,300	24,721,000
Rural County Allocation	3,268,400	3,195,500	3,195,500
Rural County Reimbursement Subsidy	848,800	1,273,800	1,273,800
Tribal Community Colleges	2,625,000	2,625,000	2,625,000
<b>AGENCY TOTAL</b>	<b>69,508,700</b>	<b>71,906,400</b>	<b>70,634,600</b>
<b>FUND SOURCES</b>			
General Fund	69,508,700	71,906,400	70,634,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>69,508,700</b>	<b>71,906,400</b>	<b>70,634,600</b>
Other Non-Appropriated Funds	17,062,300	17,696,600	17,696,600
<b>TOTAL - ALL SOURCES</b>	<b>86,571,000</b>	<b>89,603,000</b>	<b>88,331,200</b>

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

**Operating State Aid**

The Baseline includes \$30,956,900 from the General Fund in FY 2016 for Operating State Aid. FY 2016 adjustments would be as follows:

**FY 2016**

**Enrollment Changes** **GF \$(1,519,800)**  
 The Baseline includes a decrease of \$(1,519,800) from the General Fund in FY 2016 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a (5,832), or (4.4%), decrease in Full Time Student Equivalent (FTSE) students in community colleges statewide (see Table 1). The (5,832) net FTSE decrease consists of a (6,156) FTSE decrease in non-dual enrollment students and a 324 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.

**Table 1**

**Community College Enrollment**

<u>District</u>	<u>FY 2013</u> <u>FTSE</u>	<u>FY 2014</u> <u>FTSE</u>	<u>Percentage</u> <u>Change</u>
Cochise	7,766	7,221	(7.0)%
Coconino	2,099	2,092	(0.3)%
Gila	703	785	11.7 %
Graham	3,107	2,765	(11.0)%
Maricopa	81,218	78,454	(3.4)%
Mohave	2,987	2,919	(2.3)%
Navajo	1,962	1,825	(7.0)%
Pima	19,514	17,963	(7.9)%
Pinal	4,822	4,354	(9.7)%
Santa Cruz	218	254	16.5 %
Yavapai	3,984	4,002	0.5%
Yuma/La Paz	<u>5,537</u>	<u>5,451</u>	<u>(1.6)%</u>
<b>Total</b>	<b>133,917</b>	<b>128,085</b>	<b>(4.4)%</b>

*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 2016, the last actual FTSE data was from FY 2014.)

**STEM and Workforce Programs State Aid**

The Baseline includes \$7,862,400 from the General Fund in FY 2016 for Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs State Aid (formerly Capital Outlay State Aid). FY 2016 adjustments would be as follows:

**GF (293,700)**

**Enrollment Changes**  
 The Baseline includes a decrease of \$(293,700) from the General Fund in FY 2016 for STEM and Workforce Programs State Aid.

In FY 2015, the budget included \$6,156,100 to fully fund the STEM formula for rural districts, and \$2,000,000 to fund STEM for Maricopa and Pima (\$1,400,000 and \$600,000 respectively).

The Baseline continues to fully fund the formula for rural districts. In FY 2014, there was a net decrease of (1,517) FTSE in rural enrollment, which reduces funding by \$(293,700) under the formula.

The Baseline continues to provide \$1,400,000 for Maricopa and \$600,000 for Pima in FY 2016 for STEM aid. If fully funded, Maricopa would receive \$12,207,100 and Pima would receive \$2,856,300. To provide full formula funding for all of the districts would cost an additional \$13,063,400 in FY 2016.

*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 \$24,721,000 from the General Fund in FY 2016 for Equalization Aid. FY 2016 adjustments would be as follows:

**Property Value Changes GF 541,700**

The Baseline includes an increase of \$541,700 from the General Fund in FY 2016 to reflect increased formula costs for funding Equalization Aid due to assessed valuation changes. Detail of specific district changes is shown in *Table 2*.

<b>District</b>	<b>FY 2015</b>	<b>Year-over- Year Change</b>	<b>FY 2016</b>
Cochise	\$3,870,500	\$462,300	\$4,332,800
Graham	15,025,500	(486,700)	14,538,800
Navajo	5,283,300	566,100	5,849,400
<b>Total</b>	<b>\$24,179,300</b>	<b>\$541,700</b>	<b>\$24,721,000</b>

*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 2016 Equalization Aid formula calculation, the minimum assessed valuation decreased (1.3)% to \$1.27 billion. (See *Table 3* for the calculation of the growth rate.)

<b>District</b>	<b>TY 2013 Primary AV</b>	<b>TY 2014 Primary AV</b>	<b>TY 2013- 2014 % Growth</b>
Cochise*	\$1,006,475,400	\$955,719,000	(5.0)%
Graham*	192,240,700	210,752,700	9.6 %
Navajo*	903,351,900	845,016,700	(6.5)%
Coconino	1,519,086,300	1,518,999,200	0.0 %
Mohave	1,771,371,900	1,727,682,200	(2.5)%
Pinal	1,988,882,400	2,004,274,800	0.8 %
Yavapai	2,232,629,600	2,217,272,800	(0.7)%
Yuma/LaPaz	1,328,950,800	1,318,636,200	(0.8)%
<b>Total</b>	<b>\$10,942,989,000</b>	<b>\$10,798,353,600</b>	<b>(1.3)%</b>
<b>Minimum AV</b>	<b>\$1,288,994,100</b>	<b>\$1,271,979,400</b>	<b>(1.3)%</b>

\* 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 (1.3)%, in TY 2014. In comparison, Cochise declined by (5.0)% and Navajo declined by (6.5)%. By declining more than the average district, Cochise and Navajo qualify for more aid. Graham property values increased by 9.6%. Since Graham came

closer to the minimum assessed value (which declined 1.3%) they qualify for less aid.

In any one year a district's equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.27 billion in FY 2016) 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 \$3,195,500 from the General Fund in FY 2016 for Rural County Allocation. This amount is unchanged from FY 2015.

*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 2014 expenditure of \$3,268,400 was offset by corresponding reductions in the counties' sales tax apportionment. The payments made on behalf of the counties are not included in county expenditure limits established in the Arizona Constitution. The county payments are partially offset by a state subsidy. (See next *Special Line Item*.)

Each year, the amount is determined by enrollment counts submitted to the JLBC Staff. The JLBC Staff is required by A.R.S. § 1469D to report the county withholdings to the Treasurer by May 15 for the upcoming fiscal year. In May 2014, the JLBC Staff reported the amount to be \$3,195,500 for FY 2015.

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 \$1,273,800 from the General Fund in FY 2016 for Rural County Reimbursement Subsidy. This amount is unchanged from FY 2015.

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 2016 Baseline allocates \$699,300 to Apache and \$574,500 to Greenlee.



## **Tribal Community Colleges**

The Baseline includes \$2,625,000 from the General Fund in FY 2016 for Tribal Community Colleges. This amount is unchanged from FY 2015.

*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. Actual amounts for FY 2016 will depend on FY 2016 collections. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriation Act.

This funding is limited to tribes that entered into a compact with the Executive prior to September 1, 2012. Diné College and Navajo Technical College on the Navajo Nation are the only schools that currently qualify to receive TPT revenues.

The Baseline assumes that \$1,750,000 will be distributed to Diné College and \$875,000 will be distributed to Navajo Technical College in FY 2016. 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 2016.

\* \* \*

**FORMAT** — District-by-District Special Line Items

### **FOOTNOTES**

#### *Standard Footnotes*

Of the \$1,273,800 appropriated to the Rural County Reimbursement Subsidy line item, Apache County receives \$699,300 and Greenlee County \$574,500.

### **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 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, 2015. This assessment is expected to generate \$768,500 from the universities and \$820,500

from the community colleges. (Please see Arizona Department of Education budget narrative for more information.)

## **OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

### **Long Term Budget Impacts**

Beyond FY 2016 Baseline changes, JLBC Staff estimates Community College statutory caseload changes will require an additional \$535,200 in FY 2017 above FY 2016 and an additional \$869,400 in FY 2018 above FY 2017 for changes in district enrollments and assessed valuations.

### **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 3.4% of their revenues from state aid.

For FY 2015, base operating revenues from all sources are estimated to be \$1,890,532,200, which would be an increase of 15.7% from FY 2014. (See Table 4 for a summary of FY 2015 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for 42.7% 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 2015 property tax rates.)

In November 2012, Arizona voters approved Proposition 117, which will require primary and secondary taxes to be levied on the same tax base. Previously, taxes were levied on 2 valuations: full cash value and limited property value. Prop 117 requires all property taxes to be based on the limited property value.

Proposition 117 also caps annual property value increases on any single parcel of real property to 5% starting in FY 2016. The existing 2% "levy limit" remains in place. Under A.R.S. § 42-17051, community colleges are allowed to collect 2% more in property tax revenues annually, not including revenue from new construction. Any increase over 2% requires voter approval, unless the district has forgone increases in prior years and consolidates those increases into a single year.

Long term property value growth has been approximately 5%. From that perspective, Proposition 117 would tend to reduce the year-to-year volatility in property tax values rather than reduce the dollar amount of long term revenues. However, the property tax base might grow

Table 4

## Total Estimated Community College Revenues – FY 2015

District	State Aid	Tuition/Fees	Property Taxes	Grants	Other <sup>1/</sup>	FY 2015 Total <sup>2/</sup>	FY 2014 Total <sup>3/</sup>	% Change from FY 2014
Cochise	\$10,450,600	\$7,097,000	\$19,430,100	\$15,301,000	\$7,329,700	\$59,608,400	\$49,828,700	19.6%
Coconino	2,202,700	7,383,000	9,189,700	8,093,700	958,600	27,827,700	25,378,000	9.7%
Gila <sup>4/</sup>	489,100	0	3,992,100	33,600	475,000	4,989,800	5,116,100	(2.5)%
Graham	17,927,300	6,867,300	5,652,200	11,359,500	9,223,900	51,030,200	42,472,700	20.1%
Maricopa	8,809,500	304,947,600	512,759,200	317,670,800	50,142,400	1,194,329,500	987,719,500	20.9%
Mohave	2,137,000	9,175,400	21,105,000	10,182,000	445,400	43,044,800	43,790,000	(1.7)%
Navajo	7,276,900	4,500,000	14,035,800	6,400,000	2,640,000	34,852,700	33,643,600	3.6%
Pima	7,093,500	54,068,000	100,327,000	65,787,000	5,053,500	232,329,000	208,645,800	11.4%
Pinal	3,033,200	12,478,000	42,413,000	24,615,700	4,711,100	87,251,000	80,431,900	8.5%
Santa Cruz <sup>4/</sup>	93,300	0	1,437,100	20,000	10,400	1,560,800	1,818,500	(14.2)%
Yavapai	1,689,900	11,867,000	46,313,200	15,674,000	4,372,500	79,916,600	76,138,700	5.0%
Yuma/La Paz	<u>3,609,100</u>	<u>13,662,400</u>	<u>31,501,200</u>	<u>20,000,000</u>	<u>5,019,000</u>	<u>73,791,700</u>	<u>78,697,600</u>	<u>(6.2)%</u>
<b>Total</b>	<b>\$64,812,100</b>	<b>\$432,045,700</b>	<b>\$808,155,600</b>	<b>\$495,137,300</b>	<b>\$90,381,500</b>	<b>\$1,890,532,200</b>	<b>\$1,633,681,100</b>	<b>15.7%</b>

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

<sup>2/</sup> Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are estimated to be \$2,495,555,000 for FY 2015.

<sup>3/</sup> Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are \$1,735,166,200 for FY 2014.

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

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.

Table 5

## Community College Tax Rates – FY 2015

District	Primary Rate	Secondary Rate	Combined Rate	% Change in Combined Rate from FY 2014
Cochise	\$2.03	\$0.00	\$2.03	9.7%
Coconino	0.48	0.13	0.61	5.2%
Gila	0.96	0.00	0.96	10.3%
Graham	2.67	0.00	2.67	(2.6)%
Maricopa	1.28	0.24	1.52	(0.7)%
Mohave	1.22	0.00	1.22	6.1%
Navajo	1.66	0.00	1.66	12.2%
Pima	1.33	0.00	1.33	3.1%
Pinal	1.91	0.35	2.26	0.4%
Santa Cruz	0.45	0.00	0.45	7.1%
Yavapai	1.86	0.22	2.08	2.0%
Yuma/La Paz	2.00	0.38	2.38	7.2%

The community colleges also collect tuition and fees from enrolled students. These collections account for approximately 22.9% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2015 weighted average tuition (weighted for each district's proportion of the statewide FTSE count) is \$2,430 if a full-time student attends for 30 hours a year. The FY 2015 amount represents an increase of 4.1% from FY 2014. (See Table 6 for FY 2015 resident tuition and fee rates.)

Table 6

## Community College Resident Tuition and Fees – FY 2015

District	Cost Per Credit Hour	Annual Cost <sup>1/</sup>	% Change from FY 2014
Cochise	\$75	\$2,250	2.7%
Coconino	89	2,670	2.3%
Gila	67	2,000	1.2%
Graham	67	2,000	4.2%
Maricopa	84	2,520	3.7%
Mohave	87	2,610	2.4%
Navajo	66	1,980	(0.5)%
Pima	77	2,300	7.0%
Pinal	80	2,400	3.9%
Santa Cruz	75	2,250	2.7%
Yavapai	72	2,160	2.9%
Yuma/La Paz	<u>76</u>	<u>2,280</u>	<u>5.6%</u>
<b>Weighted Average</b>	<b>\$81</b>	<b>\$2,430</b>	<b>4.1%</b>

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

Community colleges also receive grants and "other" revenue from a variety of sources. Combined, they account for approximately 31.0% of community college revenues. Grants traditionally come from the federal government, including: the U.S. Department of Education, Small Business Administration, National Science Foundation, and Health and Human Services. Revenue listed in the "other" category includes auxiliary programs, interest incomes, workforce development funds, and transfers.

**Total Community College Expenditures**

Table 7 shows total budgeted FY 2015 community college expenditures. In FY 2015, total budgeted expenditures are \$2,502,170,600. As mentioned previously, base operating

revenues for FY 2015 are \$1,890,532,200 however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,495,555,000. Of the total \$2,486,262,600 in expenditures, \$1,555,465,600, or 62%, of these expenditures are from the community colleges' general and restricted funds. This includes about \$557,926,200, or 22%, for instruction and \$274,499,000, or 11%, for administrative support.

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$367,803,300 or 15% of the total. Plant Fund expenditures, which generally include capital costs, are \$393,991,800, or 16% of the total. The remaining \$184,909,900 is for debt service.

Table 7

<b>Community Colleges - FY 2015 Budgeted Expenditures</b>		
<u>General/Restricted Funds</u>	<u>Total</u>	<u>% of Total</u>
Instruction	\$557,926,200	22%
Public Service	9,913,200	0%
Academic Support	136,299,100	5%
Student Services	188,031,400	8%
Administrative Support	274,499,000	11%
Operation & Maintenance	115,875,900	5%
Scholarships/Grants	159,845,700	6%
Contingency	113,075,100	5%
<b>Subtotal</b>	<b>\$1,555,465,600</b>	<b>62%</b>
Auxiliary Enterprises Fund	\$ 367,803,300	15%
Plant Fund	393,991,800	16%
Debt Service	184,909,900	7%
<b>Total</b>	<b>\$ 2,502,170,600</b>	<b>100%</b>

<b>SUMMARY OF FUNDS</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Estimate</b>
<b>Tribal Assistance Fund (No Fund Number/A.R.S. § 42-5029)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund workforce development and job training activities at a community college owned, operated, or chartered by a qualifying Indian tribe.		
<b>Funds Expended</b>	743,700	762,900
<b>Year-End Fund Balance</b>	0	0
<b>Workforce Development Accounts (varies by account/A.R.S. § 15-1472)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	16,318,600	16,933,700
<b>Year-End Fund Balance</b>	0	0

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

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	301,400	391,400	391,400
<b>TOTAL - ALL SOURCES</b>	<b>301,400</b>	<b>391,400</b>	<b>391,400</b>

**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.

<b>SUMMARY OF FUNDS</b>	FY 2014 Actual	FY 2015 Estimate
<b>Constable Ethics Standards and Training (CNA2346/A.R.S. § 22-137)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees collected for every writ served on behalf of a Justice of the Peace.		
<b>Purpose of Fund:</b> 80% to fund constable training, equipment and related grants and 20% to fund operating expenses for the board.		
<b>Funds Expended</b>	301,400	391,400
<b>Year-End Fund Balance</b>	461,700	407,600

## Registrar of Contractors

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	105.6	105.6	105.6
Personal Services	3,851,700	5,666,900	5,666,900
Employee Related Expenditures	1,641,800	2,358,100	2,358,100
Professional and Outside Services	960,800	405,300	405,300
Travel - In State	191,300	505,100	505,100
Travel - Out of State	0	11,800	11,800
Other Operating Expenditures	926,200	2,131,600	2,131,600
Equipment	122,600	100,300	100,300
<b>OPERATING SUBTOTAL</b>	<b>7,694,400</b>	<b>11,179,100</b>	<b>11,179,100</b>
<b>SPECIAL LINE ITEMS</b>			
Office of Administrative Hearings Costs	221,200	1,017,600	1,017,600
Residential Contractors' Recovery Fund Deposit	2,700,000	0	0
<b>AGENCY TOTAL</b>	<b>10,615,600</b>	<b>12,196,700</b>	<b>12,196,700</b>
<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Registrar of Contractors Fund	10,615,600	12,196,700	12,196,700
SUBTOTAL - Other Appropriated Funds	10,615,600	12,196,700	12,196,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>10,615,600</b>	<b>12,196,700</b>	<b>12,196,700</b>
Other Non-Appropriated Funds	3,202,500	4,666,800	4,666,800
<b>TOTAL - ALL SOURCES</b>	<b>13,818,100</b>	<b>16,863,500</b>	<b>16,863,500</b>

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

### Operating Budget

The Baseline includes \$11,179,100 and 105.6 FTE Positions from the Registrar of Contractors Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

### Office of Administrative Hearings Costs

The Baseline includes \$1,017,600 from the Registrar of Contractors Fund in FY 2016 for Office of Administrative Hearings (OAH) Costs. This amount is unchanged from FY 2015.

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

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**FORMAT** — Operating Lump Sum with Special Line Items by Agency

### FOOTNOTES

#### Standard Footnotes

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

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Registrar of Contractors Fund (RGA2406/A.R.S. § 32-1107)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies collected by the agency from the examination and licensing of contractors. The agency retains 90% of these monies and deposits 10% in the General Fund.		
<b>Purpose of Fund:</b> To examine, license, investigate and regulate contractors, and for agency administration.		
<b>Funds Expended</b>	10,615,600	12,196,700
<b>Year-End Fund Balance</b>	11,454,900	6,745,800

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Residential Contractors' Recovery Fund (RGA3155/A.R.S. § 32-1132)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> An assessment, not to exceed \$600 per biennial license period, paid by residential contractors and other monies.		
<b>Purpose of Fund:</b> 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 amended A.R.S. § 32-1134 to allow up to 14% of prior fiscal year revenue to be used to administer the fund.		
<b>Funds Expended</b>	3,202,500	4,666,800
<b>Year-End Fund Balance</b>	4,493,900	4,548,400

## Corporation Commission

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	300.9	300.9	300.9
Personal Services	15,332,600	16,807,500	16,807,500
Employee Related Expenditures	6,058,700	6,175,800	6,175,800
Professional and Outside Services	603,400	233,500	178,500
Travel - In State	153,500	164,400	164,400
Travel - Out of State	100,800	95,000	95,000
Other Operating Expenditures	2,824,300	2,487,300	2,587,300
Equipment	449,400	295,000	295,000
<b>OPERATING SUBTOTAL</b>	<b>25,522,700</b>	<b>26,258,500</b>	<b>26,303,500</b>
<b>SPECIAL LINE ITEMS</b>			
Corporation Filings, Same Day Service	0	400,400	400,400
Named Claimants	0	600	0
Securities Division Database Upgrade	0	750,000	0
Utilities Audits, Studies, Investigations & Hearings	0	380,000	380,000
<b>AGENCY TOTAL</b>	<b>25,522,700</b>	<b>27,789,500</b>	<b>27,083,900</b>
<b>FUND SOURCES</b>			
General Fund	511,000	610,500	609,900
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	50,000	50,100	50,100
Investment Management Regulatory and Enforcement Fund	714,200	715,700	715,700
Public Access Fund	5,987,800	6,622,200	6,567,200
Securities Regulatory and Enforcement Fund	4,661,000	5,569,200	4,919,200
Utility Regulation Revolving Fund	13,598,700	14,221,800	14,221,800
SUBTOTAL - Other Appropriated Funds	25,011,700	27,179,000	26,474,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>25,522,700</b>	<b>27,789,500</b>	<b>27,083,900</b>
Other Non-Appropriated Funds	1,200	0	0
Federal Funds	430,900	700,000	700,000
<b>TOTAL - ALL SOURCES</b>	<b>25,954,800</b>	<b>28,489,500</b>	<b>27,783,900</b>

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

### Operating Budget

The Baseline includes \$26,303,500 and 298.9 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$609,900
Arizona Arts Trust Fund	50,100
Investment Management Regulatory and Enforcement Fund	715,700
Public Access Fund	6,166,800

Securities Regulatory and Enforcement Fund	4,919,200
Utility Regulation Revolving Fund	13,841,800

FY 2016 adjustments would be as follows:

**Remove One-Time Funding OF (\$55,000)**  
The Baseline includes a decrease of \$(55,000) from the Public Access Fund in FY 2016 for the elimination of one-time funding. The FY 2015 budget provided funding to hire a vendor to address a 4-year backlog of documents that are required by law to be microfilmed.

**Ongoing Database Funding OF 100,000**

The Baseline includes an increase of \$100,000 from the Securities Regulatory and Enforcement Fund in FY 2016 for ongoing maintenance related to new securities database software. These monies reflect a transfer of \$100,000 from the Securities Division Database Upgrade line item. The FY 2015 budget included \$750,000 in that line item to replace 2 Securities Division software systems that track enforcement matters and handle receipting, securities registration, and licensing functions.

**Corporation Filings, Same Day Service**

The Baseline includes \$400,400 and 2 FTE Positions from the Public Access Fund in FY 2016 for Corporation Filings, Same Day Service. These amounts are unchanged from FY 2015.

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, 1<sup>st</sup> Special Session, Chapter 2) permanently eliminated this requirement.

**Named Claimants**

The Baseline includes no funding in FY 2016 for the Named Claimants line item. FY 2016 adjustments would be as follows:

**Remove One-Time Funding GF (600)**

The Baseline includes a decrease of \$(600) from the General Fund in FY 2016 for the elimination of one-time funding of prior year unpaid claims.

The state must annually settle legitimate unpaid claims against received goods and services, as submitted by the various state agencies. Vendors providing goods and services to the state can make claims against the receiving agencies if invoices are not paid in full. Up to 1 year following receipt, state agencies have the financial authority to pay such claims through administrative adjustments. However, the Legislature must grant special appropriation authority to pay claims older than 1 year. Laws 2014, Chapter 39 appropriated \$630 in FY 2015 for prior year unpaid claims against the Corporation Commission.

**Securities Division Database Upgrade**

The Baseline includes no funding from the Securities Regulatory and Enforcement Fund in FY 2016 for the Securities Division Database Upgrade line item. FY 2016 adjustments would be as follows:

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

The Baseline includes a decrease of \$(750,000) from the Securities Regulatory and Enforcement Fund in FY 2016 for the elimination of one-time funding to replace software systems.

Monies in this line item were used to replace 2 Securities Division software systems that track enforcement matters and handle receipting, securities registration, and licensing functions. The agency expects ongoing maintenance to cost \$100,000 yearly. That funding has been transferred to the operating budget for FY 2016.

**Utilities Audits, Studies, Investigations, & Hearings**

The Baseline includes \$380,000 from the Utility Regulation Revolving Fund in FY 2016 for Utilities Audits, Studies, Investigations, & Hearings. This amount is unchanged from FY 2015.

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

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**FORMAT** — Operating Lump Sum with Special Line Items by Agency

**FOOTNOTES**

*Standard Footnotes*

The \$400,400 appropriated from the Public Access Fund for the Corporation Filings, Same Day Service line item reverts to the Public Access Fund at the end of FY 2016 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.



SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Arizona Arts Trust Fund (CCA3043/A.R.S. § 41-983.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> One-third of the filing fees for the annual report of domestic and foreign corporations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	50,000	50,100
<b>Year-End Fund Balance</b>	300	300
<b>Federal Funds (CCA2000/A.R.S. § 40-441)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> U.S. Department of Transportation grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	388,800	700,000
<b>Year-End Fund Balance</b>	2,340,200	2,840,200
<b>Federal Grants - American Recovery and Reinvestment Act (ARRA) (CCA2999/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
<b>Purpose of Fund:</b> One-time Federal Funds to be used by the commission for the weatherization of homes, energy efficiency and usage reduction, and appliance rebates.		
<b>Funds Expended</b>	42,100	0
<b>Year-End Fund Balance</b>	0	0
<b>IGA and ISA Fund (CCA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants and intergovernmental agreements between state agencies and local governments.		
<b>Purpose of Fund:</b> To be used as specified in the grant or agreement.		
<b>Funds Expended</b>	1,200	0
<b>Year-End Fund Balance</b>	5,200	5,200
<b>Investment Management Regulatory and Enforcement Fund (CCA2404/A.R.S. § 44-3298)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees from licensing of investment advisors and investment advisor representatives, and from costs recovered from enforcement actions associated with the licensing.		
<b>Purpose of Fund:</b> For education, regulatory, investigative and enforcement operations in the Securities Division.		
<b>Funds Expended</b>	714,200	715,700
<b>Year-End Fund Balance</b>	3,287,400	1,966,700
<b>Pipeline Safety Revolving Fund (CCA2174/A.R.S. § 40-443)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For expenses associated with gas and hazardous liquids pipeline facilities safety, including public education, training, purchasing equipment, and inspections.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	144,200	144,200
<b>Public Access Fund (CCA2333/A.R.S. § 10-122.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees for expedited service for the filing of articles of incorporation and other documents.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	5,987,800	6,622,200
<b>Year-End Fund Balance</b>	2,101,600	1,256,500

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Securities Regulatory and Enforcement Fund (CCA2264/A.R.S. § 44-2039)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Registration and transfer of registration fees for securities dealers and salesmen, and from registration fees for securities exchanges established in the state.		
<b>Purpose of Fund:</b> For education, regulatory, investigative, and enforcement operations in the Securities Division.		
<b>Funds Expended</b>	4,661,000	5,569,200
<b>Year-End Fund Balance</b>	1,297,100	1,194,800
<b>Utility Regulation Revolving Fund (CCA2172/A.R.S. § 40-408)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Assessments against public utilities regulated by the commission, as defined by A.R.S. § 40-401.		
<b>Purpose of Fund:</b> For all expenses incurred by the Utilities Division, including attorneys and legal staff, auditors, economists and other staff employed by the division.		
<b>Funds Expended</b>	13,598,700	14,221,800
<b>Year-End Fund Balance</b>	13,334,300	1,535,200
<b>Utility Siting Fund (CCA2076/A.R.S. § 40-360.09)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees paid for applications to the Power Plant and Transmission Line Siting Committee for proposed and expanded power plants and transmission lines.		
<b>Purpose of Fund:</b> For costs incurred by the Power Plant and Transmission Line Siting Committee in connection with the activities of the committee.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	7,400	17,400

## State Department of Corrections

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	9,384.0	9,534.0	9,534.0
Correctional Officer Personal Services	303,777,200	322,453,300	323,322,600
Health Care Personal Services	2,532,400	2,791,300	2,791,300
All Other Personal Services	62,452,800	64,492,900	64,818,300
<b>Personal Services Subtotal</b>	<b>368,762,400</b>	<b>389,737,500</b>	<b>390,932,200</b>
<b>Employee Related Expenditures</b>	<b>187,151,400</b>	<b>200,886,600</b>	<b>201,494,700</b>
<b>Personal Services and Employee Related Expenditures for Overtime/Compensatory Time</b>	<b>28,810,400</b>	<b>15,501,300</b>	<b>15,549,300</b>
<b>Health Care All Other Operating Expenditures</b>			
Professional and Outside Services	3,069,700	2,763,300	2,763,300
Travel - In State	18,000	25,000	25,000
Travel - Out of State	10,100	15,000	15,000
Other Operating Expenditures	722,700	781,600	781,600
Equipment	101,100	15,000	15,000
<b>Health Care Operating Subtotal</b>	<b>3,921,600</b>	<b>3,599,900</b>	<b>3,599,900</b>
<b>Non-Health Care All Other Operating Expenditures</b>			
Professional and Outside Services	7,580,800	5,370,400	5,318,600
Travel - In State	213,200	224,300	226,400
Travel - Out of State	82,500	119,100	119,100
Food	40,729,800	41,642,800	41,616,500
Other Operating Expenditures	109,935,400	110,290,900	110,280,300
Equipment	7,710,000	4,788,500	3,522,000
<b>Non-Health Care Operating Subtotal</b>	<b>166,251,700</b>	<b>162,436,000</b>	<b>161,082,900</b>
<b>OPERATING SUBTOTAL</b>	<b>754,897,500</b>	<b>772,161,300</b>	<b>772,659,000</b>
<b>SPECIAL LINE ITEMS</b>			
Private Prison Per Diem	131,368,100	144,321,300	151,518,600
Inmate Health Care Contracted Services	126,170,100	125,274,900	125,274,900
<b>AGENCY TOTAL</b>	<b>1,012,435,700</b>	<b>1,041,757,500</b>	<b>1,049,452,500</b>
<b>FUND SOURCES</b>			
General Fund	969,874,500	996,845,600	1,004,386,800
<b>Other Appropriated Funds</b>			
Alcohol Abuse Treatment Fund	295,300	554,400	554,400
Corrections Fund	25,688,000	27,517,600	27,517,600
Penitentiary Land Fund	892,300	979,200	979,200
Prison Construction and Operations Fund	12,372,100	13,684,400	13,684,400
State Charitable, Penal and Reformatory Institutions Land Fund	359,900	360,000	360,000
State Education Fund for Correctional Education	491,500	516,300	670,100
Transition Program Fund	2,462,100	1,300,000	1,300,000
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>42,561,200</b>	<b>44,911,900</b>	<b>45,065,700</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,012,435,700</b>	<b>1,041,757,500</b>	<b>1,049,452,500</b>
Other Non-Appropriated Funds	48,437,600	50,890,200	50,890,200
Federal Funds	8,742,500	9,079,100	9,049,300
<b>TOTAL - ALL SOURCES</b>	<b>1,069,615,800</b>	<b>1,101,726,800</b>	<b>1,109,392,000</b>

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

**Operating Budget**

The Baseline includes \$772,659,000 and 9,534 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$763,089,500
Alcohol Abuse Treatment Fund	554,400
Corrections Fund	3,000,600
Prison Construction and Operations Fund	3,684,400
State Charitable, Penal and Reformatory Institutions Land Fund	360,000
State Education Fund for Correctional Education	670,100
Transition Program Fund	1,300,000

FY 2016 adjustments would be as follows:

<b>Annualize Maximum-Security Beds</b>	<b>GF 343,900</b>
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The Baseline includes an increase of \$343,900 from the General Fund in FY 2016 to fund the annualization costs for the 500 maximum-security prison beds opening in FY 2015.

The FY 2013 Capital Outlay Bill (Laws 2012, Chapter 295) appropriated \$50,000,000 from the General Fund to construct 500 male maximum-security beds. The Lewis Rast Unit is the site for the beds. The Department of Corrections started placing prisoners in the beds in early December 2014.

<b>Fund Adjustment</b>	<b>OF 153,800</b>
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The Baseline includes an increase of \$153,800 from the State Educational Fund for Correctional Education in FY 2016 to align the appropriation with funds currently received from the Department of Education for correctional education. In FY 2014, the department received \$670,100. The current appropriation is \$516,300.

The Baseline continues to permit the department to use the Transition Program Fund for department operating expenses, but discontinues the provision to permit the department to use the Interagency Service Agreement Fund for department operating expenses.

**Private Prison Per Diem**

The Baseline includes \$151,518,600 in FY 2016 for Private Prison Per Diem. This amount consists of:

General Fund	126,022,400
Corrections Fund	24,517,000
Penitentiary Land Fund	979,200

FY 2016 adjustments would be as follows:

<b>Annualize Medium-Security Beds</b>	<b>GF 7,197,300</b>
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The Baseline includes an increase of \$7,197,300 from the General Fund in FY 2016 to annualize the cost of 500 medium-security beds opening in January 2015.

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 is housing these prisoners at their existing Red Rock Correctional Center in Eloy. The FY 2016 Criminal Justice BRB would continue to prohibit the department from awarding the remainder of the 2,000 beds without legislative authorization.

*Background* – Monies in this line item are paid to private prison contractors for housing and providing medical care to Arizona inmates in 7,538 beds under contract and operational by June 30, 2015. Private prison beds are permanent beds the department typically owns on average after a period of 20 years. ADC will own the facilities after a specified amount of time because the per diem rate includes a portion of the facilities' purchasing cost. Administrative expenses related to private prison contracts are included in the department's operating budget.

**Inmate Health Care Contracted Services**

The Baseline includes \$125,274,900 in FY 2016 for Inmate Health Care Contracted Services. These amounts consist of:

General Fund	115,274,900
Prison Construction and Operations Fund	10,000,000

These amounts are unchanged from FY 2015.

*Background* – ADC provides healthcare to inmates within state facilities through a contract with a provider at a per diem rate of \$10.42. The line item funds the costs of the contract; ADC expenditures for monitoring the contracted

services are included within the department's operating budget. *(For a discussion of capitation rate changes, please see the Other Issues for Legislative Consideration section.)*

\* \* \*

**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.

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

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, 2015. The report must reflect the bed capacity for each security classification by gender at each state-run and private institution, divided by rated and total beds. The report must include bed capacity data for June 30 of the previous fiscal year, June 30 of the current fiscal year and June 30 of the subsequent fiscal year, as well as the reasons for any change within that time period. Within the total bed count, the department shall provide the number of temporary and special use beds. If the department develops a plan subsequent to its August 1 report to close state-operated prison rated beds or cancel or not renew contracts for privately operated prison beds, the State Department of Corrections shall submit a bed plan detailing the proposed bed closures for review by the Joint Legislative Budget Committee before implementing these changes.

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

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

Before the expenditure of any State Education Fund for Correctional Education receipts in excess of \$670,100, the State Department of Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee.

### *New Footnotes*

Before implementation of any changes in per diem rates for the Inmate Health Care Contracted Services, the State Department of Corrections shall report its expenditure plan for review by the Joint Legislative Budget Committee. *(Please see Inmate Health Contracted Services- Rate Increase within the Other Issues for Legislative Consideration section for further details.)*

In accordance with A.R.S. § 35-142.01, the department may deposit for the current fiscal year reimbursements received for Medicaid savings from health care providers from previous fiscal years, and may use the monies to offset General Fund costs for Inmate Health Care Contracted Services. *(Please see Legislative Authority for Administering Reimbursement within the Other Issues for Legislative Consideration section for further details.)*

### *Deletion of Prior Year Footnotes*

The Baseline would delete the footnote allowing the department to spend a portion of its total appropriation on capital projects in FY 2015.

## STATUTORY CHANGES

The Baseline would:

- As session law, continue to require the department to report FY 2015 actual expenditures, FY 2016 estimated expenditures, and FY 2017 requested expenditure amounts for each line item as delineated in the prior year when the department submits its FY 2017 budget request pursuant to A.R.S. § 35-113.
- As session law, continue to permit the department to use the Transition Program Fund for department operating expenses in FY 2016. The Baseline would not continue to permit the use of the non-appropriated Interagency Service Agreement Fund for department operating expenses in FY 2016.
- 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

This section includes information on the following topics:

- Long Term Budget Impacts
- Inmate Growth Rate
- Bed Capacity
- FY 2014 Bed Surplus/Shortfall
- Healthcare Litigation
- Inmate Health Contracted Services
- Hepatitis C
- Legislative Authority for Medicaid Reimbursement
- Arizona Inmate Management System
- Interagency Service Agreement Fund

### Long Term Budget Impacts

Beyond FY 2016 Baseline, current estimates by the JLBC Staff assume no additional funding in FY 2017 and FY 2018. Factors that may impact the need for future additional spending include continued growth in inmate population, the healthcare litigation agreement, health care contracted services capitation rate changes, and the costs of Hepatitis C treatments for prisoners; see narrative for more details.

### Inmate Growth Rate

The Baseline assumes inmate growth of 80 prisoners per month in FY 2016, or approximately 960 annually (840 male inmates and 120 female inmates). During FY 2014, the inmate population increased by 1,087 from 40,686 to 41,773. This continues the moderate growth seen in FY 2013. As of November 2014, the average monthly growth for the previous 12 months was 95 inmates.

A breakdown of the annual population growth rate by custody and gender can be seen in *Table 1*. As with the overall growth rate, the rate assumptions by gender and custody level may need further revision.

<u>Custody</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
Minimum	219	86	305
Medium	554	24	578
Close	17	6	23
Maximum	<u>50</u>	<u>4</u>	<u>54</u>
<b>Total</b>	<b>840</b>	<b>120</b>	<b>960</b>

### Bed Capacity

There are 2 methods of defining bed capacity:

- “Rated” beds: Beds originally designed for housing prisoners. This amount was 37,181 in public and private prisons on June 30, 2014, an increase of 500 from the 36,681 on June 30, 2013. ADC added 500 medium rated beds with the opening of the private

Red Rock facility in FY 2014, and will add 1,000 rated beds in FY 2015 with the second set of 500 medium private beds at Red Rock and the 500 new maximum beds at the ASPC-Lewis Rast Unit. ADC projects a total of 38,181 rated beds on June 30, 2015.

- 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 2014, the department increased its total operating capacity by 605 beds, from 41,810 to 42,415. As of June 30, 2014, public and private prisons have a total of 5,234 temporary beds, an increase from 5,129 as of June 30, 2013. ADC projects 5,478 temporary beds in use at the end of FY 2015. This includes plans to reactivate 324 temporary beds at Cheyenne to meet growth needs and reassign 80 rated maximum beds as special use beds given the opening of the new 500 maximum rated beds. From June 2011 to June 2014, the range of temporary beds available was 5,129 to 5,842.

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 1,609 as of June 30, 2014, 56 beds more than on June 30, 2013.

The department has flexibility in establishing or decommissioning beds (or shifting between inmate classification) as discussed in this section. As a result, a FY 2016 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 2014, the inmate population increased by 1,087 inmates. At the end of FY 2014, the department had a total rated bed shortfall of (4,592). After adjusting for the 5,234 temporary beds in the overall ADC system, the rated bed shortfall became a 642 bed surplus as shown in *Table 3*.

Presuming an annual growth rate of 960 inmates, the projected rated bed shortfall in FY 2015 is (4,552). The total bed surplus/shortfall estimates for FY 2015 and beyond will depend on whether ADC maintains the 5,478 temporary bed level described above. At the 5,478 bed level, the rated bed shortfall becomes a 926 total bed surplus in FY 2015. The opening of 1,000 new private medium beds and the opening of 500 maximum custody state beds offset inmate growth in FY 2014 and FY 2015.

By June 30, 2016, the rated bed shortfall is projected at (5,512). The operating capacity is a bed shortfall of (34), assuming 5,478 temporary beds.

The projections also assume other changes ADC anticipates making. These include the reactivation of 324 male medium custody temporary beds at Yuma Cheyenne in FY 2015, reallocation adjustments between maximum custody and close custody to meet the needs of the new programming plan for maximum custody inmate, and the adjustment of 80 maximum custody beds to their original special use status in FY 2015. The agency projects that they will re-designate 300 medium custody beds to minimum custody beds in FY 2017.

Bed shortfall estimates vary by level of security (e.g. minimum, medium, or maximum). While the overall operational capacity retains a surplus in FY 2015 and a small shortfall in FY 2016, a sizeable shortfall is expected in male medium custody beds presuming the growth rates by gender and classification shown in *Table 1*. The projected operational capacity shortfalls for male medium and close custody beds during FY 2014 to FY 2017 can be seen below:

	<b>Projected Operational Capacity Surplus/Shortfall - Male Beds</b>			
<b>Custody</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Minimum	300	82	(136)	(28)
Medium	(275)	(5)	(559)	(1,439)
Close	(73)	(42)	(59)	(76)
Maximum	<u>207</u>	<u>528</u>	<u>477</u>	<u>426</u>
<b>Total</b>	<b>159</b>	<b>563</b>	<b>(277)</b>	<b>(1,117)</b>

**Healthcare Litigation**

*Parsons v. Ryan* was filed against ADC in the U.S. District Court on March 6, 2012 seeking relief against alleged inadequate inmate health care and an inadequate mental health environment within maximum custody units. On October 14, 2014, a settlement agreement was filed for the case. ADC agreed to meeting health care performance measures defined by the agreement, improved mental health treatment and programming, increasing the time spent by maximum custody inmates outside of cells, and performance monitoring. The agreement required the department to request the Arizona Legislature approve a budget to increase staffing of medical and mental health positions and to request funds, if necessary, for the department to implement changes to the maximum custody environment. At this time, the proposed costs related to fulfilling the agreement are unknown.

**Inmate Health Contracted Services**

The department contracts for inmate health care services with Corizon. The original per diem charged by the vendor was \$10.10 per prisoner per day. ADC and the vendor agreed to an amendment in June 2014 that

increased the mental health staffing for the maximum custody population and stipulates that the vendor will monitor inmate intake of specific prescription medications. This amendment increased the per diem to \$10.42.

The June 2014 amendment preceded the healthcare litigation agreement. If additional staff or new procedures are introduced to meet the health care or mental health standards defined in the agreement, additional adjustments to the per diem may be required.

The contract allows the vendor to request a price adjustment for inflation. The vendor is eligible to request an initial price adjustment starting March 4, 2015. The department has the authority, if funded, to approve a price adjustment increase that shall not exceed the percent of change in the average medical consumer price index (CPI) - Metropolitan Phoenix, established for the most recent calendar year. ADC projects a 4.3% medical CPI adjustment.

The department and the provider pursue Medicaid reimbursement for inmates that receive inpatient care in a hospital setting. The department anticipates \$3.2 million in yearly reimbursements offsetting the contract costs.

The current appropriation of \$125.3 million funds 33,982 prisoners within state facilities at the old per diem of \$10.10. The additional FY 2016 cost of aligning the appropriation to account for population growth and per diem adjustments (adjusted for the anticipated \$3.2 million in savings) would range from \$3.9 million for funding the end of FY 2014 population (34,807) at \$10.42 to \$11.3 million for funding the projected year-end FY 2015 population (35,267) and adjusting the per diem to \$10.86 to account for 4.3% medical CPI inflation.

Given the potential for adjustments due to change of services or inflationary adjustments, a new Baseline footnote proposes JLBC review of future capitation rate adjustments for inmate health contracted services. (*See the Footnotes section.*)

**Hepatitis C**

In 2013, the FDA approved a new oral drug therapy for treatment of Hepatitis C that offers high cure rates and less side effects than older treatments. At a cost of treatment per person ranging from \$85,000 to \$95,000 and with other specialty drugs being approved for the treatment of Hepatitis C and other diseases, public and private insurers across the United States are developing protocols for treatment. The Department of Corrections has 6,575 inmates infected with Hepatitis C. At the present time, an inmate in the middle of treatment admitted to ADC will be permitted to continue the treatment.

**Legislative Authority for Medicaid Reimbursement**

For inmates eligible for Medicaid, the state can seek reimbursement for the costs of outside medical care. To receive reimbursement, the care is paid via the Arizona Health Care Cost Containment System (AHCCCS). ADC pays the state match portion, and AHCCCS using federal

dollars covers the Federal Financial Participation portion. Since ADC already pays for potential hospitalization of inmates in state facilities as part of the inmate health care services contract, the total dollar amount is offset on subsequent invoices by the vendor. The savings to the department is the federal portion. The Baseline includes a provision to allow the department to use reimbursement monies from previous fiscal years to offset current costs.

**Arizona Inmate Management System**

The Baseline does not include any FY 2016 transfers from department funds for the replacement of the Adult Inmate Management System. The FY 2014 and FY 2015 appropriations transferred \$16.0 million from department funds to the APF for the creation of a new inmate

management system and are expected to be sufficient through FY 2016. (Please see the Department of Administration - Automation Projects Fund section for details regarding this information technology project.)

**Interagency Service Agreement Fund**

Criminal Justice BRB provisions in FY 2014 and FY 2015 allow the department to use the Interagency Service Agreement Fund for operating expenses. Expenditures in FY 2014 and FY 2015 are expected to be \$60,000. Given low expenditures levels, the Baseline does not continue the flexibility for this fund in FY 2016. (See the Footnotes section.)

State	FY 2014 Actual			FY 2015 Estimate			FY 2016 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	1,319	5,343	4,024	1,239	5,263	4,024	1,239	5,263
Florence	3,440	697	4,137	3,440	697	4,137	3,440	697	4,137
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	5,104	752	5,856	5,104	752	5,856
Safford	1,453	316	1,769	1,453	316	1,769	1,453	316	1,769
Tucson	4,605	565	5,170	4,605	565	5,170	4,605	565	5,170
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	404	4,754	4,350	404	4,754
<b>Subtotal</b>	<b>30,781</b>	<b>4,596</b>	<b>35,377</b>	<b>31,281</b>	<b>4,840</b>	<b>36,121</b>	<b>31,281</b>	<b>4,840</b>	<b>36,121</b>
<b>Private (Per Diem)</b>									
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	1,000	-	1,000
<b>Subtotal</b>	<b>6,400</b>	<b>638</b>	<b>7,038</b>	<b>6,900</b>	<b>638</b>	<b>7,538</b>	<b>6,900</b>	<b>638</b>	<b>7,538</b>
<b>Total - All Beds 6/</b>	<b>37,181</b>	<b>5,234</b>	<b>42,415</b>	<b>38,181</b>	<b>5,478</b>	<b>43,659</b>	<b>38,181</b>	<b>5,478</b>	<b>43,659</b>
<b>State Prison Population</b>	<b>34,807</b>		<b>34,807</b>	<b>35,267</b>		<b>35,267</b>	<b>36,227</b>		<b>36,227</b>
Female	3,811		3,811	3,931		3,931	4,051		4,051
Male	30,996		30,996	31,336		31,336	32,176		32,176
<b>Private Prison Population</b>									
Male	<b>6,966</b>		<b>6,966</b>	<b>7,466</b>		<b>7,466</b>	<b>7,466</b>		<b>7,466</b>
<b>Total Population 7/</b>	<b>41,773</b>		<b>41,773</b>	<b>42,733</b>		<b>42,733</b>	<b>43,693</b>		<b>43,693</b>
<b>Bed Surplus/(Shortfall)</b>	<b>(4,592)</b>		<b>642</b>	<b>(4,552)</b>		<b>926</b>	<b>(5,512)</b>		<b>(34)</b>
Male	(5,003)		159	(4,843)		563	(5,683)		(277)
Female	411		483	291		363	171		243
<b>Bed Surplus / (Shortfall)</b> <b>(% of Beds)</b>	<b>-11%</b>		<b>2%</b>	<b>-11%</b>		<b>2%</b>	<b>-13%</b>		<b>0%</b>

1/ During FY 2013, ADC redesignated 80 rated Eyman beds as temporary beds. During FY 2015, ADC plans to designate the beds as special use beds with the opening of the new 500 maximum-security beds resulting in a net loss of (80) temporary maximum-security beds.  
2/ ADC will open 500 maximum-security beds at Lewis Rast in FY 2015.  
3/ The department plans to reactivate 324 temporary male medium-security beds at Yuma Cheyenne in June 2015.  
4/ The per diem changed with the new contract in October 2013.  
5/ 500 medium-security private beds opened in January 2014, and another 500 beds are scheduled to open starting in January 2015.  
6/ Excludes special use beds totaling 1,609 in FY 2014, 1,719 in FY 2015, and 1,719 in FY 2016.  
7/ The chart uses the Official Daily Count that includes prisoners in outside facilities and those awaiting transfer from county jail.



SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Alcohol Abuse Treatment Fund (DCA2204/A.R.S. § 31-255)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide alcohol abuse treatment and rehabilitation services for DUI inmates.		
<b>Funds Expended</b>	295,300	554,400
<b>Year-End Fund Balance</b>	1,000,200	899,800
<b>Arizona Correctional Industries Revolving Fund (DCA4002/A.R.S. § 41-1624)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sale of Arizona Correctional Industries (ACI) goods and services and interest earnings.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	40,143,100	38,802,400
<b>Year-End Fund Balance</b>	5,240,400	4,270,600
<b>Community Corrections Enhancement Fund (DCA2395/ARS § 31-418)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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. Revenues also include a monthly drug testing fee pursuant to Laws 2012, Chapter 208.		
<b>Purpose of Fund:</b> To pay for costs related to community corrections.		
<b>Funds Expended</b>	414,800	430,700
<b>Year-End Fund Balance</b>	322,700	353,300
<b>Corrections Donations Fund (DCA3147/A.R.S. § 41-1605)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private grants and monies received from the disposal of donated properties.		
<b>Purpose of Fund:</b> To be used as specified by the particular donation.		
<b>Funds Expended</b>	200	0
<b>Year-End Fund Balance</b>	0	0
<b>Corrections Fund (DCA2088/A.R.S. § 41-1641)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Luxury taxes on alcohol and tobacco products.		
<b>Purpose of Fund:</b> 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. A.R.S. § 41-1641 authorizes an annual transfer of \$2,500,000 from the Corrections Fund to the Department of Corrections Building Renewal Fund. 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). The FY 2015 General Appropriations Act transfers \$2,500,000 into the Automation Projects Fund.		
<b>Funds Expended</b>	25,688,000	27,517,600
<b>Year-End Fund Balance</b>	10,239,400	9,737,700
<b>Department of Corrections Building Renewal Fund (DCA2551/A.R.S. § 41-797)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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), and Corrections Fund (\$2,500,000). Also includes monies from a visitation background check fee and a 1% fee on inmate deposits.		
<b>Purpose of Fund:</b> For capital projects and preventive maintenance (up to 8% of the annual expenditures).		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	13,661,100	1,819,100

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Federal Funds (DCA2000/A.R.S. § 35-142 and A.R.S. § 41-1605)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Law enforcement related federal grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	8,742,500	9,079,100
<b>Year-End Fund Balance</b>	515,200	515,200
<b>Indirect Cost Recovery Fund (DCA9000/A.R.S. § 41-1604)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
<b>Purpose of Fund:</b> To pay department-wide administrative and overhead costs.		
<b>Funds Expended</b>	120,200	513,600
<b>Year-End Fund Balance</b>	2,510,200	2,601,000
<b>Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Profit resulting from the privatization of inmate stores.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,393,700	4,468,000
<b>Year-End Fund Balance</b>	3,117,600	3,877,100
<b>Interagency Service Agreement Fund (DCA2500/A.R.S. § 41-1604)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Intergovernmental agreements between ADC and other state and local entities.		
<b>Purpose of Fund:</b> To be used as specified in the grant or agreement. Estimated expenditures of \$8,000,000 of monies transferred from the Automation Projects Fund for the Arizona Inmate Management System replacement automation project are not displayed to avoid double counting. The FY 2015 Criminal Justice Budget Reconciliation Bill (Laws 2014, Chapter 12) continues to permit the department to use the non-appropriated Interagency Service Agreement Fund for department operating expenses in FY 2015.		
<b>Funds Expended</b>	60,500	58,200
<b>Year-End Fund Balance</b>	2,200	2,200
<b>Penitentiary Land Fund (DCA3140/A.R.S. § 37-525)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	892,300	979,200
<b>Year-End Fund Balance</b>	2,004,600	2,341,400
<b>Prison Construction and Operations Fund (DCA2504/A.R.S. § 41-1651)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Assessment (ranging from \$500 to \$1,500) paid by persons convicted of DUI offenses.		
<b>Purpose of Fund:</b> To pay for any costs related to prison overcrowding and department support and maintenance. In FY 2014, \$6,000,000 is transferred from this fund into the Building Renewal Fund pursuant to the FY 2014 General Appropriation Act. The FY 2015 General Appropriation Act transfers \$5,500,000 into the Automation Projects Fund.		
<b>Funds Expended</b>	12,372,100	13,684,400
<b>Year-End Fund Balance</b>	6,834,300	1,480,200

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Prisoner Spendable Accounts Fund (DCA2428/A.R.S. § 31-230)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received by a prisoner and that are not required to be deposited into another account.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Special Services Fund (DCA3187/A.R.S. § 41-1604.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Profits from canteens, hobby shops, and commissions on telephone service.		
<b>Purpose of Fund:</b> 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. A.R.S. § 41-1604.03 authorizes an annual \$500,000 transfer into the Department of Corrections Building Renewal Fund.		
<b>Funds Expended</b>	1,663,400	4,990,000
<b>Year-End Fund Balance</b>	8,879,300	8,049,300
<b>State Charitable, Penal and Reformatory Institutions Land Fund (DCA3141/A.R.S. § 37-525)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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 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 APSC-Yuma Cheyenne as authorized by the FY 2014 Capital Bill (Laws 2013, 1st Special Session, Chapter 8, Section 3).		
<b>Funds Expended</b>	359,900	360,000
<b>Year-End Fund Balance</b>	2,675,400	3,736,600
<b>State DOC Revolving Fund (DCA2515/A.R.S. § 42-3106)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives 3% of tax revenue collected on spirituous liquors and 7% of tax revenue collected on vinous and malt liquor.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,641,700	1,627,300
<b>Year-End Fund Balance</b>	3,001,600	4,952,800
<b>State Education Fund for Correctional Education (DCA2107/A.R.S. § 15-1372)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> "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.		
<b>Purpose of Fund:</b> To provide education to inmates under the age of 18 years and inmates with disabilities who are age 21 or younger.		
<b>Funds Expended</b>	491,500	516,300
<b>Year-End Fund Balance</b>	765,500	919,200
<b>State Employee Recognition Gifts/Donations Fund (DCA2449/A.R.S. § 41-709)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	200	200

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Transition Program Fund (DCA2379/A.R.S. § 31-284)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A 5% allocation of wages earned from inmates who earn at least \$2.00 per hour.		
<b>Purpose of Fund:</b> To pay for costs related to the administration of the transition program and for transition program services. The FY 2015 General Appropriation Act includes an appropriation shift for \$1,185,000 from the Transition Program Fund to the Prison Construction and Operations Fund. The FY 2015 Criminal Justice Budget Reconciliation Bill (Laws 2014, Chapter 12, Section 6) continues to permit the department to use the Transition Program Fund for department operating expenses in FY 2015.		
<b>Funds Expended</b>	2,462,100	1,300,000
<b>Year-End Fund Balance</b>	47,400	629,600

**Board of Cosmetology**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	24.5	24.5	24.5
Personal Services	743,800	754,500	754,500
Employee Related Expenditures	354,500	330,800	330,800
Professional and Outside Services	193,000	266,300	266,300
Travel - In State	3,400	40,500	40,500
Travel - Out of State	0	10,000	10,000
Other Operating Expenditures	401,200	355,300	355,300
Equipment	5,400	27,600	27,600
<b>AGENCY TOTAL</b>	<b>1,701,300</b>	<b>1,785,000</b>	<b>1,785,000</b>
<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Board of Cosmetology Fund	1,701,300	1,785,000	1,785,000
SUBTOTAL - Other Appropriated Funds	1,701,300	1,785,000	1,785,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,701,300</b>	<b>1,785,000</b>	<b>1,785,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,701,300</b>	<b>1,785,000</b>	<b>1,785,000</b>

**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**

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The Baseline includes \$1,785,000 and 24.5 FTE Positions from the Board of Cosmetology Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

<b>SUMMARY OF FUNDS</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Estimate</b>
<b>Board of Cosmetology Fund (CBA2017/A.R.S. § 32-505)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate cosmetologists, salons, and cosmetology schools, and for board administration.		
<b>Funds Expended</b>	1,701,300	1,785,000
<b>Year-End Fund Balance</b>	4,810,300	5,720,200

## County Funding

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>FUND SOURCES</b>			
General Fund	7,150,500	7,650,500	7,150,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>7,150,000</b>	<b>7,650,500</b>	<b>7,150,500</b>
<b>TOTAL - ALL SOURCES</b>	<b>7,150,500</b>	<b>7,650,500</b>	<b>7,150,500</b>

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

### Assistance to Counties

The Baseline includes \$7,150,500 from the General Fund in FY 2016 for assistance to counties. FY 2016 adjustments would be as follows:

**FY 2016**

**Remove One-Time Funding      GF      \$(500,000)**

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2016 for the elimination of one-time funding for additional assistance to Graham County.

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**

**Population 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
<b>Total</b>	<b>1,594,637</b>

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### STATUTORY CHANGES

The Baseline would:

- As session law, continue to allow counties with a population of less than 200,000 according to the 2010 Decennial Census to use any source of county revenue to meet a county fiscal obligation for FY 2016. Require counties using this authority to report to the Director of the Joint Legislative Budget Committee (JLBC) on the intended amount and sources of funds by October 1, 2015.
- As session law, modify Laws 2010, Chapter 321, which requires the JLBC to issue a report on the fiscal impact of government property lease excise tax (GPLET) rates. The modifications would:
  - Require counties to provide the JLBC Staff with information necessary to complete the report;
  - Eliminate a report section pertaining to the determination of the property tax levy per square foot, which cannot be completed; and
  - Permit the JLBC Staff to sample leases to produce the report.
- As permanent law, add the JLBC Staff to the list of recipients of GPLET payment information produced by counties and currently reported to the Department of Revenue.

## Arizona Criminal Justice Commission

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	9.0	9.0	9.0
Personal Services	354,600	443,600	443,600
Employee Related Expenditures	130,600	159,400	159,400
Professional and Outside Services	101,100	172,300	172,300
Travel - In State	4,600	7,700	7,700
Travel - Out of State	5,200	6,400	6,400
Other Operating Expenditures	62,900	99,600	99,600
Equipment	22,900	0	0
<b>OPERATING SUBTOTAL</b>	<b>681,900</b>	<b>889,000</b>	<b>889,000</b>
<b>SPECIAL LINE ITEMS</b>			
State Aid to County Attorneys	973,600	973,600	973,600
Victim Compensation and Assistance	3,540,300	4,092,500	4,092,500
<b>AGENCY TOTAL</b>	<b>5,195,800</b>	<b>5,955,100</b>	<b>5,955,100</b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	504,500	650,100	650,100
Drug and Gang Prevention Resource Center Fund	177,400	238,900	238,900
State Aid to County Attorneys Fund	973,600	973,600	973,600
Victim Compensation and Assistance Fund	3,540,300	4,092,500	4,092,500
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>5,195,800</b>	<b>5,955,100</b>	<b>5,955,100</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>5,195,800</b>	<b>5,955,100</b>	<b>5,955,100</b>
Other Non-Appropriated Funds	6,033,700	6,342,600	6,120,900
Federal Funds	9,302,200	10,271,000	5,617,400
<b>TOTAL - ALL SOURCES</b>	<b>20,531,700</b>	<b>22,568,700</b>	<b>17,693,400</b>

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

### Operating Budget

The Baseline includes \$889,000 and 9 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
CJEF	\$650,100
Drug and Gang Prevention Resource Center Fund	238,900

These amounts are unchanged from FY 2015.

### State Aid to County Attorneys

The Baseline includes \$973,600 from the State Aid to County Attorneys Fund in FY 2016 for State Aid to County Attorneys. This amount is unchanged from FY 2015.

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 2016 for Victim Compensation and Assistance. This amount is unchanged from FY 2015.

This line item provides funding for 2 crime victim grant programs: the Victim Compensation Program and the Victim Assistance Program. Victim compensation monies are distributed to county compensation boards that award cash compensation to crime victims for specified expenses resulting from their victimization. Revenues for victim compensation grant monies come from 3 sources: 4.6% CJEF distribution, inmate work fees, and unclaimed victim restitution. Victim assistance monies are granted to local government and not-for-profit agencies on a competitive basis and are used for operating expenses related to their victim assistance programs. Revenues for victim assistance grants come from community supervision fees and interstate compact fees.

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**FORMAT** — Operating Lump Sum with Special Line Items by Agency

**FOOTNOTES**

*Standard Footnotes*

All State Aid to the County Attorneys Fund receipts received by the Arizona Criminal Justice Commission in excess of \$973,600 in FY 2016 are appropriated to the State Aid to the County Attorney Program. Before the expenditure of any State Aid to the County Attorneys Fund receipts in excess of \$973,600, the Arizona Criminal Justice Commission shall report the intended use of the monies to the Joint Legislative Budget Committee.

All Victim Compensation and Assistance receipts received by the Arizona Criminal Justice Commission in excess of \$4,092,500 in FY 2016 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 2016, 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 2016 Baseline includes \$800,000 from the State Aid to Indigent Defense Fund in the Attorney General budget to fund capital postconviction prosecutions for the state and \$700,000 from the State Aid to Indigent Defense Fund in the Department of Public Safety (DPS) budget for operational costs associated with the Arizona Counter Terrorism Information Center. These amounts are the same as in FY 2015.

The State Aid to Indigent Defense Fund receives funding from a 14.66% allocation of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations and a portion of the monies collected by the Supreme Court and Court of Appeals.

Prior to FY 2012, ACJC was required to distribute the Indigent Defense monies to each county based on a composite index formula using Superior Court felony filings and county population. Since that time, the fund has been used for other purposes. The FY 2014 year-end fund balance, including the appropriation to the Attorney General, was \$1,274,400. The projected FY 2015 year-end fund balance, including the appropriations to the Attorney General and DPS, is \$693,500. In FY 2015, projected annual revenues are \$919,100, compared to Baseline spending of \$1.5 million.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To cover the operating costs of ACJC.		
<b>Funds Expended</b>	504,500	650,100
<b>Year-End Fund Balance</b>	290,300	270,300



SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
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<b>Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)</b>		<b>Partially-Appropriated</b>
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**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.)

	FY 2014	FY 2015	% of CJEF	Approp.
<b>Funds Transferred</b> <sup>1/ 2/</sup>				
Attorney General				
AZ Prosecuting Attorneys Advisory Council (4)	1,217,800	1,217,800	3.03	no
County Attorneys (7)	3,757,800	3,757,800	9.35	no
Victim's Rights Implementation (13)	3,086,700	3,086,700	7.68	yes <sup>3/</sup>
AZ Criminal Justice Commission				
Operation Costs (10)	631,000	631,000	1.57	yes
Victim Compensation (14)	1,848,800	1,848,800	4.60	yes <sup>3/</sup>
Department of Public Safety				
Crime Lab Assessment Fund (12)	924,400	924,400	2.30	yes <sup>3/</sup>
Crime Lab Operations Fund (11)	3,617,200	3,617,200	9.00	yes <sup>3/</sup>
DNA Identification System (6)	514,400	514,400	1.28	yes <sup>3/</sup>
Fingerprinting Identification System (1)	2,596,400	2,596,400	6.46	yes
Peace Officers' Training Fund (3)	6,687,800	6,687,800	16.64	no
State/Local Grants (6)	2,925,900	2,925,900	7.28	yes <sup>4/</sup>
Department of Juvenile Corrections (2)	647,100	647,100	1.61	yes
State Treasurer				
County Sheriffs (9)	4,865,100	4,865,100	11.70	no
Supreme Court				
Case Processing (8)	2,419,500	2,419,500	6.02	yes
Juvenile Crime (5)	3,757,900	3,757,900	9.35	yes
Community Punishment Program (15)	<u>856,100</u>	<u>856,100</u>	2.13	yes
<b>Total Funds Transferred</b> <sup>5/</sup>	40,354,000	40,354,000		

<sup>1/</sup> The numbers following the recipient agencies represent the paragraph numbers from A.R.S. § 41-2401 subsection D.

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

<sup>3/</sup> These monies represent a continuing appropriation from CJEF, but are appropriated prior to expenditure by the recipient agency.

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

<sup>5/</sup> Numbers may not add due to rounding.

<b>Drug and Gang Enforcement Account (JCA2134/A.R.S. § 41-2402)</b>		<b>Non-Appropriated</b>
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**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%).

<b>Funds Expended</b>	6,033,700	6,342,600
<b>Year-End Fund Balance</b>	0	0

<b>Drug and Gang Prevention Resource Center Fund (JCA2280/A.R.S. § 41-2402)</b>		<b>Appropriated</b>
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**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.

<b>Funds Expended</b>	177,400	238,900
<b>Year-End Fund Balance</b>	1,211,800	1,513,500

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Federal Grants (JCA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenue from federal grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	9,302,200	10,271,000
<b>Year-End Fund Balance</b>	6,014,500	4,366,100
<b>State Aid to County Attorneys Fund (JCA2443/A.R.S. § 11-539)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	973,600	973,600
<b>Year-End Fund Balance</b>	107,400	99,000
<b>State Aid to Indigent Defense Fund (JCA2445/A.R.S. § 11-588)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide state aid to county public defenders, legal defenders and contract indigent counsel for the processing of criminal cases. However, the FY 2015 Criminal Justice Budget Reconciliation Bill (Laws 2014, Chapter 12) notwithstanding this statute and permits the Attorney General and Department of Public Safety to use the State Aid to Indigent Defense monies to fund capital postconviction prosecution activities and operational costs associated with the Arizona Counter Terrorism Information Center, respectively.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,274,400	693,500
<b>Victim Compensation and Assistance Fund (JCA2198/A.R.S. § 41-2407)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To establish, maintain and support programs that compensate and assist victims of crime.		
<b>Funds Expended</b>	3,540,300	4,092,500
<b>Year-End Fund Balance</b>	3,792,100	3,255,600

## *Arizona State Schools for the Deaf and the Blind*

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>PROGRAM BUDGET</b>			
Administration/Statewide Programs	4,811,600	4,905,200	4,209,400
Phoenix Day School for the Deaf	10,302,200	10,739,900	10,739,900
Preschool/Outreach Programs	4,218,500	4,256,600	4,256,600
Regional Cooperatives	855,100	832,800	832,800
Tucson Campus	13,498,000	14,353,600	13,353,600
<b>AGENCY TOTAL</b>	<b>33,685,400</b>	<b>35,088,100</b>	<b>33,392,300</b>
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	541.2	541.2	541.2
Personal Services	18,126,700	18,889,800	18,889,800
Employee Related Expenditures	8,630,500	8,644,700	8,644,700
Professional and Outside Services	1,967,600	1,561,300	1,561,300
Travel - In State	26,700	43,500	43,500
Travel - Out of State	20,600	30,500	30,500
Food	83,200	65,200	65,200
Other Operating Expenditures	3,628,700	3,703,900	3,703,900
Equipment	463,500	715,400	715,400
<b>OPERATING SUBTOTAL</b>	<b>32,947,500</b>	<b>33,654,300</b>	<b>33,654,300</b>
<b>SPECIAL LINE ITEMS</b>			
Replace Network Core Infrastructure	0	695,800	0
School Bus Replacement	737,900	738,000	738,000
Voucher Fund Adjustment	0	0	(1,000,000)
<b>AGENCY TOTAL</b>	<b>33,685,400</b>	<b>35,088,100</b>	<b>33,392,300</b>
<b>FUND SOURCES</b>			
General Fund	21,418,500	22,497,900	21,802,100
<u>Other Appropriated Funds</u>			
Schools for the Deaf and the Blind Fund	12,266,900	12,590,200	11,590,200
SUBTOTAL - Other Appropriated Funds	12,266,900	12,590,200	11,590,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>33,685,400</b>	<b>35,088,100</b>	<b>33,392,300</b>
Other Non-Appropriated Funds	18,101,500	17,929,300	17,929,300
Federal Funds	1,692,700	1,952,000	1,952,000
<b>TOTAL - ALL SOURCES</b>	<b>53,479,600</b>	<b>54,969,400</b>	<b>53,273,600</b>

**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 2,166 children: 428 students in the K-12 programs (154 in Tucson and 274 in Phoenix), 119 children in preschools, 483 infant/toddlers in regional areas, and 1,136 children through the 5 existing regional cooperatives.

### Operating Budget

The Baseline includes \$33,654,300 and 541.2 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$21,064,100
Schools for the Deaf and the Blind Fund	12,590,200

These amounts are unchanged from FY 2015.

**Assistive Technology Devices      GF                      0**

The Baseline includes no change in funding from the General Fund in FY 2016 for assistive technology devices. The budget includes a total of \$253,100 from the General Fund in FY 2016 for assistive technology devices. Assistive technology devices may include: electronic dictionaries for visually impaired students, mobile classroom computer labs for visually disabled students, interactive whiteboards for hearing impaired students, and computer and software upgrades for computers used by visually impaired students.

**Foundation for Blind Children      OF                      0**

The Baseline maintains funding in FY 2016 for the preschool program at the Foundation for Blind Children at the previously appropriated level of \$1,054,100.

**Replace Network Core Infrastructure**

The Baseline includes no funding from the General Fund in FY 2016 for the Replace Network Core Infrastructure Special Line Item. FY 2016 adjustments would be as follows:

**Remove One-Time Funding      GF                      (695,800)**

The Baseline includes a decrease of \$(695,800) from the General Fund in FY 2016 for the elimination of one-time funding.

Monies in this line item were used to complete core network system replacement at the Tucson and Phoenix campuses.

**School Bus Replacement**

The Baseline includes \$738,000 from the General Fund in FY 2016 for School Bus Replacement. This amount is unchanged from FY 2015.

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 ASDB Fund in FY 2016 for a Voucher Fund Adjustment. FY 2016 adjustments would be as follows:

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

The Baseline includes a decrease of \$(1,000,000) from the ASDB Fund in FY 2016 in order to align the fund's appropriation with expected revenues. Fund revenues are expected to decrease due to a decline in student enrollment. ASDB's FY 2015 appropriation was based on

an estimated average annual enrollment of 583 students. Based on recent monthly data, the FY 2015 enrollment has been revised down to 541 students. ASDB is projected to receive approximately \$11,590,200 in special education voucher funding in FY 2015, which would be \$(1,000,000) below the FY 2015 appropriation. The Baseline assumes enrollment and voucher funding will remain at the revised FY 2015 level in FY 2016.

These estimates 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 Schools for the Deaf and the Blind Fund monies in excess of \$11,590,200 in FY 2016, 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 2015 numbers are estimates based on August 2014 enrollment. 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 2016 enrollment levels will be unchanged from FY 2015.

	ASDB Average Annual Enrollment			
	FY 2012	FY 2013	FY 2014	FY 2015
Tucson	190	193	177	154
Phoenix	283	277	283	274
Preschool	<u>168</u>	<u>150</u>	<u>113</u>	<u>113</u>
<b>Total</b>	<b>641</b>	<b>620</b>	<b>573</b>	<b>541<sup>1/</sup></b>

<sup>1/</sup> Enrollment projection as of August 2014

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>ASDB Classroom Site Fund (SDA2486/A.R.S. § 15-1305)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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%).		
<b>Funds Expended</b>	1,310,600	1,508,700
<b>Year-End Fund Balance</b>	729,400	1,057,800
<b>Enterprise Fund (SDA4222/A.R.S. § 15-1323)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from fees, rentals, and other charges from the non-school use of facilities.		
<b>Purpose of Fund:</b> To defray the costs of operating those facilities (i.e. auditorium).		
<b>Funds Expended</b>	78,900	115,600
<b>Year-End Fund Balance</b>	175,500	118,800
<b>Federal Grants (SDA2000/A.R.S. § 15-1303)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To be expended as stipulated by federal statutes authorizing the federal grants.		
<b>Funds Expended</b>	1,692,700	1,952,000
<b>Year-End Fund Balance</b>	873,000	1,183,000
<b>IGA and ISA Fund (SDA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	46,000	46,000
<b>Instructional Improvement Fund (SDA2492/A.R.S. § 15-979)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
<b>Funds Expended</b>	68,600	86,000
<b>Year-End Fund Balance</b>	86,000	0
<b>Regional Cooperatives Fund (SDA4221/Laws 1987, Chapter 363)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	15,973,000	15,597,500
<b>Year-End Fund Balance</b>	1,651,800	1,387,300

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Schools for the Deaf and the Blind Fund (SDA2444/A.R.S. § 15-1304)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> "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.		
<b>Purpose of Fund:</b> To cover the cost of educating students receiving special education services at ASDB.		
<b>Funds Expended</b>	12,266,900	12,590,200
<b>Year-End Fund Balance*</b>	284,900	(584,600)
<b>State Grants Fund (SDA2011/A.R.S. § 15-1303)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> "Direct Services Claiming" (DSC) reimbursements and grants by private corporations and other state agencies.		
<b>Purpose of Fund:</b> To reimburse ASDB for DSC-related expenditures and to accomplish specific projects of interest to the donor and ASDB.		
<b>Funds Expended</b>	550,600	491,900
<b>Year-End Fund Balance</b>	54,500	25,700
<b>Trust Fund (SDA3148/A.R.S. § 15-1323)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from private endowment, which are outside the control of the State Treasurer and are held by the ASDB Board.		
<b>Purpose of Fund:</b> Spent at the discretion of ASDB.		
<b>Funds Expended</b>	119,800	129,600
<b>Year-End Fund Balance</b>	0	0

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

## *Commission for the Deaf and the Hard of Hearing*

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	15.0	15.0	15.0
Personal Services	784,700	942,300	942,300
Employee Related Expenditures	301,100	354,000	354,000
Professional and Outside Services	604,600	628,600	628,600
Travel - In State	10,500	17,500	17,500
Travel - Out of State	12,600	10,800	10,800
Other Operating Expenditures	1,584,600	1,630,400	1,410,400
Equipment	164,900	437,600	437,600
<b>AGENCY TOTAL</b>	<b>3,463,000</b>	<b>4,021,200</b>	<b>3,801,200</b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Telecommunication Fund for the Deaf	3,463,000	4,021,200	3,801,200
SUBTOTAL - Other Appropriated Funds	3,463,000	4,021,200	3,801,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>3,463,000</b>	<b>4,021,200</b>	<b>3,801,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>3,463,000</b>	<b>4,021,200</b>	<b>3,801,200</b>

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

<b>Operating Budget</b>	* * *
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The Baseline includes \$3,801,200 and 15 FTE Positions from the Telecommunication Fund for the Deaf in FY 2016 for the operating budget. FY 2016 adjustments would be as follows:

**FORMAT** — Lump Sum by Agency

**FY 2016**  
**One-time Modernization of            OF    \$(220,000)**  
**Agency Business Systems**

The Baseline includes a decrease of \$(220,000) from the Telecommunication Fund for the Deaf in FY 2016 for the elimination of one-time development expenses associated with the enhancement of the agency's online customer servicing and internal business process management in FY 2015.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Private Grants (DFA3000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grant from St. Luke's Health Initiatives and grant from the Arizona Community Foundation.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	11,600	11,600

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Telecommunication Fund for the Deaf (DFA2047/A.R.S. § 36-1947)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,463,000	4,021,200
<b>Year-End Fund Balance</b>	6,154,100	7,006,100



**State Board of Dental Examiners**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	478,600	547,300	547,300
Employee Related Expenditures	217,500	154,000	154,000
Professional and Outside Services	176,200	299,200	299,200
Travel - In State	2,200	3,200	3,200
Travel - Out of State	4,100	5,500	5,500
Other Operating Expenditures	208,800	182,200	182,200
Equipment	27,400	23,700	23,700
<b>AGENCY TOTAL</b>	<b>1,114,800</b>	<b>1,215,100</b>	<b>1,215,100</b>

**FUND SOURCES**

Other Appropriated Funds

Dental Board Fund	1,114,800	1,215,100	1,215,100
SUBTOTAL - Other Appropriated Funds	1,114,800	1,215,100	1,215,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,114,800</b>	<b>1,215,100</b>	<b>1,215,100</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,114,800</b>	<b>1,215,100</b>	<b>1,215,100</b>

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

**Operating Budget**

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The Baseline includes \$1,215,100 and 11 FTE Positions from the Dental Board Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Dental Board Fund (DXA2020/A.R.S. § 32-1212)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate dentists, denturists, dental hygienists, and dental assistants, and for board administration.		
<b>Funds Expended</b>	1,114,800	1,215,100
<b>Year-End Fund Balance</b>	3,604,400	4,009,400

## *Arizona Early Childhood Development and Health Board*

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	156,792,700	167,347,200	143,163,100
Federal Funds	2,387,500	140,000	140,000
<b>TOTAL - ALL SOURCES</b>	<b>159,180,200</b>	<b>167,487,200</b>	<b>143,303,100</b>

**AGENCY DESCRIPTION** — As authorized by a 2006 ballot initiative, the Arizona Early Childhood Development and Health Board (ECDHB) is funded from an 80 cents 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 2014, the board's ECDH Fund revenues were \$132,065,200 and ECDH Fund expenditures were \$156,792,700. In FY 2015, the board expects to collect \$129,912,000 in revenues and expend \$167,347,200. Of this FY 2015 spending amount, \$150,733,600 and \$14,881,600 will be from the Program Account and the Administrative Account, respectively, plus \$1,732,000 from non-tax sources. In FY 2015, the board's expenditure plan includes \$14,881,600 for administration, \$12,127,700 for statewide grants, and \$140,337,900 for regional grants.

The above expenditures leave the fund with a projected balance of \$359,406,800 at the end of FY 2015. 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.

### **STATUTORY CHANGES**

The Baseline would, as session law, continue to require ECDHB to report with the Department of Child Safety on their collaborative efforts to address child welfare issues of common concern.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
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<b>Early Childhood Development and Health Fund (CDA2542/A.R.S. § 8-1181)</b>		<b>Non-Appropriated</b>
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**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.

<b>Funds Available</b>		
Balance Forward	421,569,500	396,842,000
Revenue:		
Administrative Costs Account	13,046,400	12,820,000
Program Account	117,555,200	115,380,000
Other (Donations and Grants)	<u>1,463,600</u>	<u>1,712,000</u>
<b>Total Funds Available</b>	<b>553,634,700</b>	<b>526,754,000</b>
Expenditures:		
Administrative Expenditures	13,449,800	14,881,600
Programmatic Expenditures	<u>143,342,900</u>	<u>152,465,600</u>
<b>Total Funds Expended</b>	<b>156,792,700</b>	<b>167,347,200</b>
<b>Year-End Fund Balance</b>	<b>396,842,000</b>	<b>359,406,800</b>

<b>Federal Grants (CDA2000/A.R.S. § 8-1182)</b>		<b>Non-Appropriated</b>
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**Source of Revenue:** Federal Funds.

**Purpose of Fund:** To fund early comprehensive childhood systems.

<b>Funds Expended</b>	1,645,300	140,000
<b>Year-End Fund Balance</b>	39,700	39,700

<b>Federal Grants - American Recovery and Reinvestment Act (ARRA) (CDA2999/A.R.S. § 8-1182)</b>		<b>Non-Appropriated</b>
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**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 board to fund the development and implementation of a Quality First Rating and Improvement system through which a quality rubric is used to provide a valid measure of quality care and education in Arizona programs.

<b>Funds Expended</b>	742,200	0
<b>Year-End Fund Balance</b>	0	0

## Department of Economic Security

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3,924.6 <sup>1/</sup>	3,882.6	4,136.7
Personal Services	67,636,300	81,834,400	68,541,800
Employee Related Expenditures	34,053,500	38,430,600	32,649,200
Professional and Outside Services	23,968,000	24,310,200	19,017,800
Travel - In State	1,129,800	1,133,300	866,800
Travel - Out of State	70,200	62,900	62,900
Other Operating Expenditures	50,747,300	53,033,300	30,328,000
Equipment	3,349,200	3,879,700	3,323,600
<b>OPERATING SUBTOTAL</b>	<b>180,954,300</b>	<b>202,684,400</b>	<b>154,790,100</b>
<b>SPECIAL LINE ITEMS</b>			
<b>Agencywide</b>			
Contingency Funding	10,500,000	0	0
<b>Administration</b>			
Attorney General Legal Services	9,096,700	11,141,400	11,141,400
<b>Aging and Adult Services</b>			
Adult Services	7,924,100	7,924,100	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
Homeless Capital Grant	0	500,000	0
Rural Long Term Care Assisted Living	0	300,000	300,000
<b>Benefits and Medical Eligibility</b>			
TANF Cash Benefits	40,499,400	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
<b>Child Support Enforcement</b>			
County Participation	5,347,900	6,740,200	6,740,200
<b>Developmental Disabilities</b>			
DDD Operating Lump Sum	0	0	47,894,300
Case Management - Medicaid	47,329,200	47,761,700	51,250,100
Home and Community Based Services - Medicaid	691,114,300	824,215,000	900,792,900
Institutional Services - Medicaid	20,545,400	18,966,900	20,759,900
Medical Services - Medicaid	126,960,500	138,602,400	151,705,200
Arizona Training Program at Coolidge - Medicaid	15,977,800	15,912,300	15,912,300
Medicare Clawback Payments	3,072,000	2,902,400	2,928,700
Case Management - State Only	3,926,600	3,928,600	3,928,600
Home and Community Based Services - State Only	19,343,200	21,296,700	21,296,700
State-Funded Long Term Care Services	28,328,100	26,554,800	26,554,800
Autism Parenting Skills - Rural Areas	0	300,000	300,000
<b>Employment and Rehabilitation Services</b>			
JOBS	11,035,600	11,005,600	13,005,600
Child Care Subsidy	72,722,200	98,396,600	98,396,600
Rehabilitation Services	2,799,100	4,799,100	4,799,100
Independent Living Rehabilitation Services	1,239,400	1,289,400	1,289,400
Workforce Investment Act Services	39,130,400	53,654,600	51,654,600
<b>AGENCY TOTAL</b>	<b>1,362,651,400</b>	<b>1,568,680,800</b>	<b>1,663,169,200</b>

<sup>1/</sup> Resources for Child Protective Services (CPS) were appropriated as part of DES in FY 2014. CPS was renamed the Department of Child Safety (DCS) and became a separate department in FY 2015. The department's FY 2014 funding is displayed in the DCS section of the Baseline for comparability.

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>FUND SOURCES</b>			
General Fund	418,202,500	479,290,300	501,618,300
<u>Other Appropriated Funds</u>			
Child Support Enforcement Administration Fund	9,032,200	16,802,200	16,802,200
Domestic Violence Shelter Fund	2,220,000	2,220,000	2,220,000
Federal CCDF Block Grant	81,065,900	103,773,600	103,773,600
Federal TANF Block Grant	86,705,000	86,727,700	86,727,700
Long Term Care System Fund (Non-Federal Matched)	56,424,300	31,225,400	31,225,400
Public Assistance Collections Fund	103,600	427,200	427,200
Special Administration Fund	2,829,900	2,830,600	2,830,600
Spinal and Head Injuries Trust Fund	1,865,500	1,874,900	1,874,900
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	41,535,800	56,060,800	56,060,800
SUBTOTAL - Other Appropriated Funds	281,782,200	302,942,400	302,942,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>699,984,700</b>	<b>782,232,700</b>	<b>804,560,700</b>
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund (EA)	34,555,900	40,409,800	40,409,800
Long Term Care System Fund (Federal Match)	628,110,800	746,038,300	818,198,700
SUBTOTAL - Expenditure Authority Funds	662,666,700	786,448,100	858,608,500
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>1,362,651,400</b>	<b>1,568,680,800</b>	<b>1,663,169,200</b>
Other Non-Appropriated Funds	597,849,400	349,869,700	307,996,200
Federal Funds	517,234,700	494,413,200	494,413,200
<b>TOTAL - ALL SOURCES</b>	<b>2,477,735,500</b>	<b>2,412,963,700</b>	<b>2,465,578,600</b>

**AGENCY DESCRIPTION** — The department provides an array of services for low-income households and others in need. These services are provided through the following divisions: Administration; Developmental Disabilities; Benefits and Medical Eligibility; Child Support Enforcement; Aging and Adult Services; and Employment and Rehabilitation Services.

### Summary

The Department of Economic Security's (DES) FY 2016 General Fund Baseline spending would increase by \$22,328,000, or 4.7% above FY 2015, for changes in the Developmental Disabilities (DD) program and elimination of a one-time Homeless Capital Grant appropriation.

### Operating Budget

The Baseline includes \$154,790,100 and 1,860.4 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$79,106,000
Child Support Enforcement Administration Fund	13,243,900
Child Support Enforcement Administration Fund (EA)	27,556,300
Federal Temporary Assistance for Needy Families (TANF) Block Grant	16,798,500
Federal Child Care and Development Fund (CCDF) Block Grant	12,077,100
Public Assistance Collections Fund	335,600
Special Administration Fund	1,719,700

Spinal and Head Injuries Trust Fund	546,800
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,406,200

FY 2016 adjustments would be as follows:

**New DDD Operating Line Item**    **GF (14,362,000)**  
**EA (33,532,300)**

The Baseline includes a decrease of \$(47,894,300) and (294.3) FTE Positions in FY 2016 to move funds from the operating budget to the new DDD Operating Lump Sum line item. These amounts consist of:

General Fund	(14,362,000)
Long Term Care System Fund (EA)	(33,532,300)

This transfer will increase transparency regarding total DDD spending. *(Please see the new DDD Operating Lump Sum for more information.)*

**Administration**

**Attorney General Legal Services**

The Baseline includes \$11,141,400 and 156.9 FTE Positions in FY 2016 for Attorney General (AG) Legal Services. These amounts consist of:

General Fund	1,237,400
Child Support Enforcement Administration Fund	2,479,200
Federal TANF Block Grant	123,100
Federal CCDF Block Grant	17,700
Federal Expenditure Authority	7,192,400
Public Assistance Collections Fund	91,600

These amounts are unchanged from FY 2015.

Monies in this line item fund all AG legal services for the department. In FY 2014, this line item did not include child welfare related AG costs.

**Aging and Adult Services**

**Adult Services**

The Baseline includes \$7,924,100 from the General Fund in FY 2016 for Adult Services. This amount is unchanged from FY 2015.

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

Services	Independent Living Support	FY 2016
Adult Protective Contracted Services		\$ 295,100
Supplemental Payments		95,500
Home Care		3,754,900
Older Americans Act		1,749,400
Assessments and Case Management		1,567,300
Respite Care		462,000
<b>Total</b>		<b>\$7,924,100<sup>1/</sup></b>

<sup>1/</sup> Numbers do not add due to rounding

**Community and Emergency Services**

The Baseline includes \$3,724,000 from the Federal TANF Block Grant in FY 2016 for Community and Emergency Services. This amount is unchanged from FY 2015.

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 2014, this line item provided short-term crisis services to 1,801 households, energy assistance to 34,544 households, and 9,398 households participated in telephone discount programs.

**Coordinated Homeless**

The Baseline includes \$2,522,600 in FY 2016 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 2015.

In FY 2014, this line item provided emergency shelter services to 9,702 individuals, rapid re-housing services to 1,592 individuals, and homeless prevention services to 195 individuals.

**Domestic Violence Prevention**

The Baseline includes \$12,123,700 in FY 2016 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 2015.

In FY 2014, this line item, along with non-appropriated funds, served approximately 8,441 women and children in emergency shelters, 344 women and children in transitional housing, and 10,912 victims with legal and lay legal advocacy.

**Homeless Capital Grant**

The Baseline includes no funding in FY 2016 for the Homeless Capital Grant line item. FY 2016 adjustments would be as follows:

**Remove One-Time Funding      GF      (500,000)**

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2016 to remove one-time funding for the Homeless Capital Grant program.

In FY 2015, monies in this line item fund a grant to a faith-based facility located in Phoenix that provides homelessness services, including substance abuse treatment, behavioral medicine treatment, and job training. The grant was awarded to the Phoenix Rescue Mission in October 2014.

**Rural Long Term Care Assisted Living**

The Baseline includes \$300,000 from the General Fund in FY 2016 for Rural Long Term Care Assisted Living. This amount is unchanged from FY 2015.

Monies in this line item fund long term care assisted living services in a county with a population of less than 500,000

people. The Division of Aging and Adult Services (DAAS) allocated \$50,000 to each of the 6 Area Agencies on Aging (AAA) that provide services in Arizona's rural counties. The funding is used for emergency placement for clients identified through Adult Protective Services (APS), temporary placement in an Assisted Living Facility to provide respite to family or caregivers, or transportation for families to travel to an Assisted Living Facility.

**Benefits and Medical Eligibility**

**TANF Cash Benefits**

The Baseline includes \$44,999,400 from the Federal TANF Block Grant in FY 2016 for TANF Cash Benefits. This amount is unchanged from FY 2015.

As of November 2014, there was a regular TANF Cash Benefit caseload of 29,232 individual recipients and 739 Diversion cases. The JLBC Staff projects that regular TANF Cash Benefits caseload will remain flat at the June FY 2014 level of 27,374 in FY 2015 and FY 2016.

The TANF Diversion program diverts applicants from long-term regular TANF Cash Benefits by offering immediate, one-time assistance to resolve a financial crisis. The JLBC Staff projects the average number of diversion cases will be 770 in FY 2015 and FY 2016.

Based on the projected enrollment levels, total FY 2015 TANF Cash Benefits including Diversion payments are projected to cost \$37,315,500 or \$(7,683,900) below the budget. FY 2016 benefits are projected at the same level as the revised FY 2015 total which would yield a surplus of \$7,683,900. (Please see the FY 2015 Shortfall and SFLTC Services sections in Other Issues for Legislative Consideration for further discussion.)

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 2016 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 2015.

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 2014, the USDA Commodities Food Program served 377,282 households quarterly.

**Tribal Pass-Through Funding**

The Baseline includes \$4,680,300 from the General Fund in FY 2016 for Tribal Pass-Through Funding. This amount is unchanged from FY 2015.

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

**Child Support Enforcement**

The Division of Child Support Enforcement (DCSE) budget includes direct appropriations from the following 4 fund sources: 1) General Fund; 2) State Share of Retained Earnings (SSRE) from child support owed to the state while the custodial parent received TANF Cash Benefits; 3) Federal incentives and 4) Fees from non-custodial parents.

The last 3 fund sources are deposited in the Child Support Enforcement Administration (CSEA) Fund and appropriated as an Other Appropriated Fund. In addition to the General Fund and CSEA Fund appropriations, the displayed amounts also include Federal Expenditure Authority for DCSE. The federal monies received by DCSE generally match state funds at a ratio of 66% federal to 34% state.

Table 2 details the sources and uses of the CSEA Fund

Table 2	
CSEA Fund Sources and Uses	
Sources	FY 2016
Balance Forward	\$ 1,705,000
State Share of Retained Earnings	4,100,000
Federal Incentive Payments	6,500,000
Fees	2,010,000
Excess Appropriation Authority	4,814,800
<b>Total</b>	<b>\$19,129,800</b>
Uses	
DCSE Administration (DES Operating)	\$13,243,900
Attorney General Legal Services	2,479,200
County Participation	1,079,100
Administration (Non-Appropriated)	2,327,600
<b>Total</b>	<b>\$19,129,800</b>

**County Participation**

The Baseline includes \$6,740,200 in FY 2016 for County Participation. This amount consists of:

CSEA Fund 1,079,100  
 Federal Expenditure Authority 5,661,100

These amounts are unchanged from FY 2015

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.

**Developmental Disabilities**

DES provides services to individuals with cognitive disabilities, cerebral palsy, autism, or epilepsy. Clients eligible for federal Medicaid program services are funded through the Long Term Care (LTC) program. To qualify for federal funding, an individual must have an income below 300% of the Supplemental Security Income (SSI) eligibility limit, which is approximately 222% of the FPL, and have certain functional needs. The division also provides 100% state-funded services for clients who are not eligible for federal Medicaid services.

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 October 2014, the Division of Developmental Disabilities serves 34,186 clients, which includes 27,116 clients in the LTC program and 7,070 clients in the state-only portion. The primary disabilities are shown in Table 3.

**Table 3**  
**Primary Disability of Clients Served**

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Cognitive Disability	14,785	43%
At Risk	7,386	22%
Autism	7,125	21%
Cerebral Palsy	3,204	9%
Epilepsy	1,505	4%
Not Indicated	181	1%
<b>Total</b>	<b>34,186</b>	

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 \$22,828,000 from the General Fund in FY 2016 for DES formula changes. Changes are described in further detail below.

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

**FMAP Adjustments**

The 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 2016, the Medicaid FMAP will increase to 68.81% (0.7% increase). The increased FMAP results in additional General Fund savings of \$(6,821,600).

**FY 2016 Caseload Growth**

The Baseline includes a net increase of \$18,557,500 from the General Fund in FY 2016 for DD caseload changes. From FY 2015 to FY 2016, caseloads are expected to grow by 4.5% to a level of 29,325 by June 2016.

Table 4 summarizes the June caseload estimates for the Special Line Items (SLIs). The 4.5% caseload growth was applied to Home and Community Based Services (HCBS) and Case Management/Medical Services Only, while caseloads for Institutional Services and the Arizona Training Program at Coolidge were held flat. All clients are eligible for Medical Services and Case Management as necessary, but not all clients access other services in any particular month.

**Table 4**  
**June Long Term Care Caseloads**

<u>Special Line Item</u>	<u>FY 14</u>	<u>FY 15 Est</u>	<u>FY 16 Est</u>
Home and Community Based Services	23,087	24,295	25,558
Institutional Services	100	100	100
Arizona Training Program at Coolidge	81	81	81
Subtotal	23,268	24,476	25,739
Case Management/Medical Services only	3,586	3,586	3,586
<b>Total</b>	<b>26,854</b>	<b>28,062</b>	<b>29,325</b>

**FY 2016 Capitation Rate Adjustments**

The Baseline includes a 3% net capitation rate increase beginning July 1, 2015. The increased capitation rate results in an additional General Fund cost of \$11,065,800 in FY 2016. Capitation rates include adjustments for medical inflation, utilization of services, and other factors. (Please see Capitation and Provider Rates section in Other Issues for Legislative Consideration for further discussion.)

**Medicare Clawback**

The Baseline includes an increase of \$26,300 from the General Fund for adjustments associated with Medicare Clawback Payments.

**DDD Operating Lump Sum**

The Baseline includes \$47,894,300 and 294.3 FTE Positions in FY 2016 for a new DDD Operating Lump Sum line item. These amounts consist of:

General Fund 14,362,000  
 Long Term Care System Fund 33,532,300



FY 2016 adjustments would be as follows:

**New DDD Operating Line Item** GF 14,362,000  
FMA 33,532,300

The Baseline includes an increase of \$47,894,300 and 294.3 FTE Positions in FY 2016 to move funds from the operating budget to a new DDD Operating Lump Sum line item. These amounts consist of:

General Fund	14,362,000
Long Term Care System Fund	33,532,300

*Background* – Monies in this line item fund direct DD operating and administrative costs. This line item does not include department wide administration and indirect costs. It has been added to create better transparency of total DD resources. A total of \$11.8 million of central administration funding associated with the DD program remains in the DES operating budget. A new footnote requires JLBC review before DES transfers monies into or out of the DDD Operating Lump Sum or Case Management line items so as to provide oversight if the department proposes to increase or decrease administrative resources.

#### ***Case Management - Medicaid***

The Baseline includes \$51,250,100 and 1,009.6 FTE Positions in FY 2016 for Medicaid Case Management. These amounts consist of:

General Fund	16,299,100
Long Term Care System Fund	34,951,100

FY 2016 adjustments would be as follows:

**Formula Adjustments** GF 1,088,200  
FMA 2,400,200

The formula adjustments include the federal match rate change and a 4.5% increase for caseload growth in FY 2016, funding an increase of 47.1 FTE Positions.

The Baseline also includes 207 FTE Positions for historical growth funded without FTE Position authority.

*Background* – In addition to providing case management services to an estimated 25,739 clients receiving direct services, this line item also funds “case management only” services to another 3,586 clients (*see Table 4*).

A new footnote requires JLBC review before DES transfers monies into or out of the DDD Operating Lump Sum or Case Management line items so as to provide oversight if the department proposes to increase or decrease administrative resources.

#### ***Home and Community Based Services - Medicaid***

The Baseline includes \$900,792,900 and 94.5 FTE Positions in FY 2016 for Medicaid Home and Community Based Services (HCBS). These amounts consist of:

General Fund	280,690,700
Long Term Care System Fund	620,102,200

FY 2016 adjustments would be as follows:

**Formula Adjustments** GF 18,198,900  
FMA 58,379,000

The formula adjustments include the federal match rate change, 4.5% caseload growth in FY 2016, and a 3% capitation rate increase.

*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 25,558 individuals are expected to receive Medicaid home and community based services in FY 2016 (*see Table 4*).

Of the \$900,792,900 in this line item, \$888,484,200 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 2015 General Fund payments appropriated in FY 2016 by Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 and it defers the same amount for FY 2016 to FY 2017. As a result, the FY 2016 General Fund amount of \$280,690,700 would consist of \$20,000,000 from Chapter 1 and \$260,690,700 from the FY 2016 General Appropriation Act.

#### ***Institutional Services - Medicaid***

The Baseline includes \$20,759,900 and 74 FTE Positions in FY 2016 for Medicaid Institutional Services. These amounts consist of:

General Fund	6,476,000
Long Term Care System Fund	14,283,900

FY 2016 adjustments would be as follows:

**Formula Adjustments** GF 435,500  
FMA 1,357,500

The formula adjustments include the federal match rate change, 4.5% caseload growth in FY 2016, and a 3% capitation rate increase.

*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 100 individuals are expected to receive Medicaid institutional services in FY 2016 (see Table 4).

Of the \$20,759,900 in this line item, \$15,194,400 funds Institutional Services to clients enrolled in the LTC program; the other \$5,565,500 funds program staff.

#### **Medical Services**

The Baseline includes \$151,705,200 and 35.4 FTE Positions in FY 2016 for Medical Services. These amounts consist of:

General Fund	47,324,400
Long Term Care System Fund	104,380,800

FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF</b>	<b>3,183,000</b>
	<b>FMA</b>	<b>9,919,800</b>

The formula adjustments include the federal match rate change, 4.5% caseload growth in FY 2016, and a 3% capitation rate increase.

*Background* – Of the \$151,705,200 in this line item, \$147,227,200 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 \$15,912,300 and 383.7 FTE Positions in FY 2016 for the Arizona Training Program at Coolidge (ATP-C). These amounts consist of:

General Fund	4,963,800
Long Term Care System Fund	10,948,500

FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF</b>	<b>(103,900)</b>
	<b>FMA</b>	<b>103,900</b>

The formula adjustment consists of the federal match rate change.

*Background* – Monies in this line item fund an entire range of services for DD clients residing at the ATP-C campus, either in ICF-IDs or state-operated group homes (SOGHs). As of June 2014 the current caseload at ATP-C is 81. The FY 2016 caseload is estimated at 81 (see Table 4). At that caseload, the blended cost per DD client at ATP-C will be \$196,400.

#### **Medicare Clawback Payments**

The Baseline includes \$2,928,700 from the General Fund in FY 2016 for Medicare Clawback Payments. FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF</b>	<b>26,300</b>
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The Baseline includes an increase of \$26,300 from the General Fund in FY 2016 for formula adjustments associated with Medicare Clawback Payments.

*Background* – DES is not required to pay for prescription drug costs for members who are also eligible for Medicare. Instead, DES is required to make “Clawback” payments to Medicare based on a certain percent (75% in 2016) of the estimated drug costs.

#### **Case Management - State-Only**

The Baseline includes \$3,928,600 and 79.3 FTE Positions from the General Fund in FY 2016 for state-only case management. These amounts are unchanged from FY 2015.

*Background* – This line item funds case management services to clients in the state-only DD program. In FY 2016, this line is expected to fund services for 3,586 clients.

A new footnote requires JLBC review before DES transfers monies into or out of the DDD Operating Lump Sum or Case Management line items so as to provide oversight if the department proposes to increase or decrease administrative resources.

#### **Home and Community Based Services - State-Only**

The Baseline includes \$21,296,700 and 53.6 FTE Positions in FY 2016 for state-only Home and Community Based Services. These amounts consist of:

General Fund	16,626,100
Long Term Care System Fund	4,670,600

These amounts are unchanged from FY 2015.

*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 October 2014, there are approximately 7,070 clients in the state-only program.

Of the \$21,296,700 in this line item, \$15,279,600 funds Home and Community Based Services to clients enrolled in the DD program, \$1,698,100 funds program staff, and \$4,319,000 funds the Arizona Early Intervention Program.

In previous years, the Long Term Care System Fund appropriation in this line consisted of capitation payment equity. Fund equity now transfers to the General Fund, however, so there is no equity available for HCBS State-Only services. *(Please see Other Issues for Legislative Consideration for further discussion on the Long Term Care System Fund.)*

**State-Funded Long Term Care Services**

The Baseline includes \$26,554,800 and 2 FTE Positions from the Long Term Care System Fund in FY 2016 for State-Funded Long Term Care Services. These amounts are unchanged from FY 2015.

*Background* – This line item funds a variety of services ineligible for Federal Fund reimbursement from AHCCCS. The most common service provided in this line item is room and board. The program also funds residential and day programs to clients with more severe developmental disabilities. These clients reside in Large Group Living Facilities or other nursing facilities.

Of the \$26,554,800 in this line item, \$26,493,000 funds State-Funded Long Term Care Services to clients enrolled in the DD program; the other \$61,800 funds program staff. *(Please see the SFLTC section in Other Issues for Legislative Consideration for further discussion.)*

**Autism Parenting Skills - Rural Areas**

The Baseline includes \$300,000 from the General Fund in FY 2016 for Autism Parenting Skills - Rural Areas. This amount is unchanged from FY 2015.

This program was added in FY 2015. Monies in this item are used to train parents in counties with populations less than 500,000 to provide intensive behavioral treatment to children with autism who are younger than 5 years of age. DES estimates serving 25 to 30 families in rural areas starting in February 2015.

**Employment and Rehabilitation Services**

**JOBS**

The Baseline includes \$13,005,600 and 93 FTE Positions in FY 2016 for JOBS. These amounts consist of:

General Fund	300,000
Federal TANF Block Grant	9,594,700
Workforce Investment Act Grant	2,000,000
Special Administration Fund	1,110,900

FY 2016 adjustments would be as follows:

**Fund Shift OF 2,000,000**

The Baseline includes an increase of \$2,000,000 from the Workforce Investment Act Grant in FY 2016 to shift funding from the Workforce Investment Act Services line item to the JOBS line item. A federal policy change once again allows states to use a portion of the Workforce Investment Act Grant for the JOBS program.

This line item provides job training and job search services to clients currently receiving TANF Cash Benefits, as well to former TANF recipients. These services are contracted out to third-party vendors. *Table 5* highlights total estimated expenditures for the JOBS line item.

**Table 5**

**Estimated JOBS Expenditures**

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$ 9,810,000
Job Training	1,325,300
FLSA Supplement	150,000
Work-Related Transportation	1,420,300
Job Search Stipends	300,000
<b>Total</b>	<b>\$13,005,600</b>

**Child Care Subsidy**

The Baseline includes \$98,396,600 in FY 2016 for the Child Care Subsidy. This amount consists of:

General Fund	4,000,000
Federal CCDF Block Grant	91,678,800
Federal TANF Block Grant	2,717,800

These amounts are unchanged from FY 2015.

This line item funds child care subsidies to TANF clients engaged in job activities, low-income working individuals under 165% of the FPL, and the Transitional Child Care program in which child care subsidies are provided to clients who no longer receive TANF Cash Benefits due to finding employment.

Depending on the population group to which they belong, the length of time for which families are eligible to receive child care subsidies is restricted by statute. For the low-income working population, there is a 60-month cumulative time limit per child. The Transitional Child Care benefit is available for 24 months, and eligible families receiving TANF Cash Benefits are eligible as long as they are receiving TANF Cash Benefits, which has a 24-month cumulative lifetime time limit. Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 contains a footnote stating it is the intent of the Legislature that the combined number of children authorized for the low-income working population be maintained throughout the year at a minimum of 8,500 children.

*Subsidy Rates* - The average subsidy paid to providers per child is projected to be approximately \$353 per month in FY 2016. This average includes children in DCS. The

maximum reimbursement rate paid by the state for a 2-year-old child in Maricopa County is \$26.60 per day.

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

*Caseloads* – The estimated average number of children receiving child care services in FY 2016 is projected to be 16,250 (see Table 6). Child care is also provided to children in the DCS system; these children's care is funded in the DCS budget.

DES initiated a waiting list for the Low-Income Working category of child care services on February 18, 2009. Children must be determined eligible for child care services to be placed on the waitlist. The Legislature appropriated an additional \$4,000,000 from the General Fund in FY 2015 for Child Care Subsidies to release clients off of the waiting list, which has increased caseloads. According to DES, as of October 2014, approximately 4,486 children had previously been found eligible for child care services and placed on the waiting list. It is unknown how many of those children remain eligible.

Category	Children Served		
	FY 14	FY 15 est	FY 16 est
TANF	2,689	2,600	2,600
Low-Income Working	7,503	8,750	8,750
Transitional Child Care	<u>5,156</u>	<u>4,900</u>	<u>4,900</u>
<b>Total Served</b>	<b>15,348</b>	<b>16,250</b>	<b>16,250</b>

### Rehabilitation Services

The Baseline includes \$4,799,100 in FY 2016 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 2015.

*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 2015 General Fund payments appropriated in FY 2016 by Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 and it defers the same amount for FY 2016 to FY 2017. As a result, the FY 2016 General Fund amount of \$4,594,400 would consist of \$1,000,000 from Chapter 2 and \$3,594,400 from the FY 2016 General Appropriation Act.

### Independent Living Rehabilitation Services

The Baseline includes \$1,289,400 in FY 2016 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 2015.

The Independent Living Rehabilitation Services program is expected to serve up to 722 clients at an average Total Funds cost of \$3,573.

In addition to these clients, the division is also expected to serve 300 clients at an average annual cost of \$3,413 per client, using federal Social Services Block Grant monies.

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 \$51,654,600 from the Workforce Investment Act (WIA) Grant in FY 2016 for the Workforce Investment Act Services line item. FY 2016 adjustments would be as follows:

**Fund Shift** **OF (2,000,000)**

The Baseline includes a decrease of \$(2,000,000) from the Workforce Investment Act Grant in FY 2016 to shift funding from the Workforce Investment Act Services line item to the JOBS line item. A federal policy change once again allows states to use a portion of the Workforce Investment Act Grant 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 2016 is shown in Table 7.

<u>Category</u>	<u>Amount</u>
WIA SLI	\$51,654,600
Administration	2,406,200 <sup>1/</sup>
JOBS	2,000,000 <sup>2/</sup>
<b>Total</b>	<b>\$56,060,800</b>

<sup>1/</sup> This funding is included in the operating budget.  
<sup>2/</sup> This funding is included in the JOBS line item.

\* \* \*

**FORMAT** — Operating Lump Sum with Special Line Items by Agency

**FOOTNOTES**

*Standard Footnotes*

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 shares of retained earnings, fees and federal incentives above \$16,802,200 received by the Division of Child Support Enforcement are appropriated for operating expenditures. New full-time equivalent positions may be authorized with the increased funding. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of the monies to the Joint Legislative Budget Committee.

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, 2015. The report must include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies.

Developmental Disabilities

The department shall report to the Joint Legislative Budget Committee on or before March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum may not be more than 2%. Before implementation of any changes in capitation rates for the

Long Term Care program, the department shall submit a report for review by the Joint Legislative Budget Committee. Before the department implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or more for a given fiscal year, the department shall submit the policy changes for review by the Joint Legislative Budget Committee.

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

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 2016 to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee and the reason why this placement, rather than a placement into a privately run facility for persons with developmental disabilities, was deemed as the most appropriate placement. The department shall also report if no new placements were made. The department shall make this report available on or before July 15, 2016.

The appropriation for Autism Parenting Skills - Rural Areas is for training parents in counties with a population of less than 500,000 persons according to the 2010 United States decennial census to provide intensive behavioral treatment to children with autism who are younger than 5 years of age.

Any FY 2015 balance in the Long Term Care System Fund unexpended and unencumbered after administrative adjustments reverts to the state General Fund by June 30, 2016, subject to approval by the Arizona Health Care Cost Containment System Administration.

Employment and Rehabilitation Services

It is the intent of the Legislature that the combined number of children authorized pursuant to A.R.S. § 46-803D and F, be maintained throughout the year at a minimum of 8,500 children. The department shall prioritize child care assistance for families who qualify for assistance pursuant to A.R.S. § 46-803F on the waiting lists established pursuant to A.R.S. § 46-803I.

All Federal Workforce Investment Act monies that are received by this state in excess of \$56,060,800 are appropriated to the Workforce Investment Act Services line item. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of monies above \$56,060,800 to the Joint Legislative Budget Committee.

#### Departmentwide

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

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

Any Federal Temporary Assistance for Needy Families Block Grant monies received in FY 2016, including the beginning balance, by the Department of Economic Security in excess of \$218,705,400 is appropriated to the department in FY 2016. For every dollar the Department of Economic Security receives in Federal Temporary Assistance for Needy Families Block Grant monies in FY 2016 in excess of the \$218,705,400 appropriated to the Department of Economic Security and the Department of Child Safety, minus any FY 2015 reverts expected to be spent as administrative adjustments in FY 2016, the state General Fund appropriations for the Department of Economic Security and the Department of Child Safety are proportionally reduced by a corresponding dollar amount. The Department of Economic Security shall report to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on or before September 1, 2015 its estimate of how much of the FY 2015 reverts of the Department of Economic Security and the Department of Child Safety will be spent as administrative adjustments in FY 2016 and excluded from the total amount of Federal Temporary Assistance for Needy Families Block Grant monies. On or before June 30, 2016, the Department of Economic Security shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of state General Fund monies, if any, that will not be expended under this provision.

#### *New Footnotes*

The Department of Economic Security shall report to the Joint Legislative Budget Committee for review before transferring any money in or out of the Case Management-Medicaid, Case Management State-Only, and DDD Operating Lump Sum line items. *(Allows for better tracking of direct administration expenditures for the Division of Developmental Disabilities. See new DDD Operating Lump Sum line item for more information.)*

#### *Deletion of Prior Year Footnotes*

The Baseline would delete the one-time FY 2015 homeless capital grant footnote.

The Baseline would delete the FY 2015 developmental disabilities provider rate footnote which raised HCBS service provider rates by 2%.

The Baseline would delete the FY 2015 Rural Long Term Care Assisted Living footnote.

The Baseline would delete an obsolete footnote that requires DES to remit monies received as reimbursement for state lease-purchased buildings occupied by DES.

#### **STATUTORY CHANGES**

The Baseline would:

- As session law, continue to require 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 \$21,000,000 in General Fund payments for FY 2016 until FY 2017. Appropriate \$21,000,000 in FY 2017 for these deferred payments.
- As permanent law, require DES to transfer any FY 2015 equity balance from capitated payments in the Long Term Care System Fund to the General Fund by June 30, 2016 and report to the JLBC the amount of the transfer.

#### **OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

This section includes information on the following topics:

- FY 2015 Shortfall
- Long-Term Budget Impacts
- Payment Deferral
- Capitation and Provider Rates
- Long Term Care System Fund
- TANF Block Grant

### ***FY 2015 Shortfall***

The JLBC estimates an FY 2015 shortfall in the DD ALTCS program of \$3.9 million due to provider rate and utilization increases. As a solution, DES has the option of utilizing a portion of the estimated FY 2015 \$7.7 million surplus in the TANF Cash benefit program to offset General Fund spending in other non-DD areas of DES, and use those freed-up General Fund dollars to address the FY 2015 shortfall in DD.

### ***Long Term Budget Impacts***

Beyond FY 2016 Baseline changes, JLBC Staff estimates that DES statutory caseload changes will require an additional \$28.7 million in FY 2017 above FY 2016 and an additional \$30.9 million in FY 2018 above 2017 for growth in DD caseloads, utilization, and medical inflation. This estimate assumes 4.5% caseload growth and 3% capitation growth for utilization and medical inflation.

### ***Payment Deferral***

The Baseline continues the \$21.0 million payment deferral from FY 2016 to FY 2017. DES plans to defer a total of \$21.0 million in payments from the Special Line Items specified below:

Home and Community Based Services - Medicaid	20,000,000
Rehabilitation Services	1,000,000

Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 appropriated \$35.0 million in FY 2016 to pay the amount deferred from FY 2015 to FY 2016. A total of \$21.0 million was appropriated to DES and \$14.0 million was appropriated to line items now transferred to the newly formed DCS. These amounts do not appear in the General Appropriation Act; however, the amounts are included in the agency General Fund totals in this report. As a result, the FY 2016 DES General Fund amount of \$501.6 million would consist of \$21.0 million from the deferral appropriation and \$480.6 million from the General Appropriation Act.

### ***Capitation and Provider Rates***

The Division of Developmental Disabilities receives funding through capitated payments at a per member per month rate. The capitation rate represents the total cost to operate the ALTCS portion of the DD program and to provide services for its members. The capitation rate is renegotiated annually by DES, AHCCCS and the federal government to adjust for changes in medical inflation, utilization of services, and provider costs.

The FY 2015 blended DD capitation rate is \$3,344, a 5.1% increase over FY 2014. The FY 2015 budget only assumed a 2% increase to the capitation rate, which included a 2% increase to HCBS provider rates. The increase to provider compensation, along with increases in utilization, produced higher costs in FY 2015. The capitation rate was adjusted to account for the higher costs, but as a result the FY 2015 budget does not have enough

General Fund appropriation to fully fund the higher capitation rate. The JLBC Staff estimates an additional \$3.9 million will allow DES to utilize the entire FY 2015 capitation rate. The FY 2016 Baseline assumes a 3% rate increase for medical inflation and utilization increases, resulting in a capitation rate of \$3,444.

Provider rates are a component of the overall capitation rate. A capitation rate increase, however, does not mean that provider rates will experience the same increase. The capitation rate funds provider rate, inflation, and utilization adjustments so a capitation rate increase of a certain percent does not guarantee a like provider rate increase.

DES has different contracted rates with various types of providers. The divisions recently completed a rate rebase study that compared currently adopted provider rates with market "benchmark" rates. Adopted rates range from 48% (music therapy) to 116% (rural transition to employment) of the benchmarks.

There are a number of policy choices and strategies the Legislature may consider to fund adjustments to provider rates, in addition to any capitation adjustments for inflation and utilization. For example, the Legislature could fund a percentage adjustment for providers, as was done in the FY 2015 budget when HCBS providers received an across the board 2% increase, or the Legislature could allow DES to decide how to implement the increase. The Legislature could also fund increases and decreases for certain provider rates or use a combination of any of these strategies. A guaranteed provider rate increase may cause costs to exceed the budget as it has in FY 2015. The JLBC Staff recommends that the Legislature specifically address whether DES should move forward with the rate re-base.

### ***Long Term Care System Fund***

The LTCSF consists of 2 main revenue components: State-Funded Long Term Care (SFLTC) monies and LTCSF equity.

#### SFLTC Services

The state deposits SFLTC revenues in the LTCSF. SFLTC revenues, as seen in *Table 8*, include client billing revenue from room and board charges, one-time monies, and interest. SFLTC revenues primarily fund the SFLTC Services line item.

DES requires clients using residential programs to contribute a percentage of their income to help cover the cost of their room and board. Laws 2014, Chapter 167 decreased the amount of income DES is allowed to collect from clients for room and board from 88% to 70%, which is estimated to reduce client billing revenue by \$(2.0) million in FY 2015. Additionally, the SFLTC line item has been operating with an ongoing structural shortfall that DES has mitigated with transfers from LTCSF "equity," which is no longer available. Any equity accrued to the LTCSF is now required to be transferred to the General

Fund so it will no longer be available for the SFLTC line item. DES estimates a FY 2016 shortfall of \$(3.6) million and an ongoing shortfall of \$(6.0) million in the SFLTC line item.

DES has the option of utilizing \$3.6 million of the estimated \$7.7 million surplus from the TANF Cash Benefit program in FY 2016 as a solution for the FY 2016 shortfall. In that circumstance, DES would need to allocate the surplus to offset General Fund spending in other non-DD areas of DES, and use those freed-up General Fund dollars to support the SFLTC line.

The FY 2015 budget had assumed a \$35.0 million equity transfer in FY 2015; however, the only LTCSF equity balance available for transfer in FY 2015 is \$7.9 million from FY 2014. According to DES, it is not possible to transfer FY 2015 equity in the same year because bills and administrative adjustments are still being paid in FY 2016. Audited financials for the LTCSF that show the estimated balance from FY 2015 will not be released until November 2015. The JLBC Staff proposes changing statutory language to require any LTCSF equity balance to be deposited to the General Fund by June 30 of the following fiscal year.

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.

**TANF Block Grant**

The Baseline appropriates \$218.7 million of the state’s federal TANF Block Grant allocation in FY 2016. *Table 9* shows expected yearly revenues, expenditures, and fund balances across 2 agencies.

The FY 2014 budget allocated Long Term Care System Fund (LTCSF) equity funds to offset the loss of the TANF Population Supplemental revenues and other federal monies, while also picking up the cost of some caseload growth. The FY 2015 budget backfilled \$56.4 million of one-time LTCSF with General Fund. The FY 2015 budget also backfilled \$2.3 million in TANF Block Grant with General Fund in the Out-of-Home Support Services line item.

In the event that DES receives more TANF monies than anticipated, a General Appropriation Act footnote requires DES to revert General Fund monies dollar for dollar for TANF Block Grant monies received above \$218.7 million, including the beginning balance.

**Table 8**  
**State-Funded Long Term Care Revenues (SFLTC) Sources and Uses**

	<u>FY 2014</u> <u>Actual</u>	<u>FY 2015</u> <u>Estimate</u>	<u>FY 2016</u> <u>Estimate</u>
<b>Sources</b>			
Carry-Forward	\$ 6,042,400	\$ 8,210,300	\$ 2,419,000
Client Billing Revenue	21,911,200	19,868,500	20,424,800
LTCSF Equity	5,000,000	0	0
One-Time Monies	0	0	0
Interest	1,197,300	1,095,000	1,075,000
Other	<u>1,315,000</u>	<u>1,330,000</u>	<u>1,330,000</u>
<b>Total</b>	<b>\$35,465,900</b>	<b>\$30,503,800</b>	<b>\$25,248,800</b>
<b>Uses</b>			
SFLTC Services	<u>27,255,600</u>	<u>28,084,800</u>	<u>28,807,100</u>
<b>Total</b>	<b>\$27,255,600</b>	<b>\$28,084,800</b>	<b>\$28,807,100</b>
Ending Balance	\$ 8,210,300	\$ 2,419,000	\$ (3,558,300)

**LTCSF Equity**

Prior to FY 2015, the vast majority of the LTCSF consisted of federal payments made for the Developmental Disabilities (DD) program through a capitated system of payments. According to the terms of the federal agreement, the state assumes all liability for cost overages above the agreed capitation. Conversely, if DES is able to operate the program at a cost less than the federal capitation rate, then DES is able to retain the equity, which is essentially “profit.”

The FY 2015 Health and Welfare BRB (Laws 2014, Chapter 11) requires any equity accrued to the LTCSF from capitation payments that are unexpended and unencumbered at the end of the fiscal year to be deposited into the General Fund. The transfer amount may be adjusted for “reported but unpaid claims” and “estimated incurred but unreported claims”, subject to approval by AHCCCS.



Table 9

## TANF Block Grant Spending

	Actual FY 2014	Estimate FY 2015	Estimate FY 2016
<b>Revenues</b>			
Beginning Balance	\$ 170,800	\$ 383,500	\$ -
Adjustment for Obligated Funds	-	(383,500) <sup>1/</sup>	-
TANF Base Revenues	200,141,300	200,141,300	200,141,300
TANF Contingency Fund Revenues <sup>2/</sup>	21,078,500	18,564,100	18,564,100
<b>Total TANF Available</b>	<b>\$ 221,390,600</b>	<b>\$ 218,705,400</b>	<b>\$ 218,705,400</b>
<b>Expenditures</b>			
<b>Department of Child Safety</b>			
DCS Operating	\$ 50,072,900	\$ 46,928,000	\$ 46,928,000
<b>Line Items</b>			
Attorney General Legal Services	52,600	99,400	99,400
Inspections Bureau	-	549,700	549,700
Overtime	-	3,859,500	3,859,500
Adoption Services	20,645,700	20,645,700	20,645,700
Emergency and Residential Placement	16,423,000	16,423,000	16,423,000
Foster Care Placement	6,973,100	6,973,100	6,973,100
Permanent Guardianship Subsidy	1,743,000	1,743,000	1,743,000
In-Home Preventive Support Services	0	5,911,200	5,911,200
Out-of-Home Support Services	34,880,700	28,867,800	28,867,800
<b>TOTAL - DEPARTMENT OF CHILD SAFETY</b>	<b>\$ 130,791,000</b>	<b>\$ 132,000,400</b>	<b>\$ 132,000,400</b>
<b>Department of Economic Security</b>			
DES Operating	\$ 24,740,400	\$ 16,776,100	\$ 16,776,100
<b>Line Items</b>			
<b>Administration</b>			
Attorney General Legal Services	\$ 169,600	\$ 122,800	\$ 122,800
<b>Aging and Adult Services</b>			
Community and Emergency Services	\$ 3,724,000	\$ 3,724,000	\$ 3,724,000
Coordinated Homeless Programs	1,649,500	1,649,500	1,649,500
Domestic Violence Prevention	6,620,700	6,620,700	6,620,700
Total - Aging and Community Services	\$ 11,994,200	\$ 11,994,200	\$ 11,994,200
<b>Benefits and Medical Eligibility</b>			
TANF Cash Benefits	\$ 40,499,400	\$ 44,999,400	\$ 38,999,400
Coordinated Hunger Program	500,000	500,000	500,000
Total - Benefits and Medical Eligibility	\$ 40,999,400	\$ 45,499,400	\$ 39,499,400
<b>Developmental Disabilities</b>			
State-Funded Long Term Care Services	\$ -	\$ -	\$ 6,000,000
<b>Employment and Rehabilitation Services</b>			
JOBS	\$ 9,594,700	\$ 9,594,700	\$ 9,594,700
Child Care Subsidy	2,717,800	2,717,800	2,717,800
Total - Employment and Rehabilitation Services	\$ 12,312,500	\$ 12,312,500	\$ 12,312,500
<b>TOTAL - DEPARTMENT OF ECONOMIC SECURITY</b>	<b>\$ 90,216,100</b>	<b>\$ 86,705,000</b>	<b>\$ 80,705,000</b>
Administrative Adjustments	-	-	-
General Appropriation Act Footnote Additional Authority <sup>2/</sup>	383,500	-	6,000,000
<b>TOTAL - STATEWIDE</b>	<b>\$ 221,390,600</b>	<b>\$ 218,705,400</b>	<b>\$ 218,705,400</b>
<b>Ending Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<sup>1/</sup> 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.

<sup>2/</sup> Per a General Appropriation Act footnote, all available TANF is appropriated to DES and DCS. Therefore, the difference between the total TANF available and that fiscal year's TANF appropriation is included in the annual budget, and the departments' LTCSF or General Fund appropriation is reduced by the same amount.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Child Restraint Fund (DEA2192/A.R.S. § 28-907)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	104,600	154,000
<b>Year-End Fund Balance</b>	80,000	20,000
<b>Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> State Share of Retained Earnings from child support collections, federal incentives, and fees.		
<b>Purpose of Fund:</b> To fund the statewide Child Support Enforcement program.		
<b>Appropriated Funds Expended</b>	9,032,200	16,802,200
<b>Expenditure Authority Funds Expended</b>	34,555,900	40,409,800
<b>Year-End Fund Balance*</b>	2,224,500	(4,680,900)
<b>Client Trust Fund (DEA3152/A.R.S. § 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DES.		
<b>Purpose of Fund:</b> To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
<b>Funds Expended</b>	674,200	687,600
<b>Year-End Fund Balance</b>	0	0
<b>Developmentally Disabled Client Investment Fund (DEA3146/A.R.S. § 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Consists of client monies, such as Social Security, earnings, etc.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	12,800	14,600
<b>Year-End Fund Balance</b>	1,464,300	1,463,800
<b>Developmentally Disabled Client Services Trust Fund (DEA2019/A.R.S. § 36-572)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To enhance services presently available to the developmentally disabled and to extend services to developmentally disabled persons not presently served.		
<b>Funds Expended</b>	36,000	36,700
<b>Year-End Fund Balance</b>	100,200	64,300
<b>Domestic Violence Shelter Fund (DEA2160/A.R.S. § 36-3002)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund grants to qualified shelters for victims of domestic violence.		
<b>Funds Expended</b>	2,220,000	2,220,000
<b>Year-End Fund Balance</b>	1,849,800	2,155,600
<b>Donations Fund (DEA3145/A.R.S. § 36-571, 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants, gifts, or bequests.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	7,000	6,800
<b>Year-End Fund Balance</b>	147,500	147,700

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Economic Security Capital Investment Fund (DEA2093/A.R.S. § 4-116)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receipts received from club license and application fees by organizations selling spirituous liquor as defined in A.R.S. § 4-101.		
<b>Purpose of Fund:</b> To be used by the department for buildings, equipment, and other capital investments.		
<b>Funds Expended</b>	0	230,900
<b>Year-End Fund Balance</b>	393,300	200,200
<b>Federal CCDF Block Grant (DEA2008/U.S. P.L. 104-193)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> 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. DCS has a separate allocation of CCDF.		
<b>Funds Expended</b>	81,065,900	103,773,600
<b>Year-End Fund Balance*</b>	11,199,200	(5,472,400)
<b>Federal Grants (DEA2000/A.R.S. § 41-101.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants, excluding Temporary Assistance for Needy Families, Child Care and Development Fund, and Workforce Investment Act Block Grants.		
<b>Purpose of Fund:</b> To be expended as stipulated by federal statutes authorizing the availability of the federal monies. Some major expenditure items include Food Stamp administration, the Social Services Block Grant, and Medicaid.		
<b>Funds Expended</b>	517,234,700	494,413,200
<b>Year-End Fund Balance</b>	21,122,000	18,601,800
<b>Federal TANF Block Grant (DEA2007/U.S. P.L. 104-193)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> 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. DCS has a separate allocation of TANF.		
<b>Funds Expended</b>	86,705,000	86,727,700
<b>Year-End Fund Balance</b>	1,266,500	360,800
<b>Arizona Industries for the Blind Fund (DEA4003/A.R.S. § 41-1975)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Proceeds from sales of products of Arizona Industries for the Blind, as well as interest earned on the fund balance.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	18,001,100	18,616,700
<b>Year-End Fund Balance</b>	773,900	0
<b>Arizona Job Training Fund (DEA1237/A.R.S. § 41-1544)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> DES collects 0.1% 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.		
<b>Purpose of Fund:</b> To collect the job training tax.		
<b>Funds Expended</b>	1,057,400	1,029,700
<b>Year-End Fund Balance</b>	102,100	0

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Long Term Care System Fund (Federal Match) (DEA2225/A.R.S. § 36-2953)</b>	<b>Expenditure Authority</b>	
<b>Source of Revenue:</b> Federal Medicaid Authority monies.		
<b>Purpose of Fund:</b> To fund administrative and program costs associated with the Long Term Care system.		
<b>Funds Expended</b>	628,110,800	746,038,300
<b>Year-End Fund Balance</b>	19,860,600	15,489,600
<b>Long Term Care System Fund (Non-Federal Matched) (DEA2224/A.R.S. § 36-2953)</b>	<b>Appropriated</b>	
<b>Source of Revenue:</b> Client revenue for room and board, third-party recovery, interest, and miscellaneous federal monies.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	56,424,300	31,225,400
<b>Year-End Fund Balance</b>	0	0
<b>Neighbors Helping Neighbors Fund (DEA2348/A.R.S. § 46-741)</b>	<b>Non-Appropriated</b>	
<b>Source of Revenue:</b> Includes contributions from income tax refunds and other donations and interest earnings.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	38,300	55,000
<b>Year-End Fund Balance</b>	44,600	31,200
<b>Public Assistance Collections Fund (DEA2217/A.R.S. § 46-295)</b>	<b>Appropriated</b>	
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To improve public assistance collection activities.		
<b>Funds Expended</b>	103,600	427,200
<b>Year-End Fund Balance*</b>	145,200	(182,000)
<b>Special Administration Fund (DEA2066/A.R.S. § 23-705)</b>	<b>Appropriated</b>	
<b>Source of Revenue:</b> Monies are from interest charges and employers' penalty fees assessed on late unemployment payments.		
<b>Purpose of Fund:</b> To defray administration costs found not to have been properly and validly chargeable against Federal grants or other funds.		
<b>Funds Expended</b>	2,829,900	2,830,600
<b>Year-End Fund Balance</b>	6,786,900	7,969,500
<b>Special Olympics Tax Refund Fund (DEA3207/A.R.S. § 41-173)</b>	<b>Non-Appropriated</b>	
<b>Source of Revenue:</b> Includes contributions from income tax refunds and other donations and interest earnings.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	33,600	115,200
<b>Year-End Fund Balance</b>	93,900	47,000

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Spinal and Head Injuries Trust Fund (DEA2335/A.R.S. § 41-3203)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,865,500	1,874,900
<b>Year-End Fund Balance</b>	3,048,900	3,710,700
<b>Statewide Cost Allocation Plan Fund (DEA1030/A.R.S. § 41-1954)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal reimbursement.		
<b>Purpose of Fund:</b> General operations.		
<b>Funds Expended</b>	0	1,000,000
<b>Year-End Fund Balance</b>	0	0
<b>Unemployment Insurance Benefits Fund (DEA7510/A.R.S. § 23-701)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	573,611,300	328,700,000
<b>Year-End Fund Balance*</b>	(12,690,200)	137,076,000
<b>Unemployment Special Assessment Fund (DEA2558/A.R.S. § 23-730.01 [repealed])</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> The Director of DES had the discretion to set a Special Assessment 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.		
<b>Funds Expended</b>	4,273,100	222,500
<b>Year-End Fund Balance</b>	105,300	0
<b>Workforce Investment Act Grant (DEA2001/U.S. P.L. 105-220)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> To consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs.		
<b>Funds Expended</b>	41,535,800	56,060,800
<b>Year-End Fund Balance</b>	18,882,000	11,248,000

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

## Department of Education

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	175.9	175.9	175.9
Personal Services	4,303,100	4,919,000	4,919,000
Employee Related Expenditures	1,575,000	1,842,200	1,842,200
Professional and Outside Services	125,600	241,300	241,300
Travel - In State	29,400	42,900	42,900
Travel - Out of State	130,600	110,700	110,700
Other Operating Expenditures	1,944,300	1,252,500	1,252,500
Equipment	476,400	193,500	193,500
<b>OPERATING SUBTOTAL</b>	<b>8,584,400</b>	<b>8,602,100</b>	<b>8,602,100</b>
<b>SPECIAL LINE ITEMS</b>			
<b>Formula Programs</b>			
Basic State Aid	3,251,186,200	3,327,810,300	3,497,958,800
K-3 Reading	40,016,100	40,007,700	40,007,700
School Year 2013-2014 School District Charter School Conversions	0	24,500,000	0
Student Success Funding	0	21,500,000	21,500,000
Additional State Aid - Homeowner's Rebate	336,785,700	352,502,000	362,803,700
Additional State Aid - 1% Cap	0	0	27,600,000
Special Education Fund	33,242,100	33,242,100	32,242,100
Other State Aid to Districts	56,400	983,900	983,900
<b>Non-Formula Programs</b>			
Accountability and Achievement Testing	3,591,600	18,223,600	18,223,600
Adult Education	4,500,000	4,500,000	4,500,000
Arizona Structured English Immersion Fund	8,791,400	4,960,400	4,960,400
English Learner Administration	3,999,200	6,516,800	6,516,800
Information Technology Certifications	0	1,000,000	1,000,000
JTED Performance Pay	0	500,000	0
School Safety Program	2,972,200	3,646,500	3,646,500
State Block Grant for Vocational Education	11,573,400	11,576,300	11,576,300
Student Success Fund Deposit	2,400,000	22,400,000	22,400,000
Teacher Certification	1,689,500	1,842,500	1,842,500
Technology-Based Language Development and Literacy Intervention Pilot Program	0	300,000	246,800
<b>State Board of Education</b>			
State Board of Education	1,543,300	1,614,600	1,614,600
<b>AGENCY TOTAL</b>	<b>3,710,931,500</b>	<b>3,886,228,800</b>	<b>4,068,225,800</b>
<b>FUND SOURCES</b>			
General Fund	3,661,765,500	3,808,392,700	3,989,558,900
<b>Other Appropriated Funds</b>			
Department of Education Empowerment Scholarship Account Fund	200,000	200,100	200,100
Permanent State School Fund	46,475,500	46,475,500	47,359,500
Proposition 301 Fund	371,100	7,000,000	7,000,000
Student Success Fund	0	21,500,000	21,500,000
Teacher Certification Fund	2,119,400	2,360,500	2,360,500
Technology-Based Language Development and Literacy Intervention Fund	0	300,000	246,800
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>49,166,000</b>	<b>77,836,100</b>	<b>78,666,900</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>3,710,931,500</b>	<b>3,886,228,800</b>	<b>4,068,225,800</b>

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
Other Non-Appropriated Funds	543,237,300	558,478,300	558,478,300
Federal Funds	1,075,165,000	1,082,395,400	1,074,395,900
<b>TOTAL - ALL SOURCES</b>	<b>5,329,333,800</b>	<b>5,527,102,500</b>	<b>5,701,100,000</b>

**AGENCY DESCRIPTION** — The Department of Education (ADE) is headed by the Superintendent of Public Instruction, an elected constitutional officer. For FY 2016 it is anticipated that the department will oversee 237 school districts, accommodation districts and Joint Technological Education Districts (JTEDs) and approximately 450 charter schools in their provision of public education from preschool through grade 12.

### Summary

ADE's FY 2016 General Fund Baseline spending would increase by \$181,166,200, or 4.8%. The Baseline includes:

- An increase of \$16,500,000 for higher than budgeted Average Daily Membership (ADM) growth in FY 2015 (FY 2015 "base adjustment").
- An increase of \$7,407,200 for higher than budgeted "1% cap" costs for FY 2015 (FY 2015 "base adjustment").
- An increase of \$82,177,100 for 1.4% Average Daily Membership (ADM) growth in FY 2016.
- An increase of \$22,500,000 for higher average formula costs per pupil due to ongoing special education and charter growth.
- An increase of \$87,040,300 for a 1.59% inflator.
- A decrease of \$(36,778,400) for local property tax growth due to new construction (includes related Homeowner's Rebate impact).
- An increase of \$26,000,000 for higher Homeowner's Rebate costs due to recent statutory changes.
- A decrease of \$(24,500,000) for charter conversions.
- An increase of \$3,220,700 for a new Joint Technical Education District (JTED) in Yuma County.
- A decrease of \$(1,000,000) for lower special education voucher caseloads.
- A decrease of \$(884,000) to offset higher available endowment earnings.
- A decrease of \$(716,700) for final year of 5-year Career Ladder phase out.
- A decrease of \$(500,000) to eliminate one-time funding for JTED Performance Pay.
- An increase of \$700,000 for Empowerment Scholarship Accounts (ESAs).

The 2 FY 2015 base adjustments plus a one-time property tax settlement cost of \$2,953,900 from the General Fund in FY 2015 result in an overall projected supplemental requirement of \$26,861,100 for FY 2015.

The Baseline does not include K-12 inflation litigation adjustments (*see 1.59% Inflation Adjustment policy issue below for more information*).

### Operating Budget

The Baseline includes \$8,602,100 and 92.9 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$8,263,800
Department of Education Empowerment	
Scholarship Account Fund	200,100
Teacher Certification Fund	138,200

These amounts are unchanged from FY 2015.

ADE's operating budget includes funding for administering the Empowerment Scholarship Account (ESA) program authorized in A.R.S. § 15-2402.

### Formula Programs

#### Basic State Aid

The Baseline includes \$3,497,958,800 in FY 2016 for Basic State Aid. This amount consists of:

General Fund	3,450,599,300
Permanent State School Fund	47,359,500

The \$3,497,958,800 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 2016 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 2016, as they also are non-appropriated. In addition, it excludes \$40,007,700 for the K-3 Reading weight authorized in A.R.S. § 15-943 and \$21,500,000 for Student Success Funding authorized by A.R.S. § 15-917, as those monies are appropriated to separate line items (*see narrative for K-3 Reading and Student Success Funding line items below*).

(See Basic State Aid Formula Description under Other Issues for Legislative Consideration for background information regarding the Basic State Aid formula.)

The \$3,497,958,800 Baseline total would include a net General Fund increase of \$169,264,500 and an increase of \$884,000 from the Permanent State School Fund for FY 2016. FY 2016 adjustments would be as follows:

<b>General Fund</b>	
FY 2015 Appropriation	\$3,281,334,800
Base Adjustment – FY15 Shortfall	16,500,000
Enrollment Growth @ 1.4%	82,177,100
Higher Average Cost Per Pupil	22,500,000
1.59% Inflation	87,040,300
Property Taxes - New Construction	(41,272,900)
Yuma County JTED	3,220,700
Career Ladder Phase Out	(716,700)
Endowment Earnings	(884,000)
Empowerment Scholarship Accounts	700,000
FY 2015 budget	3,450,599,300
<b>K-3 Reading Program (separate Line Item)</b>	40,007,800
<b>FY 2014 Charter Conversions</b>	(24,500,000)
<b>Permanent State School Fund (no change)</b>	47,359,500
<b>Prop 301 Sales Tax (no change)<sup>1/</sup></b>	86,280,500
<b>Local Property Taxes<sup>1/</sup></b>	
FY 2015 Base	2,398,911,300
Property Taxes - New Construction	41,272,900
FY 2016 Estimated <sup>2/</sup>	2,440,184,200
<b>Grand Total (all sources)<sup>3/</sup></b>	<b>\$6,039,931,100</b>

<sup>1/</sup> Non-appropriated, so excluded from appropriated totals.  
<sup>2/</sup> An estimated \$390,403,700 of this total will be funded by the state through Homeowner's Rebate and 1% cap funding.  
<sup>3/</sup> Statutory formula cost would be approximately \$275,700,000 higher without the District Additional Assistance (DAA), Charter Additional Assistance (CAA) and large JTED reductions that are continued in the budget on a session law basis, including the impact on non-state aid districts.

**Base Adjustment GF 16,500,000**

The Baseline includes an increase of \$16,500,000 from the General Fund in FY 2016 in order to adjust the program's base budget for a projected \$(16,500,000) shortfall in program funding for FY 2015. That shortfall would increase starting point costs for the program for FY 2016 by \$16,500,000. The \$(16,500,000) shortfall estimate for FY 2015 is preliminary in nature and subject to substantial revision as additional FY 2015 data become available. (See FY 2015 Supplemental narrative under Other Issues for Legislative Consideration for more information.)

**Enrollment Growth GF 82,177,100**

The Baseline includes an increase of \$82,177,100 from the General Fund in FY 2016 for enrollment growth. This assumes that K-12 ADM will increase by 1.4% in FY 2016, or slightly less than the preliminary 1.6% growth

rate for FY 2014 (see Table 2). It does not reflect ongoing growth in the average cost per pupil, which is described separately below.

<b>Fiscal Year</b>	<b>District<sup>2/</sup></b>	<b>Charter<sup>3/</sup></b>	<b>Total</b>	<b>Change</b>	<b>% Change</b>
2009	941,694	100,590	1,042,284	1,036	0.1%
2010	936,435	110,231	1,046,666	4,382	0.4%
2011	914,952	119,321	1,034,273	(12,393)	(1.2)%
2012	909,530	131,993	1,041,523	7,251	0.7%
2013	910,505	140,199	1,050,704	9,181	0.9%
2014 est	915,143	152,158	1,067,301	16,596	1.6%
2015 est	918,052	164,180	1,082,232	14,931	1.4%
2016 est	921,053	176,207	1,097,260	15,028	1.4%
2017 est	924,097	188,365	1,112,462	15,202	1.4%
2018 est	927,185	200,470	1,127,655	15,193	1.4%

<sup>1/</sup> Actuals for FY 2009 through FY 2014 are from ADE payment data (FY 2014 data not yet final). Figures for other years are current JLBC Staff estimates. Excludes students enrolled at the Arizona State Schools for the Deaf and the Blind (ASDB).  
<sup>2/</sup> Includes district-sponsored charter schools.  
<sup>3/</sup> Excludes district-sponsored charter schools.

**Higher Average Cost Per Pupil GF 22,500,000**

The Baseline includes an increase of \$22,500,000 from the General Fund in FY 2016 for growth in the average Basic State Aid cost per pupil for FY 2016. The average cost per pupil increases annually 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 \$22,500,000 estimate includes \$12,000,000 for charter school pupils and \$10,500,000 for special education students in FY 2016. The charter estimate assumes that board sponsored charter schools will continue to grow by approximately 12,000 ADM in FY 2016 and receive approximately \$1,000 more per pupil than non-charter pupils (12,000 X \$1,000 = \$12,000,000). The special education estimate assumes that the statewide special education weighted student count will increase by approximately 3,000 ADM in FY 2016 (see Table 3) and an average per pupil base level "add on" of \$3,500 (3,000 X \$3,500 = \$10,500,000). The assumed \$3,500 base level amount is "add on" in nature for special education pupils because it is in addition to base level funding that they generate under the "main" (non-special education) part of the Basic State Aid formula.



**Table 3**

**Special Education ADM (weighted)<sup>1/</sup>**

Fiscal Year	Districts	Charters	Total	Change	% Change
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	93,822	6,269	7.2%
2012	92,738	5,858	98,596	4,774	5.1%
2013	95,560	6,522	102,082	3,485	3.5%
2014 est	95,034	7,698	102,732	650	0.6%
2015 est	95,984	9,748	105,732	3,000	2.9%
2016 est	96,944	11,788	108,732	3,000	2.8%

<sup>1/</sup> Actuals for FY 2009 through FY 2014 are from ADE payment data. Excludes "Group B" category that only receives funding weight of 0.003 (293 additional "weighted" students for FY 2014) and students enrolled at ASDB (FY 2014 data not yet final).

**1.59% Inflation Adjustment GF 87,040,300**

The Baseline includes an increase of \$87,040,300 from the General Fund in FY 2016 for a 1.59% 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 \$3,426.74 per pupil for FY 2016 versus \$3,373.11 for FY 2015.

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 2016 adjustment is 1.59%, which equals the currently projected GDP price deflator for calendar year 2014. A.R.S. § 15-901.01 prohibits the Legislature from setting a base level that is lower than the FY 2002 base level of \$2,687.32.

The budgets for FY 2011 through FY 2013 provided inflation increases for transportation and charter school Additional Assistance only. The State Supreme Court ruled in September 2013 (Cave Creek Unified, et. al. v. Ducey) that the state must inflate the K-12 per pupil "base level," as well as transportation and charter Additional Assistance. It also remanded the case to Superior Court for resolution of funding amounts needed in order to address its ruling.

In August 2014, the Superior Court issued a judgment requiring the state to reset the base level to \$3,609 per pupil (\$236 higher) for FY 2015. It also scheduled evidentiary hearings for late October 2014 in order to determine whether the state also had to make back payments to schools for unfunded inflation in prior years.

A \$236 per pupil base level adjustment would increase Basic State Aid costs by an estimated \$332,032,000 in FY 2015 and \$336,680,400 in FY 2016 relative to current law.

In addition, the plaintiffs are seeking an estimated \$1,262,966,600 in back payments for unfunded inflation in prior years. This amount equals the cumulative sum of estimated unfunded inflation from recent years when the base level was not adjusted for inflation (FY 2009, FY 2011, FY 2012 and FY 2013). A ruling on the back payment issue remains pending as of early January 2015.

**Property Taxes from New Construction GF (41,272,900)**

The Baseline includes a decrease of \$(41,272,900) from the General Fund in FY 2016 due to a projected 1.7% increase in statewide Net Assessed Value (NAV) from new construction in FY 2016. This will increase local property tax revenues from the K-12 "Qualifying Tax Rate" (QTR) and State Equalization Tax Rate (SETR) by an estimated \$41,272,900 in FY 2016. It also will decrease state costs by \$(41,272,900), 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 1.9% in FY 2016, resulting in a net 3.6% NAV increase for new construction and existing property combined for FY 2016.

The projected 1.9% NAV increase for existing property will not affect net QTR or SETR collections in FY 2016 because A.R.S. § 41-1276 (the "Truth in Taxation" or "TNT" law) requires the QTR and SETR to be adjusted each year in order to offset NAV changes for existing properties. As a result, the QTR will decrease to an estimated \$4.15 (from \$4.22 currently) and the SETR will decrease to \$0.4994 (from \$0.5089 currently) in FY 2016 in order to offset the estimated 1.9% NAV increase for existing property (see Table 4).

**Table 4**

Tax Rate	TNT Tax Rates	
	FY 2015	FY 2016
Qualifying Tax Rate (QTR)		
• High School districts and elementary districts located within a high school district	\$2.1123	\$2.0730
• Unified districts and elementary districts not located within a high school district	\$4.2246	\$4.1460
• State Equalization Tax Rate (SETR)	\$0.5089	\$0.4994

On a related note, Proposition 117 from the November 2012 General Election, caps annual growth in property values at 5% starting in FY 2016. The proposition will not affect K-12 QTR and SETR revenues from existing property, since they already are held constant from year to year by TNT. Proposition 117 also should not affect school district override revenues, since they are based on a district's Revenue Control Limit rather than the size of its tax base. Proposition 117, however, could affect K-12 bonding, since caps on public school bonding are based on the size of a district's tax base. Proposition 117 will slow tax base growth in the future for any year that otherwise



In addition to suspending a portion of DAA and CAA, the Baseline would continue to suspend 4.5% of state aid for JTEDs with more than 2,000 ADM for FY 2016 by funding their state aid at 95.5% of the full funding amount apart from unrelated DAA suspensions. This would suspend an estimated \$1,747,400 of large JTED formula funding for FY 2016.

The Baseline also would continue to cap total statewide DAA reductions for school districts with less than 1,100 students at \$5,000,000 for FY 2016.

**Empowerment Scholarship      GF      700,000  
Accounts**

The Baseline includes an increase of \$700,000 from the General Fund in FY 2016 for Basic State Aid costs related to Empowerment Scholarship Accounts (ESAs) authorized by A.R.S. § 15-2402. This assumes that approximately 130 non-special education students who otherwise would attend private school (primarily incoming Kindergartners who live within the boundaries of a “D or F” school) would receive ESAs in FY 2016 (130 students X \$5,100 estimated average ESA cost for non-disabled pupils ≈ \$700,000). It also assumes that all other categories of new ESA students (such as disabled students who formerly attended school district or charter schools, and non-disabled students, such as from military families, who also qualify for ESAs) collectively would result in no net new cost based on formula modeling.

Eligible students can use monies in an ESA to attend private school or fund other educational expenses, such as textbooks and tutoring. ESAs are funded primarily with Basic State Aid monies that a school district or charter school otherwise would have received for a student if they had remained in public school.

The program is open to Arizona resident students who meet at least one of the requirements listed below in addition to being either a full-time Arizona public school student in the prior year, a displaced or disabled School Tuition Organization (STO) scholarship recipient in the prior year, or an incoming kindergartner:

- A child with a disability.
- A child who is a ward of the juvenile court and is residing in prospective permanent placement foster care.
- A child who is a ward of the juvenile court and who achieved permanency through adoption.
- A child who is the sibling of a current ESA recipient.
- A child who attended a failing school in the prior year.
- An incoming Kindergartner who resides within the boundaries of a failing school.
- A child with an active duty military parent.

*(Please see the FY2015 Appropriations Report for historical information on changes in program eligibility.)*

Laws 2013, Chapter 250 caps the number of new ESAs approved by the department each year at 0.5% of total public school enrollment through calendar year 2019, or approximately 5,400 new students annually. Current ESA growth is substantially below this level, as the 1,869 ESAs approved for FY 2015 represent an increase of only 554 net students above the FY 2014 level (see Table 5).

<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	761	\$10,200,000
FY 2015 (est)	1,315	\$17,300,000
FY 2016 (est)	1,869	\$24,400,000

<sup>1/</sup> ADE data and estimates as of July 2014. “Total Awards” represent estimated ESA allocations rather than the net General Fund impact of the program after related Basic State Aid savings are deducted. The latter amount is unknown because it would depend in part on where individual ESA recipients would have attended school apart from the program, which is unknown.

Chapter 250 also amended the funding formula for the ESA program to include “. . . an amount that is equivalent to ninety percent of the sum of the base support level and additional assistance prescribed in sections 15-185 and 15-943 for that particular student if that student were attending a charter school.” The impact of this change has been unclear due to varying interpretations of the enacted language.

In May 2014, however, the Superintendent of Public Instruction indicated that starting in FY 2015 the department would interpret it as providing 90% of charter additional assistance to all ESA recipients, including those who did not previously attend charter schools. ADE estimates that this change will cause ESAs as a whole to cost about 9% than they would have without this policy change, which would be approximately \$1,557,000 for FY 2015 (\$17,300,000 estimated ESA cost for FY 2015 [from Table 5] X 9% = \$1,557,000).

The Baseline does not include a policy issue for this change for FY 2016, as it already would be reflected in the department’s base budget from FY 2015. It could be responsible, however, for part of the estimated \$16,500,000 Basic State Aid funding shortfall for FY 2015 (see FY 2015 Supplemental narrative under Other Issues for Legislative Consideration for more information).

Table 5 shows historical and projected data for the ESA program. For FY 2015, ADE estimates that 1,315 students will receive \$17,300,000 in ESA funding. This would represent an increase of 554 students, which is the same increase assumed in Table 5 for FY 2016 (1,869 students assumed for FY 2016 minus 1,315 assumed for FY 2015 = 554 student increase).



years beginning in FY 2014, which will reduce statewide property values for commercial property in FY 2016. This will cause the statewide property tax base to be smaller in FY 2016 than it otherwise would be and Truth in Taxation will require the K-12 QTR to be increased accordingly. The latter change will increase the amount of QTR taxes paid by homeowners, which will increase Homeowner's Rebate costs by an estimated \$4,400,000 in FY 2016.

In addition, Chapter 1 increases the rebate percentage for the Homeowner's Rebate in order to also hold homeowners harmless for non-QTR rate increases that otherwise would occur under Chapter 1 to compensate for the lower commercial property assessed value. These rates may affect K-12 non-QTR taxes for school bonds and overrides. In addition, non-school tax rates, such as for cities, counties and community colleges, may also increase. That change is described separately below.

**Increased Rebate Percentage      GF      21,600,000**

The Baseline includes an increase of \$21,600,000 from the General Fund in FY 2016 for costs associated with an increased Homeowner's Rebate percentage required by Laws 2011, 2<sup>nd</sup> 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 rate increases that otherwise would occur in those years under Chapter 1 due to reduced assessment ratios for commercial property. For FY 2015, DOR increased the rebate percentage to 43.559% versus 41.825% in FY 2014. The currently estimated cost of the required rebate percentage increase for FY 2016 is \$21,600,000, which would reflect a rebate percentage of roughly 46%. DOR is not expected to determine the actual rebate percentage for FY 2016 until the summer of 2015.

**Display 1% Cap Separately      GF      (20,192,800)**

The Baseline includes a decrease of \$(20,192,800) from the General Fund in FY 2016 to display costs of the 1% cap in a separate line item for greater transparency starting in FY 2016. An offsetting \$20,192,800 increase from the General Fund would be displayed in that new line item starting in FY 2016, resulting in no net funding change for the Additional State Aid program as a whole (Homeowner's Rebate and 1% cap combined) relative to what it would have been under the prior format.

*Background* – The Additional State Aid program authorized by A.R.S. § 15-972 primarily pays a portion of each homeowner's school district primary property taxes, up to a maximum of \$600 per parcel.

**Additional State Aid - 1% Cap**

The Baseline includes \$27,600,000 from the General Fund in FY 2016 for the Additional State Aid - 1% Cap line item. FY 2016 adjustments would be as follows:

**Base Adjustment      GF      7,407,200**

The Baseline includes an increase of \$7,407,200 from the General Fund in FY 2016 to align the program's base budget with actual reported costs for FY 2015. The Arizona Department of Revenue (DOR) reported in October 2014 that the overall program would cost \$359,909,200 for FY 2015, which is \$7,407,200 more than its FY 2015 appropriation. The difference is primarily due to higher than expected costs for the "1% cap" portion of the Additional State Aid formula. (*Please see Background paragraph below under "Additional State Aid - 1% cap" narrative for more information.*)

**Display 1% Cap Separately      GF      20,192,800**

The Baseline includes an increase of \$20,192,800 from the General Fund in FY 2016 to display costs of the 1% cap in a separate line item for greater transparency starting in FY 2016, as noted above.

*Background* – The Additional State Aid 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 pertains to Article IX, Section 18 of the State Constitution, which caps Class 3 primary property taxes at no more than 1% of a home's full cash value and was added to the State Constitution in 1980. It applies any time a homeowner's net combined primary property tax rate for all taxing jurisdictions combined exceeds \$10 per \$100 of NAV even after the Homeowner's Rebate is applied.

In practice, the 1% cap has been implemented by having the state backfill any primary property tax costs for homeowners that exceed the 1% cap, rather than by requiring all taxing jurisdictions in an area (such as cities, counties, school districts and community colleges) to coordinate their respective primary property tax rates in order to keep their combined primary rate below \$10 per \$100 of NAV. The related language in the State Constitution, however, does not specify a mechanism for enforcing the 1% cap. As a result, other funding mechanisms, such as capping the amount of state backfill, potentially could be explored as alternatives for reducing state 1% cap costs.

In FY 2014, the 1% cap accounted for an estimated \$10.9 million (3.3%) of the \$329.1 million in total Additional State Aid costs based on formula modeling. The remaining \$318.2 million (96.7%) was used to fund the Homeowner's Rebate.

For FY 2015, 1% cap costs are expected to grow by about \$16.7 million to approximately \$27.6 million of the estimated \$359.9 million total cost of Additional State Aid for the year. The large increase in 1% cap costs for FY 2015 is attributable mostly to a \$1.43 increase in the combined primary property tax rate for property owners in the Tucson Unified School District (TUSD) (from \$11.98

in FY 2014 to \$13.41 in FY 2015). The impact of the \$1.43 increase on homeowners is passed on to the state because the combined primary property tax rate for property located within TUSD already exceeded the 1% cap in FY 2014. Other classes of property, such as commercial property and rentals, however, must pay the \$1.43 increase on their own, since the 1% cap does not apply to them.

**Special Education Fund**

The Baseline includes \$32,242,100 and 1 FTE Position from the General Fund in FY 2016 for the Special Education Fund Special Line Item. FY 2016 adjustments would be as follows:

**Enrollment Reduction GF (1,000,000)**

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2016 to reflect declining enrollment in residential programs at the Arizona State Schools for the Deaf and the Blind. (See *Arizona State Schools for the Deaf and the Blind* narrative for more information.)

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 2016 for Other State Aid to Districts. This amount is unchanged from FY 2015.

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 \$18,223,600 and 2 FTE Positions in FY 2016 for Accountability and Achievement Testing. These amounts consist of:

General Fund	11,223,600
Proposition 301 Fund	7,000,000

These amounts are unchanged from FY 2015.

New “Arizona College and Career Ready” tests will be administered to Arizona public school students for the first time during the spring of 2015. The State Board of Education awarded the contract for the new test in November 2014 and it will cost an estimated \$19,000,000 for FY 2015 and \$18,500,000 for FY 2016. Actual costs will depend on the proportion of students taking computer versus paper and pencil tests, which is not yet known. The \$19,000,000 estimate cited above for FY 2015 assumes that 50% of students will take the less expensive computer based version during first year testing.

The Achievement Testing program, however, includes more than just AzMERIT testing. In FY 2015 and FY 2016 it also will include AIMS retests for high school students who still need to pass AIMS in order to graduate (required through the Class of 2016), continuing AIMS Science Tests, alternative exams for special needs students, and program administration. All of these functions and AzMERIT testing combined are expected to cost approximately \$27,500,000 in FY 2015 (see Table 6).

<b>Estimated Costs</b>	
AzMERIT	\$19.0 <sup>1/</sup>
AIMS Retests and Science Testing	4.5
Alternative Special Needs Exam	1.8
Staff and Administration	2.2
<b>Total</b>	<b>\$27.5</b>
<b>Estimated Available Funding</b>	
General Fund	\$11.2
Proposition 301 - School Accountability	7.0
Federal Funds	8.2
<b>Total</b>	<b>\$26.4 <sup>2/</sup></b>
<sup>1/</sup> Assumes that 50% of students will take computer-based test and 50% will take paper and pencil test. Actual cost will depend on percentages observed when tests are administered.	
<sup>2/</sup> ADE anticipates that carry-forward Proposition 301 monies from prior years will be available in FY 2015 to fund any difference between actual testing costs and other available funding.	

Roughly \$26,400,000 will be available to fund achievement testing costs in FY 2015, not including prior year carry-forward monies available from Proposition 301 (see Table 6). These estimates will be refined as additional information on AzMERIT testing costs and federal funding become known.

The Baseline would continue an existing General Appropriation Act footnote that requires JLBC review of any changes to the Achievement Testing program that will increase program costs.

This line item funds costs of developing, administering and scoring achievement tests required by A.R.S. § 15-741. The Proposition 301 amount of \$7,000,000 for Achievement Testing is from the “up to \$7 million”

allowable appropriation for School Accountability in A.R.S. § 42-5029E7.

*(See Other Issues for Legislative Consideration for more information.)*

### **Adult Education**

The Baseline includes \$4,500,000 and 2 FTE Positions from the General Fund in FY 2016 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 2015, a total of 25 school districts, community colleges, counties and community-based organizations are operating state-funded Adult Education programs.

The program also is receiving approximately \$11,300,000 in federal funding in FY 2015. 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 \$4,960,400 from the General Fund in FY 2016 for the Arizona Structured English Immersion Fund. This amount is unchanged from FY 2015.

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 \$5,705,100 to public schools from the fund in FY 2014. It also transferred \$7,858,400 in accumulated fund balances to the state General Fund during FY 2014, as required by Laws 2013, 1<sup>st</sup> Special Session, Chapter 3 (the K-12 Education BRB for FY 2014).

### **English Learner Administration**

The Baseline includes \$6,516,800 and 17 FTE Positions from the General Fund in FY 2016 for English Learner Programs. These amounts are unchanged from FY 2015.

The program is responsible for administering the Arizona English Language Learner Assessment (“AzELLA”) test, which is used to determine whether a student should be classified as an “English Language Learner” (ELL) as defined in A.R.S. § 15-901B9. Students who are classified as ELLs are required to enroll in English language education programs prescribed by A.R.S. §§ 15-751, 15-

752 and 15-753 and qualify for ELL weight funding authorized in A.R.S. § 15-943. Approximately 125,500 students are expected to take the AzELLA in FY 2015, including 47,000 for initial testing and 78,000 for retesting to see if they should continue to be classified as ELLs.

The English Learner Administration program was originally authorized by Laws 2006, Chapter 4 in order to address the *Flores v. State of Arizona* litigation. The lawsuit was filed in federal court in 1992 by parents of children enrolled in the Nogales Unified School District. Litigation in the case continued until March 2013, when a federal judge dismissed the case. Plaintiffs in the case appealed the federal judge’s ruling in April 2013. The timeline for appellate action in the case is unknown. *(See FY 2011 Appropriations Report for additional history on this issue.)*

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

### **Information Technology Certifications**

The Baseline includes \$1,000,000 from the General Fund in FY 2016 for Information Technology Certifications. This amount is unchanged from FY 2015.

The program is intended to prepare students for industry-recognized information technology certification exams and provide for bulk purchasing of those exams.

### **JTED Performance Pay**

The Baseline includes no funding in FY 2016 for JTED Performance Pay. FY 2016 adjustments would be as follows:

**Remove One-Time Funding GF (500,000)**  
The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2016 for the elimination of one-time funding. A General Appropriation Act footnote required the department to distribute the appropriated FY 2015 amount on a pro rata basis based on the actual costs incurred to secure industry credential assessments and examinations for JTED students.

### **School Safety Program**

The Baseline includes \$3,646,500 and 1 FTE Position from the General Fund in FY 2016 for the School Safety program. These amounts are unchanged from FY 2015.

The School Safety Program places trained school resource officers or juvenile probation officers in public schools and

has existed in Arizona since FY 1995. (See the FY 2015 Appropriations Report for program history.)

The FY 2015 K-12 Education BRB requires that \$100,000 of the \$3,646,400 appropriation be used for a pilot program on school emergency readiness. The Baseline would continue this BRB provision.

The FY 2014 K-12 Education BRB required the department to submit a report that summarizes the results of the FY 2014 program by November 1, 2014. That report indicated that the 3 school districts that participated in the pilot program in FY 2014 (Continental Elementary, Osborn Elementary and Prescott Unified) all accomplished the following: 1) improved emergency management functions and aspects of school emergency response plans, 2) enhanced coordination and collaboration of internal district emergency planning team with community response partners, 3) trained staff on emergency operations plan supported by exercises and drills, and 4) worked with local law enforcement agencies to implement related software.

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 2015 is the first 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 \$11,576,300 and 27 FTE Positions from the General Fund in FY 2016 for the State Block Grant for Vocational Education. These amounts are unchanged from FY 2015.

The program provides block grants to school districts and charter schools that have Career and Technical Education (CTE) programs. CTE programs also currently receive approximately \$24,000,000 in federal funding annually pursuant to the Carl D. Perkins Vocational and Technical Education Act of 2006. Those monies are subject to a federal MOE provision that requires a state to continue to spend at least as much on CTE in a given fiscal year as it did in the prior fiscal year.

#### **Student Success Fund Deposit**

The Baseline includes \$22,400,000 from the General Fund in FY 2016 for the Student Success Fund Deposit Line Item. This amount is unchanged from FY 2015.

Monies in the line item are used in order to fund the Student Success Funding program. (See Student Success Funding line item narrative above for more information.)

#### **Teacher Certification**

The Baseline includes \$1,842,500 and 22 FTE Positions from the Teacher Certification Fund in FY 2016 for Teacher Certification. These amounts are unchanged from FY 2015.

The program processes applications for teacher and administrator certification, including certification renewal. It is funded through fees paid by certification applicants pursuant to A.R.S. § 15-531.

#### **Technology-Based Language Development and Literacy Intervention Pilot Program**

The Baseline includes \$246,800 from the Technology-Based Language Development and Literacy Intervention Fund in FY 2016 for the Technology-Based Language Development and Literacy Intervention Pilot Program. FY 2016 adjustments would be as follows:

<b>Base Adjustment</b>	<b>OF</b>	<b>(53,200)</b>
The Baseline includes a decrease of \$(53,200) from the Technology-Based Language Development and Literacy Intervention Fund in FY 2016 in order to align the program's budget with available resources.		

Laws 2014, Chapter 17 (the K-12 Education BRB for FY 2015) established a 2-year pilot program on Technology-Based Language Development and Literacy Intervention to be funded through a new Technology-Based Language Development and Literacy Intervention Fund authorized by A.R.S. § 15-217H. Chapter 17 required the Commission for Postsecondary Education to transfer \$546,800 from the Commission for Postsecondary Education IGA/ISA Fund into the new fund by August 1, 2014 in order to help fund the pilot program. The \$546,800 amount consisted of unused funding from the now-eliminated Early Graduation Scholarship Program (formerly established by A.R.S. § 15-105).

As originally passed, Chapter 17 also required the Department of Education to transfer \$53,200 in state General Fund funding from its Accountability and Achievement Testing program to the Technology-Based Language Development and Literacy Intervention Fund by August 1, 2014, which would have provided \$600,000 in total funding for the 2-year pilot. The Governor, however, vetoed the latter provision. As a result, the program has \$(53,200) less in funding available for its second year (FY 2016) than the \$300,000 amount appropriated and available to it in FY 2015. The Baseline would reduce the program's FY 2016 budget accordingly. Program funding



for FY 2016 will not appear in the General Appropriation Act, since it has already been appropriated by Chapter 17.

The program seeks to promote English language development and literacy for public school pupils in Grades K-6. Chapter 17 requires the department to develop application procedures and selection criteria for school districts and charter schools that voluntarily decide to participate in the pilot program.

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***State Board of Education***

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***State Board of Education***

The Baseline includes \$1,614,600 and 9 FTE Positions in FY 2016 for the State Board of Education. These amounts consist of:

General Fund	1,234,800
Teacher Certification Fund	379,800

These amounts are unchanged from FY 2015.

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.)

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**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 \$47,359,500 in expendable income derived from the

Permanent State School Fund and from state trust lands pursuant to A.R.S. § 37-521B for FY 2016.

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

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 submit the estimated fiscal impact of those changes to the Joint Legislative Budget Committee for review.

English Learner Administration

The Department of Education must use the appropriated amount to provide English language acquisition services for the purposes of A.R.S. § 15-756.07 and for the costs of providing English language proficiency assessments, scoring and ancillary materials as prescribed by the Department of Education to school districts and charter schools for the purposes of Title 15, Chapter 7, Article 3.1, Arizona Revised Statutes. The Department of Education may use a portion of the appropriated amount to hire staff or contract with a third party to carry out the purposes of A.R.S. § 15-756.07. Notwithstanding A.R.S. § 41-192, the Superintendent of Public Instruction also may use a portion of the appropriated amount to contract with one or more private attorneys to provide legal services in connection with the case of Flores v. State of Arizona, No. CIV 92-596-TUC-RCC.

Student Success Fund Deposit

The \$22,400,000 appropriation from the General Fund for the Student Success Fund Deposit Special Line Item is a continuing appropriation and is exempt from the

provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

#### State Board of Education

The State Board of Education 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 must include, at a minimum, the department's current funding surplus or shortfall projections for Basic State Aid and other major formula-based programs and is due 30 days after the end of the applicable reporting period.

Within 15 days after each apportionment of state aid that occurs pursuant to A.R.S. § 15-973B, the department shall post on its website the amount of state aid apportioned to each recipient and the underlying data.

For FY 2016, 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 System 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.

#### *Deletion of Prior Year Footnotes*

The Baseline would delete the footnote concerning the allocation of one-time charter conversion monies, as that footnote was one-time in nature.

The Baseline would delete the footnote concerning the allocation of one-time JTED Performance Pay monies, as those monies were one-time in nature.

### **STATUTORY CHANGES**

The Baseline would make the following statutory changes:

#### Inflation

- 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 1.59% for inflation.

#### Additional Assistance

- 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 2016 by the amount that would be reduced if they did qualify for state aid for FY 2016 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 2016 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 2016 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.

#### Joint Technical Education Districts (JTEDs)

- As session law, continue to fund state aid for Joint Technological Education Districts (JTEDs) in FY 2015 at 95.5% 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%.

#### Education Learning and Accountability System (ELAS)

- As session law, continue to require community colleges and universities to transfer \$6 per pupil by December 1, 2015 for deposit into the Education Learning and Accountability Fund, but have them transfer the monies to the Arizona Department of Administration Automation Projects Fund instead of ADE in order to avoid double counting by ADE (*see Education Learning and Accountability narrative under Other Issues for Legislative Consideration for more information*).

#### Student Success

- As session law, continue for FY 2016 the distribution formula for the Student Success Funding program that was in effect for FY 2015.

#### School Safety

- As session law, continue to stipulate that \$100,000 of the \$3,646,500 School Safety Program appropriation for FY 2016 is to be used for a pilot program on school emergency readiness and establish requirements for the pilot program.

#### Rollover

- As session law in the General Appropriation Act, continue to defer \$930,727,700 in Basic State Aid payments for FY 2016 until FY 2017. Appropriate \$930,727,700 in FY 2017 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, 2016.

- As session law in the General Appropriation Act, continue to require school districts to include in the FY 2016 revenue estimates that they use for computing their FY 2016 tax rates the rollover monies that they will receive for FY 2016 in July 2016.

#### *Deleted Provisions*

The Baseline would not continue the following session law provisions due to their one-time nature:

- As session law, provide for the phase out of school district charter school conversions.
- As session law, establish a K-12 Broadband Task Force.
- As session law, transfer \$546,800 into the new Technology-Based Language Development and Literacy Intervention Fund from the Commission on Postsecondary Education IGA/ISA Fund (leftover "Early Graduation Scholarship Program" monies).

#### **OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

This section includes information on the following topics:

- FY 2015 Supplemental
- Long Term Budget Impacts
- Achievement Testing
- Education Learning and Accountability System
- Endowment Earnings
- Proposition 301
- JTED ADM from High School Graduates
- Budget Overrides
- Basic State Aid Formula Description

#### ***FY 2015 Supplemental***

The JLBC Staff currently estimates that the department will experience a \$26.9 million shortfall for FY 2015, which would include the following:

- A \$16.5 million shortfall for Basic State Aid due to higher-than-budgeted ADM growth in FY 2015.
- A \$7.4 million shortfall for Additional State Aid due to higher-than-budgeted costs for the 1% cap.
- A \$3.0 million shortfall due to a one-time property tax settlement.

The \$26.9 million overall shortfall estimate is subject to substantial revision as additional student count information becomes available.

#### ***Long Term Budget Impacts***

Beyond FY 2016 Baseline changes, JLBC Staff estimates for ADE that statutory caseload changes will require an additional \$209.5 million in FY 2017 above FY 2016 and an additional \$163.6 million in FY 2018 above FY 2017. These estimates assume the following changes:

- 1.4% ADM growth for all fiscal years.
- 12,000 new charter ADM and 3,000 new special education weighted ADM annually.
- GDP inflators of 1.86% for FY 2017 and 1.79% for FY 2018.
- New construction NAV growth of 2.03% for FY 2017 and 1.99% for FY 2018.
- A \$44.6 million increase in Homeowner's Rebate costs in FY 2017 only in order to hold homeowners harmless for tax rate changes associated with the final year of a 4-year phase down of the assessment ratio for Class 1 property. This cost remains in base budget for FY 2018, but does not further increase that year, since the assessment ratio phase down is completed after FY 2017.

These estimates do not include additional funding that could be required for settlement of the current Proposition 301 inflation lawsuit. (*See the 1.59% Inflation Adjustment narrative under Basic State Aid for additional information.*)

#### ***Achievement Testing***

The department will be implementing a new statewide achievement test in the spring of FY 2015. The new test will be aligned to new academic standards adopted by the State Board of Education in December 2010. There is no specific state statutory requirement regarding implementation of the new standards. The State Board of Education, however, adopted them in December 2010 under powers granted to it by A.R.S. § 15-203. In September 2013, the Governor issued an Executive Order requiring executive agencies to refer to these standards as "Arizona's College and Career Ready Standards" (ACCR).

The ACCR standards list knowledge and skills that students are expected to learn each year in English language arts and Math in the 45 states that have adopted Common Core standards in some fashion. As a result, participating states will be able to use common exams and compare test performance of students across states. Prior to the adoption of ACCR standards, Arizona students were instead taught under state-specific academic standards and tested by Arizona Instrument to Measure Standards (AIMS) tests that were not comparable to tests used by other states.

Under AIMS, high school students could not graduate until they had passed AIMS Math, Reading and Writing tests that were administered separately from their high school math and English classes. Under ACCR, the math and English content required for high school graduation will instead be incorporated into "end of courses tests" (final exams) for high school math and English classes themselves.

Students therefore will be able to graduate under ACCR if they pass all required classes without having to also pass separate graduation tests. Non-high school students

generally will not have to pass annual ACCR exams in order to be promoted to the next grade, as is true under AIMS testing. Students in 3<sup>rd</sup> Grade, however, will still need to score at better than the “falls far below the 3<sup>rd</sup> Grade level” on ACCR English language tests in order to be promoted to 4<sup>th</sup> 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 continued to 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.

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.

Arizona used a competitive bid process to select a vendor to provide the new test and the scoring. As a result of this process, the State Board of Education awarded a contract for the new tests in November 2014 to the American Institutes for Research (AIR). The estimated cost of the new contract is approximately \$19.0 million for FY 2015 and \$18.5 million for FY 2016. *(See the Accountability and Achievement Testing line item narrative for more information.)*

**Education Learning and Accountability System**

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).

Beginning in FY 2015, ELAS funding is appropriated to the Arizona Department of Administration Automation Projects Fund rather than ADE. As a result, ELAS funding no longer appears in the ADE budget. *(Please see the Arizona Department of Administration - Automation Projects Fund section for more information.)*

The Baseline would continue to require community college and universities to transfer \$6 per Full Time Student Equivalent (FTSE) to ADE by December 1 of the budget year for deposit into the ELAS Fund in order to continue to help fund ELAS. The Baseline, however, would require community colleges and universities to transfer the fees to ADOA for deposit into the ADOA Automation Projects Fund, rather than continuing to transfer them first to ADE *(please see Statutory Changes section above)*. ADE

recommends this in order to avoid continued double counting, as ADE indicates that under current practice the state accounting system requires it to report the \$6 per FTSE fee revenue both when it is received from community colleges and universities and also when it is appropriated back to ADE from the ADOA Automation Projects Fund.

**Endowment Earnings**

In FY 2014, endowment earnings from state trust lands public schools funded approximately \$125.1 million of Basic State Aid, School Facilities Board bond debt service and K-12 Classroom Site Fund costs.

Endowment earnings originate from the sale or lease of lands that the federal government deeded to Arizona in the Enabling Act in 1910 in order to provide support for public functions such as education. Approximately 9.2 million of the original 11.0 million acres of state trust lands remain, of which approximately 87% (8.1 million acres) are for the benefit of public schools, with the rest being designated mostly for the benefit of universities and corrections. K-12 education therefore is by far the largest beneficiary of earnings generated from state trust lands.

The State Land Department and State Treasurer both generate endowment earnings from state trust lands. The State Land Department generates endowment earnings primarily by selling or leasing state trust lands and natural products from trust lands. The State Treasurer generates endowment earnings by investing monies received from the State Land Department from the sale of state trust lands and related natural products in stocks, bonds and other income-earning investments.

State trust land earnings are considered either “permanent” or “expendable” depending on whether they are one-time in nature. Only expendable monies are distributed to beneficiaries, as permanent monies are considered to be part of the original endowment and must be reinvested rather than distributed to beneficiaries. Permanent monies include one-time proceeds from the sale of state trust lands and natural products from state trust lands.

Expendable monies include ongoing income that the Land Department generates from leases, permits and interest from sales contracts and a portion of investment returns generated by the State Treasurer. In FY 2014, public schools benefited from \$125.1 million of expendable land trust monies from the Land Department and State Treasurer combined. That total included \$57.3 million from the Land Department and \$67.8 million from the State Treasurer *(see Table 7)*.

Source	2006	2010	2014
Land Department	58.7	38.1	57.3
Treasurer	31.4	0.0	67.8
<b>Total</b>	<b>90.1</b>	<b>38.1</b>	<b>125.1</b>

Table 8

**Proposition 301 Monies  
(FY 2014 Actual)  
(\$ in Millions)**

<u>Recipient</u>	<u>Amount</u>	<u>Comment</u>
School Facilities Board	\$56.2	For debt service on \$794.7 million of bonds authorized by Proposition 301 for school repairs and updates.
Universities	65.3	Receive 12% of monies remaining after SFB debt service is deducted.
Community Colleges	16.3	Receive 3% of monies after SFB debt service.
Tribal Colleges	0.7	Same formula as for community colleges.
Income Tax Credit	<u>25.0</u>	For income tax credit authorized by A.R.S. § 43.1072.01.
<b>Subtotal - Non ADE Programs</b>	<b>163.5</b>	
Additional School Days	86.3	To add 5 days to K-12 school year (180 days total).
School Safety	8.0	\$7.8 million for School Safety (A.R.S. § 15-154) and \$0.2 million for Character Education (A.R.S. § 15-154.01).
School Accountability	7.0	For school accountability pursuant to A.R.S. § 15-241 and § 15-1041.
Failing Schools	1.5	To Failing Schools Tutoring Fund (A.R.S. § 15-241CC).
Classroom Site Fund	<u>333.9</u>	Established by A.R.S. § 15-977. Receives all monies remaining after other distributions are made. Also receives all expendable K-12 endowment earnings above \$72.3 million.
<b>Subtotal - ADE Programs</b>	<b>436.7</b>	
<b>Grand Total</b>	<b>\$600.2</b>	

Table 7 shows that K-12 endowment earnings increased from \$90.1 million in FY 2006 to \$125.1 million in FY 2014 after dropping temporarily to \$38.1 million during the Great Recession.

For FY 2015, the Treasurer distribution of K-12 endowment earnings will be \$76.0 million, which is a known number because it is based on land trust market values through calendar year 2013 only (prior 5 calendar years). The Land Department did not provide an estimate of the amount of expendable K-12 land trust earnings that it will generate for FY 2015.

Of the \$125.1 million in K-12 expendable earnings generated for FY 2014, \$25.8 million was used to help fund School Facilities Board debt service pursuant to A.R.S. § 37-521B2 and \$46.5 million was used to help fund Basic State Aid pursuant to A.R.S. § 37-521B3. The remaining \$52.8 million was deposited into the Classroom Site Fund (A.R.S. § 15-977) pursuant to A.R.S. § 37-521B4. The latter law dedicates to the Classroom Site Fund all growth in K-12 expendable endowment earnings above the FY 2001 level, which was \$72.3 million.

The portion of Treasurer land trust earnings that is considered expendable is determined by a formula prescribed in the State Constitution, since the value of invested land trust monies fluctuates daily. Currently, the State Constitution requires the State Treasurer to distribute annually to each beneficiary (such as public schools) a flat 2.5% of the average monthly market value of the beneficiary's permanent fund for the immediately preceding 5 calendar years.

The 2.5% factor was enacted into law by Proposition 118 in November 2012 and will be in effect through calendar year 2021. It is intended to reflect the long-term average

for investment returns on invested land trust monies, while eliminating large fluctuations in expendable earning distributions to beneficiaries that occurred in prior years due to market volatility.

After calendar year 2021, the distribution formula in effect prior to Proposition 118 would resume under current law. That formula computed expendable Treasurer land trust earnings based on inflation adjusted rates of investment return observed for invested land trust proceeds over the preceding 5 calendar years. Those rates of return fluctuated substantially from year to year in the past depending on market conditions (*see Treasurer's earnings in Table 7*).

The total market value of state land trust monies currently invested by the State Treasurer for all beneficiaries combined (not just public schools) recently surpassed \$5.0 billion for the first time (up from \$1.2 billion in FY 2004, for example), due largely to strong stock market performance in recent years. This will increase the amount of expendable land trust earnings distributed by the State Treasurer in the future, since it will cause the flat 2.5% annual distribution factor from Proposition 118 to apply to a larger 5-year average value for invested land trust monies.

**Proposition 301**

Proposition 301, which was passed by voters in November 2000, amended A.R.S. § 42-5010 in order to increase the state Transaction Privilege Tax (TPT) ("sales tax") rate on most purchases from 5% to 5.6% through FY 2021 in order to generate more funding for public education. It also amended A.R.S. § 42-5029 in order to prescribe how the new sales tax revenues would be allocated (*see Table 8*).

As shown in *Table 8*, Proposition 301 revenues are earmarked for the following items:

- Debt service on \$794.7 million of School Facilities Board bonds used for deficiencies correction.
- Universities (12% of the remainder after SFB debt service).
- Community colleges (3% of the remainder).
- Tribal Colleges (same formula as community colleges).
- Income tax credit for sales tax paid by low income households (to offset the additional 0.6¢ sales tax rate).
- Additional School Days.
- School Safety and Character Education.
- School Accountability.
- Failing Schools.
- Classroom Site Fund (A.R.S. § 15-977).

Proposition 301 dedicates to the Classroom Site Fund all 0.6¢ sales tax monies remaining after all other distributions are made. Its share equaled \$333.9 million (55.6%) of the \$600.2 million collected for FY 2014 (*see Table 8*).

The Proposition 301 sales tax expires after FY 2021. The JLBC Staff recommends that the Legislature begin a planning process to accommodate this expiration.

#### Classroom Site Fund

Proposition 301 also dedicated to the Classroom Site Fund all growth in K-12 expendable land trust earnings above the amount generated by the State Treasurer and State Land Department combined for FY 2001 (the last year before Proposition 301 took effect), which equaled \$72.3 million. In FY 2014, the Classroom Site Fund received approximately \$52.8 million from K-12 endowment earnings, which resulted in total deposits of \$386.7 million (\$333.9 million from the 0.6¢ sales tax + \$52.8 million from endowment earnings = \$386.7 million).

The \$333.9 million that the Classroom Site Fund received from the 0.6¢ sales tax in FY 2014 does not include approximately \$102.8 million in school-related costs also funded by Proposition 301 for items such as Additional School Days that appear in *Table 7*. Those 2 amounts combined equaled \$436.7 million for FY 2014.

ADE distributed \$310 per pupil from the Classroom Site Fund in FY 2014. Those monies were in addition to funds allocated through the Basic State Aid formula. School districts and charter schools may use Classroom Site Fund monies for any purpose listed in A.R.S. § 15-977H, which includes items such as class size reductions and teacher compensation.

#### ***JTED ADM from High School Graduates***

A student's eligibility for Basic State Aid funding typically ends when they graduate from high school. ADE reports, however, that approximately 900 students who graduated from high school in FY 2013 or earlier currently are included in student counts reported by JTEDs for FY 2015. ADE does not think it has authority to exclude them under current law. The 900 students represent roughly 600 ADM under preliminary data and are costing the state an estimated \$2.8 million (600 ADM X \$4,700 per pupil [rough JTED average] = \$2,820,000).

#### ***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 2015, 94 districts statewide have M&O overrides pursuant to A.R.S. § 15-481, 9 have "Special Program" overrides pursuant to A.R.S. § 15-482, and 23 have District Additional Assistance overrides. The total amounts budgeted for overrides for FY 2015 include \$387.3 million for M&O overrides, \$6.9 million for Special Program overrides and \$74.2 million for District Additional Assistance overrides. Grand total override funding for FY 2015 therefore equals \$468.4 million, which is \$25.5 million above the \$442.9 million amount budgeted for all overrides collectively in FY 2014 (*see Table 9*). (*See the School Facilities Board budget narrative for a related summary on K-12 Capital Bonding.*)

Table 9

**K-12 Budget Overrides**  
(\$ in Millions)

Type of Override	FY 2014	FY 2015	Change
M&O	364.7	387.3	22.6
Special Program	19.0	6.9	(12.1)
Additional Assistance	59.2	74.2	15.0
<b>Total</b>	<b>442.9</b>	<b>468.4</b>	<b>25.5</b>

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. The data cited in *Table 9* are from the related ADE reports for FY 2014 and FY 2015.

**Basic State Aid Formula Description**

Basic State Aid funding is based on a statutory formula enacted in 1980 and substantially modified in 1985. This formula “equalizes” formula funding among school districts, enabling them all to spend approximately the same amount of formula money per pupil from state and local sources combined. (Non-formula funding, such as from bonds and overrides, is not equalized.) Districts with a very strong local property tax base are able to generate their entire formula funding entitlement from local property taxes alone. Most school districts, however, require “Basic State Aid” monies in order to receive full formula funding.

The equalization formula for school districts consists of 3 components: the Base Support Level (BSL), Transportation Support Level (TSL), and District Additional Assistance (DAA). BSL and DAA funding are computed by multiplying specific dollar amounts in statute by a school district's student count, adjusted for various weights. The TSL instead is computed by multiplying specific dollar amounts per route mile in statute by a district's pupil transportation route miles. The sum of the 3 formula components equals what is referred to as a school district's “equalization base,” which is its total

funding entitlement under the K-12 equalization funding formula.

After a school district's equalization base is determined, its net assessed property value (NAV) is multiplied by the statutory “Qualifying Tax Rate” (QTR) (A.R.S. § 15-971B) in order to determine the portion of its formula funding that is assumed to come from QTR taxes. This amount, plus the district's share of State Equalization Tax Rate (SETR) revenues (A.R.S. § 15-994), if any, are then subtracted from its equalization base. If the district's combined QTR and SETR revenues exceed its equalization base, the district is not entitled to Basic State Aid. If, however, its “local share” funding does not exceed its equalization base, the district receives Basic State Aid funding to make up the difference. The actual local property tax rate for schools may be lower than the QTR (such as if the QTR would raise more than the district's formula funding entitlement), or higher if the district is allowed to budget for items outside of its “Revenue Control Limit” (RCL) pursuant to A.R.S. § 15-910.

Basic State Aid is also provided to charter schools, which are schools that do not have geographic boundaries, operate under terms specified in a “charter,” and are sponsored by an entity such as the State Board for Charter Schools. The equalization funding formula for charter schools does not include DAA or separate transportation funding and instead consists only of BSL and CAA funding. BSL funding for charter schools is determined under the same formula prescribed for traditional public schools in A.R.S. § 15-943. CAA funding amounts are established separately in A.R.S. § 15-185B4 and for FY 2015 (as modified by the FY 2015 K-12 Education BRB) equal \$1,707.77 per pupil for Grades K-8 and \$1,990.38 per pupil for Grades 9-12. Charter schools receive all of their equalization funding through Basic State Aid, since they do not have authority to generate funding through local property taxes.

SUMMARY OF FUNDS	FY 2014	FY 2015
	Actual	Estimate
<b>Agricultural Youth Organization Special Plate Fund (EDA2650/A.R.S. § 15-791)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	64,500	65,400
<b>Year-End Fund Balance</b>	0	2,600

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Assistance for Education Fund (EDA2420/A.R.S. § 15-973.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund solutions teams assigned to schools pursuant to A.R.S. § 15-241.		
<b>Funds Expended</b>	319,400	225,300
<b>Year-End Fund Balance</b>	298,000	151,000
<b>Character Education Special Plate Fund (EDA2522/A.R.S. § 15-719)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> \$17 of the \$25 fee for Character Education license plates.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	25,500	45,500
<b>Year-End Fund Balance</b>	27,200	25,200
<b>Classroom Site Fund (EDA2471/A.R.S. § 15-977)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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%).		
<b>Funds Expended</b>	404,353,700	391,045,500
<b>Year-End Fund Balance</b>	20,313,600	20,313,600
<b>Department of Education Empowerment Scholarship Account Fund (EDA2570/A.R.S. § 15-2402)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> Monies transferred from Basic State Aid pursuant to A.R.S. § 15-2402C and prior year carry forward monies.		
<b>Purpose of Fund:</b> 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 2014 scholarships account transfer was approximately \$10.2 million). The student account monies are not displayed to avoid double counting of the General Fund. Non-appropriated monies in the fund are prior year carry forward. (See also the "State Treasurer Empowerment Scholarship Account Fund" in the Summary of Funds for the State Treasurer).		
<b>Appropriated Funds Expended</b>	200,000	200,100
<b>Non-Appropriated Funds Expended</b>	36,800	58,500
<b>Year-End Fund Balance</b>	346,900	288,300
<b>Department of Education Professional Development Revolving Fund (EDA2580/A.R.S. § 15-237.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Tuition paid for professional development, pursuant to A.R.S. § 15-237.01.		
<b>Purpose of Fund:</b> To offset the cost of providing professional development.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Education Commodity Fund (EDA4210/A.R.S. § 15-1152)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees from school districts participating in the federal Food Commodities Program.		
<b>Purpose of Fund:</b> To pay for costs of administering the federal Food Commodities Program.		
<b>Funds Expended</b>	56,100	22,100
<b>Year-End Fund Balance</b>	42,300	31,200



SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Education Donations Fund (EDA2025/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants received by the department from foundations or other private sector donors.		
<b>Purpose of Fund:</b> To help pay for conferences, programs or other activities that are sponsored by donor organizations.		
<b>Funds Expended</b>	175,600	48,100
<b>Year-End Fund Balance</b>	169,500	191,400
<b>Education Learning and Accountability Fund (EDA2552/A.R.S. § 15-249.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies transferred from the Arizona Department of Administration (ADOA) Automation Projects Fund (APF), which for FY 2015 received \$10,400,000 from the State General Fund, an estimated \$1,600,000 from a \$6 per Full-Time Student Equivalent (FTSE) fee paid by from Arizona public universities and community colleges pursuant to Laws 2014, Chapter 17, Section 11, plus any remaining FY 2014 balances in the fund. Expenditures are not displayed to avoid double counting of the General Fund.		
<b>Purpose of Fund:</b> To develop and implement the Education Learning and Accountability System (ELAS) pursuant to A.R.S. § 15-249.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	440,600	0
<b>Failing Schools Tutoring Fund (EDA2470/A.R.S. § 15-241)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A portion of the 0.6% Proposition 301 sales tax, pursuant to A.R.S. § 42-5029E8 .		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,517,300	1,581,100
<b>Year-End Fund Balance</b>	199,300	118,200
<b>Federal Funds (EDA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
<b>Purpose of Fund:</b> To be expended as stipulated by federal statutes that authorize the Federal grants.		
<b>Funds Expended</b>	1,056,141,700	1,074,395,400
<b>Year-End Fund Balance</b>	2,867,600	2,763,000
<b>Federal Grants - American Recovery and Reinvestment Act (ARRA) (EDA2999/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	19,023,300	8,000,000
<b>Year-End Fund Balance</b>	500	500
<b>Golden Rule Special Plate Fund (EDA2366/A.R.S. § 15-243)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> \$17 of the \$25 fee for Golden Rule license plates.		
<b>Purpose of Fund:</b> To fund programs that demonstrate the promotion of the golden rule in schools and communities.		
<b>Funds Expended</b>	192,500	191,000
<b>Year-End Fund Balance</b>	0	0
<b>IGA and ISA Fund (EDA2500/A.R.S. § 35-142E)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies transferred into the fund from Federal Funds (EDA2000) and the Internal Services Fund (EDA4209).		
<b>Purpose of Fund:</b> Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
<b>Funds Expended</b>	4,802,500	4,922,800
<b>Year-End Fund Balance</b>	298,600	154,200

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Indirect Cost Recovery Fund (EDA9000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
<b>Purpose of Fund:</b> To fund overhead and other indirect costs associated with state level administration of federal programs.		
<b>Funds Expended</b>	4,767,100	5,678,300
<b>Year-End Fund Balance</b>	1,803,100	1,038,300
<b>Instructional Improvement Fund (EDA2492/A.R.S. § 15-979)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
<b>Funds Expended</b>	24,564,500	49,564,500
<b>Year-End Fund Balance</b>	18,687,300	16,922,900
<b>Internal Services Fund (EDA4209/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal indirect cost monies and intra-office fees for copier services, MIS maintenance, postage and other miscellaneous expenditures.		
<b>Purpose of Fund:</b> Clearing fund for federal indirect costs and miscellaneous intra-office revenues and expenditures.		
<b>Funds Expended</b>	2,923,700	4,058,300
<b>Year-End Fund Balance</b>	1,481,600	703,500
<b>Permanent State School Fund (EDA3138/A.R.S. § 37-521)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> 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.)		
<b>Purpose of Fund:</b> To support common schools.		
<b>Funds Expended</b>	46,475,500	46,475,500
<b>Year-End Fund Balance</b>	6,865,800	6,865,800
<b>Production Revolving Fund (EDA4211/A.R.S. § 15-237)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Print shop collections from in-house and interagency publishing.		
<b>Purpose of Fund:</b> To fund agency print shop expenditures.		
<b>Funds Expended</b>	1,997,000	2,628,800
<b>Year-End Fund Balance</b>	1,273,100	768,300
<b>Proposition 301 Fund (EDA1014/A.R.S. § 42-5029E7)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To pay for K-12 Achievement Testing (appropriated) and additional school days, School Safety and Character Education (non-appropriated).		
<b>Appropriated Funds Expended</b>	371,100	7,000,000
<b>Non-Appropriated Funds Expended</b>	97,346,100	98,278,100
<b>Year-End Fund Balance</b>	14,071,000	10,073,400

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Special Education Fund (EDA1009/A.R.S. § 15-1182)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations from the state General Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	5,310,700	5,307,200
<b>Structured English Immersion Fund (EDA2535/A.R.S. § 15-756.04)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations from the state General Fund.		
<b>Purpose of Fund:</b> To fund additional instructional costs of English Language Learners. Expenditures are not displayed to avoid double counting General Fund. Laws 2013, 1st Special Session, Chapter 3 required ADE to transfer \$10,000,000 from the fund to the state General Fund during FY 2014 in order to draw down accumulated balances.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	136,800	136,800
<b>Student Success Fund (EDA2575/A.R.S. § 15-917)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations from the state General Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	21,500,000
<b>Year-End Fund Balance</b>	2,400,000	2,400,000
<b>Teacher Certification Fund (EDA2399/A.R.S. § 15-531)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees collected by the State Board of Education from teachers and other school personnel who apply for professional certification.		
<b>Purpose of Fund:</b> To provide monies for operation of the department's Teacher Certification program.		
<b>Funds Expended</b>	2,119,400	2,360,500
<b>Year-End Fund Balance</b>	10,600	10,600
<b>Technology-Based Language Development and Literacy Intervention Fund (EDA2579/A.R.S. § 15-217)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Unused monies from the now-repealed Early Graduation Scholarship Program. The FY 2015 K-12 Education Budget Reconciliation Bill (Laws 2014, Chapter 17) required the Commission for Postsecondary Education to transfer these monies (\$546,800) into the fund from its IGA/ISA Fund by August 1, 2014. As session law, Chapter 17 also appropriated \$300,000 annually from the new fund in FY 2015 and FY 2016 for the pilot program.		
<b>Purpose of Fund:</b> To fund a pilot program to promote English language development and literacy for public school pupils in Grades K-6.		
<b>Funds Expended</b>	0	300,000
<b>Year-End Fund Balance</b>	0	246,800
<b>Youth Farm Loan Fund (EDA2136/A.R.S. § 15-1172)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The investment of trust funds held by the United States as trustee for the Arizona Rural Rehabilitation Corporation.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	95,000	65,000
<b>Year-End Fund Balance</b>	157,800	95,400

## Department of Emergency and Military Affairs

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>PROGRAM BUDGET</b>			
Administration	1,904,700	4,396,200	1,896,200
Emergency Management	3,941,000	6,237,600	4,862,200
Military Affairs	1,892,500	2,543,300	2,543,300
<b>AGENCY TOTAL</b>	<b>7,738,200</b>	<b>13,177,100</b>	<b>9,301,700</b>
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	66.6	68.6	64.1
Personal Services	1,641,500	1,886,800	1,886,800
Employee Related Expenditures	587,800	740,700	740,700
Professional and Outside Services	37,800	0	0
Travel - In State	56,800	61,600	61,600
Travel - Out of State	16,200	22,200	22,200
Other Operating Expenditures	2,152,400	2,272,400	2,272,400
Equipment	55,400	228,000	228,000
<b>OPERATING SUBTOTAL</b>	<b>4,547,900</b>	<b>5,211,700</b>	<b>5,211,700</b>
<b>SPECIAL LINE ITEMS</b>			
Governor's Emergency Fund	1,841,200	4,000,000	4,000,000
Nuclear Emergency Management Fund	1,259,100	1,375,400	0
Military Airport Planning	90,000	2,590,000	90,000
<b>AGENCY TOTAL</b>	<b>7,738,200</b>	<b>13,177,100</b>	<b>9,301,700</b>
<b>FUND SOURCES</b>			
General Fund	7,626,700	13,044,400	9,169,000
<u>Other Appropriated Funds</u>			
Emergency Response Fund	111,500	132,700	132,700
SUBTOTAL - Other Appropriated Funds	111,500	132,700	132,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>7,738,200</b>	<b>13,177,100</b>	<b>9,301,700</b>
Other Non-Appropriated Funds	149,500	156,000	156,000
Federal Funds	70,732,400	57,747,900	50,233,800
<b>TOTAL - ALL SOURCES</b>	<b>78,620,100</b>	<b>71,081,000</b>	<b>59,691,500</b>

**AGENCY DESCRIPTION** — The department's Emergency Management Program prepares and coordinates emergency response plans for the state. The Military Affairs Program operates the Arizona National Guard, the Military Installation Fund Program and Project Challenge, an educational program for at-risk youth.

### Operating Budget

The Baseline includes \$5,211,700 and 63.1 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$5,079,000
Emergency Response Fund	132,700

These amounts are unchanged from FY 2015.

### Governor's Emergency Fund

The Baseline includes \$4,000,000 from the General Fund in FY 2016 for the Governor's Emergency Fund. This amount is unchanged from FY 2015.

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.



SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Camp Navajo Fund (MAA2106/A.R.S. § 26-152)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal fees for storage and use of Camp Navajo, a munitions storage depot and National Guard training site.		
<b>Purpose of Fund:</b> To operate and maintain the Camp Navajo National Guard training and storage facility.		
<b>Funds Expended</b>	9,765,400	13,195,800
<b>Year-End Fund Balance</b>	12,293,100	9,615,500
<b>Emergency Management Training Fund (MAA2087/A.R.S. § 26-305)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Emergency management course fees paid by private sector participants.		
<b>Purpose of Fund:</b> To pay for the costs of administering the emergency management course.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,100	2,100
<b>Emergency Response Fund (MAA3031/A.R.S. § 26-352)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund receives 10% of the Department of Environmental Quality's Hazardous Waste Management Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	111,500	132,700
<b>Year-End Fund Balance</b>	88,300	88,300
<b>Federal Funds - Emergency (MAA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal program grants. Homeland Security funds received by Arizona after FY 2006 are reported in the Arizona Department of Homeland Security's budget.		
<b>Purpose of Fund:</b> To pay for the federal share of emergency planning, response and management programs.		
<b>Funds Expended</b>	8,458,400	10,110,800
<b>Year-End Fund Balance</b>	220,000	185,200
<b>Federal Funds - Military (MAA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal Service Contracts for security, maintenance and operations of the National Guard.		
<b>Purpose of Fund:</b> To provide the federal share of costs for Army National Guard and Air National Guard positions, capital and operating expenses.		
<b>Funds Expended</b>	49,986,600	32,120,700
<b>Year-End Fund Balance</b>	2,538,400	2,136,200
<b>Freedom Academy Fund (MAA2104/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Governor's Office for Drug Policy and the Joint Counter Narcotics Task Force (federal Department of Justice, through the Department of Defense).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,600	3,600
<b>Indirect Cost Recovery Fund (MAA9000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal FEMA Grants and Non-Appropriated Funds.		
<b>Purpose of Fund:</b> To pay administrative expenditures not directly attributable to any one program, but associated with Federal Grant and Non-Appropriated funds.		
<b>Funds Expended</b>	857,800	935,900
<b>Year-End Fund Balance</b>	553,000	907,700

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Interagency Service Agreement Fund (MAA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Funds from federal grants.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	1,664,200	1,384,700
<b>Year-End Fund Balance</b>	236,000	220,000
<b>Military Installation Fund (MAA1010/A.R.S. § 26-262)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Laws 2011, Chapter 34 eliminated the statutory, annual, General Fund deposit of \$4,825,000 into the Military Installation Fund, however, Laws 2015, Chapter 18 provided a one-time deposit of \$2,500,000 into the 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.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	5,135,300	199,100
<b>Morale, Welfare and Recreational Fund (MAA2124/A.R.S. § 26-153)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> To support morale, welfare, and recreational activities for guardsmen and non-state-employed support personnel.		
<b>Funds Expended</b>	6,200	6,000
<b>Year-End Fund Balance</b>	102,700	132,700
<b>National Guard Fund (MAA2140/A.R.S. § 26-152)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> A subaccount that receives the proceeds from the rental or use of armories.		
<i>Purpose of Fund:</i> For general operating expenses of the National Guard.		
<b>Funds Expended</b>	143,300	150,000
<b>Year-End Fund Balance</b>	79,300	49,300
<b>National Guard Relief Fund (MAA2349/A.R.S. § 26-183)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Monies received from individual contributors who voluntarily donate through the state individual income tax return.		
<i>Purpose of Fund:</i> To provide assistance to families of National Guard members who are mobilized in support of a contingency operation or state emergency.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,237,200	1,288,600
<b>Nuclear Emergency Management Fund (MAA2138/A.R.S. § 26-306.02)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	16,000	16,000
<b>State Armory Property Fund (MAA2146/A.R.S. § 26-231)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Sale of surplus armory property.		
<i>Purpose of Fund:</i> For the construction and capital improvement of National Guard armories.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

<b>SUMMARY OF FUNDS</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Estimate</b>
<b>Statewide Donations Fund (MAA2025/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> Employee recognition programs or for the specified purpose for which they were donated.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	6,800	9,200



## Department of Environmental Quality

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	322.0	322.0	322.0
Personal Services	13,082,500	15,504,700	15,504,700
Employee Related Expenditures	5,448,300	6,469,200	6,469,200
Professional and Outside Services	2,681,700	8,736,300	8,736,300
Travel - In State	360,600	568,400	568,400
Travel - Out of State	17,600	75,200	75,200
Other Operating Expenditures	12,517,200	14,888,800	14,888,800
Equipment	229,400	79,700	79,700
<b>OPERATING SUBTOTAL</b>	<b>34,337,300</b>	<b>46,322,300</b>	<b>46,322,300</b>
<b>SPECIAL LINE ITEMS</b>			
Emissions Control Contractor Payment	21,500,200	21,119,500	21,119,500
Safe Drinking Water Program	0	1,800,000	0
WQARF Priority Site Remediation	7,000,000	7,000,000	7,000,000
<b>AGENCY TOTAL</b>	<b>62,837,500</b>	<b>76,241,800</b>	<b>74,441,800</b>
<b>FUND SOURCES</b>			
General Fund	7,000,000	7,000,000	7,000,000
<b>Other Appropriated Funds</b>			
Air Permits Administration Fund	5,574,100	7,145,300	7,145,300
Air Quality Fund	3,708,000	5,377,200	5,377,200
Emissions Inspection Fund	24,768,800	28,392,900	26,592,900
Hazardous Waste Management Fund	1,249,800	1,743,000	1,743,000
Indirect Cost Recovery Fund	12,182,400	13,410,100	13,410,100
Recycling Fund	1,091,000	1,359,700	1,359,700
Solid Waste Fee Fund	824,100	1,243,000	1,243,000
Underground Storage Tank Revolving Fund	0	22,000	22,000
Water Quality Fee Fund	6,439,300	10,548,600	10,548,600
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>55,837,500</b>	<b>69,241,800</b>	<b>67,441,800</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>62,837,500</b>	<b>76,241,800</b>	<b>74,441,800</b>
Other Non-Appropriated Funds	38,428,500	37,822,000	37,822,000
Federal Funds	14,449,400	15,204,200	15,204,200
<b>TOTAL - ALL SOURCES</b>	<b>115,715,400</b>	<b>129,268,000</b>	<b>127,468,000</b>

**AGENCY DESCRIPTION** — The Department of Environmental Quality (ADEQ) enforces air, water, and land quality standards. The department's Office of Air Quality issues permits to regulate industrial air pollution sources, regulates vehicle emissions, monitors and assesses the ambient air, and develops air quality improvement strategies. The Office of Waste Programs implements programs to minimize waste generation, identifies and corrects improper waste management practices, and oversees the clean up (remediation) of hazardous waste sites. The Office of Water Quality regulates drinking water and waste water systems, monitors and assesses waters of the state, and provides hydrologic analysis to support hazardous site remediation.

### Operating Budget

The Baseline includes \$46,322,300 and 322 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
Air Permits Administration Fund	\$7,145,300
Air Quality Fund	5,377,200

Emissions Inspection Fund	5,473,400
Hazardous Waste Management Fund	1,743,000
Indirect Cost Recovery Fund	13,410,100
Recycling Fund	1,359,700
Solid Waste Fee Fund	1,243,000
Underground Storage Tank Revolving Fund	22,000
Water Quality Fee Fund	10,548,600

These amounts are unchanged from FY 2015.

**Emissions Control Contractor Payment**

The Baseline includes \$21,119,500 from the Emissions Inspection Fund in FY 2016 for the Emissions Control Contractor Payment. This amount is unchanged from FY 2015.

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 2015 budget did not implement the statutory fee cap.

In FY 2014 and FY 2015 these excess revenues (\$5,000,000 in FY 2014 and \$6,800,000 in FY 2015) have been transferred to the Arizona Department of Administration (ADOA) to fund a new ADEQ e-licensing system through the Automation Projects Fund. The FY 2016 Baseline does not continue this transfer to the Automation Projects Fund.

In response to the report, DEQ decreased the primary Vehicle Emissions Inspection (VEI) fee in Maricopa County by 27% on July 1, 2014. The fee for Phoenix Metropolitan area residents who have 1981 and newer cars and light duty trucks was reduced from \$27.25 to \$20.00. After the fee reduction, the VEI program is generating \$4.8 million more in fees than it costs to administer the program. (Please see the ADOA-Automation Projects Fund section for more information.)

**Safe Drinking Water Program**

The Baseline includes no funding from the Emissions Inspection Fund in FY 2016 for the Safe Drinking Water Program. FY 2016 adjustments would be as follows:

**Remove One-Time Funding OF (1,800,000)**  
 The Baseline includes a decrease of \$(1,800,000) from the Emissions Inspection Fund in FY 2016 for the elimination of one-time funding of the Safe Drinking Water Program.

As session law, the FY 2015 Environment BRB allowed the department to use up to \$1,800,000 from the Emissions Inspection Fund for the Safe Drinking Water Program. Before any monies in the line item were expended, the department was required to submit an expenditure plan to the Joint Legislative Budget Committee for its review. The expenditure plan has not been received as of November 2014.

**WQARF Priority Site Remediation**

The Baseline includes \$7,000,000 from the General Fund in FY 2016 for the Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. This amount is unchanged from FY 2015.

WQARF is funded in part from an annual \$15,000,000 transfer from the Corporate Income Tax (CIT), as stipulated in A.R.S. § 49-282. Funding for this program, therefore, does not appear in the General Appropriation Act. In addition, WQARF generates other revenue from various license and registration fees. A.R.S. § 49-282 directs the State Treasurer to adjust the \$15,000,000 CIT transfer so that, when combined with the WQARF fee generated revenue, the program receives \$18,000,000 annually.

The FY 2015 Environment BRB continued to notwithstanding these statutory provisions and reduces the General Fund allocation to \$7,000,000. Table 1 describes program activity for FY 2014 and FY 2015. The Baseline continues the deposit at the reduced level in FY 2016.

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.

	Actual FY 2014	Estimated FY 2015
Balance Forward	\$ 8,996,100	\$ 5,629,600
General Fund	7,000,000	7,000,000
Other Revenue	4,534,500	3,862,200
<b>Total Funds Available</b>	<b>\$20,530,600</b>	<b>\$16,491,800</b>
General Fund Expenditures	\$ 7,000,000	\$ 7,000,000
Other Funds Expended	7,493,000	7,775,000
<u>Funds Transferred</u>		
Dept. of Water Resources	\$ (300,000)	\$ (300,000)
Fund Sweeps	(108,100)	0
<b>Year-End Fund Balance</b>	<b>\$ 5,629,600</b>	<b>\$ 1,416,800</b>

**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 must also include a budget for the WQARF program that is developed in consultation with the WQARF Advisory Board. The department shall submit the FY 2016 report to the Joint Legislative Budget Committee on or before September 1, 2015. This budget must specify the monies budgeted for each listed site during FY 2016. In addition, the department and the advisory board shall prepare and submit to the Joint Legislative Budget Committee, on or before October 1, 2015, a report in a table format summarizing the current progress on remediation of each listed site on the WQARF registry. The table must include the stage of remediation for each site at the end of FY 2015, indicate whether the current stage of remediation is anticipated to be completed in FY 2016 and indicate the anticipated stage of remediation at each listed site at the end of FY 2016, assuming FY 2016 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 2017 budget for the Water Quality Assurance Revolving Fund before September 1, 2015, 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 \$7,145,300 in FY 2016 are appropriated to the department. Before the expenditure of Air Permits Administration receipts in excess of \$7,145,300 in FY 2016, 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 \$13,410,100 in FY 2016 are appropriated to the department. Before the expenditure of Indirect Cost Recovery Fund receipts in excess of \$13,410,100 in FY 2016, the Department of Environmental Quality shall report the intended use of the monies to the Joint Legislative Budget Committee.

### *Deletion of Prior Year Footnotes*

The Baseline would delete the footnote concerning the expenditure plan for the \$1.8 million Emissions Inspection

Fund appropriation for the Safe Drinking Water Program as that appropriation is not continued in FY 2016.

## 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 Regulated Substance Fund in FY 2016 for department administrative expenses.
- As session law, continue to decrease the General Fund appropriation to Water Quality Assurance Revolving Fund from \$15,000,000 to \$7,000,000.

### *Deleted Provisions*

The Baseline would not continue the session law provisions that:

- Transferred Underground Storage Tank (UST) monies to the State Highway Fund (SHF) after having transferred \$60 million to the Regulated Substance Fund (RSF);
- Permitted some post-July 2006 reports to be eligible for UST corrective action coverage;
- Revised the requirement on when DEQ is required to take action on UST applications;
- Stated it is legislative intent that monies in the UST account be used to fund a new and revised corrective action plan;
- Permitted \$1.8 million of Emissions Inspection Fund monies to be spent on the Safe Drinking Water Program.

## OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

### *Underground Storage Tank Tax Extension & Program*

Laws 1990, Chapter 328 established the 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 RSF, which receives its funding from underground storage tank revenues, reimbursements, donations, monies encumbered by the department for implementing work plans and corrective action plans. The RSF would then be the funding source for underground storage tanks where the owner cannot be located.

However, Laws 2013, Chapter 244 extended the UST tax to December 31, 2015. All monies collected from the tax will first be deposited into the UST Program. The bill also included the following provisions:

1. Extends eligibility for corrective action coverage from the UST Assurance Account for releases that could not have been reasonably reported prior to July 1, 2006. This provision was subsequently repealed by Laws 2014, Chapter 14.
2. Allows an owner or operator of a UST to apply for preapproval of corrective action costs until December 21, 2014 and extends reimbursement for corrective action until December 31, 2015.
3. Forms an UST study committee and requires the committee to consider and make recommendations related to funding the UST program, financial responsibility, requirements, tank compatibility issues, leak protection, and tank inspections.
4. Requires a report of the committee's findings by December 31, 2013.
5. Specifies that the department is not required to take any action on an application for coverage until after the study committee reports its findings and recommendations; however, reimbursement is contingent upon available funding. This provision was subsequently amended by Laws 2014, Chapter 14 to state that the department is not required to take action until a new revised UST corrective action program is effective.
6. If the UST Assurance Account does not have sufficient monies to pay for coverage of releases reported after July 1, 2006, those releases reported before July 1, 2006 have priority for coverage. This provision was subsequently repealed by Laws 2014, Chapter 14.
7. After payment of claims, the department is required to transfer any monies remaining in the Assurance Account to the RSF up to a maximum of \$60.0 million.
8. Any monies deposited to the RSF in excess of \$60.0 million will be transferred to the State Highway Fund. This transfer was modified by Laws 2014, Chapter 14, as described below.

During FY 2014, the RSF reached \$60.0 million in deposits. Any monies deposited in the RSF in excess of \$60.0 million are transferred to the SHF. At the end of October 2014, a total of \$22.2 million has been transferred to the SHF.

A provision in the FY 2015 Budget Procedures BRB (Laws 2014, Chapter 14) eliminated the transfer of monies to the State Highway Fund effective January 1, 2015 at which point the 1¢ excise tax revenues will be deposited in the UST Assurance Account. The 1¢ excise tax, however, expires on December 31, 2015. The bill also included the following provisions:

1. Repeals the previous Laws 2013, Chapter 244 provision which extended eligibility for corrective action coverage from the UST Assurance Account for releases that could not have been reasonably reported prior to July 1, 2006.
2. Changes the provision from Laws 2013, Chapter 244 that the department is not required to take any action until after the committee report to when a new revised UST corrective action program is effective.
3. Extends "stop order" authority on delivery of regulated substance to an underground storage tank if owner has not submitted a statement of financial responsibility.

The FY 2015 Budget Procedures BRB, as amended by Laws 2014, Chapter 247, offered a legislative intent statement that monies in the UST account be used to fund a new and revised corrective action program and the existing UST Leak Prevention program. The intent of the Legislature within the Budget Procedures BRB is that the new program:

1. Requires DEQ to use UST monies to conduct a baseline assessment of all existing USTs to determine whether they are leaking. Laws 2014, Chapter 247 amended this provision to add that the new program must allow an owner or operator an opportunity as an alternative to the baseline to demonstrate to DEQ that state and federal financial responsibility requirements are already being met.
2. Requires the department to perform any corrective action necessary in consultation with the owner or operator and/or remove USTs at the request of the owner or operator.
3. Requires owners and operators using private insurance to meet the financial responsibility requirements to obtain a standard policy to be developed by DEQ in cooperation with the Department of Insurance and insurance carriers. Laws 2014, Chapter 247 amended this provision to add that DEQ must allow an owner or operator an opportunity, as an alternative to the standard policy, to demonstrate to DEQ that state and federal responsibility requirements are already being met.
4. Prohibit delivery to any UST that does not meet the requirements of the new program and to establish reasonable deductibles to be paid by owners and operators to defray the costs for the baseline assessments, corrective actions, and tank removals.

At the final meeting of the UST Study Committee on February 28, 2014, a motion passed that DEQ be given the authority to convene stakeholder meeting(s) to discuss the proposed program ideas and directed DEQ to spend up to \$200,000 for an actuarial study to assess the issues and costs associated with a new and revised program. DEQ has contracted with a vendor to conduct the actuarial study by the fall. The final report was released November 2014.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Air Permits Administration Fund (EVA2328/A.R.S. § 49-455)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> Permit fees and interest.		
<i>Purpose of Fund:</i> To develop and administer permit programs and to conduct inspections.		
<b>Funds Expended</b>	5,574,100	7,145,300
<b>Year-End Fund Balance</b>	6,664,500	5,364,200
<b>Air Quality Fund (EVA2226/A.R.S. § 49-551)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> Monies received from the \$1.50 fee assessed on motor vehicle registration, as well as gifts, grants, donations, and legislative appropriations.		
<i>Purpose of Fund:</i> 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 program and annual appropriations for the Department of Weights and Measures Oxygenated Fuels and Vapor Recovery programs. <i>(See individual agencies for further description.)</i>		
<b>Funds Expended</b>	3,708,000	5,377,200
<b>Funds Appropriated</b>		
Department of Weights and Measures	1,424,900	1,443,200
Arizona Department of Transportation	34,700	74,500
Arizona Department of Administration (Bus Subsidy)	732,400	927,100
<b>Funds Transferred</b>		
Arizona Department of Administration (Travel Reduction)	400,000	400,000
<b>Year-End Fund Balance</b>	8,033,400	8,056,400
<b>Brownfields Cleanup Revolving Loan Fund (EVA2456/A.R.S. § 49-218)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Legislative appropriations, federal grants, loan repayments, interest, penalties, gifts and donations.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Donations Fund (EVA2449/A.R.S. § 49-104)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Various donations, settlements, and consent decrees.		
<i>Purpose of Fund:</i> To administer the intent of the donation, settlement or decree.		
<b>Funds Expended</b>	2,300	2,500
<b>Year-End Fund Balance</b>	3,400	3,400
<b>Emissions Inspection Fund (EVA2082/A.R.S. § 49-544)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> Legislative appropriations, test fees, fleet certificate fees, private grants, donations, and federal grants.		
<i>Purpose of Fund:</i> 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 2015 Environmental Budget Reconciliation Bill (Laws 2014, Chapter 13) allows \$1,800,000 of these monies to be spent on the Safe Drinking Water Program in FY 2015. The FY 2015 General Appropriation Act transfers \$6,800,000 from the Emissions Inspection Fund to the Automation Projects Fund to be used for DEQ information technology projects.		
<b>Funds Expended</b>	24,768,800	28,392,900
<b>Year-End Fund Balance</b>	20,016,500	15,178,600
<b>Federal Funds (EVA2000/A.R.S. § 49-104)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Federal grants related to water quality management, Underground Storage Tank (UST) enforcement provisions, air pollution control, research projects, and other programs.		
<i>Purpose of Fund:</i> To be used as specified by federal law.		
<b>Funds Expended</b>	14,449,400	15,204,200
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Federal Grants - American Recovery and Reinvestment Act (ARRA)</b> (EVA2999/A.R.S. § 35-142)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
<b>Purpose of Fund:</b> One-time Federal Funds to be used by the department for air and water quality programs and the UST program.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	5,100	0
<b>Hardship Grant Fund (EVA2437/A.R.S. § 49-1267)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Hazardous Waste Management Fund (EVA2178/A.R.S. § 49-927)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, hazardous waste treatment, storage, and disposal permit fees, and hazardous waste generation and transportation fees.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,249,800	1,743,000
<b>Year-End Fund Balance</b>	1,563,900	1,092,900
<b>IGA &amp; ISA Fund (EVA2500/A.R.S. § 49-104)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants and intergovernmental agreements between state agencies and local governments.		
<b>Purpose of Fund:</b> To be used as specified in the grant or agreement.		
<b>Funds Expended</b>	6,272,200	3,046,200
<b>Year-End Fund Balance</b>	0	0
<b>Indirect Cost Recovery Fund (EVA7000/A.R.S. § 49-104)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies transferred from the department's appropriated and non-appropriated funds, including federal grants.		
<b>Purpose of Fund:</b> To pay departmentwide administrative and overhead costs.		
<b>Funds Expended</b>	12,182,400	13,410,100
<b>Year-End Fund Balance</b>	5,485,900	5,793,700
<b>Institutional &amp; Engineering Control Fund (EVA2563/A.R.S. § 49-159)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To pay the department's cost of enforcing the use of engineering and institutional controls in environmental remediations on contaminated properties.		
<b>Funds Expended</b>	20,100	51,400
<b>Year-End Fund Balance</b>	66,300	121,300
<b>Intergovernmental Agreement Fund (EVA2180/A.R.S. § 49-104)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants and intergovernmental agreements from various entities, including the Game and Fish Department and the Water Protection Commission.		
<b>Purpose of Fund:</b> To be used as specified in the grant or agreement.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	12,900	12,900

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Monitoring Assistance Fund (EVA2308/A.R.S. § 49-360)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees from public water systems that participate in the Monitoring Assistance program.		
<b>Purpose of Fund:</b> To assist public water systems in complying with monitoring requirements under the federal Safe Drinking Water Act.		
<b>Funds Expended</b>	612,900	735,200
<b>Year-End Fund Balance</b>	1,375,200	1,693,600
<b>Recycling Fund (EVA2289/A.R.S. § 49-837)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Landfill disposal (tipping) fees and legislative appropriations.		
<b>Purpose of Fund:</b> For grants to local governments and others developing recycling markets and programs; for public information and assistance on source reduction and recycling; and for revenue collection and fund administration. For the Solid Waste Control Program activities. Laws 2011, Chapter 220 allows DEQ to raise recycling registration fees through September 2013 with rulemaking authority. After September 30, 2013, statutory permission must be received to raise fees.		
<b>Funds Expended</b>	1,091,000	1,359,700
<b>Year-End Fund Balance</b>	2,547,200	2,948,200
<b>Regulated Substance Fund (EVA2545/A.R.S. § 49-1015.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, UST revenues, reimbursements, donations, monies encumbered by the Director for implementing work plans and corrective action plans. The tax is 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 are transferred to the State Highway Fund (SHF) through January 1, 2015. During FY 2014, the RSF reached \$60,000,000 in deposits. At the end of October 2014, \$22,193,873 has been transferred to the SHF. Any deposits after January 1, 2015 will remain in the UST Assurance Account (the 1¢ per gallon tax will expire on December 31, 2015). Laws 2014, Chapter 14 stated that it is legislative intent that monies in the UST Account be used to fund a new and revised corrective action program.		
<b>Purpose of Fund:</b> 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 2015 BRB (Laws 2013, Chapter 13) permits DEQ 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>		
<b>Funds Expended</b>	9,228,200	10,098,300
<b>Year-End Fund Balance</b>	42,391,500	32,448,400
<b>Solid Waste Fee Fund (EVA3110/A.R.S. § 49-881)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees, donations, and legislative appropriations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	824,100	1,243,000
<b>Year-End Fund Balance</b>	765,500	395,100
<b>Specific Site Judgment Fund (EVA3006/A.R.S. § 49-104)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fines, forfeitures, and penalties paid by parties responsible for site contamination.		
<b>Purpose of Fund:</b> For administration of court settlements, judgments, or consent decrees.		
<b>Funds Expended</b>	51,800	339,900
<b>Year-End Fund Balance</b>	686,200	348,000

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Underground Storage Tank Revolving (UST Summary)</b> (EVA2271/A.R.S. § 49-1015A)		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> Revenue is drawn from a 1¢ per gallon tax on regulated substances, such as gasoline, and annual tank fees. The tax is 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 are transferred to the State Highway Fund (SHF) through January 1, 2015. During FY 2014, the RSF reached \$60,000,000 in deposits. At the end of October 2014, \$22,193,873 has been transferred to the SHF. Any deposits after January 1, 2015 will remain in the UST Assurance Account (the 1¢ per gallon tax will expire on December 31, 2015). Laws 2014, Chapter 14 stated that it is legislative intent that monies in the UST Account be used to fund a new and revised corrective action program.		
<b>Purpose of Fund:</b> To provide coverage for permanent closures and/or corrective actions on underground storage tanks. As session law, the FY 2015 BRB (Laws 2013, Chapter 13) permits DEQ to transfer a combined total of \$6,531,000 from the UST Revolving Fund and the RSF for administrative costs of the department.		
<b>Balance Forward</b>	1,770,100	2,191,100
<b>Revenue</b>	29,513,000	29,864,100
<b>Transfer to Regulated Substance Fund</b>	(9,502,200)	0
<b>Transfer to State Highway Fund</b>	(12,419,700)	(14,756,500)
<b>Funds Available</b>	9,361,200	17,298,700
<b>Appropriated Funds Expended</b>	0	22,000
<b>Non-Appropriated Funds Expended</b>	7,166,900	6,998,400
<b>Legislative Fund Transfers</b>	3,200	0
<b>Year-End Fund Balance</b>	2,191,100	10,278,300
<b>Voluntary Lawn and Garden Equipment Emissions Reduction Fund</b> (EVA2306/A.R.S. § 49-474)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,700	1,700
<b>Voluntary Remediation Fund (EVA2564/A.R.S. § 49-187)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, program fees, cost reimbursements, gifts, grants, and donations.		
<b>Purpose of Fund:</b> To pay the department's oversight costs of voluntary clean-ups of contaminated properties, including application, monitoring, and enforcement activities.		
<b>Funds Expended</b>	281,300	475,100
<b>Year-End Fund Balance</b>	470,600	394,000
<b>Voluntary Vehicle Repair &amp; Retrofit Program Fund (EVA2365/A.R.S. § 49-474.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, a \$10 fee on diesel vehicle registrations, gifts, grants and donations.		
<b>Purpose of Fund:</b> To provide monies for local programs intended to repair or retrofit vehicles that fail emissions tests.		
<b>Funds Expended</b>	0	1,000,000
<b>Year-End Fund Balance</b>	2,315,600	2,215,600



SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
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<b>Water Quality Assurance Revolving Fund (EVA2221/A.R.S. § 49-282)</b>	<b>Non-Appropriated</b>	
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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 has been suspended to \$7,000,000 between FY 2011 and FY 2015.

**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.

<b>Funds Expended</b>	14,792,800	15,075,000
<b>Year-End Fund Balance</b>	5,629,600	1,416,800

<b>Water Quality Fee Fund (EVA4100/A.R.S. § 49-210)</b>	<b>Appropriated</b>	
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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.

<b>Funds Expended</b>	6,439,300	10,548,600
<b>Year-End Fund Balance</b>	4,682,000	518,800

**Governor's Office of Equal Opportunity**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	136,900	136,900	136,900
Employee Related Expenditures	44,900	44,900	44,900
Professional and Outside Services	4,000	4,000	4,000
Other Operating Expenditures	2,600	2,800	2,800
<b>AGENCY TOTAL</b>	<b>188,400</b>	<b>188,600</b>	<b>188,600</b>

<b>FUND SOURCES</b>			
General Fund	188,400	188,600	188,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>188,400</b>	<b>188,600</b>	<b>188,600</b>
Federal Funds	0	200	200
<b>TOTAL - ALL SOURCES</b>	<b>188,400</b>	<b>188,800</b>	<b>188,800</b>

**AGENCY DESCRIPTION** — The agency monitors equal opportunity plans submitted annually by each state agency and assists agencies in equal employment opportunity training and evaluation.

**Operating Budget**

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The Baseline includes \$188,600 and 4 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

<b>SUMMARY OF FUNDS</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Estimate</b>
<b>Equal Employment and Economic Development Fund</b> (AFA2000/Executive Order 93-20)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	200
<b>Year-End Fund Balance</b>	200	0

**State Board of Equalization**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	263,900	289,000	289,000
Employee Related Expenditures	62,800	70,000	70,000
Professional and Outside Services	41,000	94,400	94,400
Travel - In State	16,600	17,000	17,000
Travel - Out of State	0	1,000	1,000
Other Operating Expenditures	136,500	146,200	146,200
Equipment	300	24,200	24,200
<b>AGENCY TOTAL</b>	<b>521,100</b>	<b>641,800</b>	<b>641,800</b>
<b>FUND SOURCES</b>			
General Fund	521,100	641,800	641,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>521,100</b>	<b>641,800</b>	<b>641,800</b>
<b>TOTAL - ALL SOURCES</b>	<b>521,100</b>	<b>641,800</b>	<b>641,800</b>

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

**Operating Budget**

The Baseline includes \$641,800 and 7 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

\* \* \*

**FORMAT** — Lump Sum by Agency

## Board of Executive Clemency

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	433,900	527,000	527,000
Employee Related Expenditures	187,900	210,800	210,800
Professional and Outside Services	0	27,500	27,500
Travel - In State	200	0	0
Other Operating Expenditures	163,600	193,300	193,300
Equipment	39,100	0	0
<b>AGENCY TOTAL</b>	<b>824,700</b>	<b>958,600</b>	<b>958,600</b>
<b>FUND SOURCES</b>			
General Fund	824,700	958,600	958,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>824,700</b>	<b>958,600</b>	<b>958,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>824,700</b>	<b>958,600</b>	<b>958,600</b>

**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 \$958,600 and 14 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

\* \* \*

**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, 2015 on the total number and types of cases it reviewed in FY 2015.

### OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

#### Caseload Data

A footnote in the FY 2015 General Appropriation Act requires the board to report on FY 2014 caseload by November 1, 2014. In FY 2014, the board heard 3,058 cases, as described below:

- Phases 1 and 2 Commutation (360): 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 (22): The board may recommend that the Governor pardon an offender.
- Absolute Discharge (24): 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 (3): The board can recommend to the Governor that an inmate's sentence be modified or commuted.
- Reprieve (2): The board can make a recommendation to the Governor to delay or temporarily suspend the carrying out of an inmate's punishment.
- Parole (394): 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 (2,253): These hearings are conducted when an offender has violated the terms of community supervision.

## Arizona Exposition and State Fair Board

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	184.0	184.0	184.0
Personal Services	3,361,800	3,395,000	3,395,000
Employee Related Expenditures	882,100	903,500	903,500
Professional and Outside Services	3,583,600	3,672,400	3,672,400
Travel - In State	4,500	5,000	5,000
Travel - Out of State	7,400	7,000	7,000
Other Operating Expenditures	3,663,800	3,557,900	3,557,900
Equipment	30,600	80,000	80,000
<b>AGENCY TOTAL</b>	<b>11,533,800</b>	<b>11,620,800</b>	<b>11,620,800</b>
<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Arizona Exposition and State Fair Fund	11,533,800	11,620,800	11,620,800
SUBTOTAL - Other Appropriated Funds	11,533,800	11,620,800	11,620,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>11,533,800</b>	<b>11,620,800</b>	<b>11,620,800</b>
<b>TOTAL - ALL SOURCES</b>	<b>11,533,800</b>	<b>11,620,800</b>	<b>11,620,800</b>

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

### Operating Budget

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The Baseline includes \$11,620,800 and 184 FTE Positions from the Arizona Exposition and State Fair Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Arizona Exposition and State Fair Fund (CLA4001/A.R.S. § 3-1005)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Receipts and lease revenues from fairground facilities, most of which are associated with the State Fair.		
<b>Purpose of Fund:</b> For operating costs of the State Fair.		
<b>Funds Expended</b>	11,533,800	11,620,800
<b>Year-End Fund Balance</b>	3,107,500	2,931,800

**Department of Financial Institutions**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	58.1	60.1	60.1
Personal Services	2,322,600	2,587,200	2,587,200
Employee Related Expenditures	962,000	1,086,400	1,086,400
Professional and Outside Services	147,000	140,000	140,000
Travel - In State	3,900	10,000	10,000
Travel - Out of State	10,700	5,000	5,000
Other Operating Expenditures	424,500	426,500	426,500
Equipment	22,900	12,500	2,500
<b>AGENCY TOTAL</b>	<b>3,893,600</b>	<b>4,267,600</b>	<b>4,257,600</b>
<b>FUND SOURCES</b>			
General Fund	3,011,200	3,020,200	3,020,200
<u>Other Appropriated Funds</u>			
Financial Services Fund	882,400	1,247,400	1,237,400
SUBTOTAL - Other Appropriated Funds	882,400	1,247,400	1,237,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>3,893,600</b>	<b>4,267,600</b>	<b>4,257,600</b>
Other Non-Appropriated Funds	1,531,300	2,000,300	1,126,300
<b>TOTAL - ALL SOURCES</b>	<b>5,424,900</b>	<b>6,267,900</b>	<b>5,383,900</b>

**AGENCY DESCRIPTION** — The department regulates state-chartered financial entities. The regulated entities include money transmitters, motor vehicle dealers, holding companies, trust companies, sales finance companies, collection agencies, escrow agents, debt management companies, consumer lenders, mortgage bankers, mortgage brokers, premium finance companies, credit unions and banks.

**Operating Budget**

The Baseline includes \$4,257,600 and 60.1 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$3,020,200
Financial Services Fund	1,237,400

FY 2016 adjustments would be as follows:

**Remove One-Time Funding OF (10,000)**

The Baseline includes a decrease of \$(10,000) from the Financial Services Fund in FY 2016 for the elimination of one-time funding for equipment expenses related to hiring new staff in FY 2015.

\* \* \*

**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.

**STATUTORY CHANGES**

The Baseline would, as session law, continue to allow the department to use the Financial Services Fund for general operating expenditures.

*Deleted Provisions*

The Baseline would not continue the session law provision to extend spending authority from the Receivership Fund for an electronic licensing system. The department has now established the licensing system.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Financial Services Fund (BDA1998/A.R.S. § 6-991.21)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Loan originator licensing and renewal fees. Similar fees are also deposited in the Mortgage Recovery Fund.		
<b>Purpose of Fund:</b> To supervise and regulate loan originators. The FY 2015 Revenue Budget Reconciliation Bill (Laws 2014, Chapter 9) allows the Department to use this fund for general operating expenditures in FY 2015.		
<b>Funds Expended</b>	882,400	1,247,400
<b>Year-End Fund Balance</b>	5,173,100	6,266,700
<b>IGA and ISA Fund (BDA2500/A.R.S. § 6-1241)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received through Intergovernmental Agreements with the Attorney General's Office.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	77,900	75,600
<b>Year-End Fund Balance</b>	1,500	0
<b>Mortgage Recovery Fund (BDA1997/A.R.S. § 6-991.09)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Licensing and renewal fees paid by licensed loan originators. Similar fees also are deposited in the Financial Services Fund.		
<b>Purpose of Fund:</b> To benefit any person aggrieved by any act, representation, transaction or conduct of a licensed loan originator that violates statute or rule.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,689,000	2,214,000
<b>Receivership Revolving Fund (BDA3023/A.R.S. § 6-135.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenue generated from the sale of assets of firms under receivership and transfers from the department's Revolving Fund.		
<b>Purpose of Fund:</b> Provide funding for the administration of receiverships. The FY 2015 Revenue Budget Reconciliation Bill (Laws 2014, Chapter 9) also allowed the department to use monies from the fund in FY 2014 and FY 2015 for an electronic licensing system. Total expenditures on the licensing system in FY 2014 and FY 2015 may not exceed \$850,000.		
<b>Funds Expended</b>	631,700	924,700
<b>Year-End Fund Balance</b>	1,048,800	2,335,000
<b>Revolving Fund (BDA2126/A.R.S. § 6-135)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	821,700	1,000,000
<b>Year-End Fund Balance</b>	395,800	200,000

**Department of Fire, Building, and Life Safety**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	47.0	48.0	48.0
Personal Services	1,018,900	1,036,900	1,036,900
Employee Related Expenditures	443,600	463,000	463,000
Professional and Outside Services	19,400	27,600	27,600
Travel - In State	139,800	139,800	139,800
Other Operating Expenditures	282,900	304,700	304,700
Equipment	40,600	59,100	59,100
<b>OPERATING SUBTOTAL</b>	<b>1,945,200</b>	<b>2,031,100</b>	<b>2,031,100</b>
<b>SPECIAL LINE ITEMS</b>			
Fire School	0	174,200	174,200
<b>AGENCY TOTAL</b>	<b>1,945,200</b>	<b>2,205,300</b>	<b>2,205,300</b>
<b>FUND SOURCES</b>			
General Fund	1,945,200	2,205,300	2,205,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,945,200</b>	<b>2,205,300</b>	<b>2,205,300</b>
Other Non-Appropriated Funds	547,300	407,400	407,400
Federal Funds	262,600	302,600	302,600
<b>TOTAL - ALL SOURCES</b>	<b>2,755,100</b>	<b>2,915,300</b>	<b>2,915,300</b>

**AGENCY DESCRIPTION** — The agency enforces safety standards for manufactured homes, mobile homes, and factory-built buildings. The agency also includes the Office of the State Fire Marshal, which enforces the state fire codes and provides training and education for fire personnel and the general public. All training provided by the department must comply with safety standards prescribed by the National Fire Protection Association and the Occupational Safety and Health Administration of Arizona.

**Operating Budget**

The Baseline includes \$2,031,100 and 47 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

Besides \$100,000 for subsidizing these costs, the remaining \$74,200 and 1 FTE Position is used for liaison work with the Arizona State Fire Training Committee and other firefighter training activities.

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**Fire School**

The Baseline includes \$174,200 and 1 FTE Position from the General Fund in FY 2016 for the Fire School. These amounts are unchanged from FY 2015.

**FORMAT** — Operating Lump Sum with Special Line Items by Agency

Monies in this line item mainly go to help subsidize smaller rural volunteer fire departments attending Arizona State Fire School workshops which provide firefighting education. Generally, fire departments pay for tuition, but the firefighters pay for their room and board to attend the 4-day Fire School. The Arizona State Fire Training Committee, a non-profit organization, coordinates and manages the Fire School. The majority of Fire School workshops take place at the Mesa Convention Center in downtown Mesa with the exception of a few workshops that must be held at designated off-site locations.



SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Arson Detection Reward Fund (MMA2169/A.R.S. § 41-2167)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations, court imposed fines, and monies from forfeiture of bail posted for arson convictions.		
<b>Purpose of Fund:</b> To provide rewards for information leading to convictions of arson cases.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	74,500	85,500
<b>Building &amp; Fire Safety Fund (MMA2211/A.R.S. § 41-2173)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Intergovernmental agreement with the Department of Environmental Quality and the Department of Health Services. Registration fees charged to fire training school participants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,500	0
<b>Year-End Fund Balance</b>	14,400	400
<b>Condominium and Planned Community Hearing Office Fund (MMA2537/A.R.S. § 41-2198.05)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	10,200	0
<b>Year-End Fund Balance</b>	100	10,400
<b>Consumer Recovery Fund (MMA3090/A.R.S. § 41-2188)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees charged to dealers and brokers of manufactured homes, mobile homes, or factory-built buildings designed for residential use.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	15,300	0
<b>Year-End Fund Balance</b>	248,300	356,700
<b>Federal Grants (MMA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> Pro-rated salaries and related expenses for employees performing related functions.		
<b>Funds Expended</b>	262,600	302,600
<b>Year-End Fund Balance</b>	371,200	451,600
<b>Interagency Service Agreement Fund (MMA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To pay rent for office space shared by the Department of Fire, Building, and Life Safety and the State Forester.		
<b>Funds Expended</b>	78,500	71,900
<b>Year-End Fund Balance</b>	43,500	91,800

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Manufactured Housing Cash Bond Fund (MMA3722/A.R.S. § 41-2179)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Mobile Home Relocation Fund (MMA2237/A.R.S. § 33-1476.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	440,800	333,200
<b>Year-End Fund Balance</b>	7,614,600	7,281,400
<b>Trampoline Court Safety Fund (MMA2578/A.R.S. § 41-2170.22)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees charged to owners of trampoline courts.		
<b>Purpose of Fund:</b> To implement and maintain the registry of trampoline courts operating in Arizona.		
<b>Funds Expended</b>	0	2,300
<b>Year-End Fund Balance</b>	0	0

## State Forester

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	52.0	55.0	55.0
Personal Services	1,449,000	1,708,000	1,708,000
Employee Related Expenditures	626,500	728,100	728,100
Professional and Outside Services	109,000	10,000	10,000
Travel - In State	100	100	100
Other Operating Expenditures	281,100	336,900	279,900
<b>OPERATING SUBTOTAL</b>	<b>2,465,700</b>	<b>2,783,100</b>	<b>2,726,100</b>
<b>SPECIAL LINE ITEMS</b>			
Environmental County Grants	175,000	275,000	175,000
Fire Suppression	4,000,000	4,000,000	4,000,000
Hazardous Vegetation Removal	0	1,350,000	1,350,000
Inmate Fire Crews	695,700	695,700	695,700
Resource Management Plan Grants	98,000	0	0
<b>AGENCY TOTAL</b>	<b>7,434,400</b>	<b>9,103,800</b>	<b>8,946,800</b>
<b>FUND SOURCES</b>			
General Fund	7,434,400	9,103,800	8,946,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>7,434,400</b>	<b>9,103,800</b>	<b>8,946,800</b>
Other Non-Appropriated Funds	34,346,100	27,121,800	27,121,800
<b>TOTAL - ALL SOURCES</b>	<b>41,780,500</b>	<b>36,225,600</b>	<b>36,068,600</b>

**AGENCY DESCRIPTION** — The State Forester is responsible for the prevention and suppression of forest fires on State Trust Land and private land outside incorporated municipalities (about 22 million acres total).

### Operating Budget

The Baseline includes \$2,726,100 and 42 FTE Positions from the General Fund in FY 2016 for the operating budget. FY 2016 adjustments would be as follows:

<b>Remove One-Time Funding</b>	<b>GF</b>	<b>FY 2016</b>
		<b>\$(57,000)</b>

The Baseline includes a decrease of \$(57,000) from the General Fund in FY 2016 for the elimination of one-time funding. The FY 2015 budget included one-time funding for the purchase of a replacement fire engine for the Tucson Fire District.

### Environmental County Grants

The Baseline includes \$175,000 from the General Fund in FY 2016 for Environmental County Grants. FY 2016 adjustments would be as follows:

<b>Remove One-Time Funding</b>	<b>GF</b>	<b>(100,000)</b>
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The Baseline includes a decrease of \$(100,000) from the General Fund in FY 2016 for the elimination of one-time funding for Environmental County Grants.

Monies in this line item have been used by Greenlee, Graham, Gila, Navajo, and Apache Counties for environmental projects that impact economic development in those counties. The State Forester's Office must approve any project prior to expenditure of the monies.

In FY 2014, this funding supported the following 8 projects:

- \$35,000 was distributed to projects for the Four Forest Restoration Initiative, which is a plan to implement effective large scale forest restoration.
- \$26,250 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.
- \$26,250 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.
- \$17,500 was distributed to projects for the protection and development of Eastern Arizona electrical generation, water collection, and transportation infrastructures.

- \$26,250 for the development of an Arizona Watersheds Investment Fund by a group of stakeholders including federal agencies, state utilities, universities, communities, and conservation groups with a focus on watershed management and ecosystem services monetization.
- \$17,500 to address issues encountered in the implementation of the current Eastern Arizona counties' programs and caused by the inconsistent ability of counties to meet legal and regulatory requirements for coordination and cooperation, as well as the lack of specific counties' natural resources management objectives, plans, policies, jurisdiction by law and special expertise defined by the Arizona Legislature.
- \$17,500 for participation in the development and implementation of an ecologically and economically sustainable management plan for public lands in Arizona and the West.
- \$8,750 for the development and implementation of an effective planning and execution strategy for emerging issues.

**Fire Suppression**

The Baseline includes \$4,000,000 from the General Fund in FY 2016 for Fire Suppression. This amount is unchanged from FY 2015.

This Special Line Item funds fire suppression on state trust land and rural private land. A.R.S. § 37-623.02 provides an annual appropriation of up to \$3,000,000 from the General Fund for fire suppression. Because this authorization is in permanent statute, \$3,000,000 of the \$4,000,000 would not be included in the General Appropriation Act.

**Hazardous Vegetation Removal**

The Baseline includes \$1,350,000 from the General Fund in FY 2016 for a Hazardous Vegetation Removal Program. This amount is unchanged from FY 2015.

This Special Line Item funds hazardous material removal programs that treat state and private lands through prescribed burning or thinning of flammable vegetation. This work can be conducted by State Forester crews or through fuel reduction grants to contractors.

**Inmate Fire Crews**

The Baseline includes \$695,700 and 13 FTE Positions from the General Fund in FY 2016 for Inmate Fire Crews. These amounts are unchanged from FY 2015.

These monies provide fire-fighting training for 12 inmate fire crews. The crews act as first responders and are used for fuel treatment and fire suppression.

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**FORMAT** — Operating Lump Sum with Special Line Items by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Cooperative Forestry Fund (FOA2232/A.R.S. § 37-624)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, reimbursements from organizations, the public, other levels of government, and state agencies.		
<b>Purpose of Fund:</b> To fund the State Forester's activities, including forestry assistance and wild land fire prevention and suppression on state lands.		
<b>Funds Expended</b>	7,238,900	6,624,100
<b>Year-End Fund Balance</b>	3,152,100	2,567,800
<b>Fire Suppression Revolving Fund (FOA2360/A.R.S. § 37-623.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To cover the costs of fighting fires on public and private lands.		
<b>Funds Expended</b>	27,107,200	20,497,700
<b>Year-End Fund Balance</b>	724,100	471,400

**State Board of Funeral Directors and Embalmers**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	191,800	197,800	197,800
Employee Related Expenditures	65,800	65,800	65,800
Professional and Outside Services	11,200	15,000	15,000
Travel - In State	5,400	8,500	8,500
Other Operating Expenditures	54,700	62,600	62,600
Equipment	4,400	4,000	4,000
<b>AGENCY TOTAL</b>	<b>333,300</b>	<b>353,700</b>	<b>353,700</b>

**FUND SOURCES**

<i>Other Appropriated Funds</i>			
Board of Funeral Directors' and Embalmers' Fund	333,300	353,700	353,700
SUBTOTAL - Other Appropriated Funds	333,300	353,700	353,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>333,300</b>	<b>353,700</b>	<b>353,700</b>
<b>TOTAL - ALL SOURCES</b>	<b>333,300</b>	<b>353,700</b>	<b>353,700</b>

**AGENCY DESCRIPTION** — The board licenses, registers, and regulates embalmers, prearranged funeral salespersons, crematories, and funeral homes. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

**Operating Budget**

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The Baseline includes \$353,700 and 4 FTE Positions from the Board of Funeral Directors' and Embalmers' Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Board of Funeral Directors' and Embalmers' Fund (FDA2026/A.R.S. § 32-1308)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate funeral directors and embalmers, and for board administration.		
<b>Funds Expended</b>	333,300	353,700
<b>Year-End Fund Balance</b>	336,100	370,800

## Arizona Game and Fish Department

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	273.5	273.5	273.5
Personal Services	13,696,500	15,149,900	15,496,000
Employee Related Expenditures	8,392,700	9,375,200	9,375,200
Professional and Outside Services	501,300	1,543,400	1,543,400
Travel - In State	233,100	278,800	278,800
Travel - Out of State	112,800	98,200	98,200
Other Operating Expenditures	6,457,600	7,449,500	11,857,500
Equipment	1,553,300	825,100	825,100
<b>OPERATING SUBTOTAL</b>	<b>30,947,300</b>	<b>34,720,100</b>	<b>39,474,200</b>
<b>SPECIAL LINE ITEMS</b>			
Lower Colorado Multispecies Conservation	350,000	350,000	0
Performance Incentive Pay Program	0	346,100	0
Pittman-Robertson/Dingell-Johnson Act	2,558,000	3,808,000	0
Watercraft Grant Program	0	1,000,000	1,000,000
Watercraft Safety Education Program	241,000	250,000	0
<b>AGENCY TOTAL</b>	<b>34,096,300</b>	<b>40,474,200</b>	<b>40,474,200</b>
<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Capital Improvement Fund	1,326,900	999,700	999,700
Game and Fish Fund	29,110,000	34,545,900	34,545,900
Game, Non-Game, Fish and Endangered Species Fund	154,200	346,800	346,800
Watercraft Licensing Fund	3,339,000	4,565,800	4,565,800
Waterfowl Conservation Fund	166,200	0	0
Wildlife Endowment Fund	0	16,000	16,000
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>34,096,300</b>	<b>40,474,200</b>	<b>40,474,200</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>34,096,300</b>	<b>40,474,200</b>	<b>40,474,200</b>
Other Non-Appropriated Funds	24,999,000	29,454,800	29,454,800
Federal Funds	33,910,200	37,275,800	37,275,800
<b>TOTAL - ALL SOURCES</b>	<b>93,005,500</b>	<b>107,204,800</b>	<b>107,204,800</b>

**AGENCY DESCRIPTION** --- The Arizona Game and Fish Department (AGFD) manages Arizona wildlife populations through the operation of hunting and fishing license programs, enforcement actions for the unlawful taking of game, and wildlife habitat protection and development. A 5-member commission appointed by the Governor oversees department operations.

### Operating Budget

The Baseline includes \$39,474,200 and 273.5 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
Capital Improvement Fund	\$999,700
Game and Fish Fund	34,545,900
Game, Non-Game, Fish and Endangered Species Fund	346,800
Watercraft Licensing Fund	3,565,800
Wildlife Endowment Fund	16,000

FY 2016 adjustments would be as follows:

<b>Operating Budget Shift</b>	<b>OF 4,754,100</b>
The Baseline includes an increase of \$4,754,100 in FY 2016 for a shift in resources from the Lower Colorado Multispecies Conservation Special Line Item (SLI), Performance Incentive Pay Program SLI, Pittman-Robertson/Dingell-Johnson Act SLI, and the Watercraft Safety Education SLI to the Operating Budget. There is no net change in agency resources. This amount consists of:	
Game and Fish Fund	4,108,000
Watercraft Licensing Fund	646,100

**Lower Colorado Multispecies Conservation**

The Baseline includes no funding from the Watercraft Licensing Fund in FY 2016 for the Lower Colorado River Multispecies Conservation Plan (MSCP). FY 2016 adjustments would be as follows:

**Operating Budget Shift OF (350,000)**

The Baseline includes a decrease of \$(350,000) from the Watercraft Licensing Fund in FY 2016 for a shift in resources from Lower Colorado Multispecies Conservation SLI to the Operating Budget. The department does not provide information on this line item in its budget request. There is no net change in agency resources.

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 no funding in FY 2016 for the Performance Incentive Pay Program. FY 2016 adjustments would be as follows:

**Operating Budget Shift OF (346,100)**

The Baseline includes a decrease of \$(346,100) in FY 2016 for a shift in resources from the Performance Incentive Pay Program SLI to the Operating Budget. The department does not provide information on this line item in its budget request. There is no net change in agency resources. This amount consists of:

Game and Fish Fund	(300,000)
Watercraft Licensing Fund	(46,100)

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 no funding from the Game and Fish Fund in FY 2016 for the Pittman-Robertson/Dingell-Johnson Act. FY 2016 adjustments would be as follows:

**Operating Budget Shift OF (3,808,000)**

The Baseline includes a decrease of \$(3,808,000) from the Game and Fish Fund in FY 2016 for a shift in resources from the Pittman-Robertson/Dingell-Johnson Act SLI to the Operating Budget. The department does not provide information on this line item in its budget request. There is no net change in agency resources.

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 2016 for the Watercraft Grant Program SLI. This amount is unchanged from FY 2015.

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 no funding from the Watercraft Licensing Fund in FY 2016 for the Watercraft Safety Education Program SLI. FY 2016 adjustments would be as follows:

**Operating Budget Shift OF (250,000)**

The Baseline includes a decrease of \$(250,000) from the Watercraft Licensing Fund in FY 2016 for a shift in resources from the Watercraft Safety Education Program SLI to the Operating Budget. The department does not provide information on this line item in its budget request. There is no net change in agency resources.

The Watercraft Safety Education Program SLI funds a statewide marketing campaign designed to promote a boating education class and an internet-based education program.

\* \* \*

**FORMAT** — Operating Lump Sum with Special Line Items by Agency

**FOOTNOTES**

*Deletion of Prior Year Footnotes*

The Baseline would delete footnotes concerning the appropriations from the Game and Fish Fund and the Watercraft Licensing Fund for the Performance Incentive Pay Program and the Pittman-Robertson/Dingell-Johnson Act as these programs have been shifted to the department's operating budget.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Big Game Permit Fund (GFA3712/A.R.S. § 17-231)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> License fees for hunting permits.		
<i>Purpose of Fund:</i> Holding account for license fees from hunters who are unable to obtain big game hunting permits through the lottery system.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	361,900	361,900
<b>Capital Improvement Fund (GFA2203/A.R.S. § 17-292)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> Transfers from the Conservation Development Fund.		
<i>Purpose of Fund:</i> To acquire, construct, improve and renovate department facilities.		
<b>Funds Expended</b>	1,326,900	999,700
<b>Year-End Fund Balance</b>	30,600	55,900
<b>Conservation Development Fund (GFA2062/A.R.S. § 17-282)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> A surcharge on hunting, fishing and combination licenses, and trout stamp sales.		
<i>Purpose of Fund:</i> To make debt service payments if the department issues bonds for the purpose of constructing, maintaining, and renovating department facilities.		
<b>Funds Expended</b>	1,863,900	1,305,500
<b>Year-End Fund Balance</b>	2,837,200	2,831,700
<b>Federal Funds (GFA2000/A.R.S. § 17-231)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Revenue from federal grants.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	152,800	152,800
<b>Federal Grants - American Recovery and Reinvestment Act (ARRA) (GFA2999/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<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 fulfill Federal contracts.		
<b>Funds Expended</b>	700	0
<b>Year-End Fund Balance</b>	17,600	17,600
<b>Federal Revolving Fund (GFA2028/A.R.S. § 17-406)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Funds received from the federal government for deposit and appropriated state matching money.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	33,909,500	37,275,800
<b>Year-End Fund Balance</b>	2,395,200	1,619,400



SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Firearms Safety and Ranges Fund (GFA2442/A.R.S. § 17-273)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	18,500	18,500
<b>Year-End Fund Balance</b>	19,400	35,700
<b>Game and Fish Fund (GFA2027/A.R.S. § 17-261)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies received from sales of licenses and tags for hunting, trapping and fishing, and other related fees and penalties.		
<b>Purpose of Fund:</b> To provide funding for general operation of the Game and Fish Department and to match federal grants for fish and wildlife restoration.		
<b>Funds Expended</b>	29,110,000	34,545,900
<b>Year-End Fund Balance</b>	11,567,700	12,521,800
<b>Game and Fish Publications Revolving Fund (GFA4007/A.R.S. § 17-269)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sales of agency publications, including Wildlife Views magazine and various field guides.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	136,800	156,800
<b>Year-End Fund Balance</b>	57,800	57,200
<b>Game and Fish Trust Fund (GFA3111/A.R.S. § 17-231)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> This fund fulfills the wildlife-related requests of private contributors. Most donations include a request to protect or research a particular form of wildlife.		
<b>Funds Expended</b>	2,309,000	2,309,000
<b>Year-End Fund Balance</b>	6,654,800	7,180,000
<b>Game, Non-Game, Fish and Endangered Species Fund (GFA2127/A.R.S. § 17-268)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Contributions from taxpayers who select the "check-off" option for non-game wildlife on their Arizona state income tax forms and interest earned.		
<b>Purpose of Fund:</b> To provide funding for research on non-game wildlife, endangered species, and related habitat for use in the department's management plan.		
<b>Funds Expended</b>	154,200	346,800
<b>Year-End Fund Balance</b>	223,800	17,000
<b>Heritage Fund (GFA2295/A.R.S. § 17-297)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	8,270,800	11,564,500
<b>Year-End Fund Balance</b>	12,083,700	10,661,800
<b>IGA and ISA Fund (GFA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received through intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> To execute intergovernmental and interagency service agreements.		
<b>Funds Expended</b>	882,600	0
<b>Year-End Fund Balance</b>	39,600	39,600

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Indirect Cost Recovery Fund (GFA9000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> This fund consists of revenue generated by billing federal aid for indirect costs.		
<b>Purpose of Fund:</b> To pay departmentwide administrative and overhead costs.		
<b>Funds Expended</b>	4,067,700	5,234,400
<b>Year-End Fund Balance</b>	1,274,200	646,200
<b>Kaibab Co-op Fund (GFA3714/A.R.S. § 17-231)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide funding for habitat management.		
<b>Funds Expended</b>	16,700	0
<b>Year-End Fund Balance</b>	111,300	111,300
<b>Land and Water Conservation and Recreation Development Fund (GFA2036/A.R.S. § 17-267)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fishing license fees.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	31,400	31,700
<b>Off-Highway Vehicle Recreation Fund (GFA2253/A.R.S. § 28-1176)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,513,500	1,907,900
<b>Year-End Fund Balance</b>	968,800	745,900
<b>Watercraft Licensing Fund (GFA2079/A.R.S. § 5-323)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Registration fees for the licensing and numbering of watercraft, license taxes, and penalty assessments.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,339,000	4,565,800
<b>Year-End Fund Balance</b>	3,547,500	3,781,700
<b>Waterfowl Conservation Fund (GFA2209/A.R.S. § 17-270 [repealed])</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies received from sales of waterfowl stamps and artwork, gifts, grants, other contributions, and interest earned.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	166,200	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Wildlife Conservation Fund (GFA2497/A.R.S. § 17-299)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from tribal gaming in accordance with A.R.S. § 5-601.02.		
<b>Purpose of Fund:</b> To conserve, enhance, and restore Arizona's diverse wildlife resources and habitats, and may include the acquisition of real property.		
<b>Funds Expended</b>	5,858,900	6,897,700
<b>Year-End Fund Balance</b>	6,297,400	5,576,700
<b>Wildlife Endowment Fund (GFA2279/A.R.S. § 17-271)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Sales of benefactor and lifetime hunting and fishing licenses, gifts, grants, contributions, and interest and investment income.		
<b>Purpose of Fund:</b> To provide funding for wildlife conservation and management.		
<b>Funds Expended</b>	0	16,000
<b>Year-End Fund Balance</b>	2,042,700	2,246,300
<b>Wildlife Habitat Restoration and Enhancement Fund (GFA2536/A.R.S. § 17-471)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations. The Legislature provided a non-lapsing, one-time allocation of \$3,500,000 from the General Fund in FY 2007.		
<b>Purpose of Fund:</b> To provide funding for wildlife habitat restoration and improvement projects.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	400	400
<b>Wildlife Theft Prevention Fund (GFA2080/A.R.S. § 17-315)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fines charged for the unlawful taking, wounding or killing, or unlawful possession of wildlife; and monies received from donations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	60,600	60,500
<b>Year-End Fund Balance</b>	120,100	191,000

## Department of Gaming

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	115.3	115.3	115.3
Personal Services	4,282,000	4,633,900	4,633,900
Employee Related Expenditures	1,772,800	1,903,000	1,903,000
Professional and Outside Services	274,600	465,900	465,900
Travel - In State	269,000	250,600	250,600
Travel - Out of State	32,700	40,200	40,200
Other Operating Expenditures	1,139,500	875,500	875,500
Equipment	174,200	149,300	149,300
<b>OPERATING SUBTOTAL</b>	<b>7,944,800</b>	<b>8,318,400</b>	<b>8,318,400</b>
<b>SPECIAL LINE ITEMS</b>			
Additional Operating Expenses	0	800,400 <sup>1/</sup>	800,400
Casino Operations Certification	1,938,700	2,104,900	2,104,900
Problem Gambling	1,990,500	2,292,500	2,292,500
<b>AGENCY TOTAL</b>	<b>11,874,000</b>	<b>13,516,200</b>	<b>13,516,200</b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Arizona Benefits Fund	9,635,300	11,111,300	11,111,300
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	1,938,700	2,104,900	2,104,900
SUBTOTAL - Other Appropriated Funds	11,874,000	13,516,200	13,516,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>11,874,000</b>	<b>13,516,200</b>	<b>13,516,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>11,874,000</b>	<b>13,516,200</b>	<b>13,516,200</b>

**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.

### Administrative Expenses

The FY 2016 Baseline continues the \$9,118,800 FY 2015 appropriated spending level for administration expenses, which consists of \$8,318,400 for operating budget expenditures and \$800,400 for additional operating budget expenditures.

The department's actual spending level will be determined by the level of gaming revenues. Pursuant to the Gaming ballot initiative (A.R.S. § 5-601.02) and the Tribal-State Gaming Compacts, the department's administration expenses from the Arizona Benefits Fund, excluding Problem Gambling, are limited to the greater of \$8,000,000 or 9% of state tribal gaming revenues.

In FY 2016, 9% of tribal gaming revenues are forecasted to be \$7,961,700. As a result, the minimum operating budget will be \$8,000,000. In that circumstance, the department would not be able to expend its appropriation

of \$9,118,800 for administrative expenses from the Arizona Benefits Fund. If gaming revenues are higher than the forecast, the department would be able to expend more of the FY 2016 amount up to \$9,118,800.

### Problem Gambling

The Baseline includes \$2,292,500 for Problem Gambling, which consists of \$1,992,500 from the Arizona Benefits Fund and \$300,000 from the State Lottery Fund. The department's actual spending level for Problem Gambling from the Arizona Benefits Fund 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 2016, 2% of tribal gaming revenues are projected to be \$1,769,400. In that circumstance, the department would not be able to expend its appropriation of

<sup>1/</sup> The Department of Gaming does not anticipate expenditures from the Additional Operating Expenses line item for FY 2015.

\$1,992,500 for Problem Gambling from the Arizona Benefits Fund. If gaming revenues are higher than the forecast, the department would be able to expend more of the FY 2016 amount up to \$1,992,500.

**Gaming Revenues**

From FY 2013 to FY 2014 state gaming revenues grew 0.6% to \$86,728,500. Gaming revenues are expected to have flat growth from FY 2014 to FY 2015 maintaining a level of \$86,728,500. From FY 2015 to FY 2016, revenues are forecasted to grow by 2% to \$88,463,100. (See Table 1 for more information on projected state revenues and department allocations.)

**Operating Budget**

The Baseline includes \$8,318,400 and 82.3 FTE Positions from the Arizona Benefits Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**Additional Operating Expenses**

The Baseline includes \$800,400 from the Arizona Benefits Fund in FY 2016 for additional operating expenses. The department would be required to report on any new administrative spending. This amount is unchanged from FY 2015.

Monies in this line item are used to align spending with the 9% of projected tribal contributions. The agency may use

this additional appropriation for administrative cost of regulating gaming. In FY 2016, these resources will be allocated to the appropriate operating budget line items. (See footnote on additional operating expenses reporting.)

**Casino Operations Certification**

The Baseline includes \$2,104,900 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2016 for Casino Operations Certification. These amounts are unchanged from FY 2015.

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 Special Line Item.

**Problem Gambling**

The Baseline includes \$2,292,500 and 5 FTE Positions in FY 2016 for Problem Gambling. These amounts consist of:

	<b>FY 2016</b>
Arizona Benefits Fund	\$1,992,500
State Lottery Fund	300,000

These amounts are unchanged from FY 2015.

Recipient	Proposition 202 Formula	FY 2013 Actual <sup>1/</sup>	FY 2014 Actual <sup>1/</sup>	FY 2015 Projected	FY 2016 Projected <sup>2/</sup>
State Government Distribution	88% of total	\$ 86,170,100	\$ 86,728,500	\$ 86,728,500 <sup>2/</sup>	\$ 88,463,100 <sup>2/</sup>
Local Government Distribution <sup>3/</sup>	12% of total	11,750,500	11,826,600	11,826,600	12,063,200
<b>Total</b>	<b>100% of total</b>	<b>\$ 97,920,600</b>	<b>\$ 98,555,100</b>	<b>\$ 98,555,100</b>	<b>\$ 100,526,300</b>
<b>Allocation of State Government's Share</b>					
Department of Gaming Regulation	\$8 million, or 9%, whichever is greater	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000 <sup>4/</sup>	\$ 8,000,000 <sup>4/</sup>
Department of Gaming Problem Gambling	2%	1,723,400	1,734,600	1,734,600 <sup>5/</sup>	1,769,400 <sup>5/</sup>
Subtotal-Department of Gaming		\$ 9,723,400	\$ 9,734,600	\$ 9,734,600	\$ 9,769,400
Instructional Improvement Fund (Department of Education)	56% of remainder	42,810,200	43,116,600	43,116,600	44,068,500
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	21,405,100	21,558,300	21,558,300	22,034,200
Arizona Wildlife Conservation Fund	8% of remainder	6,115,700	6,159,500	6,159,500	6,295,500
Tourism Fund	8% of remainder	6,115,700	6,159,500	6,159,500	6,295,500
<b>Total</b>		<b>\$ 86,170,100</b>	<b>\$ 86,728,500</b>	<b>\$ 86,728,500</b>	<b>\$ 88,463,100</b>

<sup>1/</sup> The numbers displayed herein represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts.  
<sup>2/</sup> The Baseline projects flat growth in FY 2015 for tribal contributions to the Arizona Benefits Fund and 2.0% growth in FY 2016.  
<sup>3/</sup> Local distributions may not proportionally match state distributions due to timing issues associated with different fiscal years.  
<sup>4/</sup> While the FY 2015 appropriation and FY 2016 Baseline include \$9,118,800, A.R.S. § 5-601.02H3 requires 9% of state gaming revenues or \$8,000,000, whichever is greater, to be used for the department's operating budget. This provision is expected to allow the department to expend \$8,000,000 for FY 2015 and FY 2016 since 9% of projected FY 2015 and 2016 revenues are less than \$8,000,000.  
<sup>5/</sup> While the FY 2015 appropriation and FY 2016 Baseline include \$1,992,500, A.R.S. § 5-601.02H3 requires 2% of state gaming revenues to be used for problem gambling prevention. This provision is expected to allow the department to only expend \$1,734,600 for problem gambling expenditures in FY 2015 and \$1,769,400 in FY 2016.

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 \$1,992,500 for FY 2016 from the Arizona Benefits Fund. (See Table 1 for more information on projected state revenues.)

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**FORMAT** — Operating Lump Sum with Special Line Items by Agency

**FOOTNOTES**

*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, 2015 on the expected amount and purpose of expenditures from the Additional Operating Expenses line item for FY 2016. The report must include the projected line item detail.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Arizona Benefits Fund (GMA2350/A.R.S. § 5-601.02)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> Tribal organizations, which have gaming compacts with the state, pay a portion of their gaming revenues to the state.		
<b>Purpose of Fund:</b> 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.)		
<b>Appropriated Funds Expended by Department of Gaming</b>	9,635,300	11,111,300
<b>Funds Transferred</b>		
Instructional Improvement Fund	43,116,600	43,116,600
Trauma and Emergency Services Fund	21,558,300	21,558,300
Arizona Wildlife Conservation Fund	6,159,500	6,159,500
Tourism Fund	<u>6,159,500</u>	<u>6,159,500</u>
<b>Total Funds Transferred</b>	76,993,900	76,993,900
<b>Year-End Fund Balance</b>	1,268,900	1,508,800
<b>State Lottery Fund (GMA2122/A.R.S. § 5-571)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Funds transferred from the State Lottery Fund.		
<b>Purpose of Fund:</b> Provide additional funding to the department's Problem Gambling program. These funds are expended to prevent, educate, and treat individuals suffering from problem gambling.		
<b>Funds Expended</b>	300,000	300,000
<b>Year-End Fund Balance</b>	0	0
<b>Tribal-State Compact Fund (GMA2340/A.R.S. § 5-601)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund receives monies from gaming vendors and gaming employees to pay for their certification.		
<b>Purpose of Fund:</b> Pay for the actual cost of performing background investigations on gaming employees and vendors to determine suitability for state certification.		
<b>Funds Expended</b>	1,938,700	2,104,900
<b>Year-End Fund Balance</b>	1,466,200	1,466,200

## Arizona Geological Survey

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	10.3	10.3	10.3
Personal Services	495,200	505,000	505,000
Employee Related Expenditures	208,100	192,800	192,800
Professional and Outside Services	1,700	0	0
Travel - In State	16,500	0	0
Other Operating Expenditures	219,900	213,900	213,900
Equipment	0	30,000	30,000
<b>AGENCY TOTAL</b>	<b>941,400</b>	<b>941,700</b>	<b>941,700</b>
<b>FUND SOURCES</b>			
General Fund	941,400	941,700	941,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>941,400</b>	<b>941,700</b>	<b>941,700</b>
Other Non-Appropriated Funds	977,600	1,194,600	418,400
Federal Funds	6,554,600	4,566,000	1,270,200
<b>TOTAL - ALL SOURCES</b>	<b>8,473,600</b>	<b>6,702,300</b>	<b>2,630,300</b>

**AGENCY DESCRIPTION** — The Geological Survey investigates Arizona's geology and provides technical advice and assistance to state and local government agencies, industry and other members of the public concerning the geologic environment and the development and use of mineral resources in Arizona. The Survey also provides staffing to the Arizona Oil and Gas Conservation Commission, which regulates the drilling and production of oil, gas and other energy resources.

### Operating Budget

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The Baseline includes \$941,700 and 10.3 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Federal Grants (GSA2000/A.R.S. § 27-107)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various federal sources including the U.S. Geological Survey, the National Park Service, the Federal Emergency Management Administration, and the National Science Foundation.		
<b>Purpose of Fund:</b> To perform various studies of Arizona's geologic framework and setting.		
<b>Funds Expended</b>	1,307,300	3,388,900
<b>Year-End Fund Balance</b>	3,100	0
<b>Federal Grants - American Recovery and Reinvestment Act (ARRA) (GSA2999/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	5,247,300	1,177,100
<b>Year-End Fund Balance</b>	15,700	0

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Geological Survey Fund (GSA3030/A.R.S. § 27-107)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Made up of monies that are not federal or appropriated. They include state and local grants, fees, contracts, agreements, and MOUs.		
<b>Purpose of Fund:</b> To investigate and describe Arizona's geologic setting, to plug abandoned oil and gas wells, and to finance map publication production expenses.		
<b>Funds Expended</b>	412,900	239,300
<b>Year-End Fund Balance</b>	305,600	231,500
<b>Indirect Cost Recovery Fund (GSA9000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	564,700	955,300
<b>Year-End Fund Balance</b>	131,300	50,000



**Office of the Governor**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
Lump Sum Appropriation	6,884,300	6,920,100	6,920,100
<b>AGENCY TOTAL</b>	<b>6,884,300</b>	<b>6,920,100</b>	<b>6,920,100</b>
<b>FUND SOURCES</b>			
General Fund	6,884,300	6,920,100	6,920,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>6,884,300</b>	<b>6,920,100</b>	<b>6,920,100</b>
Other Non-Appropriated Funds	4,228,400	4,064,600	4,064,600
Federal Funds	28,583,100	19,251,700	19,251,700
<b>TOTAL - ALL SOURCES</b>	<b>39,695,800</b>	<b>30,236,400</b>	<b>30,236,400</b>

**AGENCY DESCRIPTION** — The Governor is the state’s Chief Executive Officer and responsible for the execution of state laws. The Office of the Governor includes the Office for Children, Youth and Families, Office on Aging, Office of Constituent Services, Arizona-Mexico Commission, Northern Office, and Tucson Office.

**Operating Budget**

The Baseline includes \$6,920,100 from the General Fund in FY 2016 for the operating budget. This amount is unchanged from FY 2015.

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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.

Included in the Lump Sum appropriation of \$6,920,100 for FY 2016 is \$10,000 for the purchase of mementos and items for visiting officials.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Arizona Biofuels Conversion Program Fund (GVA6666/A.R.S. § 41-112)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Funds received from gifts, grants, donations, private sources, and federal or state monies.		
<b>Purpose of Fund:</b> To encourage the usage of biofuels through the conversion and installation of biofuel storage and dispensing equipment.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Border Security, Immigration Legal Defense Fund (GVA3212/A.R.S. § 41-1105)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts, grants and donations.		
<b>Purpose of Fund:</b> To defray legal expenses associated with immigration litigation.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>County Fairs Livestock and Agriculture Promotion Fund (GVA2037/A.R.S. § 5-113)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	269,000	298,600

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Endowment Partnership Fund (GVA3206/A.R.S. § 41-1105)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	1,598,600	1,079,900
<b>Year-End Fund Balance</b>	501,100	192,200
<b>Energy Conservation Fund (GVA3209/A.R.S. § 41-1105)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Energy Office Donations Fund (EPA3189/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Federal Grants (GVA2000/A.R.S. § 4-101.01)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	22,818,600	19,224,000
<b>Year-End Fund Balance</b>	1,629,000	276,700
<b>Federal Grants - American Recovery and Reinvestment Act (ARRA) (GVA2999/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	5,713,200	0
<b>Year-End Fund Balance</b>	0	0
<b>Governor's Arizona Promotional and Public Service Fund (GVA3207/A.R.S. § 41-1105)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Human Trafficking Victim Assistance Fund (GVA3210/A.R.S. § 41-114)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Civil penalties on escort and massage therapist advertising violations.		
<i>Purpose of Fund:</i> To provide assistance to trafficking victims for sex, forced labor or services.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>IGA and ISA Fund (GVA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	880,000	1,230,300
<b>Year-End Fund Balance</b>	244,300	152,000
<b>Inauguration Fund (GVA3214/A.R.S. § 41-1105)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Gifts, grants, and donations.		
<i>Purpose of Fund:</i> To defray inauguration expenses.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Indirect Cost Recovery Fund (GVA9000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<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 departmentwide administrative and overhead costs.		
<b>Funds Expended</b>	890,000	1,073,900
<b>Year-End Fund Balance</b>	4,272,000	4,198,100
<b>Oil Overcharge Fund (GVA3171/A.R.S. § 41-110)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Federal court settlements by oil companies who overcharged consumers during the petroleum price controls of the 1970's, and interest earnings.		
<i>Purpose of Fund:</i> To provide restitution to the citizens of Arizona. Restitution is to be made through energy programs administered by the state.		
<b>Funds Expended</b>	536,800	359,500
<b>Year-End Fund Balance</b>	995,600	646,100
<b>Other Non-Appropriated Funds Fund (GVA2038/A.R.S. § 41-1105)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Intergovernmental agreements.		
<i>Purpose of Fund:</i> To defray operating expenses of the Governor's Office.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Prevention of Child Abuse Fund (GVA2439/A.R.S. § 41-109)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> The fund receives \$17 of the annual \$25 fee for original and renewal child abuse prevention special license plates.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	323,000	321,000
<b>Year-End Fund Balance</b>	141,400	137,400
<b>Statewide ARRA Administration SWCAP Fund (GVA2950/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> To defray administrative expenses of implementing the federal American Recovery and Reinvestment Act.		
<b>Funds Expended</b>	51,300	27,700
<b>Year-End Fund Balance</b>	27,700	0

## ***Governor's Office of Strategic Planning and Budgeting***

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	22.0	22.0	22.0
Personal Services	1,177,800	1,330,900	1,330,900
Employee Related Expenditures	416,300	361,500	361,500
Professional and Outside Services	109,100	92,500	92,500
Travel - In State	700	100	100
Travel - Out of State	7,500	0	0
Other Operating Expenditures	231,000	207,200	207,200
Equipment	0	1,800	1,800
<b>AGENCY TOTAL</b>	<b>1,942,400</b>	<b>1,994,000</b>	<b>1,994,000</b>
<b>FUND SOURCES</b>			
General Fund	1,942,400	1,994,000	1,994,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,942,400</b>	<b>1,994,000</b>	<b>1,994,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,942,400</b>	<b>1,994,000</b>	<b>1,994,000</b>

**AGENCY DESCRIPTION** — The Governor's Office of Strategic Planning and Budgeting advises the Governor in the preparation of the Executive budget and provides the Executive Branch a central resource for the compilation, analysis, and investigation of state fiscal matters. It facilitates a strategic planning process and assists agencies in preparation and execution of their budgets.

### ***Operating Budget***

The Baseline includes \$1,994,000 and 22 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

\* \* \*

**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 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1,176.7	1,176.7	1,176.7
Personal Services	55,430,600	19,178,500	19,178,500
Employee Related Expenditures	22,479,800	8,160,100	8,160,100
Professional and Outside Services	13,405,300	2,004,700	2,004,700
Travel - In State	448,000	400,500	400,500
Travel - Out of State	70,900	70,300	70,300
Other Operating Expenditures	33,585,100	34,883,600	34,883,600
Equipment	600,900	1,194,800	1,194,800
<b>OPERATING SUBTOTAL</b>	<b>126,020,600</b>	<b>65,892,500</b>	<b>65,892,500</b>
<b>SPECIAL LINE ITEMS</b>			
<b>Behavioral Health</b>			
Medicaid Behavioral Health - Traditional	752,526,300	819,169,600	908,242,700
Medicaid Behavioral Health - Proposition 204	365,207,500	533,313,600	561,091,000
Medicaid Behavioral Health - Comprehensive Medical and Dental Program	155,731,500	182,521,300	179,366,100
Medicaid Behavioral Health - Adult Expansion	0	73,805,900	40,130,800
Proposition 204 Administration	4,007,100	6,446,700	6,446,700
Medicare Clawback Payments	14,925,100	14,100,700	14,228,600
Medicaid Insurance Premium Payments	25,803,400	23,795,400	33,627,700
Non-Medicaid Seriously Mentally Ill Services	76,261,100	78,846,900	78,846,900
Supported Housing	5,249,500	5,324,800	5,324,800
Crisis Services	16,382,800	16,391,100	16,391,100
Mental Health First Aid	167,300	250,000	250,000
<b>Arizona State Hospital</b>			
Arizona State Hospital - Operating	0	58,366,200	58,366,200
Arizona State Hospital - Restoration to Competency	0	900,000	900,000
Arizona State Hospital - Sexually Violent Persons	0	9,731,700	9,731,700
<b>Public Health/Family Health</b>			
Adult Cystic Fibrosis	78,900	105,200	105,200
AIDS Reporting and Surveillance	902,700	1,000,000	1,000,000
Alzheimer's Disease Research	1,125,000	2,375,000	1,125,000
Biomedical Research Support	0	2,000,000	2,000,000
Breast and Cervical Cancer and Bone Density Screening	844,300	1,369,400	1,369,400
County Tuberculosis Provider Care and Control	522,300	590,700	590,700
Emergency and Trauma Services	300,000	0	0
Folic Acid	379,800	400,000	400,000
High Risk Perinatal Services	1,829,300	2,543,400	2,543,400
Newborn Screening Program	5,785,300	6,307,700	6,307,700
Nursing Facility Study	0	50,000	0
Poison Control Centers Funding	742,500	990,000	990,000
Nonrenal Disease Management	44,300	198,000	198,000
Renal Dental Care and Nutrition Supplements	1,000	300,000	300,000
School-Based Prevention Education	0	300,000	300,000
<b>AGENCY TOTAL</b>	<b>1,554,837,600</b>	<b>1,907,385,800</b>	<b>1,996,066,200</b>
<b>FUND SOURCES</b>			
General Fund	562,482,400	613,362,100	622,273,500
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	9,385,400	9,588,600	9,588,600
ASH Land Earnings Fund	623,700	650,000	650,000
Capital Outlay Stabilization Fund	1,559,800	1,559,800	1,559,800
Child Fatality Review Fund	69,400	94,800	94,800

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
Emergency Medical Services Operating Fund	4,257,100	5,122,400	5,122,400
Environmental Laboratory Licensure Revolving Fund	660,700	927,100	927,100
Federal Child Care and Development Fund Block Grant	830,400	879,400	879,400
Health Services Licensing Fund	8,616,100	9,275,100	9,275,100
Indirect Cost Fund	8,833,200	8,573,500	8,573,500
Newborn Screening Program Fund	5,785,300	6,739,600	6,739,600
Nursing Care Institution Resident Protection Revolving Fund	59,000	88,200	38,200
Substance Abuse Services Fund	2,250,000	2,250,000	2,250,000
TTHCF Health Research Fund	1,000,000	3,000,000	3,000,000
TTHCF Medically Needy Account	35,147,800	35,467,000	35,467,000
Vital Records Electronic Systems Fund	2,456,000	3,635,500	3,635,500
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>81,533,900</b>	<b>87,851,000</b>	<b>87,801,000</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>644,016,300</b>	<b>701,213,100</b>	<b>710,074,500</b>
<b>Expenditure Authority Funds</b>			
Federal Medicaid Services	910,821,300	1,206,172,700	1,285,991,700
<b>SUBTOTAL - Expenditure Authority Funds</b>	<b>910,821,300</b>	<b>1,206,172,700</b>	<b>1,285,991,700</b>
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>1,554,837,600</b>	<b>1,907,385,800</b>	<b>1,996,066,200</b>
<b>Other Non-Appropriated Funds</b>			
Other Non-Appropriated Funds	125,647,800	128,886,600	128,886,600
Federal Funds	299,867,900	301,854,200	301,854,200
<b>TOTAL - ALL SOURCES</b>	<b>1,980,353,300</b>	<b>2,338,126,600</b>	<b>2,426,807,000</b>

**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 2016 General Fund spending would increase by \$8,911,400, or 1.5%. The Baseline includes:

- \$19,874,100 for formula adjustments.
- \$(8,253,300) for the reduction of costs associated with mandatory federal health care legislation.
- \$(1,459,400) for the reduction of costs associated with an increased federal match rate associated with the Childless Adult population.
- \$(1,250,000) for the elimination of one-time funding from the Alzheimer's Disease Research line item.

Federal Child Care and Development Fund (CCDF) Block Grant	879,400
Health Services Licensing Fund	9,275,100
Indirect Cost Fund	8,573,500
Newborn Screening Program Fund	431,900
Nursing Care Institution Resident Protection Revolving Fund	38,200
Vital Records Electronic Systems Fund	3,635,500
Federal Medicaid Authority (FMA)	11,884,600

These amounts are unchanged from FY 2015.

### Behavioral Health

These line items fund 4 types of services: 1) Serious Mental Illness (SMI), 2) Children's Behavioral Health (CBH), 3) General Mental Health and Substance Abuse (GMH/SA) and 4) Comprehensive Medical and Dental Program (CMDP). (Please see Table 3 for more information.)

### Formula Adjustments

Formula adjustments totaling \$19,874,100 from the General Fund are comprised of FY 2016 changes to 1) capitation rates, 2) Medicare Clawback payments, 3) caseloads and 4) the federal match rate. Formula adjustments do not include costs associated with federal

### Operating Budget

The Baseline includes \$65,892,500 and 451.6 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$23,920,200
Capital Outlay Stabilization Fund	1,559,800
Child Fatality Review Fund	94,800
Emergency Medical Services (EMS) Operating Fund	4,672,400
Environmental Laboratory Licensure Revolving Fund	927,100

health care expansion. (Please see Table 1 and Mandatory Expansion and Optional Medicaid Expansion sections of this report for additional information.)

<b>Formula Adjustments</b>	
FY 2016 Caseload Growth	\$ 19
FY 2016 3% Capitation Rate Increase	10
FY 2016 Federal Match Rate Increase	(9)
Clawback Payment Increase	0
<i>Subtotal</i>	<u>\$ 20</u>
<b>Mandatory Expansion</b>	
Child Expansion	\$ (5)
Health Insurer Fee	(3)
Currently Eligible But Not Enrolled <sup>1/</sup>	--
<i>Subtotal</i>	<u>\$ (8)</u>
<b>Optional Medicaid Expansion</b>	
Childless Adults and Adult Expansion	\$ (1)
<b>Other Adjustments</b>	
One-Time Funding for Alzheimer's Research	\$ (1)
<b>Total Spending Change <sup>2/</sup></b>	<b>\$ 9</b>
<sup>1/</sup> Amounts are included in the formula adjustment above.	
<sup>2/</sup> Numbers do not add due to rounding.	

Most populations funded by the Traditional, Proposition 204, and Adult Expansion line items are projected to grow by 2% in FY 2016. This assumption reflects state population growth.

The SMI and CMDP populations are projected to experience higher rates of growth. The SMI population receiving integrated services in Maricopa County is projected to grow by 5% in FY 2016. This estimate is based on a 5-year annual growth average of 5.1%. The CMDP program enrollment is projected to grow 7% in FY 2016.

In the aggregate, the caseload growth is estimated to result in a \$18,558,700 General Fund cost increase in FY 2016.

In June 2016, there are projected to be 1,553,834 individuals eligible for Medicaid Behavioral Health services. DHS receives a monthly capitation payment from AHCCCS for every eligible individual, although only an estimated average of 8.8%, or 137,373, of the eligible population will utilize services. (See Table 2 for more information.)

Capitation rate growth is assumed to be 3% above FY 2015 for all Medicaid Behavioral Health programs. This assumption reflects recent state capitation trends in the program and national trends in the consumer price index for Medical Care and Medicaid per enrollee spending. The 3% capitation rate increase is estimated to cost the General

Fund \$9,901,200 in FY 2016. Capitation rates include a risk corridor to limit profits and losses of the Regional Behavioral Health Authorities (RBHA) that administer Medicaid Behavioral Health services. (See Risk Corridor in Other Issues for Legislative Consideration section for more information.)

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. The federal government provides an approximate 2:1 match for the traditional Medicaid program. During FY 2016, the base FMAP for Medicaid will increase to 68.81% (0.66% increase). The formula adjustments include a decrease of \$(8,713,700) in General Fund spending reflecting savings from the federal rate increase.

Adjustments to Medicare Clawback payments will increase General Fund costs by \$127,900.

The Baseline includes an \$8,726,700 supplemental from the General Fund in FY 2015 to cover shortfalls associated with higher-than-expected Medicaid caseload growth. (See FY 2015 Supplemental in Other Issues for Legislative Consideration for more information.)

<b>By Line Item</b>	<b>Eligible <sup>1/</sup></b>	<b>No. Using Services</b>	<b>Rate of Use</b>
Traditional	1,028,082	74,426	7.2%
Proposition 204	468,643	48,702	10.4
CMDP	16,726	10,026	59.9
Adult Expansion <sup>2/</sup>	40,383	4,219	10.4
<b>Total Member Months</b>	<b>1,553,834</b>	<b>137,373</b>	<b>8.8%</b>
<b>By Service Type</b>	<b>Eligible <sup>1/</sup></b>	<b>No. Using Services</b>	<b>Rate of Use</b>
CBH	691,927	39,032	5.6%
SMI <sup>3/</sup>	845,181	32,685	3.9
GMH/SA <sup>2/</sup>	16,726	55,630	6.6
CMDP	16,726	10,026	59.9
<b>Total Member Months</b>	<b>1,553,834</b>	<b>137,373</b>	<b>8.8%</b>
<sup>1/</sup> Projections in this table differ from total enrollment projections in the AHCCCS agency section as some populations enrolled in AHCCCS are not eligible to enroll in DHS. Additionally, some individuals receive all of their care through AHCCCS on an integrated basis.			
<sup>2/</sup> Parents and Childless Adults from 100%-133% of the federal poverty level (FPL).			
<sup>3/</sup> Each adult enrollee is eligible for both SMI and GMH/SA services.			

**Mandatory Expansion**

Federal health care legislation, known as the Affordable Care Act (ACA), expanded mandatory levels of Medicaid coverage beginning on January 1, 2014. The General Fund cost of this expanded coverage is estimated to decrease by \$(8,253,300) in FY 2016. Of this amount, \$(5,334,000) is the result of lower-than-projected DHS Medicaid caseloads and an FMAP increase. The remaining decrease of \$(2,919,300) reflects a lower health insurer fee.

	<u>FY 2015 Appropriated</u>	<u>FY 2015 Revised</u>	<u>FY 2016</u>	<u>FY 2016 Above FY 2015 Original</u>
Medicare Clawback Payments	\$ 14,100,700	\$ 13,786,100	\$ 14,228,600	\$ 127,900
Medicaid Insurance Premium Payments	7,578,300	8,751,500	8,835,900	1,257,600
<u>State Match for Medicaid</u> <sup>1/</sup>				
CBH	95,170,200	93,528,600	95,124,500	(45,700)
SMI	106,139,900	129,186,500	133,456,600	27,316,700
GMH/SA	58,218,800	49,904,400	50,735,700	(7,483,100)
<u>State Match for Proposition 204</u>				
CBH	1,150,100	741,100	761,700	(388,400)
SMI	75,121,000	68,367,100	64,715,800	(10,405,200)
GMH/SA	41,204,500	45,897,500	43,228,400	2,023,900
State Match for CMDP	<u>58,128,500</u>	<u>55,375,900</u>	<u>55,928,300</u>	<u>(2,200,200)</u>
<b>Total</b>	<b>\$456,812,000</b>	<b>\$465,538,700</b>	<b>\$467,015,500</b>	<b>\$10,203,500</b> <sup>2/</sup>
1/ Base amounts include \$34,767,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund.				
2/ The \$1,292,100 difference between this total and the overall DHS General Fund change from the FY 2015 Original to the FY 2016 estimate is related to the elimination of one-time funding from the Alzheimer's Disease Research line item and an FMAP change to the Proposition 204 Administrative line item.				

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

Most individuals eligible for Medicaid but not enrolled are not subject to the ACA fine. Nonetheless, publicity surrounding the individual mandate and additional availability of health insurance may induce some who are currently eligible but not enrolled to sign up. As a result, the Baseline assumes a FY 2015 enrollment growth of 7.1% in the Traditional and Proposition 204 population line items.

*(See Mandatory Changes Resulting from Federal Health Care Legislation in the AHCCCS section of this report.)*

#### **Optional Medicaid Expansion**

The FY 2014 Health and Welfare BRB (Laws 2013, 1<sup>st</sup> Special Session, Chapter 10) made a number of changes to Medicaid coverage, including the restoration of coverage for Childless Adults from 0% to 100% and expansion of coverage for adults up to 133% of the Federal Poverty Level (FPL).

Chapter 10 removed the enrollment freeze that had been in effect since FY 2012 and restored coverage for the Childless Adult population. The FY 2016 Baseline includes a higher match rate than the standard 2:1 match for the Childless Adult population between 0% and 100% FPL. The increased match was 85.48% in FY 2015 and will increase to 89.05% in FY 2016. In AHCCCS, the state match for Childless Adults is paid by the Hospital

Assessment. In DHS, however, this cost is paid by the General Fund.

The FY 2016 Baseline also includes the federal government paying 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 General Fund cost of Medicaid Restoration and Expansion is estimated to decrease \$(1,459,400) in FY 2016. This decrease is the result of the enhanced federal match. *(See Childless Adult Restoration, Adult Expansion, and the Hospital Assessment in the AHCCCS section for additional information.)*

#### **Medicaid Behavioral Health - Traditional**

The Baseline includes \$908,242,700 in FY 2016 for Medicaid Behavioral Health - Traditional. This amount consists of:

General Fund	244,549,800
Tobacco Tax and Health Care Fund	34,767,000
Medically Needy Account	
Federal Medicaid Authority	628,925,900

FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF 19,787,900</b>
	<b>FMA 69,285,200</b>

The formula adjustments include:



- 2% enrollment growth.
- A change in the federal match rate from 68.15% to 68.81%.
- 3% capitation rate increase.

*Background* – This line item provides behavioral health treatment to Medicaid eligible adults and children. In June 2016, there are projected to be 1,028,082 eligible individuals. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated average 7.2%, or 74,426, of the eligible population will utilize services. A summary of projections for eligibility and service utilization appears in *Table 2*.

**Medicaid Behavioral Health - Proposition 204**

The Baseline includes \$561,091,000 in FY 2016 for Medicaid Behavioral Health - Proposition 204. This amount consists of:

General Fund	108,705,900
Federal Medicaid Authority	452,385,100

FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF (8,769,700)</b>
	<b>FMA 36,547,100</b>

The formula adjustments include:

- 2% enrollment growth.
- An increase in the federal match rate for the non-Childless Adult population from 68.15% to 68.81%.
- An increase in the federal match rate for Childless Adults from 85.48% to 89.05%.
- 3% capitation rate increase.

*Background* – This line item provides behavioral health treatment to Proposition 204 - Medicaid eligible adults and children. In June 2016, there are projected to be 468,643 eligible individuals. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated average 10.4%, or 48,702, of the eligible population will utilize services. A summary of projections for eligibility and service utilization appears in *Table 2*.

**Medicaid Behavioral Health - Comprehensive Medical and Dental Program**

The Baseline includes \$179,366,100 in FY 2016 for Medicaid Behavioral Health - Comprehensive Medical and Dental Program (CMDP). This amount consists of:

General Fund	55,928,300
Federal Medicaid Authority	123,437,800

FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF (2,200,200)</b>
	<b>FMA (955,000)</b>

The formula adjustments include 7% enrollment growth, an increase to the federal match rate, and a 3% capitation rate increase.

*Background* – This line item provides behavioral health treatment to CMDP eligible children. CMDP is the health plan responsible for providing health services for children in foster care and will primarily be administered by the Department of Child Safety (DCS), beginning in FY 2015. DHS administers behavioral health services for these clients. Prior to FY 2014, DHS administered CMDP behavioral health through its CBH program. During FY 2014, DES administered acute care services for this population before this responsibility was transferred to DCS. In June 2016, there are projected to be 16,726 eligible individuals. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for CMDP, and it is estimated that an average of 59.9%, or 10,026, of the eligible population will utilize services. A summary of projections for eligibility and service utilization appears in *Table 2*.

Laws 2013, Chapter 220 requires AHCCCS, DES and DHS to determine and report on the most effective method for delivering medical, dental and behavioral health services to children who qualify for CMDP, considering the possibility of an administratively integrated system. The report is due by October 1, 2015. (*See Integration of Health Services in Other Issues for Legislative Consideration for a broader discussion of integration.*)

**Medicaid Behavioral Health - Adult Expansion**

The Baseline includes \$40,130,800 from Federal Medicaid Authority in FY 2016 for the Adult Expansion. FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>FMA (33,675,100)</b>
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The formula adjustments include a lower-than-expected FY 2015 enrollment, 2% enrollment growth in FY 2016, and a 3% capitation rate increase.

*Background* – Beginning on January 1, 2014, the Adult Expansion provides Medicaid services for adults from 100%-133% FPL who are not eligible for another Medicaid program. The federal government will pay 100% of the cost of this population from 2014 to 2016. The federal share will gradually decline to 90% by 2020. The Baseline assumes that 40,383 individuals will be enrolled in June 2016. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for the Adult Expansion, and it is estimated that an average of 10.4%, or 4,219, of the eligible population will utilize services. A summary of projections for eligibility and service utilization appears in *Table 2*.

**Proposition 204 Administration**

The Baseline includes \$6,446,700 in FY 2016 for Proposition 204 Administration. This amount consists of:

General Fund	2,011,000
Federal Medicaid Authority	4,435,700

FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF</b>	<b>(42,100)</b>
	<b>FMA</b>	<b>42,100</b>

The Baseline includes a decrease of \$(42,100) from the General Fund and a corresponding increase of \$42,100 from Federal Medicaid Authority in FY 2016 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 \$14,228,600 from the General Fund in FY 2016 for Medicare Clawback Payments. FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF</b>	<b>127,900</b>
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The Baseline includes an increase of \$127,900 from the General Fund in FY 2016 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 2016) of the estimated drug costs.

**Medicaid Insurance Premium Payments**

The Baseline includes \$33,627,700 in FY 2016 for Medicaid Insurance Premium Payments. This amount consists of:

General Fund	8,835,900
Federal Medicaid Authority	24,791,800

FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF</b>	<b>1,257,600</b>
	<b>FMA</b>	<b>8,574,700</b>

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 RBHAs.

**Non-Medicaid Seriously Mentally Ill Services**

The Baseline includes \$78,846,900 from the General Fund in FY 2016 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2015.

*Background* – This line item provides funding for Non-Medicaid SMI clients. The state had been a longstanding defendant in the *Arnold v. Sarn* litigation concerning the level of services provided to the SMI population.

In January 2014, an exit agreement from the litigation was signed by Arizona’s Governor, Maricopa County, and the plaintiffs in the case. The Maricopa County Superior Court approved the agreement in February 2014. The exit agreement requires the state to begin meeting requirements by June 2016 for providing assertive community treatment, supported housing, supported employment, crisis services, and family and peer support services to individuals with a serious mental illness. (See *Non-Medicaid Behavioral Health Services Funding in Other Issues for Legislative Consideration for more information and the FY 2015 Appropriations Report for history of the case.*)

**Supported Housing**

The Baseline includes \$5,324,800 from the General Fund in FY 2016 for Supported Housing. This amount is unchanged from FY 2015.

This line item funds housing services that will enable individuals to live in the community. These funds may serve Medicaid and 100% state funded recipients. Medicaid, however, does not provide a match for housing assistance. The program served an average of 1,539 clients per month in FY 2014.

**Crisis Services**

The Baseline includes \$16,391,100 in FY 2016 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 2015.

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 2,590 clients per month in FY 2014.

**Mental Health First Aid**

The Baseline includes \$250,000 from the General Fund in FY 2016 for Mental Health First Aid. This amount is unchanged from FY 2015.

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. In FY 2014 and FY 2015, DHS allocated \$134,500 and \$160,500, respectively, to RBHAs to provide training and materials in their regions and an additional \$79,000 and \$74,000, respectively, to train people to teach Mental Health First Aid classes.

**Arizona State Hospital**

**ASH - Operating**

The Baseline includes \$58,366,200 and 587.5 FTE Positions in FY 2016 for ASH - Operating. These amounts consist of:

General Fund	52,049,800
ASH Fund	5,666,400
ASH Land Earnings Fund	650,000

These amounts are unchanged from FY 2015.

This line item provides funding for inpatient psychiatric hospitalization services for adult seriously mentally ill residents. Over the 12-month period from November 2013 through November 2014, the Arizona State Hospital has had an average monthly census of 238 patients.

**ASH - Restoration to Competency**

The Baseline includes \$900,000 from the ASH Fund in FY 2016 for ASH - Restoration to Competency. This amount is unchanged from FY 2015.

*Background* – ASH provides treatment to restore to competency individuals who are found incompetent to stand trial. Prior to 1997, counties paid 100% of the cost of restoring patients to competency. In FY 1997, the state assumed the full cost of RTC treatment. In FY 2002, the state began requiring cities and counties to pay 86% of the costs of the program. The state continued to vary the required reimbursement rate over the next several years. Beginning in FY 2010, budget-related session laws have required all counties to pay 100% of the daily cost of care for RTC patients treated at ASH.

**ASH - Sexually Violent Persons**

The Baseline includes \$9,731,700 and 112.5 FTE Positions in FY 2016 for ASH - Sexually Violent Persons. These amounts consist of:

General Fund	6,709,500
ASH Fund	3,022,200

These amounts are unchanged from FY 2015.

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. 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, 3<sup>rd</sup> Special Session, Chapter 10) initially required counties to pay 25% of the daily cost of care. The FY 2012 Health BRB (Laws 2011, Chapter 31) increased the county share to 50% of daily SVP costs. The FY 2014 Health and Welfare BRB permitted DHS to set the percentage rate at a level that would increase the state share of the cost by \$1.8 million in FY 2014. The FY 2015 Health and Welfare BRB requires that the counties' cost of care percentage for SVP treatment not increase from the FY 2014 levels. DHS determined that counties paid 33% of daily SVP costs in FY 2014 and expect that counties will be billed at the same percentage in FY 2015.

In its FY 2016 budget request, DHS estimates direct and indirect expenditures for SVP care will be approximately \$9,731,700 in FY 2016. Of that amount, the counties would pay \$3,022,200, or approximately 31% of total costs.

In order to provide counties with a consistent and predictable rate, the Baseline sets the FY 2016 county rate at 33% of daily SVP costs.

**Public Health/Family Health**

**Adult Cystic Fibrosis**

The Baseline includes \$105,200 from the General Fund in FY 2016 for Adult Cystic Fibrosis. This amount is unchanged from FY 2015.

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 2016 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2015.

The line item provides \$100,000 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 \$850,000 to provide medications under the Arizona AIDS Drug Assistance Program, which also receives Federal Funds for the medications. The program served an average of 35 clients per month in FY 2014.

### ***Alzheimer's Disease Research***

The Baseline includes \$1,125,000 in FY 2016 for Alzheimer's Disease Research. This amount consists of:

General Fund	125,000
TTHCF Health Research Account	1,000,000

FY 2016 adjustments would be as follows:

#### **Remove One-Time Funding GF (1,250,000)**

The Baseline includes a decrease of \$(1,250,000) from the General Fund in FY 2016 to eliminate one-time funding for Alzheimer's disease research.

This line item provides funding for grants to universities, hospitals, and research centers in Arizona for dollar-for-dollar matching grants for research on the causes of Alzheimer's disease.

### ***Biomedical Research Support***

The Baseline includes \$2,000,000 from the Tobacco Tax and Health Care Fund-Health Research Account in FY 2016 for Biomedical Research Support. This amount is unchanged from FY 2015.

This line item is funded by Section 128 of the FY 2015 General Appropriation Act (Laws 2014, Chapter 18). Section 128 appropriates \$2,000,000 annually from FY 2015 to FY 2019 from the Tobacco Tax and Health Care Fund-Health Research Account and will not appear in the General Appropriation Act.

This line item provides funding to a nonprofit medical research institute headquartered in Arizona that specializes in biomedical research, conducts molecular epidemiological analyses to assist with disease outbreak investigations, and collaborates with universities, hospitals, and other public and private bioscience and related industries in this state. Section 128 requires the recipient of monies in this line item to submit an annual

audit of expenditures of these monies to DHS by February 1 of each year.

In prior years, DHS has distributed biomedical research support funding to the Translational Genomics Research Institute (TGen), a nonprofit medical research institution headquartered in Arizona. In FY 2013 and FY 2014, respectively, DHS allocated \$4,100,000 and \$2,000,000 to TGen from non-appropriated Health Research Account monies. Information regarding the FY 2015 contract recipients was unavailable at the time of publication.

The appropriation from this line item is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations.

### ***Breast and Cervical Cancer and Bone Density Screening***

The Baseline includes \$1,369,400 and 1 FTE Position from the General Fund in FY 2016 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2015.

The Well Woman Healthcheck program provides contracted cancer screenings for women over age 40 who lack 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 2016 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2015.

This line item provides General Fund reimbursement to hospitals and physicians for the care of hospitalized tuberculosis patients and for assistance to all county health departments for local tuberculosis control programs.

### ***Folic Acid***

The Baseline includes \$400,000 from the Tobacco Tax and Health Care Fund-Medically Needy Account in FY 2016 for Folic Acid. This amount is unchanged from FY 2015.

This line item provides for the distribution of folic acid to women of child bearing age to help prevent birth defects. In FY 2014, 33,317 women received folic acid education and multivitamins.

### ***High Risk Perinatal Services***

The Baseline includes \$2,543,400 in FY 2016 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 2015.

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 \$6,307,700 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2016 for the Newborn Screening Program. These amounts are unchanged from FY 2015.

This line item funds the centralized testing of all newborns in the state for a standard set of 29 disorders plus Chapter 171 provisions described below. In FY 2014, the program provided screening for approximately 84,593 newborns. The program also provides for follow-up counseling for the parents of affected newborns. The State Health Laboratory is the designated laboratory for testing.

Laws 2014, Chapter 171 requires DHS to screen newborns for critical congenital heart defects (CCHD) and permits DHS to adopt tests for Severe Combined Immunodeficiencies (SCID) and Krabbe Disease if the department performs a cost benefit analysis and seeks stakeholder input. The law also allows DHS to designate other laboratories as testing facilities for conditions or tests added to the screening program. Prior to the enactment of this law, DHS was required to contract only with the State Health Laboratory.

#### ***Nursing Facility Study***

The Baseline includes no funding from the Nursing Care Institution Resident Protection Revolving Fund in FY 2016 for a quality improvement study of nursing care facilities. FY 2016 adjustments would be as follows:

#### **Remove One-Time Funding OF (50,000)**

The Baseline includes a decrease of \$(50,000) from the Nursing Care Institution Resident Protection Revolving Fund in FY 2016 to eliminate one-time funding for a study of nursing care facilities.

#### ***Poison Control Centers Funding***

The Baseline includes \$990,000 from the General Fund in FY 2016 for Poison Control Centers. This amount is unchanged from FY 2015.

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 2015.

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 2016 for Nonrenal Disease Management. This amount is unchanged from FY 2015.

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 2016 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2015.

This line item provides pre-operative dental care and ongoing nutritional assistance for low-income renal disease patients. Funding in this line item treats kidney disease and associated kidney damage.

#### ***School-Based Prevention Education***

The Baseline includes \$300,000 from the General Fund in FY 2016 for School-Based Prevention Education. This amount is unchanged from FY 2015.

This line item provides funding to organizations that implement school-based prevention education programs promoting positive life choices and focusing on the topics of substance abuse, mental health, violence, and other risky behaviors. Prior to disbursement of monies from this line item, DHS must submit an expenditure plan for review by the Joint Legislative Budget Committee. As of December 2014, DHS has not submitted its plan.

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**FORMAT** — Operating Lump Sum with Special Line Items by Agency

## FOOTNOTES

### *Standard Footnotes*

#### Departmentwide

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

#### Behavioral Health

On or before January 6, 2016, the Department of Health Services shall report to the Director of the Joint Legislative Budget Committee the total amount of Medicaid reconciliation payments and penalties received on or before that date since July 1, 2015. On June 30, 2016, the department shall report the same information for all of FY 2016.

The Department of Health Services shall report to the Joint Legislative Budget Committee by December 31, 2015, and every 6 months thereafter, on the progress in implementing the *Arnold v. Sarn* lawsuit settlement. The report must include at a minimum the department's progress toward meeting all criteria specified in the 2014 joint stipulation, including the development and estimated cost of additional behavioral health service capacity in Maricopa County as follows: supported housing services for 1,200 class members, supported employment services for 750 class members, 8 assertive community treatment teams and consumer operated services for 1,500 class members. The department shall also report the amounts, by fund source, it plans to use to pay for expanded services. *(The reporting timeframe would be changed from quarterly to semi-annually.)*

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 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 State Land Funds are

appropriated to the Arizona State Hospital in compliance with the Enabling Act and the Constitution of Arizona.

The Department of Health Services shall report to the Joint Legislative Budget Committee on or before March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum may not be more than 2%. Before implementation of any changes in capitation rates for any behavioral health line items, the Department of Health Services shall report its expenditure plan for review by the Joint Legislative Budget Committee. Before the department implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or more for a given fiscal year, the department shall submit the policy changes for review by the Joint Legislative Budget Committee.

#### Public Health/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.

The Department of Health Services shall distribute monies appropriated for School-Based Prevention Education on a competitive grant basis to grant applicants who will implement a proactive prevention education program in all middle and high schools in this state. *(This footnote is a simplified version of the FY 2015 language.)*

### *New Footnotes*

On or before November 1 of each year, the Department of Health Services shall report to the Joint Legislative Budget Committee the revenues, expenditures, and ending balances of the department's Intergovernmental/ Interagency Service Agreements (IGA/ISA) Fund from the previous, current, and subsequent fiscal years. *(See IGA/ISA Fund Reporting in Other Issues for Legislative Consideration for more information.)*

## STATUTORY CHANGES

The Baseline would:

- As session law, continue to require all cities and counties to pay 100% of their Restoration to Competency Costs.
- As session law, continue to require all counties to pay 33% of their total Sexually Violent Persons (SVP) costs throughout the entire commitment process, including pre-adjudication proceedings. The Baseline would, as session law, also continue to allow counties to use any source of county revenue to make the transfers and exempt county contributions from county expenditure limitations. *(See ASH - Sexually Violent Persons for more information.)*
- As session law, continue to notwithstand 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 permanent law, establish 4 separate funds that DHS must use for intergovernmental/interagency service agreements. *(See IGA/ISA Fund Reporting in Other Issues for Legislative Consideration for more information.)*
- As permanent law, delete a DHS homeland security allocation and expenditure reporting requirement pursuant to A.R.S. § 41-4255. *(Because DHS has not received Homeland Security monies since FY 2008, this reporting requirement has become obsolete.)*

### Deleted Provisions

- The Baseline would not continue a provision in the General Appropriation Act that requires the Joint Legislative Budget Committee and the Governor's Office of Strategic Management and Budget to report on the feasibility of creating a common financial status report. This report was submitted to the Governor and the Joint Legislative Budget Committee in November 2014.
- The Baseline would not continue a provision that permits DHS to raise behavioral health service provider rates by 2% in FY 2015.

## OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

This section includes information on the following topics:

- FY 2015 Supplemental
- Long Term Budget Impacts
- Integration of Health Services
- SMI Funding
- IGA/ISA Fund Reporting
- Risk Corridor
- Non-Medicaid Behavioral Health Services Funding

### FY 2015 Supplemental

The Baseline includes an \$8,726,700 supplemental from the General Fund to cover shortfalls in the Medicaid

Traditional and Insurance Premium Payments line items. The overall shortfall is the result of higher-than-projected caseload growth. The summary table at the beginning of this narrative has not been updated to reflect the recommended supplemental.

### Long Term Budget Impacts

Beyond FY 2016 Baseline changes for DHS, JLBC Staff estimates that DHS' statutory caseload changes will require an additional \$25.8 million in FY 2017 above FY 2016 and an additional \$31.0 million in FY 2018 above FY 2017 for behavioral health services. This estimate assumes 2% enrollment growth, 3% capitation rate growth, and an increase to the federal match rate for Childless Adults offset by a decrease to the federal match rate for the Adult Expansion population.

### Integration of Health Services

AHCCCS and DHS currently integrate acute care services and behavioral health services for Medicaid-eligible SMI adults in Maricopa County. DHS' FY 2016 budget request seeks to expand integration services for all Medicaid-eligible SMI adults outside Maricopa County through the Non-Maricopa RBHA contracts.

### Maricopa Integrated SMI Health Services

In April 2014, AHCCCS and DHS entered into an agreement to integrate acute care services and behavioral health services for Medicaid-eligible SMI adults in Maricopa County. These dual services are provided to approximately 17,000 people by Mercy Maricopa Integrated Care (MMIC), the RBHA for Maricopa County. This integrated pilot program, unlike services provided to most Medicaid-eligible populations, uses an integrated capitation rate paid to one contractor (i.e., the acute care and behavioral health costs are combined into 1 rate as opposed to having 2 separate rates paid to 2 separate contractors by 2 separate agencies). The capitation rate for these services is paid on Medicaid-eligible SMI adults who live in Maricopa County. *(See SMI Funding in Other Issues for Legislative Consideration for more information on the costs associated with the SMI population.)*

### Non-Maricopa Integrated SMI Health Services

DHS is expanding integration services for all Medicaid-eligible SMI adults outside Maricopa County through the Non-Maricopa RBHA contracts. There would be 2 Geographic Service Areas (GSAs) for which a RBHA would administer and coordinate integrated services for eligible persons. The North GSA would include Apache, Coconino, Gila, Mohave, Navajo, and Yavapai Counties, as well as a small portion of Graham County. The South GSA would include Cochise, Graham, Greenlee, La Paz, Pima, Pinal, Santa Cruz, and Yuma Counties.

DHS awarded the North GSA contract to Health Choice Integrated Care, a partnership between Northern Arizona RBHA and Health Choice Arizona, and the South GSA contract to Cenpatico Integrated Care, a partnership between Cenpatico of Arizona and the University of

Arizona Health Network. These contracts will begin on October 1, 2015.

To implement both the Maricopa and Non-Maricopa RBHA contracts, DHS and AHCCCS have requested to permanently shift the acute care appropriation of \$227.8 million in total funds from AHCCCS to DHS in the FY 2016 budget.

*Integration of Health Services for Dual Eligibles*

DHS and AHCCCS also seek to permanently shift the General Mental Health funding for the “dual eligible” population from DHS to AHCCCS. This request would shift \$16.6 million in total funds from DHS to AHCCCS in the FY 2016 budget. The dual eligible population consists of low-income individuals who qualify for both Medicare and Medicaid at the same time.

*Integrating Additional Health Services*

The FY 2016 Baseline does not integrate funding for these programs as proposed by the 2 agencies in their September 2014 budget request. The JLBC Staff recommends that prior to deciding whether to move funding between agencies, the Legislature should review the state’s long term policy toward integration of all acute and behavioral health services. AHCCCS and the Department of Health Services have already begun to implement smaller scale integration projects. The review could consider the broader long term policy goals and the organizational implications of consolidating all services within 1 agency.

**SMI Funding**

As shown in *Table 4* the total funding in FY 2016 for SMI behavioral health services is \$769.0 million to cover a projected 32,685 recipients. State and federal funding for this population is located in the Traditional, Proposition 204, and Adult Expansion line items of the DHS budget.

The General Fund cost for Medicaid-eligible SMI adults in Maricopa County is projected to be \$117.9 million in FY 2016, covering 18,953 recipients. This group receives integrated behavioral health and acute care services.

The General Fund cost for Medicaid-eligible SMI adults who live outside of Maricopa County is projected to be \$80.2 million in FY 2016, covering 13,732 recipients. This group does not currently receive integrated services.

Funding for acute care is located in the Traditional and Proposition 204, and Adult Expansion line items in the AHCCCS budget.

**IGA/ISA Fund Reporting**

The FY 2015 Health and Welfare BRB (Laws 2014, Chapter 11) required the Directors of the JLBC and the Governor’s Office of Strategic Planning and Budgeting (OSPB) to agree to the content and format of a revenue and expenditure report of DHS’ Intergovernmental Agreements/Interagency Service Agreements Fund (IGA/ISA).

The IGA/ISA is used to transfer monies from one entity to DHS, usually for services which DHS has agreed to perform at the request of, or in conjunction with, public agencies. DHS funds a wide variety of programs from the IGA/ISA. The largest program, accounting for over 92% of revenues to the IGA/ISA, is behavioral health services.

The Directors agreed to a reporting format that divides revenues and expenditures into 4 categories:

1. Medicaid monies (including Title XIX/XXI) for behavioral health services;
2. County monies for primarily behavioral health services;
3. Lottery monies for an array of other public health services; and
4. Remaining monies.

Because of the wide array of programs supported by this fund, as well as the disproportionate share of behavioral health services costs, the FY 2016 Baseline includes a provision to divide funds currently located in the IGA/ISA Fund into 4 separate funds as defined by the categories above. This 4-fund structure would result in greater transparency and would help ensure that monies are not inappropriately comingled.

**Risk Corridor**

DHS contracts with community-based organizations, known as RBHAs, to administer behavioral health services. In turn, each RBHA contracts with a network of medical providers to deliver these services. DHS limits the service profit or loss of a RBHA to a percentage of the annual service revenue. If a RBHA exceeds the profit limit, then DHS can request the return of those excess profits. Conversely, if a RBHA experiences excess losses, then DHS will reimburse the RBHA. The profit/loss margin is called a “risk corridor.”

Currently, the risk corridor for all RBHAs is 3% –their profits or losses, as percentage of annual services revenues, are limited to 3%. The RBHA responsible for Maricopa County has a 4% risk corridor. Below is the list of RBHAs, by GSA, and their risk corridors:

<u>By Fund</u>	<u>Integrated SMI (Maricopa County) <sup>1/</sup></u>	<u>All Other Adult Enrollees <sup>2/</sup></u>	<u>Total</u>
State Match	\$117,932,400	\$80,240,000	\$198,172,400
Federal Match	300,452,300	270,362,500	570,814,800
<b>Total Expenditures</b>	<b>\$418,384,700</b>	<b>\$350,602,500</b>	<b>\$768,987,200</b>
<b>June 1, 2016 Enrollees</b>	<b>18,953</b>	<b>13,732</b>	<b>32,685</b>

<sup>1/</sup> Excludes SMI enrollees who will receive integrated services outside of Maricopa County, beginning October 1, 2015. (See *Integration of Health Services in Other Issues for Legislative Consideration.*)  
<sup>2/</sup> An SMI capitation rate is paid for all other adult enrollees, whether or not they use services.



- GSA 1 (Apache, Coconino, Mohave, Navajo, and Yavapai) – Northern Arizona RBHA: 3%
- GSA 2 (La Paz, Yuma) – Cenpatico: 3%
- GSA 3 (Cochise, Graham, Greenlee, Santa Cruz), – Cenpatico: 3%
- GSA 4 (Gila, Pinal) – Cenpatico: 3%
- GSA 5 (Pima) – Community Partnership of Southern Arizona: 3%
- GSA 6 (Maricopa) – Mercy Maricopa Integrated Care: 4%

**Non-Medicaid Behavioral Health Services Funding**

The FY 2016 Baseline includes \$100,562,800 for Non-Medicaid behavioral health services, which are funded in the Non-Medicaid SMI Services, Supported Housing, and Crisis Services line items. This is the same funding level as in FY 2015. (See the Non-Medicaid Seriously Mentally Ill Services, Supported Housing, and Crisis Services line items for more information and the FY 2015 Appropriations Report for more history on line item shifts.)

Effective October 1, 2015, the RBHAs serving GSAs 1-5 will be replaced by 2 integrated RBHAs that cover the Northern and Southern regions of the state. These integrated contracts, like Mercy Maricopa Integrated Care’s contract, have 4% risk corridors. (See Non-Maricopa Integrated SMI Health Services above for more information about these new RBHAs.)

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Arizona State Hospital Fund (HSA3120/A.R.S. § 36-545.08)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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 2015 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 11) continues to require that all counties pay 100% of the cost of care for Restoration to Competency patients.		
<b>Purpose of Fund:</b> To provide treatment of patients at the Arizona State Hospital or to place Arizona State Hospital patients in the community.		
<b>Funds Expended</b>	9,385,400	9,588,600
<b>Year-End Fund Balance</b>	2,295,900	194,100
<b>Arizona State Hospital Land Earnings Fund (HSA3128/A.R.S. § 36-211)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For the benefit and support of the Arizona State Hospital.		
<b>Funds Expended</b>	623,700	650,000
<b>Year-End Fund Balance</b>	1,066,400	918,400
<b>Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund (HSA2513/A.R.S. § 36-119)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For breast and cervical cancer screening and diagnostic and outreach services.		
<b>Funds Expended</b>	138,800	180,000
<b>Year-End Fund Balance</b>	231,200	274,400
<b>Capital Outlay Stabilization Fund (HSA1600/A.R.S. § 41-792.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Appropriations from the Arizona Department of Administration Capital Outlay Stabilization Fund and transfers from the Arizona Department of Administration (see Arizona Department of Administration for more detail on Capital Outlay Stabilization Fund).		
<b>Purpose of Fund:</b> Lease-purchase payments for the new state health laboratory (transfers from Arizona Department of Administration are spent for building renewal).		
<b>Funds Expended</b>	1,559,800	1,559,800
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Child Fatality Review Fund (HSA3036/A.R.S. § 36-3504)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	69,400	94,800
<b>Year-End Fund Balance</b>	908,700	1,080,800
<b>Childhood Cancer and Rare Childhood Disease Research Fund</b> (No Fund Number/A.R.S. § 28-2442, A.R.S. § 36-121)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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 entity that made the payment to the Arizona Department of Transportation (ADOT). The 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Disease Control Research Fund (HSA2090/A.R.S. § 36-274)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To be used for projects or services that may advance research in the causes, epidemiology and prevention of disease, including discovery and development.		
<b>Funds Expended</b>	3,162,100	4,157,500
<b>Year-End Fund Balance</b>	4,074,700	2,209,000
<b>Donations - DHS (HSA3010/2025/A.R.S. § 36-132)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Individual donations for various health related purposes.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	658,300	658,300
<b>Year-End Fund Balance</b>	974,800	1,040,300
<b>Donations - Statewide (HSA2025/A.R.S. § 36-132)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Individual donations from employee recognition events.		
<b>Purpose of Fund:</b> Employee recognition purposes.		
<b>Funds Expended</b>	4,100	2,200
<b>Year-End Fund Balance</b>	4,700	7,000
<b>Emergency Medical Services Operating Fund (HSA2171/A.R.S. § 36-2218)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund local and state emergency medical services systems.		
<b>Funds Expended</b>	4,257,100	5,122,400
<b>Year-End Fund Balance</b>	5,096,200	5,238,500

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Environmental Laboratory Licensure Revolving Fund (HSA3017/A.R.S. § 36-495.15)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees collected for environmental lab licensure, fees derived from department-sponsored workshops, and monies from gifts, grants, and donations.		
<b>Purpose of Fund:</b> For costs associated with licensing environmental laboratories by the Department of Health Services.		
<b>Funds Expended</b>	660,700	927,100
<b>Year-End Fund Balance</b>	651,300	520,300
<b>Federal Child Care and Development Fund Block Grant (HSA2008/U.S. P.L 104-193)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	830,400	879,400
<b>Year-End Fund Balance</b>	68,000	68,000
<b>Federal Funds (HSA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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. Monies from manufacturer rebates for the Women, Infants, and Children (WIC) program are also included in this fund.		
<b>Purpose of Fund:</b> To provide health services in accordance with the terms of each specific grant.		
<b>Funds Expended</b>	299,629,000	301,854,200
<b>Year-End Fund Balance</b>	3,140,200	6,714,700
<b>Federal Grants - American Recovery and Reinvestment Act (ARRA) (HSA2999/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5)		
<b>Purpose of Fund:</b> One-time Federal Funds to be used by the department for Public Health and Family Health programs.		
<b>Funds Expended</b>	238,900	0
<b>Year-End Fund Balance</b>	78,600	78,600
<b>Federal Medicaid Services (HSA2500/A.R.S. § 35-142)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> The fund receives federal match dollars for treating behavioral health problems in Medicaid-eligible persons.		
<b>Purpose of Fund:</b> For accounting purposes, these monies are considered part of the IGA Fund. However, for informational purposes, the revenues and expenditures related to behavioral health have been separated from the IGA Fund.		
<b>Funds Expended</b>	910,821,300	1,206,172,700
<b>Year-End Fund Balance</b>	0	0
<b>Health Services Licensing Fund (HSA1995/A.R.S. § 36-405, A.R.S. § 36-414)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Nonrefundable fees for health care institution licensing services and monies from the examination and licensing of hearing and speech professionals.		
<b>Purpose of Fund:</b> For health care institutions' licensing applications, initial license, renewal license and architectural drawing reviews. Pursuant to A.R.S. § 36-1903, 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.		
<b>Funds Expended</b>	8,616,100	9,275,100
<b>Year-End Fund Balance</b>	3,270,500	4,020,700

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>IGA/County Contributions (HSA2144/2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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 2015, DHS will receive \$56,914,000 from Maricopa and Pima County for behavioral health services, \$889,500 from the Arizona Health Care Cost Containment System (AHCCCS) for KidsCare, and \$13,864,500 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 WIC program.		
<b>Purpose of Fund:</b> To fund services which DHS has agreed to perform at the request of, or in conjunction with, public agencies.		
<b>Funds Expended</b>	87,399,400	86,248,400
<b>Year-End Fund Balance</b>	55,348,600	50,868,900
<b>Indirect Cost Fund (HSA9001/A.R.S. § 36-108)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Charges made to Federal Funds and interagency agreements in order to reimburse the agency for a portion of the administrative costs of the programs.		
<b>Purpose of Fund:</b> To pay a portion of the administrative personnel and overhead costs associated with various federal programs and interagency agreements.		
<b>Funds Expended</b>	8,833,200	8,573,500
<b>Year-End Fund Balance</b>	2,180,700	1,580,100
<b>Internal Services Fund (HSA4202/A.R.S. § 36-108)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges from other DHS funds.		
<b>Purpose of Fund:</b> Revolving Fund used by DHS warehouse for the purchase of goods.		
<b>Funds Expended</b>	10,600	10,600
<b>Year-End Fund Balance</b>	121,000	110,400
<b>Medical Marijuana Fund (HSA2544/A.R.S. § 36-2817)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives application and renewal fees from medical marijuana dispensaries, civil penalties and private donations.		
<b>Purpose of Fund:</b> To enforce the provisions of Proposition 203 (Arizona Medical Marijuana Act) enacted in the 2010 General Election. The Arizona Medical Marijuana Act regulates dispensation, prescription, and use of medical marijuana, including the establishment of an electronic registry of dispensary agents, patients and designated caregivers.		
<b>Funds Expended</b>	7,282,500	7,871,300
<b>Year-End Fund Balance</b>	8,972,000	9,712,700
<b>Medical Student Loan Fund (HSA3306/A.R.S. § 15-1725)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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 DHS. 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.		
<b>Purpose of Fund:</b> To provide loans to defray the medical education expenses of medical program graduates attending medical school, in return for a service commitment to the state.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	111,500	149,200
<b>Newborn Screening Program Fund (HSA2184/A.R.S. § 36-694.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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 \$65 for the second blood and hearing screening.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	5,785,300	6,739,600
<b>Year-End Fund Balance</b>	450,000	393,200

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Nursing Care Institution Resident Protection Revolving Fund</b> (HSA2329/A.R.S. § 36-446.08)		<b>Appropriated</b>
<b>Source of Revenue:</b> Civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications.		
<b>Purpose of Fund:</b> For the protection of the health and property of residents of nursing care facilities that are found deficient.		
<b>Funds Expended</b>	59,000	88,200
<b>Year-End Fund Balance</b>	1,362,900	1,486,800
<b>Oral Health Fund (HSA3038/A.R.S. § 36-138)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from AHCCCS contracts for dental services.		
<b>Purpose of Fund:</b> To provide dental services to Medicaid-eligible children identified by the DHS Oral Health program.		
<b>Funds Expended</b>	173,200	285,000
<b>Year-End Fund Balance</b>	778,200	759,600
<b>Risk Assessment Fund (HSA2427/A.R.S. § 36-1693)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies from the Department of Environmental Quality for risk services performed by DHS. The fund may also receive legislative appropriations, gifts, grants, or donations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	15,700	60,000
<b>Year-End Fund Balance</b>	46,400	46,400
<b>Serious Mental Illness Services Fund (HSA2464/A.R.S. § 36-503.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund Community Housing, Vocational Rehabilitation, and other recovery support services to persons with serious mental illnesses.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,900	2,900
<b>Seriously Mentally Ill Housing Trust Fund (HSA2555/A.R.S. § 41-3955.01)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Appropriated Funds Expended</b>	0	0
<b>Non-Appropriated Funds Expended</b>	2,724,900	2,035,300
<b>Year-End Fund Balance</b>	2,752,900	2,752,900
<b>Smoke Free Arizona Fund (HSA2541/A.R.S. § 36-601.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,779,400	3,000,000
<b>Year-End Fund Balance</b>	716,000	454,200

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Substance Abuse Services Fund (HSA2227/A.R.S. § 36-2005)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,250,000	2,250,000
<b>Year-End Fund Balance</b>	1,388,600	1,710,500
<b>Tobacco Tax and Health Care Fund - Health Education Account (HSA1308/A.R.S. § 36-772)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	16,578,900	19,425,000
<b>Year-End Fund Balance</b>	9,772,600	8,475,600
<b>Tobacco Tax and Health Care Fund - Health Research Account (HSA2096/A.R.S. § 36-275, A.R.S. § 36-773)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> The fund receives monies from the Health Research Account of the Tobacco Tax and Health Care Fund. The FY 2015 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 11) continues to permit DHS to use the fund for Alzheimer's disease research.		
<b>Purpose of Fund:</b> Monies are used for research into the prevention and treatment of tobacco-related disease and addiction.		
<b>Appropriated Funds Expended</b>	1,000,000	3,000,000
<b>Non-Appropriated Funds Expended</b>	4,719,900	4,953,000
<b>Year-End Fund Balance</b>	4,706,400	4,754,900
<b>Tobacco Tax and Healthcare Fund - Medically Needy Account (HSA1306/A.R.S. § 36-774)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> 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 (see <i>Tobacco Tax Table in the AHCCCS section</i> ).		
<b>Purpose of Fund:</b> 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.		
<b>Appropriated Funds Expended</b>	35,147,800	35,467,000
<b>Non-Appropriated Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	323,200	213,300
<b>Vital Records Electronic Systems Fund (HSA3039/A.R.S. § 36-341.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To develop and operate a new vital records automated system.		
<b>Funds Expended</b>	2,456,000	3,635,500
<b>Year-End Fund Balance</b>	1,505,400	775,100

## Arizona Historical Society

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	51.9	51.9	51.9
Personal Services	1,133,700	1,227,900	1,227,900
Employee Related Expenditures	492,700	529,900	529,900
Professional and Outside Services	58,400	18,300	18,300
Travel - In State	3,300	0	0
Other Operating Expenditures	427,100	341,200	341,200
Equipment	1,300	0	0
<b>OPERATING SUBTOTAL</b>	<b>2,116,500</b>	<b>2,117,300</b>	<b>2,117,300</b>
<b>SPECIAL LINE ITEMS</b>			
Arizona Experience Museum	428,300	428,300	428,300
Field Services and Grants	66,000	66,000	66,000
Papago Park Museum	544,200	544,400	544,400
<b>AGENCY TOTAL</b>	<b>3,155,000</b>	<b>3,156,000</b>	<b>3,156,000</b>
<b>FUND SOURCES</b>			
General Fund	3,155,000	3,156,000	3,156,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>3,155,000</b>	<b>3,156,000</b>	<b>3,156,000</b>
Other Non-Appropriated Funds	1,118,900	1,177,400	1,109,400
Federal Funds	16,800	100	1,900
<b>TOTAL - ALL SOURCES</b>	<b>4,290,700</b>	<b>4,333,500</b>	<b>4,267,300</b>

**AGENCY DESCRIPTION** — The Arizona Historical Society acquires, preserves, maintains, and publicly exhibits archival and museum objects pertaining to the history of Arizona, the West, and the Indian tribes inhabiting the state. The Society's major museums are in Yuma, Flagstaff, Tucson, Phoenix, and Tempe (Papago Park).

### Operating Budget

The Baseline includes \$2,117,300 and 40.4 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

### Arizona Experience Museum

The Baseline includes \$428,300 and 1 FTE Position from the General Fund in FY 2016 for the Arizona Experience Museum. These amounts are unchanged from FY 2015.

This line item funds personnel and rent of the Arizona Experience Museum. This facility was formerly the Arizona Mining and Mineral Museum on the Capitol Mall and was operated by the Department of Mines and Mineral Resources.

The museum closed May 1, 2011 for renovations and the Department of Mines and Mineral Resources was eliminated as a state agency in FY 2012. The Arizona Historical Society (AHS) does not currently plan to re-open the facility; 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. In October 2014, AHS opened an exhibition at the Papago Park Museum utilizing a portion of the mines and mineral collection. The remainder of the collection remains at the former Mining and Mineral Museum's facility.

The FY 2015 General Appropriation Act contained a footnote requiring AHS and the Department of Administration (ADOA) to submit a joint report before November 28, 2014 to the Joint Legislative Budget Committee (JLBC) with options and a recommendation for use of the vacant building. The report raised 4 options for the former Arizona Mining and Mineral Museum.

- 1) Re-open the Arizona Mining and Mineral Museum: Cost of \$2.1 million related to significant building system upgrades and space reconfiguration.
- 2) Convert the space into offices: Cost of \$3.1 million for renovations, upgrades to building systems, and relocation of memorabilia and equipment. This would

- result in a building containing approximately 123 workstations, including primarily cubicle space.
- 3) Sell the facility: One-time revenue (savings) of \$2.9 million. If the buyer were to convert the space to non-museum use, ADOA would incur costs related to relocating mining related memorabilia and equipment.
  - 4) Keep the facility closed: No cost compared to JLBC Baseline. However, AHS would still continue to pay ADOA rent of \$360,700 per year.

ADOA and AHS have both mutually selected Option 4 as the preferred option for the former Arizona Mining and Mineral Museum. The agencies note that while Options 2 and 3 may repurpose the museum, the state would still face costs associated with relocating and storing the current mineral collections. *(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 2016 for Field Services and Grants. These amounts are unchanged from FY 2015.

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 \$544,400 and 10.1 FTE Positions from the General Fund in FY 2016 for the Papago Park Museum. These amounts are unchanged from FY 2015.

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**FORMAT** — Operating Lump Sum with Special Line Items by Agency

**FOOTNOTES**

*Deletion of Prior Year Footnotes*

The Baseline would delete the footnote requiring the Arizona Historical Society and the Department of Administration to submit a joint report to the Joint Legislative Budget Committee on the options for use of the now-vacant Mining and Mineral Museum at 1502 West Washington Street.

**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 2016 to support the curation of collections (including the mining and mineral collection), exhibits, and educational programs that were developed for the Arizona Experience Museum. The collections, exhibits, and programming will be primarily featured in the Papago Park facility.

**Museum Attendance**

<u>Facility</u>	<u>Visitors</u>
Arizona History (Tucson)	7,014
Downtown History (Tucson)	927
Fort Lowell (Tucson)	3,086
Sanguinetti House (Yuma)	2,066
Museum at Papago Park (Tempe)	3,375
Pioneer Museum (Flagstaff)	6,277
Riordan Mansion (Flagstaff)	<u>22,008</u>
<b>Total</b>	<b>44,753</b>

<b>SUMMARY OF FUNDS</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Estimate</b>
<b>Federal Grants (HIA2000/A.R.S. § 41-821)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants.		
<b>Purpose of Fund:</b> To be used in accordance with the requirements of each grant.		
<b>Funds Expended</b>	16,800	100
<b>Year-End Fund Balance</b>	100	0



SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Permanent Arizona Historical Society Revolving Fund (HIA2900/A.R.S. § 41-826)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> For enhancing the programs of the society, or operating or improving its facilities.		
<b>Funds Expended</b>	395,800	524,500
<b>Year-End Fund Balance</b>	182,800	205,500
<b>Preservation and Restoration Fund (HIA2125/A.R.S. § 41-825)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Reproduction charges.		
<i>Purpose of Fund:</i> To preserve and restore historic photographs.		
<b>Funds Expended</b>	38,600	45,100
<b>Year-End Fund Balance</b>	45,300	38,200
<b>Private Fund (HIA9447/A.R.S. § 41-821)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> For operating expenses.		
<b>Funds Expended</b>	400,000	379,000
<b>Year-End Fund Balance</b>	747,000	728,500
<b>Private Grants Fund (HIA9449/A.R.S. § 41-821)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> To be used in accordance with the requirements of each grant.		
<b>Funds Expended</b>	112,600	67,000
<b>Year-End Fund Balance</b>	38,400	19,000
<b>Restricted Fund (HIA9448/A.R.S. § 41-821)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Private restricted donations. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.		
<i>Purpose of Fund:</i> To be used for specific projects as designated by donor.		
<b>Funds Expended</b>	136,900	131,700
<b>Year-End Fund Balance</b>	266,900	233,800
<b>Trust Fund (HIA9450/A.R.S. § 41-821)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> For operating expenses.		
<b>Funds Expended</b>	35,000	30,100
<b>Year-End Fund Balance</b>	198,300	168,700

**Prescott Historical Society of Arizona**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	392,300	448,800	448,800
Employee Related Expenditures	193,700	220,200	220,200
Other Operating Expenditures	240,000	157,300	157,300
<b>AGENCY TOTAL</b>	<b>826,000</b>	<b>826,300</b>	<b>826,300</b>
<b>FUND SOURCES</b>			
General Fund	826,000	826,300	826,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>826,000</b>	<b>826,300</b>	<b>826,300</b>
Other Non-Appropriated Funds	571,500	589,200	589,200
<b>TOTAL - ALL SOURCES</b>	<b>1,397,500</b>	<b>1,415,500</b>	<b>1,415,500</b>

**AGENCY DESCRIPTION** — The Prescott Historical Society preserves and maintains the Old Governor's Mansion, together with the other buildings and properties of the Sharlot Hall Museum located in Prescott. The Society is responsible for acquiring, preserving, and publicly exhibiting archival and museum objects pertaining to the history, geological, and anthropological life of Arizona and the West.

**Operating Budget**

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The Baseline includes \$826,300 and 13 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Sharlot Hall Historical Society (PHA9505/A.R.S. § 41-831)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To print publications and journals, as well as to pay for educational programming, archival and curatorial supplies and graphics.		
<b>Funds Expended</b>	571,500	589,200
<b>Year-End Fund Balance</b>	642,200	593,100

**Arizona Department of Homeland Security**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>FUND SOURCES</b>			
Federal Funds	23,871,000	34,680,800	12,983,000
<b>TOTAL - ALL SOURCES</b>	23,871,000	34,680,800	12,983,000

**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.

<b>SUMMARY OF FUNDS</b>	FY 2014 Actual	FY 2015 Estimate
<b>Federal Funds (HLA2000/A.R.S. § 41-4254)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants received from the U.S. Department of Homeland Security.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	23,871,000	34,680,800
<b>Year-End Fund Balance</b>	0	0

## **Board of Homeopathic and Integrated Medicine Examiners**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	41,200	47,500	47,500
Employee Related Expenditures	15,100	27,900	27,900
Professional and Outside Services	2,100	1,800	1,800
Travel - In State	1,100	2,400	2,400
Other Operating Expenditures	21,400	22,500	22,500
<b>AGENCY TOTAL</b>	<b>80,900</b>	<b>102,100</b>	<b>102,100</b>

### **FUND SOURCES**

#### Other Appropriated Funds

Board of Homeopathic and Integrated Medicine Examiners' Fund	80,900	102,100	102,100
SUBTOTAL - Other Appropriated Funds	80,900	102,100	102,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>80,900</b>	<b>102,100</b>	<b>102,100</b>
<b>TOTAL - ALL SOURCES</b>	<b>80,900</b>	<b>102,100</b>	<b>102,100</b>

**AGENCY DESCRIPTION** — The board licenses and regulates medical physicians who practice homeopathic and integrated medicine, a system of medical treatment based on the use of small quantities of remedies which in larger doses produce symptoms of the disease. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

**Operating Budget**

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The Baseline includes \$102,100 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Board of Homeopathic and Integrated Medicine Examiners' Fund</b> (HEA2041/A.R.S. § 32-2906)		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate homeopaths, and for board administration.		
<b>Funds Expended</b>	80,900	102,100
<b>Year-End Fund Balance</b>	18,900	7,300

**Arizona Department of Housing**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	157,400	177,400	177,400
Employee Related Expenditures	71,800	67,400	67,400
Professional and Outside Services	13,900	4,800	4,800
Travel - In State	8,200	8,600	8,600
Travel - Out of State	1,700	2,700	2,700
Other Operating Expenditures	57,200	51,600	51,600
Equipment	3,500	2,100	2,100
<b>AGENCY TOTAL</b>	<b>313,700</b>	<b>314,600</b>	<b>314,600</b>

**FUND SOURCES**

Other Appropriated Funds

Housing Trust Fund	313,700	314,600	314,600
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>313,700</b>	<b>314,600</b>	<b>314,600</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>313,700</b>	<b>314,600</b>	<b>314,600</b>
Other Non-Appropriated Funds	10,767,600	10,686,200	13,128,300
Federal Funds	80,492,300	77,895,800	79,758,500
<b>TOTAL - ALL SOURCES</b>	<b>91,573,600</b>	<b>88,896,600</b>	<b>93,201,400</b>

**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**

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The Baseline includes \$314,600 and 3 FTE Positions from the Housing Trust Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

<b>SUMMARY OF FUNDS</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Estimate</b>
<b>Federal Funds (HDA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal Funds for affordable housing programs.		
<b>Purpose of Fund:</b> To be expended as stipulated by federal statutes authorizing the federal grants.		
<b>Funds Expended</b>	80,492,300	77,895,800
<b>Year-End Fund Balance</b>	2,079,000	1,424,300
<b>Federal Grant - American Recovery and Reinvestment Act (ARRA) (HDA2999/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
<b>Purpose of Fund:</b> One-time Federal Funds to be used by the department for the weatherization of homes, energy efficiency and usage reduction, and appliance rebates.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	249,000	249,000

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
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<b>Housing Development Fund (HDA2313/A.R.S. § 41-3956)</b>	<b>Non-Appropriated</b>	
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**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.

<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

<b>Housing Program Fund (HDA2200/A.R.S. § 41-3957)</b>	<b>Non-Appropriated</b>	
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**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.

<b>Funds Expended</b>	4,652,200	5,089,600
<b>Year-End Fund Balance</b>	8,153,200	9,580,900

<b>Housing Trust Fund (HDA2235/A.R.S. § 41-3955)</b>	<b>Partially-Appropriated</b>	
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**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. (See *Housing Development Fund detail for additional information.*)

<b>Appropriated Funds Expended</b>	313,700	314,600
<b>Non-Appropriated Funds Expended</b>	5,733,900	5,250,200
<b>Year-End Fund Balance</b>	12,720,900	10,134,300

<b>IGA &amp; ISA Fund (HDA2500/A.R.S. § 41-3952)</b>	<b>Non-Appropriated</b>	
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**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.

<b>Funds Expended</b>	381,500	346,400
<b>Year-End Fund Balance</b>	5,155,300	5,578,500

## Independent Redistricting Commission

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
Lump Sum Appropriation	2,577,800	1,115,300	1,115,300
<b>AGENCY TOTAL</b>	<b>2,577,800<sup>1/2/</sup></b>	<b>1,115,300</b>	<b>1,115,300</b>
<b>FUND SOURCES</b>			
General Fund	2,577,800	1,115,300	1,115,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,577,800</b>	<b>1,115,300</b>	<b>1,115,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>2,577,800</b>	<b>1,115,300</b>	<b>1,115,300</b>

**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 Baseline includes \$1,115,300 from the General Fund in FY 2016 for the operating budget. This amount is unchanged from FY 2015.

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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.

Laws 2013, 1<sup>st</sup> Special Session, Chapter 1 appropriated \$1,115,100 from the General Fund and Laws 2014, Chapter 3 appropriated \$1,462,701 from the General Fund in FY 2014 for continued operations and legal expenses. These supplemental appropriations along with the FY 2015 budget amount bring total funding for the current redistricting cycle to \$10,485,627 (see Table 1).

Table 1

### CY 2010 Redistricting Cycle Appropriations

<u>Fiscal Year</u>	<u>Appropriation</u>
FY 2011 (Laws 2010, 7 <sup>th</sup> 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 <sup>st</sup> Special Session, Ch. 1)	1,115,100
FY 2014 (Laws 2014, Ch. 3)	1,462,701
FY 2015 (Laws 2014, Ch. 18)	<u>1,115,300</u>
<b>Total</b>	<b>\$10,485,627</b>

#### Litigation Status

The Baseline includes funding for several outstanding cases. Those 3 cases are as follows:

1. *Arizona Legislature v. Independent Redistricting Commission* – The Legislature has sued in federal court stating that the United States Constitution gives the Legislature sole responsibility to draw U.S. congressional districts. The U.S. Supreme Court will hear the case in 2015.
2. *Leach v. Independent Redistricting Commission* – Various individuals are suing IRC in state court alleging IRC did not follow the process laid out in the Arizona Constitution for drawing the Congressional districts. Several motions have been filed in Superior Court and the individual commissioners were dismissed as defendants, but no trial date has been set. A decision for the plaintiff would require a map redraw.

<sup>1/</sup> Laws 2013, Chapter 158 specifies that the amount appropriated in FY 2014 may be used for the payment of obligations in FY 2013.

<sup>2/</sup> Laws 2014, Chapter 3 specifies that of the amount appropriated in FY 2014, \$1,462,701 may be used for the payment of obligations incurred in FY 2015.

3. *Harris v. Independent Redistricting Commission* – Various individuals are suing the IRC in federal district court stating that the population counts of the state's legislative districts are the result of unconstitutional partisan bias. A 3 judge U.S. Court of Appeals panel found in favor of the commission in April 2014. The plaintiffs appealed the case to the U.S. Supreme Court in June 2014.



## Arizona Commission of Indian Affairs

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	20,400	22,700	22,700
Employee Related Expenditures	9,100	8,600	8,600
Travel - In State	1,500	2,000	2,000
Other Operating Expenditures	23,200	23,600	23,600
<b>AGENCY TOTAL</b>	<b>54,200</b>	<b>56,900</b>	<b>56,900</b>
<b>FUND SOURCES</b>			
General Fund	54,200	56,900	56,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>54,200</b>	<b>56,900</b>	<b>56,900</b>
Other Non-Appropriated Funds	11,000	22,400	22,400
<b>TOTAL - ALL SOURCES</b>	<b>65,200</b>	<b>79,300</b>	<b>79,300</b>

**AGENCY DESCRIPTION** — The agency studies policy issues affecting the Indian tribes, attempts to facilitate better working relationships between the tribes and government agencies, and promotes an understanding of Indian history and culture through statewide forums and other educational activities.

### Operating Budget

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### FORMAT — Lump Sum by Agency

The Baseline includes \$56,900 and 3 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Arizona Indian Town Hall Fund (IAA4014/A.R.S. § 41-545)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected or received at Indian town halls as fees for administration.		
<b>Purpose of Fund:</b> To defray administrative costs related to Indian town halls.		
<b>Funds Expended</b>	0	5,000
<b>Year-End Fund Balance</b>	100	100
<b>IGA and ISA Fund (IAA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> To execute various intergovernmental and interagency service agreements.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Publications Fund (IAA4013/A.R.S. § 41-543)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sale of commission publications.		
<b>Purpose of Fund:</b> To produce and distribute commission publications. At fiscal year end, amounts in excess of \$15,000 revert to the General Fund.		
<b>Funds Expended</b>	200	1,400
<b>Year-End Fund Balance</b>	1,600	800

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Statewide Donations Fund (IAA2025/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	10,800	16,000
<b>Year-End Fund Balance</b>	16,900	10,900

## Industrial Commission of Arizona

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	235.6	235.6	235.6
Personal Services	8,373,700	9,240,500	9,240,500
Employee Related Expenditures	3,568,000	3,865,100	3,865,100
Professional and Outside Services	1,795,800	1,590,700	1,590,700
Travel - In State	146,600	111,200	111,200
Travel - Out of State	8,900	0	0
Other Operating Expenditures	5,377,000	5,187,300	5,187,300
Equipment	292,900	0	0
<b>AGENCY TOTAL</b>	<b>19,562,900</b>	<b>19,994,800</b>	<b>19,994,800</b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Administrative Fund	19,562,900	19,994,800	19,994,800
SUBTOTAL - Other Appropriated Funds	19,562,900	19,994,800	19,994,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>19,562,900</b>	<b>19,994,800</b>	<b>19,994,800</b>
Other Non-Appropriated Funds	45,061,300	30,119,500	19,527,300
Federal Funds	5,173,400	5,633,900	5,685,100
<b>TOTAL - ALL SOURCES</b>	<b>69,797,600</b>	<b>55,748,200</b>	<b>45,207,200</b>

**AGENCY DESCRIPTION** — The Industrial Commission regulates the workers' compensation insurance industry. The commission is also responsible for child labor issues, occupational safety and health issues, wage claim dispute resolutions, licensing of private employment agencies and providing workers' compensation coverage for claimants of uninsured and self-insured employers or insolvent carriers.

### Operating Budget

The Baseline includes \$19,994,800 and 235.6 FTE Positions from the Administrative Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

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**FORMAT** — Lump Sum by Agency

### OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

#### *Workers' Compensation Insurance Account/Guaranty Fund*

Laws 2014, Chapter 186 established the Workers' Compensation Insurance Account (WCIA) as part of the Arizona Property and Casualty Insurance Guaranty Fund (Guaranty Fund) within the Department of Insurance. The law transfers the rights and obligations related to payment of workers' compensation claims on insolvent insurers from the Special Fund, administered by the Industrial Commission of Arizona (ICA), to the Guaranty Fund effective July 1, 2015. The law requires the ICA to transfer \$222,848,153 in assets from the Special Fund to

the Guaranty Fund for deposit in the WCIA no less than 30 days before July 1, 2015.

The WCIA is to be used to continue workers' compensation benefits for claimants of insolvent carriers and bankrupt self-insured employers.

In the event of an insolvency or bankruptcy, the Department of Insurance may cover the cost of claims on that insurer or employer by levying an assessment of up to 1% on the other solvent workers' compensation insurers' premiums from all policies issued during the preceding calendar year. The assessment revenue is deposited into the WCIA for payment of those claims.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Administrative Fund (ICA2177/A.R.S. § 23-1081)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Annual tax on workers' compensation premiums that cannot exceed 3%.		
<b>Purpose of Fund:</b> For all expenses of the Industrial Commission in carrying out its powers and duties.		
<b>Funds Expended</b>	19,562,900	19,994,800
<b>Year-End Fund Balance</b>	8,033,700	9,838,900
<b>Federal Grants (ICA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	5,173,400	5,633,900
<b>Year-End Fund Balance</b>	2,222,800	2,239,300
<b>Revolving Fund (ICA2002/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges for claims education seminars and training materials, charges for medical fee schedules and other miscellaneous revenue.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	182,500	155,600
<b>Year-End Fund Balance</b>	155,000	121,800
<b>Special Fund (ICA9003/A.R.S. § 23-1065)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Assessments on workers' compensation premiums, earnings on investments, rent proceeds, and reimbursement of the cost of benefits provided to injured employees of uninsured employers.		
<b>Purpose of Fund:</b> 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. Laws 2014, Chapter 186 transfers \$222,848,153 in assets and the payment of workers' compensation claims on insolvent insurers from the Special Fund to the Workers' Compensation Insurance Account of the Arizona Property and Casualty Insurance Guaranty Fund within the Department of Insurance no less than 30 days before July 1, 2015.		
<b>Funds Expended</b>	44,878,800	29,963,900
<b>Year-End Fund Balance</b>	888,300	456,800

## Department of Insurance

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	90.5	90.5	90.5
Personal Services	3,010,200	3,190,000	3,190,000
Employee Related Expenditures	1,301,300	1,294,500	1,294,500
Professional and Outside Services	238,100	189,400	189,400
Travel - In State	23,400	23,900	23,900
Travel - Out of State	2,100	0	0
Other Operating Expenditures	680,300	662,500	662,500
Equipment	79,100	6,400	6,400
<b>AGENCY TOTAL</b>	<b>5,334,500</b>	<b>5,366,700</b>	<b>5,366,700</b>
<b>FUND SOURCES</b>			
General Fund	5,334,500	5,366,700	5,366,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>5,334,500</b>	<b>5,366,700</b>	<b>5,366,700</b>
Other Non-Appropriated Funds	9,109,500	10,375,400	21,375,400
Federal Funds	898,700	1,016,300	879,000
<b>TOTAL - ALL SOURCES</b>	<b>15,342,700</b>	<b>16,758,400</b>	<b>27,621,100</b>

**AGENCY DESCRIPTION** — The Department of Insurance licenses and authorizes the transaction of insurance business by insurers, producers, and other insurance-related entities. The department collects various filing and licensing fees, which are deposited into the state General Fund. The revenues derived from these fees are required by law to be between 95% and 110% of the department's state General Fund appropriation.

### Operating Budget

The Baseline includes \$5,366,700 and 90.5 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

\* \* \*

**FORMAT** — Lump Sum by Agency

### STATUTORY CHANGES

The Baseline would:

- As session law, continue to suspend the statutory requirement that fee revenues be between 95% and 110% of the department's appropriation for FY 2016.
- As permanent law, require the Department of Insurance to report Insurance Premium Tax credit information for a given fiscal year within 3 months of the end of a fiscal year.
- As permanent law, require the Department of Insurance to report Insurance Premium Tax collection information periodically during a fiscal year to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting.

### OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

#### *Insurance Premium Tax Reporting*

JLBC Staff recommends the Department of Insurance submit periodic reports to the Director of the Joint Legislative Budget Committee containing the amounts of the Insurance Premium Tax collections and credits. By FY 2017, Insurance Premium Taxes are projected to overtake Corporate Income Taxes as the third highest General Fund revenue source. As a result, more accurate and timely reporting requirements are needed.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Assessment Fund for Voluntary Plans Fund (IDA2316/A.R.S. § 20-2201)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Assessments paid by insurance companies or reinsuring carriers authorized to sell liability insurance.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	144,000	141,900
<b>Year-End Fund Balance</b>	121,100	162,200
<b>Captive Insurance Regulatory and Supervision Fund (IDA2377/A.R.S. § 20-1098.18)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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 administrative costs.		
<b>Funds Expended</b>	179,600	311,400
<b>Year-End Fund Balance</b>	523,400	100,000
<b>Federal Funds (IDA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal monies from Affordable Care Act grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	898,700	1,016,300
<b>Year-End Fund Balance</b>	0	0
<b>Financial Surveillance Fund (IDA2473/A.R.S. § 20-156)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Assessments paid by domestic insurers, other than life and disability re-insurers, service companies, and mechanical reimbursement re-insurers.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	225,200	379,500
<b>Year-End Fund Balance</b>	298,000	316,400
<b>Health Care Appeals Fund (IDA2467/A.R.S. § 20-2540)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> One-time fee of \$200 and an annual fee of up to \$200 per health care insurance company.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	182,500	182,900
<b>Year-End Fund Balance</b>	75,700	98,300
<b>Insurance Examiners' Revolving Fund (IDA2034/A.R.S. § 20-159)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Payments made by insurance companies for costs of financial, rate, and market conduct examinations performed by contract examiners.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,443,100	5,402,700
<b>Year-End Fund Balance</b>	1,787,700	1,793,600

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Life and Disability Insurance Guaranty Fund (IDA2154/A.R.S. § 20-683)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Assessments on life and disability insurance companies and reimbursements from the sale of insolvent companies' assets by the department's Receivership Division.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,155,800	2,157,900
<b>Year-End Fund Balance</b>	30,927,900	29,781,000
<b>Arizona Property and Casualty Insurance Guaranty Fund (IDA2114/A.R.S. § 20-662)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Assessments on property and casualty insurance and reimbursements from the sale of insolvent companies' assets by the department's Receivership Division.		
<b>Purpose of Fund:</b> To provide funds for the covered policy claims of insolvent insurance companies for property, casualty, and workers' compensation 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. Laws 2014, Chapter 186 created the Workers' Compensation Insurance Account within the Fund, and transferred the rights and obligations from the Industrial Commission to the Department of Insurance Guaranty Fund. The law also required the Industrial Commission to transfer \$222,848,200 to the Arizona Property and Casualty Insurance Guaranty Fund.		
<b>Funds Expended</b>	1,710,500	1,752,700
<b>Year-End Fund Balance</b>	32,318,600	254,920,000
<b>Receivership Liquidation Fund (IDA3104/A.R.S. § 20-648)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	68,800	46,400
<b>Year-End Fund Balance</b>	79,800	34,400

## Judiciary - Supreme Court

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	172.0	175.0	175.0
Personal Services	5,741,900	5,987,800	5,987,800
Employee Related Expenditures	2,138,600	2,267,200	2,267,200
Professional and Outside Services	183,400	396,000	396,000
Travel - In State	87,300	77,600	77,600
Travel - Out of State	29,400	39,800	39,800
Other Operating Expenditures	4,928,500	5,272,100	4,426,700
Equipment	17,400	24,200	24,200
<b>OPERATING SUBTOTAL</b>	<b>13,126,500</b>	<b>14,064,700</b>	<b>13,219,300</b>
<b>SPECIAL LINE ITEMS</b>			
State Aid	4,653,700	5,949,400	5,648,000
County Reimbursements	187,900	187,900	187,900
Automation	9,388,000	11,345,000	20,211,100
Case and Cash Management System	2,501,700	3,326,500	0
Foster Care Review Board	3,617,000	3,617,900	3,555,900
Court Appointed Special Advocate	2,652,700	3,043,100	2,962,800
Model Court	447,400	447,600	447,600
Domestic Relations	634,100	655,600	639,100
Judicial Nominations and Performance Review	427,600	428,500	428,500
Commission on Judicial Conduct	522,000	522,500	522,500
<b>AGENCY TOTAL</b>	<b>38,158,600</b>	<b>43,588,700</b>	<b>47,822,700</b>
<b>FUND SOURCES</b>			
General Fund	15,901,900	16,012,900	18,893,500
<b>Other Appropriated Funds</b>			
Confidential Intermediary and Fiduciary Fund	320,600	488,200	488,200
Court Appointed Special Advocate Fund	2,550,700	2,941,100	2,941,100
Criminal Justice Enhancement Fund	2,315,600	3,004,800	4,358,200
Defensive Driving School Fund	3,498,400	4,194,700	4,194,700
Judicial Collection Enhancement Fund	11,233,300	14,002,400	14,002,400
State Aid to the Courts Fund	2,338,100	2,944,600	2,944,600
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>22,256,700</b>	<b>27,575,800</b>	<b>28,929,200</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>38,158,600</b>	<b>43,588,700</b>	<b>47,822,700</b>
Other Non-Appropriated Funds	16,960,700	21,427,600	21,427,600
<b>TOTAL - ALL SOURCES</b>	<b>55,119,300</b>	<b>65,016,300</b>	<b>69,250,300</b>

**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 \$13,219,300 and 100.7 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$9,419,500
Confidential Intermediary and Fiduciary Fund	488,200
Defensive Driving School Fund	702,400
Judicial Collection Enhancement Fund (JCEF)	2,609,200

FY 2016 adjustments would be as follows:





Defensive Driving School Fund (139,400)  
 JCEF (3,187,100)

*(Please see the Automation line item for more information.)*

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 144 of the 182 courts at the state, county and municipal level located throughout the state.

**Foster Care Review Board**

The Baseline includes \$3,555,900 and 40 FTE Positions from the General Fund in FY 2016 for the Foster Care Review Board. FY 2016 adjustments would be as follows:

**Automation Centralization GF (62,000)**

The Baseline includes a decrease of \$(62,000) from the General Fund in FY 2016 to shift all automation costs incurred by the Supreme Court into the Automation line item. *(Please see the Automation line item for more information.)*

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 \$2,962,800 and 5.5 FTE Positions in FY 2016 for the Court Appointed Special Advocate (CASA). These amounts consist of:

General Fund	102,000
CASA Fund	2,860,800

FY 2016 adjustments would be as follows:

**Automation Centralization OF (80,300)**

The Baseline includes a decrease of \$(80,300) from the CASA Fund in FY 2016 to shift all automation costs incurred by the Supreme Court into the Automation line item. *(Please see the Automation line item for more information.)*

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 2014, 916 individuals volunteered for this program.

**Model Court**

The Baseline includes \$447,600 from the General Fund in FY 2016 for Model Court. This amount is unchanged from FY 2015.

Monies in this line item represent a pass-through to counties to improve processing of dependency cases.

**Domestic Relations**

The Baseline includes \$639,100 and 4.9 FTE Positions from the General Fund in FY 2016 for Domestic Relations. FY 2016 adjustments would be as follows:

**Automation Centralization GF (16,500)**

The Baseline includes a decrease of \$(16,500) from the General Fund in FY 2016 to shift all automation costs incurred by the Supreme Court into the Automation line item. *(Please see the Automation line item for more information.)*

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 \$428,500 and 3.6 FTE Positions from the General Fund in FY 2016 for Judicial Nominations and Performance Review. These amounts are unchanged from FY 2015.

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 \$522,500 and 4 FTE Positions from the General Fund in FY 2016 for Commission on Judicial Conduct. These amounts are unchanged from FY 2015.

The Commission on Judicial Conduct investigates and resolves all complaints of judicial misconduct.

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**FORMAT** — Operating Lump Sum with Special Line Items by Agency

**FOOTNOTES**

*Standard Footnotes*

Included in the appropriation for the Supreme Court program is \$1,000 for the purchase of mementos and items for visiting officials.

Of the \$187,900 appropriated for County Reimbursements, State Grand Jury is limited to \$97,900 and Capital Postconviction Relief is limited to \$90,000.

On or before September 1, 2015, 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 must include a list of court automation projects receiving or anticipated to receive state monies in the current or next 2 fiscal years as well as a description of each project, the number of FTE Positions, the entities involved and the

goals and anticipated results for each automation project. The report must be submitted in 1 summary document. The report must indicate each project's total multi-year cost by fund source and budget line item, including any prior year, current year and future year expenditures.

*New Footnotes*

Automation expenses of the Judiciary shall be solely funded from the Supreme Court Automation line item. Monies in the operating budget or other line items intended for automation purposes shall be transferred to the Automation line item prior to expenditure.

*Deletion of Prior Year Footnotes*

The Baseline would delete the footnote concerning the hiring of 3 FTE Positions for the Foster Care Review Board in FY 2015 as the 3 FTE Positions have been filled.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Alternative Dispute Resolution Fund (SPA3245/A.R.S. § 12-135)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To supplement local courts' funding for alternative dispute resolution programs.		
<b>Funds Expended</b>	321,100	230,700
<b>Year-End Fund Balance</b>	376,900	490,100
<b>Arizona Lengthy Trial Fund (SPA2382/A.R.S. § 21-222)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund consists of fees established by the Supreme Court on court filings paid to the clerk of the Superior Court.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	623,100	613,000
<b>Year-End Fund Balance</b>	1,221,500	1,347,000
<b>Certified Reporters Fund (SPA2440/A.R.S. § 32-4007)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees, costs and penalties relating to reporter certification.		
<b>Purpose of Fund:</b> For reporter certification.		
<b>Funds Expended</b>	119,200	121,300
<b>Year-End Fund Balance</b>	111,300	0
<b>Confidential Intermediary and Fiduciary Fund (SPA2276/A.R.S. § 8-135)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	320,600	488,200
<b>Year-End Fund Balance</b>	409,100	206,600

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Court Appointed Special Advocate Fund (SPA2275/A.R.S. § 8-524)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Revenues consist of 30% of the state lottery unclaimed prize monies.		
<b>Purpose of Fund:</b> For operating the Court Appointed Special Advocate program, which trains volunteers to advocate for abused and neglected children in Juvenile Court proceedings.		
<b>Funds Expended</b>	2,550,700	2,941,100
<b>Year-End Fund Balance</b>	2,195,900	1,526,800
<b>Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,315,600	3,004,800
<b>Year-End Fund Balance</b>	1,684,000	868,000
<b>Defensive Driving School Fund (SPA2247/A.R.S. § 28-3398)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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 2014, the AOC spent approximately \$2,955,800 for court automation projects.		
<b>Funds Expended</b>	3,498,400	4,194,700
<b>Year-End Fund Balance</b>	556,300	948,800
<b>Grants and Special Revenue (SPA2084/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies provided from various sources, private and public, for specific programs and projects.		
<b>Purpose of Fund:</b> To expend grants as required by the contribution.		
<b>Funds Expended</b>	15,206,800	19,787,400
<b>Year-End Fund Balance</b>	18,079,000	14,453,900
<b>Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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 Superior Court for information regarding non-Maricopa Counties.)</i>		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	11,233,300	14,002,400
<b>Year-End Fund Balance</b>	4,312,800	2,310,600

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Juvenile Probation Services Fund (SPA2193/A.R.S. § 8-322)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated to Juvenile Probation Services - Treatment Services and Juvenile Diversion Consequences and allocated by the Administrative Office of the Courts.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Public Defender Training Fund (SPA3013/A.R.S. § 12-117)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Two dollars of the \$20 surcharge on each person paying a court order penalty, fine, or sanction on a time-payment basis.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	690,500	675,200
<b>Year-End Fund Balance</b>	4,200	19,600
<b>State Aid to the Courts Fund (SPA2446/A.R.S. § 12-102.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,338,100	2,944,600
<b>Year-End Fund Balance</b>	343,000	380,200

**Judiciary - Court of Appeals**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>PROGRAM BUDGET</b>			
Division I	9,875,100	10,039,900	10,039,900
Division II	4,289,800	4,340,300	4,340,300
<b>AGENCY TOTAL</b>	<b>14,164,900</b>	<b>14,380,200</b>	<b>14,380,200</b>
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	136.8	136.8	136.8
Personal Services	9,612,100	9,820,200	9,820,200
Employee Related Expenditures	3,323,700	3,431,900	3,431,900
Professional and Outside Services	23,800	5,000	5,000
Travel - In State	172,400	180,500	180,500
Travel - Out of State	19,000	16,000	16,000
Other Operating Expenditures	985,900	926,600	926,600
Equipment	28,000	0	0
<b>AGENCY TOTAL</b>	<b>14,164,900</b>	<b>14,380,200</b>	<b>14,380,200</b>
<b>FUND SOURCES</b>			
General Fund	14,164,900	14,380,200	14,380,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>14,164,900</b>	<b>14,380,200</b>	<b>14,380,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>14,164,900</b>	<b>14,380,200</b>	<b>14,380,200</b>

**AGENCY DESCRIPTION** — The Court of Appeals has jurisdiction in all proceedings appealable from the Superior Court except criminal death penalty cases, which are automatically appealed to the Supreme Court. Division I also has statewide responsibility for reviewing appeals from the Arizona Corporation Commission, Industrial Commission, the Department of Economic Security unemployment compensation rulings, and the Arizona Tax Court. Division I convenes in Phoenix and encompasses the counties of Apache, Coconino, La Paz, Maricopa, Mohave, Navajo, Yavapai, and Yuma. Division II convenes in Tucson and encompasses the counties of Cochise, Gila, Graham, Greenlee, Pima, Pinal, and Santa Cruz.

**Operating Budget**

The Baseline includes \$14,380,200 and 136.8 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts include \$10,039,900 and 98.3 FTE Positions for Division I and \$4,340,300 and 38.5 FTE Positions for Division II. These amounts are unchanged from FY 2015.

\* \* \*

**FORMAT** — Operating Lump Sum by Subprogram

**FOOTNOTES**

*Standard Footnotes*

Of the 136.8 FTE Positions for FY 2016, 98.3 FTE Positions are for Division I and 38.5 FTE Positions are for Division II.

## Judiciary - Superior Court

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	137.5	137.5	137.5
Personal Services	0	0	2,767,400
Employee Related Expenditures	0	0	1,069,500
Professional and Outside Services	0	0	32,000
Travel - In State	0	0	46,900
Travel - Out of State	0	0	9,200
Other Operating Expenditures	0	0	642,300
<b>OPERATING SUBTOTAL</b>	<b>0</b>	<b>0</b>	<b>4,567,300</b>
<b>SPECIAL LINE ITEMS</b>			
Centralized Service Payments	0	0	4,128,000
Judges Compensation	8,180,100	7,614,000	8,231,000
Adult Standard Probation	13,421,000	17,659,000	15,109,200
Adult Intensive Probation	10,649,400	12,417,600	9,930,000
Community Punishment	1,451,400	2,310,300	2,310,300
Interstate Compact	647,600	748,600	426,700
Drug Court	1,013,600	1,013,600	1,013,600
Court Ordered Counseling	0	250,000	0
Drug Treatment Alternative to Prison	0	250,000	0
Probation Surcharge	6,019,200	0	0
Juvenile Standard Probation	4,575,000	4,756,300	3,955,700
Juvenile Intensive Probation	8,809,300	9,175,700	6,002,700
Juvenile Treatment Services	22,341,400	22,341,600	20,497,800
Juvenile Family Counseling	653,400	660,400	660,400
Juvenile Diversion Consequences	9,024,900	9,024,900	8,539,400
Juvenile Crime Reduction	3,883,300	5,192,100	3,308,000
Mental Health Court Report	18,700	0	0
Special Water Master	94,000	220,000	220,000
<b>AGENCY TOTAL</b>	<b>90,782,300</b>	<b>93,634,100</b>	<b>88,900,100</b>
<b>FUND SOURCES</b>			
General Fund	79,428,400	80,102,500	76,721,900
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	4,834,700	7,002,200	5,648,800
Drug Treatment and Education Fund	500,000	500,200	500,200
Judicial Collection Enhancement Fund	6,019,200	6,029,200	6,029,200
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>11,353,900</b>	<b>13,531,600</b>	<b>12,178,200</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>90,782,300</b>	<b>93,634,100</b>	<b>88,900,100</b>
Other Non-Appropriated Funds	986,700	752,100	752,100
<b>TOTAL - ALL SOURCES</b>	<b>91,769,000</b>	<b>94,386,200</b>	<b>89,652,200</b>

**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.

### **Operating Budget**

The Baseline includes \$4,567,300 and 55.5 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$4,009,400
Criminal Justice Enhancement Fund (CJEF)	530,700
Judicial Collection Enhancement Fund (JCEF)	27,200

FY 2016 adjustments would be as follows:

<b>Administrative Cost</b>	<b>GF</b>	<b>4,009,400</b>
<b>Centralization</b>	<b>OF</b>	<b>557,900</b>

The Baseline includes an increase of \$4,567,300 and 55.5 FTE Positions in FY 2016 to shift all administrative costs incurred by the Administrative Office of the Courts (AOC) while overseeing Superior Court line items to a new operating budget. These amounts consist of:

General Fund	4,009,400
CJEF	530,700
JCEF	27,200

These monies represent the administrative costs incurred by the AOC while overseeing the various line items of the Superior Court budget. In prior years, these monies were included in the individual line items. In order to increase the clarity of expenditure sourcing, these monies have been shifted to a centralized operating budget leaving the monies passed through to the county Superior Courts in their respective line items in the FY 2016 Baseline.

### **Centralized Service Payments**

The Baseline includes \$4,128,000 in FY 2016 for centralized service payments. This amount consists of:

General Fund	3,678,100
JCEF	449,900

FY 2016 adjustments would be as follows:

<b>Service Payment</b>	<b>GF</b>	<b>3,678,100</b>
<b>Centralization</b>	<b>OF</b>	<b>449,900</b>

The Baseline includes an increase of \$4,128,000 in FY 2016 to shift all centralized payments paid by AOC on behalf of Superior Courts to an individual line item. This amount consists of:

General Fund	3,678,100
JCEF	449,900

In order to facilitate payment for services that are offered by all Superior Courts, AOC pays for various services centrally. These services include state motor vehicle payments, employee training, research, firearms training, and other associated costs.

These monies have been shifted to this newly-created line item to improve the transparency of expenditure purposes.

### **Judges Compensation**

The Baseline includes \$8,231,000 and 82 FTE Positions from the General Fund in FY 2016 for Judges Compensation. FY 2016 adjustments would be as follows:

#### **Judges Compensation Shift GF 617,000**

The Baseline includes an increase of \$617,000 from the General Fund in FY 2016 for the shifting of Probation line item monies to the Judges Compensation line item. In FY 2014, the AOC transferred \$100,000 from the Adult Standard Probation line item, \$100,000 from the Adult Intensive Probation line item, and \$417,000 from the Juvenile Intensive Probation line item to the Judges Compensation line item to cover salary and Employee Related Expenditures expenses in excess of the \$7,614,000 FY 2014 appropriation. This shift realigns these monies with their expenditure for no net overall change.

*Background* – This line item provides funding for the state’s 50% share of the salary and Elected Officials Retirement Plan costs for Superior Court Judges. The line item also funds 100% of the costs of Superior Court Judges that elect state benefits, although some opt to participate in county programs. In the latter circumstance, the county pays 100% of the cost.

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). Counties typically contribute through Probation Service Fee collections, outside grants, and office space. Since FY 2004, Maricopa County has assumed the state’s share of its probation costs. *(Please see the Other Issues for Legislative Consideration section for more information on probation funding.)*

### **Adult Standard Probation**

The Baseline includes \$15,109,200 in FY 2016 for Adult Standard Probation. This amount consists of:

General Fund	11,335,100
JCEF	3,774,100



FY 2016 adjustments would be as follows:

**Judges Compensation Shift GF (100,000)**

The Baseline includes a decrease of \$(100,000) from the General Fund in FY 2016 for the shifting of monies to the Judges Compensation line item. *(Please see the Judges Compensation line item for more information.)*

**Centralization GF (2,108,200)  
OF (341,600)**

The Baseline includes a decrease of \$(2,449,800) and (10.4) FTE Positions in FY 2016 for the realignment of the Superior Court budget. This amount consists of:

General Fund	(2,108,200)
JCEF	(341,600)

*(Please see Table 1 in the Other Issues for Legislative Consideration section for more information on this shift.)*

The monies remaining in the Adult Standard Probation line item are intended as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

*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 \$9,930,000 in FY 2016 for Adult Intensive Probation. This amount consists of:

General Fund	8,394,800
JCEF	1,535,200

FY 2016 adjustments would be as follows:

**Judges Compensation Shift GF (100,000)**

The Baseline includes a decrease of \$(100,000) from the General Fund in FY 2016 for the shifting of monies to the Judges Compensation line item. *(Please see the Judges Compensation line item for more information.)*

**Centralization GF (2,259,800)  
OF (127,800)**

The Baseline includes a decrease of \$(2,387,600) and (7.8) FTE Positions in FY 2016 for the realignment of the Superior Court budget. This amount consists of:

General Fund	(2,259,800)
JCEF	(127,800)

*(Please see Table 1 in the Other Issues for Legislative Consideration section for more information on this shift.)*

The monies remaining in the Adult Intensive Probation line item are intended as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

*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 \$2,310,300 in FY 2016 for Community Punishment. This amount consists of:

CJEF	1,810,100
Drug Treatment and Education Fund (DTEF)	500,200

FY 2016 adjustments would be as follows:

**Centralization OF 0**

The Baseline includes a decrease of (0.9) FTE Positions from CJEF in FY 2016 for the realignment of the Superior Court budget.

The monies remaining in the Community Punishment line item are intended as pass-through monies to the counties for their probation and diversion programs and are not available for AOC expenses.

*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 \$426,700 in FY 2016 for Interstate Compact. This amount consists of:

General Fund	333,900
JCEF	92,800

FY 2016 adjustments would be as follows:

**Centralization GF (314,200)  
OF (7,700)**

The Baseline includes a decrease of \$(321,900) and (4.8) FTE Positions in FY 2016 for the realignment of the Superior Court budget. This amount consists of:

General Fund (314,200)  
 JCEF (7,700)

*(Please see Table 1 in the Other Issues for Legislative Consideration section for more information on this shift.)*

The monies remaining in the Interstate Compact line item are intended as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

*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 2016 for Drug Court programs. This amount is unchanged from FY 2015.

*Background* – This line item provides funding for juvenile and adult drug courts within the Superior Court throughout the state. It provides funding for prosecuting, adjudicating and treating drug-dependent offenders. Superior Court divisions in 12 counties have implemented or are planning the implementation of drug courts. These programs utilize drug education, intensive therapy, parent support, case management, socialization alternatives, aftercare and compliance monitoring for drug abstinence.

**Court Ordered Counseling**

The Baseline includes no funding in FY 2016 for Court Ordered Counseling. FY 2016 adjustments would be as follows:

**Remove One-Time Funding GF (250,000)**

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2016 for the elimination of a one-time appropriation to allow the Maricopa County Family Drug Court to contract with a provider offering integrated delivery of services from testing to treatment, as needed, using evidence-based treatment standards, and providing the option of an online case management system to report client progress to the court. The FY 2015 appropriation is non-lapsing through June 30, 2016.

**Drug Treatment Alternative to Prison**

The Baseline includes no funding in FY 2016 for the Pima County Drug Treatment Alternative to Prison Program. FY 2016 adjustments would be as follows:

**Remove One-Time Funding GF (250,000)**

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2016 for the elimination of a one-time

appropriation to provide additional funding to the Pima County Drug Treatment Alternative to Prison Program. The program allows drug addicted criminals that plead guilty to receive residential therapeutic treatment as an alternative to prison. The FY 2015 appropriation is non-lapsing through June 30, 2016.

**Juvenile Standard Probation**

The Baseline includes \$3,955,700 in FY 2016 for Juvenile Standard Probation. This amount consists of:

General Fund 3,805,700  
 JCEF 150,000

FY 2016 adjustments would be as follows:

**Centralization GF (800,600)**

The Baseline includes a decrease of \$(800,600) and (3.6) FTE Positions from the General Fund in FY 2016 for the realignment of the Superior Court budget. *(Please see Table 1 in the Other Issues for Legislative Consideration section for more information on this shift.)*

The monies remaining in the Juvenile Standard Probation line item are intended as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

*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 \$6,002,700 from the General Fund in FY 2016 for Juvenile Intensive Probation. FY 2016 adjustments would be as follows:

**Judges Compensation Shift GF (417,000)**

The Baseline includes a decrease of \$(417,000) from the General Fund in FY 2016 for the shifting of monies to the Judges Compensation line item. *(Please see the Judges Compensation line item for more information.)*

**Centralization GF (2,756,000)**

The Baseline includes a decrease of \$(2,756,000) and (5.4) FTE Positions from the General Fund in FY 2016 for the realignment of the Superior Court budget. *(Please see Table 1 in the Other Issues for Legislative Consideration section for more information on this shift.)*

The monies remaining in the Juvenile Intensive Probation line item are intended as pass-through monies to the

counties for their probation programs and are not available for AOC expenses.

*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 \$20,497,800 from the General Fund in FY 2016 for Juvenile Treatment Services. FY 2016 adjustments would be as follows:

##### **Centralization GF (1,843,800)**

The Baseline includes a decrease of \$(1,843,800) and (15.6) FTE Positions from the General Fund in FY 2016 for the realignment of the Superior Court budget. *(Please see Table 1 in the Other Issues for Legislative Consideration section for more information on this shift.)*

The monies remaining in the Juvenile Treatment Service line item are intended as pass-through monies to the counties for their treatment programs and central treatment service payments made by AOC on behalf of the counties. These monies are not available for AOC expenses.

The FY 2016 Baseline includes monies from other Superior Court line items in the Juvenile Treatment Services line item to allow for the centralization of probation treatment services payments. Going forward, juvenile probation treatment service costs will be solely funded from the Juvenile Treatment Services line item. Any additional monies expended from other line items for probation treatment services will be transferred to the Juvenile Treatment Services line item.

*Background* – This line item provides funding to the juvenile courts to meet the requirements of A.R.S. § 8-321 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 2016 for Juvenile Family Counseling. This amount is unchanged from FY 2015.

*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 \$8,539,400 from the General Fund in FY 2016 for Juvenile Diversion Consequences. FY 2016 adjustments would be as follows:

##### **Centralization GF (485,500)**

The Baseline includes a decrease of \$(485,500) from the General Fund in FY 2016 for the realignment of the Superior Court budget. *(Please see Table 1 in the Other Issues for Legislative Consideration section for more information on this shift.)*

The monies remaining in the Juvenile Diversion Consequences line item are intended as pass-through monies to the counties for their diversion programs and central treatment service payments made by AOC on behalf of the counties. These monies are not available for AOC expenses.

*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 2014, there were approximately 11,355 juveniles diverted from formal court proceedings. Monies in this line item are distributed to all counties.

#### **Juvenile Crime Reduction**

The Baseline includes \$3,308,000 from CJEF in FY 2016 for Juvenile Crime Reduction. FY 2016 adjustments would be as follows:

##### **Centralization OF (1,884,100)**

The Baseline includes a decrease of \$(1,884,100) and (7) FTE Positions from CJEF in FY 2016 for the realignment of the Superior Court budget. *(Please see Table 1 in the Other Issues for Legislative Consideration section for more information on this shift.)*

The monies remaining in the Juvenile Crime Reduction line item are intended as pass-through monies to the counties for their treatment programs and are not available for AOC expenses.

*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 23 public and private entities.

**Special Water Master**

The Baseline includes \$220,000 from the General Fund in FY 2016 for the Special Water Master line item. This amount is unchanged from FY 2015.

*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 2014, 179 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** — Operating Lump Sum with 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 must 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, 2015, the Administrative Office of the Courts shall report to the Joint Legislative Budget Committee the FY 2015 actual, FY 2016 estimated and FY 2017 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 must delineate how the office expends these monies that are not distributed as direct aid to counties.

*New Footnotes*

All centralized service payments made by the Administrative Office of the Courts on behalf of counties shall be funded solely from the Centralized Service Payments line item. This footnote does not apply to treatment or counseling services payments made from the Juvenile Treatment Services and Juvenile Diversion Consequences line items. Monies in the operating budget or other line items intended for centralized service payment purposes shall be transferred to the Centralized Service Payments line item prior to expenditure.

All monies in the Adult Standard Probation, Adult Intensive Probation, Interstate Compact, Juvenile Standard Probation, and Juvenile Intensive Probation line items are to be used solely as pass-through money to county probation departments. Monies in the operating budget or other line items intended as pass-through for the purpose of administering a county probation program shall be transferred to the appropriate probation line item prior to expenditure.

*Deletion of Prior Year Footnotes*

The Baseline would delete the footnotes concerning the one-time appropriations for Court Ordered Counseling and Drug Treatment Alternative to Prison line items.

**STATUTORY CHANGES**

The Baseline would, as session law, continue the FY 2015 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

Table 1

## FY 2016 Baseline Shifts by Line Item

Original Line Items and Fund Source	Recipient Line Item					Total
	Superior Court Operating Budget	Superior Court Centralized Service Payments	Superior Court Judges Compensation	Supreme Court Automation	Juvenile Treatment Services	
Adult Standard Probation (GF)	814,300	\$638,600	\$100,000	\$655,300	\$0	\$2,208,200
Adult Standard Probation (JCEF)	27,200	314,400	0	0	0	341,600
Adult Intensive Probation (GF)	708,600	926,400	100,000	624,800	0	2,359,800
Adult Intensive Probation (JCEF)	0	127,800	0	0	0	127,800
Interstate Compact (GF)	286,400	27,800	0	0	0	314,200
Interstate Compact (JCEF)	0	7,700	0	0	0	7,700
Juvenile Standard Probation (GF)	297,000	251,500	0	92,100	160,000	800,600
Juvenile Intensive Probation (GF)	473,700	1,091,100	417,000	290,700	900,500	3,173,000
Juvenile Treatment Services (GF)	1,429,400	477,200	0	997,700	0	2,904,300 <sup>1/</sup>
Juvenile Diversion Consequences (GF)	0	265,500	0	220,000	0	485,500
Juvenile Crime Reduction (JCEF)	530,700	0	0	1,353,400	0	1,884,100
<b>Total</b>	<b>\$4,567,300</b>	<b>\$4,128,000</b>	<b>\$617,000</b>	<b>\$4,234,000</b>	<b>\$1,060,500</b>	<b>\$14,606,800</b>
<b>Fund Source</b>						
Total General Fund	\$4,009,400	\$3,678,100	\$617,000	\$2,880,600	\$1,060,500	\$12,245,600
Total JCEF	530,700	449,900	0	0	0	980,600
Total JCEF	27,200	0	0	1,353,400	0	1,380,600
<b>Total Funding</b>	<b>\$4,567,300 <sup>2/</sup></b>	<b>\$4,128,000 <sup>2/</sup></b>	<b>\$617,000 <sup>3/</sup></b>	<b>\$4,234,000 <sup>3/</sup></b>	<b>\$1,060,500 <sup>4/</sup></b>	<b>\$14,606,800</b>

1/ This amount is \$1,060,500 higher than the aggregate change to the Juvenile Treatment Services line item due to the amount not reflecting additional monies transferred to the line item.

2/ Reflects total funding for line item.

3/ Reflects the marginal change in line item funding.

4/ Reflects additional funding to the Juvenile Treatment Services line item. This amount does not include the \$(2,904,300) reduction to the line item for shifts to other Superior and Supreme Court line items reflected above.

in county funding as a result of the elimination of the non-supplanting provisions.

## OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

### Budget Centralization

In an effort to better align expenditures with appropriations, the Baseline includes shifts from Superior Court line items to the newly-created Superior Court Operating Budget and Centralized Service Payments line item as well as the existing Superior Court Judges Compensation, Superior Court Juvenile Treatment Services and Supreme Court Automation line items. *Table 1* above includes the shifts by line item for the FY 2016 Baseline.

### Probation Caseloads

The Baseline includes \$35,517,100 in General Fund and \$5,459,300 in JCEF monies in FY 2016 to support non-Maricopa County adult and juvenile probation services. In addition to this amount, in the FY 2016 Baseline, a total of \$8,541,600 General Fund and \$469,400 JCEF is transferred from the probation line items to the newly-

created Superior Court Operating Budget, the Centralized Service Payments line item, and the existing Superior Court Judges Compensation, Superior Court Juvenile Treatment Services and Supreme Court Automation line items for increased transparency of expenditures. *Table 2* below displays total funding and probation officer expenditures from both county and state sources in FY 2014.

In FY 2014 the average non-Maricopa County probation caseload was 17,563. This represents a year-over-year decline of (3.0)%. While aggregate caseloads have been declining over the past several years, the Adult Standard category has seen multi-year increases. Additionally, the Adult Intensive category has recently started to see consistent caseload gains as well. *Table 3* shows the caseloads for FY 2012 - FY 2016 by probation category. The FY 2015 and FY 2016 figures represent estimated caseloads.

### Probation Adjustment

The changes to the FY 2016 probation line items for budget centralization do not address potential caseload

changes in non-Maricopa County probation departments. If the state adjusted probation officer and support staff funding based on the estimated caseload changes from FY 2015 to FY 2016, the state would realize net aggregate savings of \$(325,500) in FY 2016. This amount includes increases of \$656,100 for Adult Standard Probation and \$225,400 for Adult Intensive Probation as well as decreases of \$(656,100) for Juvenile Standard Probation and \$(550,900) for Juvenile Intensive Probation. This potential decrease only addresses probation officer and supporting staff positions that are related to the projected changes in caseloads and would not affect centralized probation department payments made by AOC.

The FY 2014 revenue, interest and appropriations to the Little Colorado River water rights adjudication totaled \$21,489 and expenditures were \$28,913. The FY 2014 ending balance was \$86,761. 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 2016. *Table 4* displays a short history of the revenues and expenditures to the Gila River and Little Colorado River Water Masters from FY 2012 through FY 2016.

**Special Water Master**

In FY 2014, revenue and interest to the Gila River water rights adjudication, including a \$74,000 General Fund appropriation, totaled \$86,233 and expenditures were \$160,164 leaving an ending balance of \$23,411. The revenue consists of filing fees paid by claimants initiating water rights claims, interest, and monies appropriated by the Legislature. The FY 2015 budget included an additional \$126,000, or \$200,000 total, to ensure that the fund remains balanced.

**Table 2**  
FY 2014 Non-Maricopa County Probation Funding

	<u>Adult Standard</u>	<u>Adult Intensive</u>	<u>Juvenile Standard</u>	<u>Juvenile Intensive</u>	<u>Total</u>
<b>Probation Officers</b>					
Case Carrying Positions	198.0	107.5	70.0	53.0	428.5
Non-Case Carrying Positions	<u>335.3</u>	<u>58.1</u>	<u>237.4</u>	<u>32.3</u>	<u>663.1</u>
<b>Total Filled Positions</b>	<b>533.3</b>	<b>165.6</b>	<b>307.4</b>	<b>85.3</b>	<b>1,091.6</b>
<b>Probation SLI Expenditures</b>					
Amount Distributed to Counties	\$11,350,800	\$8,404,600	\$3,978,500	\$5,836,500	\$29,570,400
Amount Retained by AOC	<u>2,070,200</u>	<u>2,244,800</u>	<u>596,500</u>	<u>2,972,800</u>	<u>7,884,300</u>
<b>Total SLI Expenditures</b>	<b>\$13,421,000</b>	<b>\$10,649,400</b>	<b>\$4,575,000</b>	<b>\$8,809,300</b>	<b>\$37,454,700</b>
<b>County Probation Expenditures</b>					
State General Fund	\$11,350,800	\$8,816,100	\$3,968,600	\$6,619,800	\$30,755,300
Other State Funds	3,853,800	1,619,300	0	0	5,473,100
County Funding	<u>17,413,200</u>	<u>0</u>	<u>14,968,400</u>	<u>0</u>	<u>32,381,600</u>
<b>Total Expenditures</b>	<b>\$32,617,800</b>	<b>\$10,435,400</b>	<b>\$18,937,000</b>	<b>\$6,619,800</b>	<b>\$68,610,000</b>

**Table 3**  
Non-Maricopa County Average Annual Probation Caseloads

	<u>FY 2013 Actual</u>	<u>FY 2014 Actual</u>	<u>FY 2015 Estimate</u>	<u>FY 2016 Estimate</u>
<b>Probation Category</b>				
Adult Standard <sup>1/</sup>	13,682	13,727	13,942	14,242
Adult Intensive	1,351	1,363	1,378	1,400
Juvenile Standard	2,102	1,738	1,603	1,457
Juvenile Intensive	<u>547</u>	<u>511</u>	<u>463</u>	<u>430</u>
<b>Total Caseload</b>	<b>17,683</b>	<b>17,339</b>	<b>17,386</b>	<b>17,529</b>

<sup>1/</sup> Does not include Interstate Compact participants. In FY 2014 there was an average of 223 individuals in Pima and Yavapai Counties that were funded from the Interstate Compact line item.

	FY 2012 <u>Actual</u>	FY 2013 <u>Actual</u>	FY 2014 <u>Actual</u>	FY 2015 <u>Estimated</u> <sup>1/</sup>	FY 2016 <u>Estimated</u> <sup>1</sup>
<b>Gila River</b>					
Beginning Balance	\$392,903	\$250,543	\$97,342	\$23,411	\$75,144
Revenues <sup>2/</sup>	17,687	3,042	86,233	212,233	212,233
Expenditures	160,047	156,243	160,164	160,500	160,500
<b>Ending Balance</b>	<b>\$250,543</b>	<b>\$97,342</b>	<b>\$23,411</b>	<b>\$75,144</b>	<b>\$126,877</b>
<b>Little Colorado River</b>					
Beginning Balance	\$104,261	\$99,753	\$94,185	\$86,761	\$79,250
Revenues <sup>2/</sup>	23,894	22,004	21,489	21,489	21,489
Expenditures	28,402	27,572	28,913	29,000	29,000
<b>Ending Balance</b>	<b>\$99,753</b>	<b>\$94,185</b>	<b>\$86,761</b>	<b>\$79,250</b>	<b>\$71,739</b>

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 and beyond. The Little Colorado River Water Master revenues include an annual appropriation of \$20,000 for all years displayed.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Community Punishment Program Fines Fund (SPA2119/A.R.S. § 13-821)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Discretionary fines imposed by the courts on drug offenders.		
<b>Purpose of Fund:</b> To provide drug treatment services to adult probationers through the Community Punishment Program.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	190,900	190,900
<b>Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,834,700	7,002,200
<b>Year-End Fund Balance</b>	4,087,000	2,106,500
<b>Drug and Gang Enforcement Account (SPA2074/A.R.S. § 41-2402)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grant monies passed through the Arizona Criminal Justice Commission's Drug and Gang Enforcement Account.		
<b>Purpose of Fund:</b> To fund programs that enhance the ability of the courts to process drug offenses and related cases.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Appropriated Funds Expended</b>	500,000	500,200
<b>Non-Appropriated Funds Expended</b>	884,700	752,100
<b>Year-End Fund Balance</b>	2,416,200	2,017,300

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Grants and Special Revenue (SPA2084/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies provided from various sources, private and public, for specific programs and projects.		
<b>Purpose of Fund:</b> To expend grants as required by the contribution.		
<b>Funds Expended</b>	95,100	0
<b>Year-End Fund Balance</b>	8,800	6,800
<b>Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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. Maricopa County retains any probation surcharge imposed in its county.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	6,019,200	6,029,200
<b>Year-End Fund Balance</b>	2,265,900	1,213,900
<b>Juvenile Probation Services Fund (SPA2193/A.R.S. § 8-322)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated to Juvenile Probation Services - Treatment Services and Juvenile Diversion Consequences and allocated by the Administrative Office of the Courts.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	8,268,300	5,845,700
<b>State Aid to Detention Fund (SPA2141/A.R.S. § 41-2417)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	6,900	0
<b>Year-End Fund Balance</b>	0	0



## Department of Juvenile Corrections

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	738.5	738.5	738.5
Personal Services	24,116,900	25,778,500	25,313,500
Employee Related Expenditures	12,288,900	14,472,600	14,236,500
Professional and Outside Services	991,900	1,301,700	1,301,700
Travel - In State	428,900	428,900	428,900
Travel - Out of State	24,100	24,100	24,100
Other Operating Expenditures	4,706,800	5,335,800	5,335,800
Equipment	557,200	767,200	767,200
<b>AGENCY TOTAL</b>	<b>43,114,700</b>	<b>48,108,800</b>	<b>47,407,700</b>
<b>FUND SOURCES</b>			
General Fund	39,647,800	44,165,900	44,165,900
<i>Other Appropriated Funds</i>			
Criminal Justice Enhancement Fund	332,300	530,600	530,600
State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600	1,098,600	1,098,600
State Education Fund for Committed Youth	2,036,000	2,313,700	1,612,600
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>3,466,900</b>	<b>3,942,900</b>	<b>3,241,800</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>43,114,700</b>	<b>48,108,800</b>	<b>47,407,700</b>
<i>Other Non-Appropriated Funds</i>			
Federal Funds	151,400	151,400	151,400
<b>TOTAL - ALL SOURCES</b>	<b>45,068,400</b>	<b>50,062,800</b>	<b>49,361,700</b>

**AGENCY DESCRIPTION** — The Department of Juvenile Corrections (DJC) is responsible for the care and treatment of youth offenders adjudicated to be delinquent and remanded to the custody of the department. DJC has jurisdiction over youth until they are released from custody or reach age 18.

### Operating Budget

The Baseline includes \$47,407,700 and 738.5 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$44,165,900
Criminal Justice Enhancement Fund (CJEF)	530,600
State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600
State Education Fund for Committed Youth	1,612,600

FY 2016 adjustments would be as follows:

**Appropriation Adjustment OF (701,100)**  
The Baseline includes a decrease of \$(701,100) from the State Education Fund for Committed Youth in FY 2016 to align the appropriation with available revenues.

\* \* \*

**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 must be distributed to the Department of Juvenile Corrections, in compliance with Section 25 of the Enabling Act and the Constitution of Arizona, to be used for the support of state juvenile institutions and reformatories.

### OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

#### Population Counts

Table 1 lists the DJC population by category. The parole population has decreased significantly over the past few years. DJC reports that this is due to the decline in the number of committed youth, an increase in the age of the average offender resulting in shorter parole periods, and an increase in the recidivism rate.

Table 1

<b>DJC Census</b>				
	<b>FY 2012 Average Population</b>	<b>FY 2013 Average Population</b>	<b>FY 2014 Average Population</b>	<b>Population as of October 15, 2014</b>
<b>Housed Population</b>				
Adobe Mountain	390	347	351	341
<b>Parole Population</b>				
Parole	317	252	135	138
Interstate Compact (inside Arizona) <sup>1/</sup>	<u>143</u>	<u>139</u>	<u>120</u>	<u>121</u>
Total Parole Population	460	391	255	259
<b>Total DJC Population</b>	<b>850</b>	<b>738</b>	<b>606</b>	<b>600</b>

<sup>1/</sup> 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 109 Arizona parolees outside of Arizona in FY 2014 and 108 parolees on October 15, 2014.

<b>SUMMARY OF FUNDS</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Estimate</b>
<b>Criminal Justice Enhancement Fund (DJA2281/A.R.S. § 41-2401)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For treatment and rehabilitation of youth who have committed drug-related offenses.		
<b>Funds Expended</b>	332,300	530,600
<b>Year-End Fund Balance</b>	792,600	888,400
<b>DJC Career and Technical Education Fund (DJA2326/A.R.S. § 41-2828)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Proceeds generated by any department educational, vocational, treatment, training, or work program, including the sale of unneeded equipment or supplies.		
<b>Purpose of Fund:</b> To pay expenses that are required for any educational, vocational, treatment, training or work program established by the department.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>DJC Restitution Fund (DJA2476/A.R.S. § 41-2826)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	122,000	152,200
<b>Employee Recognition Fund (DJA2449/A.R.S. § 41-709)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> Employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
<b>Funds Expended</b>	2,000	2,000
<b>Year-End Fund Balance</b>	200	200

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Federal Funds (DJA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	1,802,300	1,802,600
<b>Year-End Fund Balance</b>	471,100	371,300
<b>IGA and ISA Fund (DJA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Indirect Cost Recovery Fund (DJA9000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	230,200	255,800
<b>Instructional Improvement Fund (DJA2492/A.R.S. § 15-979)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	7,400	7,400
<b>Juvenile Corrections Fund (DJA3024/A.R.S. § 41-2810)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	72,900	72,900
<b>Year-End Fund Balance</b>	123,600	133,300
<b>State Charitable, Penal and Reformatory Institutions Land Fund (DJA3029/A.R.S. § 37-525)</b>		<b>Appropriated</b>
<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.		
<b>Funds Expended</b>	1,098,600	1,098,600
<b>Year-End Fund Balance</b>	1,204,300	1,341,300
<b>State Education Fund for Committed Youth (DJA2323/A.R.S. § 15-1371)</b>		<b>Appropriated</b>
<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.		
<b>Funds Expended</b>	2,036,000	2,313,700
<b>Year-End Fund Balance*</b>	386,700	(395,100)

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>State Education System for Committed Youth Classroom Site Fund</b> (DJA2487/A.R.S. § 15-1373)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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).		
<b>Purpose of Fund:</b> 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%).		
<b>Funds Expended</b>	74,200	74,200
<b>Year-End Fund Balance</b>	317,400	394,700
<b>Statewide Donations Fund (DJA2025/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> Employee recognition programs or for the specified purpose for which they were donated.		
<b>Funds Expended</b>	2,300	2,300
<b>Year-End Fund Balance</b>	36,000	54,300
<b>Training Institute Fund (DJA2001/A.R.S. § 41-2824)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from grants, gifts, donations, services or other financial assistance.		
<b>Purpose of Fund:</b> To train tribal personnel who have limited access to training within their jurisdictions.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

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

## State Land Department

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	125.7	130.7	129.7
Personal Services	6,203,500	7,186,400	7,186,400
Employee Related Expenditures	2,524,500	3,090,100	3,090,100
Professional and Outside Services	955,100	1,416,600	1,416,600
Travel - In State	116,400	151,600	151,600
Travel - Out of State	15,000	15,600	15,600
Other Operating Expenditures	2,684,700	3,172,900	3,172,900
Equipment	61,300	75,500	75,500
<b>OPERATING SUBTOTAL</b>	<b>12,560,500</b>	<b>15,108,700</b>	<b>15,108,700</b>
<b>SPECIAL LINE ITEMS</b>			
CAP User Fees	641,600	673,600	737,800
Due Diligence Fund	10,900	500,000	500,000
Natural Resource Conservation Districts	550,700	650,000	650,000
Scanning and Digitizing Trust Land Records	0	1,200,000	0
<b>AGENCY TOTAL</b>	<b>13,763,700</b>	<b>18,132,300</b>	<b>16,996,500</b>
<b>FUND SOURCES</b>			
General Fund	12,424,600	12,509,800	12,574,000
<u>Other Appropriated Funds</u>			
Due Diligence Fund	10,900	500,000	500,000
Environmental Special Plate Fund	173,700	260,000	260,000
Trust Land Management Fund	1,154,500	4,862,500	3,662,500
SUBTOTAL - Other Appropriated Funds	1,339,100	5,622,500	4,422,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>13,763,700</b>	<b>18,132,300</b>	<b>16,996,500</b>
Other Non-Appropriated Funds	848,100	1,183,700	806,600
Federal Funds	268,800	417,600	0
<b>TOTAL - ALL SOURCES</b>	<b>14,880,600</b>	<b>19,733,600</b>	<b>17,803,100</b>

**AGENCY DESCRIPTION** — The agency manages the state's 9.3 million acres of trust land on behalf of its 14 beneficiaries. In order to generate revenue, the agency plans, leases, and sells trust land. The agency also generates revenue by collecting royalties from the operators of 2 copper mines on state land.

### Operating Budget

The Baseline includes \$15,108,700 and 129.7 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$11,446,200
Trust Land Management Fund	3,662,500

These amounts are unchanged from FY 2015.

### CAP User Fees

The Baseline includes \$737,800 from the General Fund in FY 2016 for Central Arizona Project (CAP) User Fees.

FY 2016 adjustments would be as follows:

### CAP Rate Adjustment **GF 64,200**

The Baseline includes an increase of \$64,200 from the General Fund in FY 2016 for revised FY 2015 CAP rates. This assumes that the department will be billed for "capital charges" of \$23 per acre foot on 32,076 acre feet of water in FY 2015 and again in FY 2016 for a total annual charge of \$737,800. This amount would be \$64,200 above the appropriation for CAP user fees for FY 2015 of \$673,600. The FY 2015 appropriation reflected capital charges of \$21 per acre foot, but the CAP rates are not determined until June 15<sup>th</sup> and the new rates increased that amount to \$23 per acre foot for FY 2015. As a result, the Baseline includes a \$64,200 supplemental from the General Fund to cover this cost. (Please see *Other Issues for Legislative Consideration*).

Pursuant to A.R.S. § 36-106.01, the State Land Department has a long-term contract with the Central Arizona Water Conservation District (CAWCD) (the governing entity for CAP) for the rights to purchase 32,076 acre-feet of CAP water annually for municipal and industrial uses on state trust lands. The department typically does not take delivery of the water, but must still pay capital charges to the CAWCD each year in order to maintain its CAP water rights. (The CAWCD uses revenue from capital charges to fund repayment of federal construction debt for the CAP.) Maintaining CAP water rights on state trust lands increases their market value. When CAP water rights on state trust lands are transferred to a municipality through the sale or lease of state trust lands, the State General Fund is reimbursed for all previous costs associated with the water rights pursuant to A.R.S. § 37-106.01C. (Please see related General Appropriation Act footnote below.)

**Due Diligence Fund**

The Baseline includes \$500,000 from the Due Diligence Fund in FY 2016 for this line item. This amount is unchanged from FY 2015.

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 2016 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 2015.

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 \$40,000 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 2014 totaled \$154,800 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.

**Scanning and Digitizing Trust Land Records**

The Baseline includes no funding in FY 2016 for Scanning and Digitizing Trust Land Records. FY 2016 adjustments would be as follows:

**Remove One-Time Funding OF (1,200,000)**

The Baseline includes a decrease of \$(1,200,000) and 1 FTE Position from the Trust Land Management Fund in FY 2016 for the elimination of one-time funding for scanning and digitizing land trust records.

This line item funds cost association with the managing the digital conversion in addition to funding a data system to modernize and improve workflow and security of the business processes and systems.

\* \* \*

**FORMAT** — Operating Lump Sum with Special Line Items by Agency

**FOOTNOTES**

*Standard Footnotes*

The appropriation includes \$737,800 for Central Arizona Project User Fees in FY 2016. For FY 2016, from municipalities that assume their allocation of Central Arizona Project water for every dollar received as reimbursement to the state for past Central Arizona Water Conservation District payments, \$1.00 reverts to the state General Fund in the year that the reimbursement is collected.

Of the amount appropriated for Natural Resource Conservation Districts in FY 2016, \$30,000 must be used to provide grants to Natural Resource Conservation Districts environmental education centers.

**OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

**FY 2015 Supplemental**

The FY 2015 budget appropriated \$673,600 for CAP User Fees for FY 2015 based on assumed capital charges of \$21

per acre-foot. In June 2014, however, CAP increased the FY 2015 capital charges to \$23 per acre-foot, resulting in a \$(64,200) shortfall for the program for FY 2015. The Baseline includes the \$64,200 General Fund supplemental funding.

**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 Laws 2012, Chapter 278 to establish the specific exchange steps.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>CAP Municipal and Industrial Repayment Fund (LDA2129/A.R.S. § 37-526)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Reimbursements to the state for back water payments when cities assume their allocation of Central Arizona Project (CAP) water, legislative appropriations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	5,500	5,500
<b>Due Diligence Fund (LDA2526/A.R.S. § 37-110)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Reimbursements from successful bidders on state lands for expenses incurred by the department to fund due diligence studies.		
<b>Purpose of Fund:</b> To prepare land for sales, leases, rights-of-ways, or other use-permits.		
<b>Funds Expended</b>	10,900	500,000
<b>Year-End Fund Balance</b>	31,000	31,000
<b>Environmental Special Plate Fund (LDA2274/A.R.S. § 37-1015)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> \$17 of the \$25 fee for environmental license plates.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	173,700	260,000
<b>Year-End Fund Balance*</b>	73,300	(44,500)
<b>Federal Funds (LDA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants for urban and rural forestry, resource conservation, development of forest lands, insect and disease control, fire training and protection of forests, and other forestry projects.		
<b>Purpose of Fund:</b> For resource conservation and development, in accordance with the requirements of each grant.		
<b>Funds Expended</b>	22,000	253,100
<b>Year-End Fund Balance</b>	40,600	100

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Federal Grants - American Recovery and Reinvestment Act (ARRA)</b> (LDA 2999/A.R.S. § 35-142)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
<b>Purpose of Fund:</b> One-time Federal Funds to be used by the department for renewable energy and mapping projects.		
<b>Funds Expended</b>	246,800	164,500
<b>Year-End Fund Balance</b>	0	0
<b>Federal Reclamation Trust Fund (LDA2024/A.R.S. § 37-106)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Reimbursements from lessees and interest.		
<b>Purpose of Fund:</b> To make payments for federal reclamation project assessments when state land lessees are delinquent.		
<b>Funds Expended</b>	700	10,000
<b>Year-End Fund Balance</b>	43,500	33,500
<b>Interagency Agreements Fund (LDA2212/A.R.S. § 35-148)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Collections from other state agencies for services and products provided by the State Land Department.		
<b>Purpose of Fund:</b> To pay for joint projects based upon interagency agreements with other state agencies.		
<b>Funds Expended</b>	23,900	37,000
<b>Year-End Fund Balance</b>	136,200	136,200
<b>Military Airport Land Exchange Fund (No Fund Number/A.R.S. § 37-1224)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations and land exchange proposal-processing fees.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Off-Highway Vehicle Recreation Fund (LDA2253/A.R.S. § 28-1176)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To mitigate damage to land, to fund enforcement of off-highway vehicle laws, and for necessary environmental, historical, and cultural clearance or compliance activities.		
<b>Funds Expended</b>	186,800	290,000
<b>Year-End Fund Balance</b>	423,000	358,000
<b>Resource Analysis Division Revolving Fund (LDA4009/A.R.S. § 37-176)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receipts from the provision of Geographic Information Systems (GIS) products and services.		
<b>Purpose of Fund:</b> To offset the costs of GIS supplies and support.		
<b>Funds Expended</b>	307,800	421,700
<b>Year-End Fund Balance</b>	73,400	130,900
<b>State Land Department Fund (LDA2451/A.R.S. § 37-107)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Reimbursements from successful bidders on state trust lands for expenses incurred to advertise land sales and for zoning application fees.		
<b>Purpose of Fund:</b> To fund expenses incurred from the advertisement of state trust land sales and to pay zoning fees for new projects.		
<b>Funds Expended</b>	328,900	425,000
<b>Year-End Fund Balance</b>	2,619,900	2,579,900



SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Trust Land Management Fund (LDA3146/A.R.S. § 37-527)</b>		<b>Appropriated</b>
<p><b>Source of Revenue:</b> 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.</p> <p><b>Purpose of Fund:</b> To fund the management of the 9.3 million acres of State Trust land throughout the state.</p>		
<b>Funds Expended</b>	1,154,500	4,862,500
<b>Year-End Fund Balance</b>	8,682,400	8,049,900

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

## Legislature - Auditor General

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	184.8	184.8	184.8
Personal Services	11,235,800	11,235,800	11,235,800
Employee Related Expenditures	4,271,900	4,278,600	4,278,600
Professional and Outside Services	499,100	499,100	499,100
Travel - In State	116,000	290,800	290,800
Travel - Out of State	4,500	4,500	4,500
Other Operating Expenditures	1,120,300	1,120,300	1,120,300
Equipment	567,300	567,300	567,300
<b>OPERATING SUBTOTAL</b>	<b>17,814,900</b>	<b>17,996,400</b>	<b>17,996,400</b>
<b>SPECIAL LINE ITEMS</b>			
Independent Consultant	0	250,000	0
<b>AGENCY TOTAL</b>	<b>17,814,900</b>	<b>18,246,400</b>	<b>17,996,400</b>
<b>FUND SOURCES</b>			
General Fund	17,814,900	18,246,400	17,996,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>17,814,900</b>	<b>18,246,400</b>	<b>17,996,400</b>
Other Non-Appropriated Funds	1,758,300	1,744,900	1,744,900
<b>TOTAL - ALL SOURCES</b>	<b>19,573,200</b>	<b>19,991,300</b>	<b>19,741,300</b>

**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 \$17,996,400 and 184.8 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

### Independent Consultant

The Baseline includes no funding from the General Fund in FY 2016 for the Independent Consultant line item. FY 2016 adjustments would be as follows:

#### **FY 2016**

**Remove One-Time Funding**      GF      **\$(250,000)**

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2016 to eliminate one-time funding for an independent consultant. Laws 2014, 2nd Special Session, Chapter 2 appropriated \$250,000 from the General Fund in FY 2015 for an independent consultant to provide consultation for the Department of Child Safety.

\* \* \*

**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.

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**SUMMARY OF FUNDS**

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**FY 2014  
Actual****FY 2015  
Estimate**

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**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**

1,758,300

1,744,900

**Year-End Fund Balance**

1,778,200

1,533,300

**Legislature - House of Representatives**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
Lump Sum Appropriation	12,500,800	13,372,200	13,372,200
<b>AGENCY TOTAL</b>	<b>12,500,800</b>	<b>13,372,200</b>	<b>13,372,200</b>
<b>FUND SOURCES</b>			
General Fund	12,500,800	13,372,200	13,372,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>12,500,800</b>	<b>13,372,200</b>	<b>13,372,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>12,500,800</b>	<b>13,372,200</b>	<b>13,372,200</b>

**AGENCY DESCRIPTION** — The House of Representatives is made up of 60 members, 2 of whom are elected from each of the legislative districts. The officers and employees of the House of Representatives consist of the Speaker of the House, a Chief Clerk of the House, and other employees as the House directs.

**Operating Budget**

The Baseline includes \$13,372,200 from the General Fund in FY 2016 for the operating budget. This amount is unchanged from FY 2015.

\* \* \*

**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 2016 is \$1,000 for the purchase of mementos and items for visiting officials.

**Legislature - Joint Legislative Budget Committee**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	29.0	29.0	29.0
Personal Services	1,457,500	1,661,800	1,661,800
Employee Related Expenditures	451,900	606,700	606,700
Professional and Outside Services	87,500	125,000	125,000
Travel - In State	500	500	500
Travel - Out of State	400	0	0
Other Operating Expenditures	27,500	97,000	97,000
Equipment	400	2,000	2,000
<b>AGENCY TOTAL</b>	<b>2,025,700</b>	<b>2,493,000</b>	<b>2,493,000</b>
<b>FUND SOURCES</b>			
General Fund	2,025,700	2,493,000	2,493,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,025,700</b>	<b>2,493,000</b>	<b>2,493,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>2,025,700</b>	<b>2,493,000</b>	<b>2,493,000</b>

**AGENCY DESCRIPTION** — The Staff of the Joint Legislative Budget Committee, established by the Arizona Legislature, provides its members with analysis, forecasts, research and recommendations on state government finances and public policies.

**Operating Budget**

The Baseline includes \$2,493,000 and 29 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

\* \* \*

**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 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	47.0	49.0	49.0
Personal Services	2,768,100	2,785,000	2,785,000
Employee Related Expenditures	1,035,700	974,700	974,700
Professional and Outside Services	7,500	60,300	60,300
Other Operating Expenditures	355,000	350,000	350,000
Equipment	1,595,600	3,250,400	3,250,400
<b>OPERATING SUBTOTAL</b>	<b>5,761,900</b>	<b>7,420,400</b>	<b>7,420,400</b>
<b>SPECIAL LINE ITEMS</b>			
Ombudsman-Citizens Aide Office	604,000	828,500	828,500
<b>AGENCY TOTAL</b>	<b>6,365,900</b>	<b>8,248,900</b>	<b>8,248,900</b>
<b>FUND SOURCES</b>			
General Fund	6,365,900	8,248,900	8,248,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>6,365,900</b>	<b>8,248,900</b>	<b>8,248,900</b>
<b>TOTAL - ALL SOURCES</b>	<b>6,365,900</b>	<b>8,248,900</b>	<b>8,248,900</b>

**AGENCY DESCRIPTION** — The Legislative Council, a staff agency of the Legislative Department, provides bill drafting and research services, continuing code revision and manages the operation and renovation of certain legislative buildings and grounds. The council is also responsible for the development, operation, and maintenance of the legislative computer system.

### Operating Budget

The Baseline includes \$7,420,400 and 40 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

### Ombudsman-Citizens Aide Office

The Baseline includes \$828,500 and 9 FTE Positions from the General Fund in FY 2016 for the Ombudsman-Citizens Aide Office. These amounts are unchanged from FY 2015.

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.

The FY 2015 Revenue Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 9) requires Child Protective Services or its successor agency (now the Department of Child Safety, established by Laws 2014, 2<sup>nd</sup> Special Session, Chapter 1) to establish a mechanism to direct complainants

to the Ombudsman-Citizens Aide Office. It further requires the Ombudsman-Citizens Aide Office to process these complaints, and allows the Ombudsman-Citizens Aide after investigating a complaint to refer the matter to a Superior Court judge for further review and action. These requirements are repealed after June 30, 2016.

\* \* \*

**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 may be expended only on an affirmative vote of the Legislative Council.

It is the intent of the Legislature that the Ombudsman-Citizens Aide prioritize the investigation and processing of complaints relating to the Department of Child Safety.

## STATUTORY CHANGES

### *Deleted Provisions*

The Baseline would not continue the one-time session law provision that requires the Ombudsman-Citizens Aide Office to process complainants forwarded by Child Protective Services or its successor agency (now the Department of Child Safety), and allows the Ombudsman-Citizens Aide after investigating a complaint to refer the matter to a Superior Court judge for further review and action. The requirements are effective through June 30, 2016. *(Please see the Ombudsman-Citizens Aide Office Special Line Item for further information.)*

**Legislature - Senate**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
Lump Sum Appropriation	8,330,300	8,283,800	8,283,800
<b>AGENCY TOTAL</b>	<b>8,330,300</b>	<b>8,283,800</b>	<b>8,283,800</b>
<b>FUND SOURCES</b>			
General Fund	8,330,300	8,283,800	8,283,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>8,330,300</b>	<b>8,283,800</b>	<b>8,283,800</b>
<b>TOTAL - ALL SOURCES</b>	<b>8,330,300</b>	<b>8,283,800</b>	<b>8,283,800</b>

**AGENCY DESCRIPTION** — The Senate is made up of 30 members elected from each of the legislative districts. The officers and employees of the Senate consist of the President of the Senate, a Secretary of the Senate, and other employees as the Senate directs.

**Operating Budget**

The Baseline includes \$8,283,800 from the General Fund in FY 2016 for the operating budget. This amount is unchanged from FY 2015.

\* \* \*

**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 2016 is \$1,000 for the purchase of mementos and items for visiting officials.



**Department of Liquor Licenses and Control**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	45.2	45.2	45.2
Personal Services	1,594,900	1,522,700	1,522,700
Employee Related Expenditures	785,600	753,300	753,300
Professional and Outside Services	40,000	40,400	40,400
Travel - In State	77,800	110,400	110,400
Travel - Out of State	2,200	3,300	3,300
Other Operating Expenditures	423,400	532,400	532,400
Equipment	8,300	0	0
<b>OPERATING SUBTOTAL</b>	<b>2,932,200</b>	<b>2,962,500</b>	<b>2,962,500</b>
<b>SPECIAL LINE ITEMS</b>			
Licensing Replacement System	0	626,700	0
<b>AGENCY TOTAL</b>	<b>2,932,200</b>	<b>3,589,200</b>	<b>2,962,500</b>

<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Liquor Licenses Fund	2,932,200	3,589,200	2,962,500
SUBTOTAL - Other Appropriated Funds	2,932,200	3,589,200	2,962,500
SUBTOTAL - Appropriated Funds	2,932,200	3,589,200	2,962,500
<i>Other Non-Appropriated Funds</i>			
Federal Funds	1,007,300	974,500	974,500
	126,100	0	0
<b>TOTAL - ALL SOURCES</b>	<b>4,065,600</b>	<b>4,563,700</b>	<b>3,937,000</b>

**AGENCY DESCRIPTION** — The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

**Operating Budget**

The Baseline includes \$2,962,500 and 45.2 FTE Positions from the Liquor Licenses Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**Remove One-Time Funding OF \$ (626,700)**  
 The Baseline includes a decrease of \$(626,700) from the Liquor Licenses Fund in FY 2016 for the elimination of one-time funding for the replacement of the licensing and imaging system.

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**Licensing Replacement System**

The Baseline includes no funding in FY 2016 for a licensing and imaging system. FY 2016 adjustments would be as follows:

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Anti-Racketeering Revolving Fund (LLA2131/A.R.S. § 13-2314.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Forfeitures of property and assets to satisfy judgments pursuant to state anti-racketeering statutes.		
<b>Purpose of Fund:</b> To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
<b>Funds Expended</b>	31,200	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Audit Surcharge Fund (LLA3010/A.R.S. § 4-209)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A \$30 surcharge on liquor licenses for bars, retail stores, and restaurants.		
<b>Purpose of Fund:</b> To fund an auditor and support staff positions to review revenue requirements for restaurant liquor licenses.		
<b>Funds Expended</b>	170,300	169,700
<b>Year-End Fund Balance</b>	42,000	39,300
<b>DPS-FBI Fingerprint Fund (LLA2159/ A.R.S. § 4-112)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fingerprint fees collected as part of the application process.		
<b>Purpose of Fund:</b> Fingerprint fees are transferred to the Department of Public Safety.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	5,400	5,400
<b>Enforcement Surcharge - Enforcement Unit Fund (LLA3012/A.R.S. § 4-209)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A \$20 surcharge on hotel and restaurant liquor licenses and \$35 on all other licenses.		
<b>Purpose of Fund:</b> For the costs of a neighborhood association interaction and liquor enforcement management unit. The unit works with neighborhood associations regarding liquor violations.		
<b>Funds Expended</b>	430,500	383,000
<b>Year-End Fund Balance</b>	121,600	123,500
<b>Enforcement Surcharge - Multiple Complaints Fund (LLA3011/A.R.S. § 4-209)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A \$35 surcharge on liquor license renewals.		
<b>Purpose of Fund:</b> To investigate licensees which have been the subject of multiple complaints from neighborhood associations, civic groups, and local governments.		
<b>Funds Expended</b>	375,300	421,800
<b>Year-End Fund Balance</b>	181,700	182,900
<b>Federal Grants (LLA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal revenues received through the Governor's Office of Highway Safety.		
<b>Purpose of Fund:</b> To pay overtime expenses for special investigators investigating licensees reportedly serving alcohol to juveniles.		
<b>Funds Expended</b>	126,100	0
<b>Year-End Fund Balance</b>	0	0
<b>Liquor Licenses Fund (LLA1996/A.R.S. § 4-120)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A portion of the state's liquor license fee revenues, not to exceed the appropriation of the Legislature.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,932,200	3,589,200
<b>Year-End Fund Balance</b>	0	0
<b>Statewide Donations Fund (LLA2025/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donated funds.		
<b>Purpose of Fund:</b> Employee and other private donations.		
<b>Funds Expended:</b> To pay for morale building efforts within the Department.		
<b>Year-End Fund Balance</b>	400	400

## Arizona State Lottery Commission

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	98.8	98.8	98.8
Personal Services	3,999,600	4,812,000	4,812,000
Employee Related Expenditures	1,817,400	1,772,300	1,772,300
Professional and Outside Services	401,800	386,800	386,800
Travel - In State	232,300	271,600	271,600
Travel - Out of State	21,600	16,800	16,800
Other Operating Expenditures	1,145,700	1,162,100	1,162,100
Equipment	86,900	0	0
<b>OPERATING SUBTOTAL</b>	<b>7,705,300</b>	<b>8,421,600</b>	<b>8,421,600</b>
<b>SPECIAL LINE ITEMS</b>			
Advertising	14,853,100	15,500,000	15,500,000
Charitable Commissions	865,300	922,900	969,000
Instant Tickets	13,275,800	18,805,800	20,118,800
On-Line Vendor Fees	8,722,800	9,033,200	9,519,900
Retailer Commissions	47,598,200	51,047,800	54,357,500
<b>AGENCY TOTAL</b>	<b>93,020,500</b>	<b>103,731,300</b>	<b>108,886,800</b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
State Lottery Fund	93,020,500	103,731,300	108,886,800
SUBTOTAL - Other Appropriated Funds	93,020,500	103,731,300	108,886,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>93,020,500</b>	<b>103,731,300</b>	<b>108,886,800</b>
Other Non-Appropriated Funds	458,083,900	480,879,400	513,559,100
<b>TOTAL - ALL SOURCES</b>	<b>551,104,400</b>	<b>584,610,700</b>	<b>622,445,900</b>

**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 \$8,421,600 and 98.8 FTE Positions from the State Lottery Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

### Advertising

The Baseline includes \$15,500,000 from the State Lottery Fund in FY 2016 for Advertising. This amount is unchanged from FY 2015.

Monies in this line item are used to promote and market Lottery games.

### Charitable Commissions

The Baseline includes \$969,000 from the State Lottery Fund in FY 2016 for Charitable Commissions. FY 2016 adjustments would be as follows:

### Tab Ticket Increase OF **FY 2016** **\$46,100**

The Baseline includes an increase of \$46,100 from the State Lottery Fund in FY 2016 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.' Tab Tickets are games 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 \$20,118,800 from the State Lottery Fund in FY 2016 for Instant Tickets. FY 2016 adjustments would be as follows:

#### **Instant Ticket Sales Increase OF 1,313,000**

The Baseline includes an increase of \$1,313,000 from the State Lottery Fund in FY 2016 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 \$9,519,900 from the State Lottery Fund in FY 2016 for On-Line Vendor Fees. FY 2016 adjustments would be as follows:

#### **On-Line Vendor Fees Increase OF 486,700**

The Baseline includes an increase of \$486,700 from the State Lottery Fund in FY 2016 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 \$54,357,500 from the State Lottery Fund in FY 2016 for Retailer Commissions. FY 2016 adjustments would be as follows:

#### **Retailer Commissions Increase OF 3,309,700**

The Baseline includes an increase of \$3,309,700 from the State Lottery Fund in FY 2016 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.

\* \* \*

**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 \$969,000 in FY 2016.

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 \$20,118,800 in FY 2016.

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 \$9,519,900, or 3.7% of actual on-line ticket sales in FY 2016.

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 \$54,357,500 in FY 2016.

### **OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

#### ***Lottery Forecast and Distributions***

The Baseline assumes a 5.9% increase in overall Lottery ticket sales in FY 2015, followed by a 6.5% increase in FY 2016. For FY 2015 and FY 2016, the Baseline assumes Lottery ticket sales of \$766,522,300 and \$816,151,800, 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 2014 and the JLBC Staff projected distributions for FY 2015 and FY 2016. 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, 6<sup>th</sup> 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 2015 and FY 2016 are expected to be \$37,499,000 and \$37,501,800, 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 \$11,444,400 in each FY 2015 and FY 2016.

Laws 1993, 6<sup>th</sup> 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, 7<sup>th</sup> 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 2015 and FY 2016 are forecasted to fulfill requirements for General Fund - Part 1 and Part 2. The Lottery revenue bond payments of \$37,499,000 in FY 2015 and \$37,501,800 in FY 2016 count towards the \$84,150,000 General Fund - Part 1 requirement. Total General Fund distributions, net of bond payments, are therefore estimated to be \$75,566,900 in FY 2015 and \$70,576,300 in FY 2016.

#### 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 2015 and FY 2016, 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 \$18,467,700 in FY 2015 and \$18,801,500 in FY 2016. These amounts are distributed among the following agencies:

- 29.4% to the Department of Child Safety for the Healthy Families program.
- 23.5% to the Arizona Board of Regents (ABOR) for the Arizona Health Education Center program.
- 17.6% to the Department of Health Services (DHS) for teenage pregnancy prevention.
- 11.8% to DHS for Disease Control Research.
- 11.8% to DHS for the Health Start program.
- 5.9% to DHS for the Women, Infants and Children food program.

Health and Welfare Programs are expected to receive their entire allocation in both FY 2015 and FY 2016.

#### 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 2015 and FY 2016.

#### 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 2015 and FY 2016, 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 2015 and FY 2016.

#### 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 \$17,572,600 in FY 2014, which was 80% of the annual debt service payments on the \$536,235,000 of lease-purchase agreements that have been issued to date. The UCI Fund is expected to require \$24,133,600 in FY 2015 and \$40,582,000 in FY 2016 to make the expected level of debt service payments. The FY 2016 estimate includes debt service payments on \$683,130,000 of lease-purchase agreements that have already been or will be issued by the end of FY 2016. Once the full \$800,000,000 has been issued, debt service payments could total \$41,632,900, depending on assumptions of repayment

lengths and interest rates. (Please see the FY 2016 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 \$13,425,900 in FY 2015 and \$8,438,100 in FY 2016.

<b>Table 1</b>			
<b>Forecast of Lottery Revenue Distribution</b>			
<b>(\$ in Millions)</b>			
<u>Sales</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Instant Sales	\$488.3	\$522.4	\$558.9
On-Line Sales	<u>235.6</u>	<u>244.1</u>	<u>257.3</u>
Total Sales	\$723.9	\$766.5	\$816.2
<i>Less:</i>			
Operating Budget <sup>1/</sup>	\$ 93.0	\$ 103.7	\$ 108.9
Automation Projects Fund Transfer <sup>2/</sup>	0.7	0.0	0.0
Gaming Distribution	0.3	0.3	0.3
Prizes <sup>3/</sup>	<u>458.1</u>	<u>480.9</u>	<u>513.6</u>
<b>Net Profit <sup>4/</sup></b>	<b>\$171.8</b>	<b>\$181.6</b>	<b>\$193.4</b>
<b><u>Profit Transfers</u></b>			
Debt Service Fund	\$ 37.5	\$ 37.5	\$ 37.5
Maricopa County Mass Transit <sup>5/</sup>	11.2	11.4	11.4
General Fund - Part 1 <sup>6/</sup>	46.7	46.7	46.7
Heritage	10.0	10.0	10.0
Health and Welfare Programs	18.1	18.5	18.8
Homeless Shelters	1.0	1.0	1.0
General Fund - Part 2 <sup>6/</sup>	15.5	15.5	15.5
Arizona Commerce Authority	3.5	3.5	3.5
University Capital	17.6	24.1	40.6
General Fund - Part 3 <sup>6/</sup>	<u>10.7</u>	<u>13.4</u>	<u>8.4</u>
<b>Total Transfer</b>	<b>\$171.8</b>	<b>\$181.6</b>	<b>\$193.4</b>
<sup>1/</sup> Of this amount, an estimated \$922,900 in FY 2015 and an estimated \$969,000 in FY 2016 will be distributed as commissions to charities that sell lottery Tab Tickets. <sup>2/</sup> In accordance with Laws 2013, 1 <sup>st</sup> Special Session, Chapter 1, \$713,600 was transferred from the State Lottery Fund to the Automation Projects Fund in FY 2014 for the agency's share of costs to replace the Arizona Financial Information System. <sup>3/</sup> Prizes are estimated by subtracting net profit, operating budget expenditures, and the Automation Projects Fund transfer from total Lottery sales. <sup>4/</sup> To derive the profit transfer amounts, the actual FY 2014 rate of return for each game was applied to the current Baseline forecast. The cumulative profit transfer rate is 23.88%. <sup>5/</sup> 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.) <sup>6/</sup> Excluding fund transfers, distributions to the General Fund totaled \$72,881,300 in FY 2014 and are estimated to be \$75,566,900 in FY 2015 and \$70,576,300 in FY 2016.			

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>State Lottery Fund (LOA2122/A.R.S. § 5-571)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> Sales of lottery tickets, retailer license fees, and interest earnings.		
<b>Purpose of Fund:</b> 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.		
<b>Appropriated Funds Expended</b>	93,020,500	103,731,300
<b>Non-Appropriated Funds Expended</b>	458,083,900	480,879,400
<b>Year-End Fund Balance*</b>	510,000	(471,600)

\*Actual ending balance will not be negative.

**Board of Massage Therapy**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	222,000	242,800	242,800
Employee Related Expenditures	90,300	98,300	98,300
Professional and Outside Services	22,100	6,600	6,600
Travel - In State	400	400	400
Other Operating Expenditures	88,700	88,500	88,500
Equipment	32,100	2,100	2,100
<b>AGENCY TOTAL</b>	<b>455,600</b>	<b>438,700</b>	<b>438,700</b>

**FUND SOURCES**

<i>Other Appropriated Funds</i>			
Board of Massage Therapy Fund	455,600	438,700	438,700
SUBTOTAL - Other Appropriated Funds	455,600	438,700	438,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>455,600</b>	<b>438,700</b>	<b>438,700</b>
<b>TOTAL - ALL SOURCES</b>	<b>455,600</b>	<b>438,700</b>	<b>438,700</b>

**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**

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**FORMAT** — Lump Sum by Agency

The Baseline includes \$438,700 and 5 FTE Positions from the Board of Massage Therapy Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Board of Massage Therapy Fund (BMT2300/A.R.S. § 32-4205)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate massage therapists, and for board administration.		
<b>Funds Expended</b>	455,600	438,700
<b>Year-End Fund Balance</b>	781,100	925,700



## Arizona Medical Board

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	58.5	58.5	58.5
Personal Services	2,247,200	2,805,000	2,805,000
Employee Related Expenditures	830,500	1,037,900	1,037,900
Professional and Outside Services	1,012,900	885,700	885,700
Travel - In State	16,100	22,500	22,500
Travel - Out of State	7,200	20,900	20,900
Other Operating Expenditures	1,046,000	766,400	766,400
Equipment	494,200	201,900	201,900
<b>OPERATING SUBTOTAL</b>	<b>5,654,100</b>	<b>5,740,300</b>	<b>5,740,300</b>
<b>SPECIAL LINE ITEMS</b>			
Credentials Verification Service	0	0	0
<b>AGENCY TOTAL</b>	<b>5,654,100</b>	<b>5,740,300</b>	<b>5,740,300</b>
<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Arizona Medical Board Fund	5,654,100	5,740,300	5,740,300
SUBTOTAL - Other Appropriated Funds	5,654,100	5,740,300	5,740,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>5,654,100</b>	<b>5,740,300</b>	<b>5,740,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>5,654,100</b>	<b>5,740,300</b>	<b>5,740,300</b>

**AGENCY DESCRIPTION** — The Arizona Medical Board licenses, regulates and conducts examinations of medical doctors and physician's assistants.

### Operating Budget

The Baseline includes \$5,740,300 and 58.5 FTE Positions from the Arizona Medical Board Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

### Credentials Verification Service

The Baseline includes no funding from the Arizona Medical Board Fund in FY 2016 for the Credentials Verification Service Special Line Item. This amount is unchanged from FY 2015.

Laws 2014, Chapter 251 included a one-time supplemental appropriation from the Arizona Medical Board in FY 2014 for the review of initial applications received by the board from October 1, 2011 through February 5, 2014. The \$855,000 was appropriated after the Arizona Ombudsman Citizens' Aide office released an investigative report in October 2013 that described an expedited licensing process where the verification and documentation processes did not follow state statute and rules.

The FY 2014 supplemental was not expended due to a delay in contractor selection and procurement. Laws 2014, Chapter 251 allows the Arizona Medical Board to expend the \$855,000 appropriation through FY 2015.

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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 2014 Actual	FY 2015 Estimate
<b>Arizona Medical Board Fund (MEA2038/A.R.S. § 32-1406)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate and regulate physicians, and for board administration costs.		
<b>Funds Expended</b>	5,654,100	5,740,300
<b>Year-End Fund Balance</b>	5,940,100	6,747,100

## State Mine Inspector

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	486,000	506,700	506,700
Employee Related Expenditures	215,300	221,100	221,100
Professional and Outside Services	10,100	5,000	5,000
Travel - In State	69,200	62,900	62,900
Travel - Out of State	4,400	5,000	5,000
Other Operating Expenditures	216,900	207,200	207,200
Equipment	14,600	13,000	13,000
<b>OPERATING SUBTOTAL</b>	<b>1,016,500</b>	<b>1,020,900</b>	<b>1,020,900</b>
<b>SPECIAL LINE ITEMS</b>			
Abandoned Mines	175,900	194,700	194,700
Aggregate Mined Land Reclamation	30,200	112,500	112,500
<b>AGENCY TOTAL</b>	<b>1,222,600</b>	<b>1,328,100</b>	<b>1,328,100</b>
<b>FUND SOURCES</b>			
General Fund	1,192,400	1,215,600	1,215,600
<u>Other Appropriated Funds</u>			
Aggregate Mining Reclamation Fund	30,200	112,500	112,500
SUBTOTAL - Other Appropriated Funds	30,200	112,500	112,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,222,600</b>	<b>1,328,100</b>	<b>1,328,100</b>
Other Non-Appropriated Funds	10,100	60,000	60,000
Federal Funds	432,700	279,000	279,000
<b>TOTAL - ALL SOURCES</b>	<b>1,665,400</b>	<b>1,667,100</b>	<b>1,667,100</b>

**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 \$1,020,900 and 14 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

### Abandoned Mines

The Baseline includes \$194,700 from the General Fund in FY 2016 for Abandoned Mines. This amount is unchanged from FY 2015.

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 2016 for Aggregate Mined Land Reclamation. This amount is unchanged from FY 2015.

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.

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**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 2016 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 2016, the State Mine Inspector shall report the intended use of the monies to the Joint Legislative Budget Committee.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Abandoned Mines Safety (MIA2408/A.R.S. § 27-131)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	10,100	60,000
<b>Year-End Fund Balance</b>	144,200	84,200
<b>Aggregate Mining Reclamation Fund (MIA2511/A.R.S. § 27-1233)</b>		<b>Appropriated</b>
<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.		
<b>Funds Expended</b>	30,200	112,500
<b>Year-End Fund Balance</b>	138,700	64,200
<b>Federal Education and Training Fund (MIA2400/A.R.S. § 27-123)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	161,500	62,000
<b>Year-End Fund Balance</b>	156,800	270,600
<b>Federal Grants (MIA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	271,200	217,000
<b>Year-End Fund Balance</b>	1,500	1,200
<b>IGA and ISA Fund (MIA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

## Naturopathic Physicians Medical Board

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	87,900	88,200	88,200
Employee Related Expenditures	32,000	32,000	32,000
Professional and Outside Services	1,600	11,000	11,000
Travel - In State	700	800	800
Other Operating Expenditures	29,800	40,600	40,600
Equipment	400	5,000	5,000
<b>AGENCY TOTAL</b>	<b>152,400</b>	<b>177,600</b>	<b>177,600</b>

### FUND SOURCES

#### Other Appropriated Funds

Naturopathic Physicians Medical Board Fund	152,400	177,600	177,600
SUBTOTAL - Other Appropriated Funds	152,400	177,600	177,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>152,400</b>	<b>177,600</b>	<b>177,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>152,400</b>	<b>177,600</b>	<b>177,600</b>

**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

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#### FORMAT — Lump Sum by Agency

The Baseline includes \$177,600 and 2 FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Naturopathic Physicians Medical Board Fund (NBA2042/A.R.S. § 32-1505)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate naturopathic physicians, and naturopathic medical assistants and for board administration.		
<b>Funds Expended</b>	152,400	177,600
<b>Year-End Fund Balance</b>	366,900	493,000

## *Arizona Navigable Stream Adjudication Commission*

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	70,000	71,000	71,000
Employee Related Expenditures	26,000	29,000	29,000
Professional and Outside Services	167,400	6,500	6,500
Other Operating Expenditures	14,500	22,700	22,700
<b>AGENCY TOTAL</b>	<b>277,900</b>	<b>129,200</b>	<b>129,200</b>
<b>FUND SOURCES</b>			
General Fund	197,900	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
<b>SUBTOTAL - Appropriated Funds</b>	<b>277,900</b>	<b>129,200</b>	<b>129,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>277,900</b>	<b>129,200</b>	<b>129,200</b>

**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 2016 for the operating budget. These amounts are unchanged from FY 2015.

\* \* \*

**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. This provision was included for FY 2015 in the Environment Budget Reconciliation Bill (Laws 2014, Chapter 8). In FY 2011 through FY 2014 the commission expended the entire \$80,000 allocation.

### **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 November 2014, the commission indicates that hearings for the San Pedro River, Santa Cruz River and Gila River cases have been completed. The other 3 cases

(Verde River, Upper Salt River and Lower Salt River) require additional hearings in order to further address questions raised by the Arizona Court of Appeals and a related 2012 U.S. Supreme Court ruling. The latter ruling requires the commission to resolve whether individual "segments" of the affected streambeds were navigable prior to statehood rather than making that determination only for each streambed as a whole. The commission indicates that hearings for the Verde River, Upper Salt River and Lower Salt River should be completed within the next calendar year. However, the commission is anticipating that appeals and required reports will require it to continue to operate beyond its currently scheduled sunset date of June 30, 2016.

***FY 2014 Supplemental***

The FY 2014 budget included a one-time supplemental of \$150,000 from the General Fund to address a shortfall in funding for outside legal counsel and related hearing expenses for the commission. The supplemental is non-lapsing through 2015. In FY 2014 the commission spent \$82,000 of the supplemental with the remaining balance to be spent in FY 2015. The commission anticipates that it also will require an additional \$200,000 in supplemental funding from the General Fund in FY 2015, but that funding is not included in the Baseline.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Risk Management Revolving Fund (NSA4216/A.R.S. § 41-622)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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. The Environment Budget Reconciliation Bill (Laws 2014, Chapter 13) allows up to \$80,000 from the fund to be spent for the commission's unpaid legal obligations in FY 2015.		
<b>Purpose of Fund:</b> To pay for the legal expenses associated with appeals filed against the commission.		
<b>Funds Expended</b>	80,000	0
<b>Year-End Fund Balance</b>	0	0

**State Board of Nursing**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	42.2	42.2	42.2
Personal Services	2,367,600	2,225,500	2,225,500
Employee Related Expenditures	904,100	871,700	871,700
Professional and Outside Services	388,000	494,600	494,600
Travel - In State	6,800	10,000	10,000
Travel - Out of State	4,600	5,000	5,000
Other Operating Expenditures	556,900	623,700	623,700
Equipment	41,700	41,600	41,600
<b>OPERATING SUBTOTAL</b>	<b>4,269,700</b>	<b>4,272,100</b>	<b>4,272,100</b>
<b>SPECIAL LINE ITEMS</b>			
Certified Nursing Assistant Program	150,000	150,000	150,000
<b>AGENCY TOTAL</b>	<b>4,419,700</b>	<b>4,422,100</b>	<b>4,422,100</b>
<b>FUND SOURCES</b>			
General Fund	150,000	150,000	0
<u>Other Appropriated Funds</u>			
Board of Nursing Fund	4,269,700	4,272,100	4,422,100
SUBTOTAL - Other Appropriated Funds	4,269,700	4,272,100	4,422,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>4,419,700</b>	<b>4,422,100</b>	<b>4,422,100</b>
Other Non-Appropriated Funds	11,900	0	0
Federal Funds	426,100	414,700	414,700
<b>TOTAL - ALL SOURCES</b>	<b>4,857,700</b>	<b>4,836,800</b>	<b>4,836,800</b>

**AGENCY DESCRIPTION** — The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.

**Operating Budget**

The Baseline includes \$4,272,100 and 42.2 FTE Positions from the Board of Nursing Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**Certified Nursing Assistant Program**

The Baseline includes \$150,000 from the Board of Nursing Fund in FY 2016 for Certified Nursing Assistant (CNA) Program costs. FY 2016 adjustments would be as follows:

		<b>FY 2016</b>
<b>Fund Shift</b>	<b>GF</b>	<b>\$(150,000)</b>
	<b>OF</b>	<b>150,000</b>

The Baseline includes an increase of \$150,000 from the Board of Nursing Fund and a corresponding decrease of \$(150,000) from the General Fund in FY 2016. This cost can also be paid by the Nursing Fund.

Monies in this line item fund expenses to fingerprint CNAs. The board receives federal monies for a federally

mandated nurse assistant (aide) registry, but federal regulations prohibit charging individuals for registration costs such as fingerprinting. *(Please see Other Issues for Legislative Consideration for additional information.)*

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**FORMAT** — Operating Lump Sum with Special Line Items by Agency

**FOOTNOTES**

*Deletion of Prior Year Footnotes*

The Baseline would delete the footnote concerning the one-time report due by November 1, 2014 on the board's recommendations for ensuring the long-term financial stability of the certified nursing assistant program.

**OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

**Certified Nursing Assistant Program Costs**

States are required by federal law to have a nurse aide registry, but federal regulations prohibit charging



individuals for registration costs such as fingerprinting. The CNA program serves as Arizona's nurse aide registry, but adds additional state requirements including a background check and fingerprinting. The board receives \$400,000 annually of federal monies for their estimated \$1.0 million of CNA program costs. The remaining \$600,000 is paid from the board's operating budget, which is funded by the Board of Nursing Fund from examination and licensing fees paid by nurses. The board was appropriated an additional \$150,000 in FY 2014, which was continued in FY 2015, for CNA program costs not paid by federal monies.

The FY 2015 General Appropriation Act required the State Board of Nursing to submit a report with the board's recommendations for ensuring the long-term financial stability of the CNA program to the OSPB and JLBC Directors by November 1, 2014. The board makes 2 recommendations.

1. Establish a federally mandated nurse assistant (aide) registry for individuals who meet the federal requirements to be placed on the registry, without requiring any additional state requirements or a background check. There would be no charges to be placed on the registry.
2. For those wanting certification, establish a separate program, which would essentially continue the current CNA program including background checks and include the development of a new fee structure. Applicants would pay charges for the background check (fingerprint), and new application and renewal fees for the CNA certificate. Since the CNA program would no longer serve as Arizona's federally mandated nurse assistant (aide) registry, the board could charge the proposed charges and fees.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Board of Nursing Fund (BNA2044/A.R.S. § 32-1611)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,269,700	4,272,100
<b>Year-End Fund Balance</b>	2,420,400	2,887,500
<b>Nurse Aide Training and Registration (BNA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal monies passed through from the Department of Health Services (Medicare) and AHCCCS (Title XIX Medicaid), facility payments, and nurse aide fees.		
<b>Purpose of Fund:</b> To pay for the administrative and testing costs of the Nurse Aide Registration program as mandated by the federal government.		
<b>Funds Expended</b>	426,100	414,700
<b>Year-End Fund Balance</b>	0	0
<b>Statewide Donations Fund (BNA2025/A.R.S. § 32-1606A11)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations, gifts and private grants. Monies do not revert to the General Fund at the end of the fiscal year.		
<b>Purpose of Fund:</b> To assist in carrying out the purposes of the agency.		
<b>Funds Expended</b>	11,900	0
<b>Year-End Fund Balance</b>	21,000	21,000

**Board of Examiners of Nursing Care Institution Administrators and  
Assisted Living Facility Managers**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	195,400	231,800	231,800
Employee Related Expenditures	78,000	94,600	94,600
Professional and Outside Services	5,700	8,000	8,000
Travel - In State	5,600	7,000	7,000
Travel - Out of State	2,100	4,000	4,000
Other Operating Expenditures	58,100	70,300	70,300
Equipment	700	4,600	4,600
<b>AGENCY TOTAL</b>	<b>345,600</b>	<b>420,300</b>	<b>420,300</b>
<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	345,600	420,300	420,300
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>345,600</b>	<b>420,300</b>	<b>420,300</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>345,600</b>	<b>420,300</b>	<b>420,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>345,600</b>	<b>420,300</b>	<b>420,300</b>

**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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The Baseline includes \$420,300 and 6 FTE Positions from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund (NCA2043/A.R.S. § 36-446.08)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate nursing home administrators and assisted living facility managers, and for board administration.		
<b>Funds Expended</b>	345,600	420,300
<b>Year-End Fund Balance</b>	237,700	300,600

## ***Occupational Safety and Health Review Board***

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
Lump Sum Appropriation	2,000	0	0
<b>AGENCY TOTAL</b>	<b>2,000</b>	<b>0</b>	<b>0</b>
<b>FUND SOURCES</b>			
General Fund	2,000	0	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,000</b>	<b>0</b>	<b>0</b>
<b>TOTAL - ALL SOURCES</b>	<b>2,000</b>	<b>0</b>	<b>0</b>

**AGENCY DESCRIPTION** — The board reviews cases involving violations of the state's occupational safety and health laws. The cases start with an informal conference with the Industrial Commission's Occupational Safety and Health Division Director. If the case cannot be resolved, the employer can request a hearing before an Industrial Commission Administrative Law Judge. If either the Director of the Occupational Safety and Health Division or the employer disagrees with the 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 no funding from the General Fund in FY 2016 for the operating budget. This amount is unchanged from FY 2015.

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 \$11,700 in FY 2014.

The board uses the monies for outside legal services related to the administration of the board's activities. The board currently has no cases pending and estimates that 3-4 cases may occur in FY 2015. If the board were to hear 4 cases, there could be an ending balance of \$0 in FY 2015 with no funding available for FY 2016. Any unspent monies would be available for expenditure in FY 2016.

**Board of Occupational Therapy Examiners**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	96,300	99,000	99,000
Employee Related Expenditures	46,600	45,600	45,600
Professional and Outside Services	0	200	200
Travel - In State	700	1,300	1,300
Other Operating Expenditures	28,300	34,400	22,800
Equipment	100	3,700	3,700
<b>AGENCY TOTAL</b>	<b>172,000</b>	<b>184,200</b>	<b>172,600</b>

**FUND SOURCES**

<i>Other Appropriated Funds</i>			
Occupational Therapy Fund	172,000	184,200	172,600
SUBTOTAL - Other Appropriated Funds	172,000	184,200	172,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>172,000</b>	<b>184,200</b>	<b>172,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>172,000</b>	<b>184,200</b>	<b>172,600</b>

**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 \$172,600 and 1.5 FTE Positions from the Occupational Therapy Fund in FY 2016 for the operating budget. FY 2016 adjustments would be as follows:

**Remove One-Time Funding OF FY 2016 \$(11,600)**

The Baseline includes a decrease of \$(11,600) from the Occupational Therapy Fund in FY 2016 to eliminate one-time funding for a database upgrade.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Occupational Therapy Fund (OTA2263/A.R.S. § 32-3405)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate occupational therapists and occupational therapy assistants, and for board administration.		
<b>Funds Expended</b>	172,000	184,200
<b>Year-End Fund Balance</b>	438,800	541,400

## State Board of Dispensing Opticians

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	67,000	67,000	67,000
Employee Related Expenditures	28,300	28,300	28,300
Professional and Outside Services	100	500	500
Travel - In State	8,800	7,200	7,200
Travel - Out of State	0	1,000	1,000
Other Operating Expenditures	27,300	27,300	27,300
Equipment	0	4,500	4,500
<b>AGENCY TOTAL</b>	<b>131,500</b>	<b>135,800</b>	<b>135,800</b>
<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Board of Dispensing Opticians Fund	131,500	135,800	135,800
SUBTOTAL - Other Appropriated Funds	131,500	135,800	135,800
SUBTOTAL - Appropriated Funds	131,500	135,800	135,800
<b>TOTAL - ALL SOURCES</b>	<b>131,500</b>	<b>135,800</b>	<b>135,800</b>

**AGENCY DESCRIPTION** — The board licenses and regulates optical establishments and opticians. An optician fits and sells optical devices such as contact lenses and eyeglasses. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

### Operating Budget

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The Baseline includes \$135,800 and 1 FTE Position from the Board of Dispensing Opticians Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Board of Dispensing Opticians Fund (DOA2046/A.R.S. § 32-1686)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate opticians and optical establishments, and for board administration.		
<b>Funds Expended</b>	131,500	135,800
<b>Year-End Fund Balance</b>	230,900	257,600

**State Board of Optometry**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	115,500	121,000	121,000
Employee Related Expenditures	43,700	43,500	43,500
Professional and Outside Services	100	0	0
Travel - In State	900	1,500	1,500
Travel - Out of State	1,400	1,500	1,500
Other Operating Expenditures	38,000	38,600	38,600
<b>AGENCY TOTAL</b>	<b>199,600</b>	<b>206,100</b>	<b>206,100</b>

**FUND SOURCES**

Other Appropriated Funds

Board of Optometry Fund	199,600	206,100	206,100
SUBTOTAL - Other Appropriated Funds	199,600	206,100	206,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>199,600</b>	<b>206,100</b>	<b>206,100</b>
<b>TOTAL - ALL SOURCES</b>	<b>199,600</b>	<b>206,100</b>	<b>206,100</b>

**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 \$206,100 and 2 FTE Positions from the Board of Optometry Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Board of Optometry Fund (OBA2023/A.R.S. § 32-1705)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate optometrists, and for board administration.		
<b>Funds Expended</b>	199,600	206,100
<b>Year-End Fund Balance</b>	168,800	207,000

## Arizona Board of Osteopathic Examiners

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	6.7	6.7	6.7
Personal Services	341,900	391,000	391,000
Employee Related Expenditures	138,100	165,000	165,000
Professional and Outside Services	109,600	119,500	119,500
Travel - In State	500	2,000	2,000
Travel - Out of State	3,400	6,000	6,000
Other Operating Expenditures	132,100	113,200	113,200
Equipment	18,600	5,000	5,000
<b>AGENCY TOTAL</b>	<b>744,200</b>	<b>801,700</b>	<b>801,700</b>
<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Board of Osteopathic Examiners Fund	744,200	801,700	801,700
SUBTOTAL - Other Appropriated Funds	744,200	801,700	801,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>744,200</b>	<b>801,700</b>	<b>801,700</b>
<b>TOTAL - ALL SOURCES</b>	<b>744,200</b>	<b>801,700</b>	<b>801,700</b>

**AGENCY DESCRIPTION** — The agency licenses and regulates medical physicians who practice osteopathic medicine, a system of medical treatment that emphasizes the inter-relationship of the body's muscles, bones, and joints with other body systems as an adjunct to invasive and/or chemically-based treatment.

### Operating Budget

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The Baseline includes \$801,700 and 6.7 FTE Positions from the Board of Osteopathic Examiners Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Board of Osteopathic Examiners Fund (OSA2048/A.R.S. § 32-1805)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate osteopathic physicians, and for board administration.		
<b>Funds Expended</b>	744,200	801,700
<b>Year-End Fund Balance</b>	1,286,700	1,353,000

**Arizona Parents Commission on Drug Education and Prevention**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	4,406,000	4,986,700	4,986,700
<b>TOTAL - ALL SOURCES</b>	4,406,000	4,986,700	4,986,700

**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.

<b>SUMMARY OF FUNDS</b>	FY 2014 Actual	FY 2015 Estimate
<b>Drug Treatment and Education Fund (PCA2277/A.R.S. § 13-901.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund programs that increase parental involvement and education regarding the problems caused by the abuse of alcohol and controlled substances.		
<b>Funds Expended</b>	4,406,000	4,986,700
<b>Year-End Fund Balance</b>	4,014,900	3,028,200



# Arizona State Parks Board

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	163.0	163.0	163.0
Personal Services	4,089,300	4,998,800	4,998,800
Employee Related Expenditures	1,838,400	2,175,800	2,175,800
Professional and Outside Services	319,500	0	0
Travel - In State	1,800	0	0
Other Operating Expenditures	2,545,100	3,110,500	3,110,500
Equipment	244,500	325,000	325,000
<b>OPERATING SUBTOTAL</b>	<b>9,038,600</b>	<b>10,610,100</b>	<b>10,610,100</b>
<b>SPECIAL LINE ITEMS</b>			
Kartchner Caverns State Park	2,098,800	2,232,000	2,232,000
Yarnell Hill Memorial	0	500,000	0
<b>AGENCY TOTAL</b>	<b>11,137,400</b>	<b>13,342,100</b>	<b>12,842,100</b>
<b>FUND SOURCES</b>			
General Fund	0	500,000	0
<b>Other Appropriated Funds</b>			
State Parks Revenue Fund	11,137,400	12,842,100	12,842,100
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>11,137,400</b>	<b>12,842,100</b>	<b>12,842,100</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>11,137,400</b>	<b>13,342,100</b>	<b>12,842,100</b>
Other Non-Appropriated Funds	24,442,200	20,555,100	12,606,400
Federal Funds	2,503,600	6,306,800	3,903,800
<b>TOTAL - ALL SOURCES</b>	<b>38,083,200</b>	<b>40,204,000</b>	<b>29,352,300</b>

**AGENCY DESCRIPTION** — The Arizona State Parks Board is responsible for managing the state parks system, which includes recreational parks, historical parks, and natural areas. The Parks Board consists of 7 members appointed by the Governor. Major functions of the Parks Board, through its staff, include the maintenance and development of existing parks, new parks acquisitions, statewide recreational planning, historic preservation, the administration of the Arizona State Parks Board Heritage Fund grant programs, and the administration of Growing Smarter Grants.

## Operating Budget

The Baseline includes \$10,610,100 and 127.2 FTE Positions from the State Parks Revenue Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

## Kartchner Caverns State Park

The Baseline includes \$2,232,000 and 35.8 FTE Positions from the State Parks Revenue Fund in FY 2016 for Kartchner Caverns State Park. These amounts are unchanged from FY 2015.

Kartchner Caverns is located in Benson, Arizona and was discovered in 1974. The State Parks Board acquired the property in 1988 and opened the caverns to the public in 1999.

## Yarnell Hill Memorial

The Baseline includes no funding from the General Fund in FY 2016 for the new Yarnell Hill Memorial State Park. FY 2016 adjustments would be as follows:

<b>Remove One-Time Funding</b>	<b>GF</b>	<b>FY 2016</b>
		<b>\$(500,000)</b>

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2016 for the elimination of a one-time appropriation to establish Yarnell Hill Memorial State Park. The park is being created to honor 19 Prescott firefighters who were killed fighting a wildfire near Yarnell, Arizona.

The FY 2015 Environment Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 13) established Yarnell Hill Memorial State Park. The Environment BRB created the Yarnell Hill Memorial Site Board, which will determine whether to establish the new park, in addition to allowing

the board to designate a site for the park. The \$500,000 General Fund appropriation will be used for land acquisition.

Furthermore, the Environment BRB established the Yarnell Hill Memorial Fund, which consists of legislative appropriations and donations for the purposes of land acquisition, site maintenance and board member travel expenses. The Yarnell Hill Memorial Site Board will administer the fund until December 31, 2016, when the board's authority lapses. At that time, the State Parks Board will administer the fund.

Laws 2014, Chapter 273 contained the same language for Yarnell Memorial State Park as the FY 2015 Environment BRB, except for the \$500,000 General Fund appropriation. However, this separate legislation contains an emergency clause.

\* \* \*

**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 2016, 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**

*Status of Parks*

As of November 2014, all 27 state parks are open to the public:

- Fifteen open parks plan to use only existing state fund sources (Alamo Lake, Buckskin Mountain, Catalina, Cattail Cove, Dead Horse Ranch, Fool Hollow, Jerome, Kartchner Caverns, Lake Havasu, Lost Dutchman, Lyman Lake, Patagonia Lake, Picacho Peak, Slide Rock, and Tonto Natural Bridge).
- The remaining 12 open 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.
- The remaining 12 parks are scheduled to be opened year round and operated by the Parks Board through partnerships: Fort Verde, Red Rock, Riordan Mansion, Homolovi Ruins, Roper Lake, Boyce Thompson Arboretum, McFarland, Tombstone Courthouse, Tubac Presidio, Yuma Territorial Prison, and Yuma Quartermaster Depot.
- Oracle is funded through an agreement between the State Parks Board and a private entity.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Arizona Trail Fund (PRA2525/A.R.S. § 41-511.15)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations and donations.		
<b>Purpose of Fund:</b> To maintain and preserve the Arizona trail.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Federal Funds (PRA2000/A.R.S. § 41-511.04)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants from the Department of the Interior, National Park Service, and other federal entities.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,503,600	6,306,800
<b>Year-End Fund Balance</b>	292,100	263,300

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Land Conservation Fund - Administration Account</b> (PRA2432/A.R.S. § 41-511.23)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For operating expenses.		
<b>Funds Expended</b>	566,400	1,000,000
<b>Year-End Fund Balance</b>	0	0
<b>Land Conservation Fund - Donation Account</b> (PRA2432 B/A.R.S. § 41-511.23)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations from public and private entities.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Land Conservation Fund - Public Conservation Account</b> (PRA2432 C/A.R.S. § 41-511.23)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> As approved by Arizona voters in November 1998, the fund receives \$20,000,000 annually from the General Fund in FY 2001 through 2011. Beginning in FY 2004, \$2,000,000 of this amount is deposited into the Livestock and Crop Conservation Fund, administered by the Department of Agriculture.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	15,470,400	761,300
<b>Year-End Fund Balance</b>	1,991,100	252,800
<b>Off-Highway Vehicle Recreation Fund</b> (PRA2253/A.R.S. § 28-1176)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Transfer from the Motor Vehicle Fuel Tax, equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
<b>Purpose of Fund:</b> 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 2015 Environment Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 13) allows the use of \$692,100 for agency operating expenses.		
<b>Funds Expended</b>	1,942,400	6,985,100
<b>Year-End Fund Balance</b>	5,477,400	1,347,300
<b>Partnership Fund</b> (PRA2448/A.R.S. § 41-511.04)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	132,300	242,500
<b>Year-End Fund Balance</b>	342,000	329,500

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>State Lake Improvement Fund (PRA2105/A.R.S. § 5-382)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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).		
<b>Funds Expended - Capital</b>	5,460,900	8,761,200
<b>Funds Expended - Operating (amount includes local grants)</b>	770,900	2,500,000
<b>Year-End Fund Balance</b>	6,639,200	2,878,000
<b>State Parks Fund (PRA3117/A.R.S. § 41-511.11)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private gifts, grants, and donations. The City of Yuma allocates \$150,000 annually for the operation of the Yuma Crossing State Historic Park.		
<b>Purpose of Fund:</b> To meet the objectives of contributors, especially as they relate to acquisition, development, and preservation of the state's natural features.		
<b>Funds Expended</b>	98,900	305,000
<b>Year-End Fund Balance</b>	0	0
<b>State Parks Revenue Fund (PRA5555/A.R.S. § 41-511.21)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> State parks user fees and concession sales; sales of park posters, postcards, books and souvenirs; donations and legislative appropriations.		
<b>Purpose of Fund:</b> 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 2015 Capital Outlay Bill (Laws 2014, Chapter 15) appropriated \$1,500,000 for capital improvement projects. The appropriation for Capital Outlay is reflected below.		
<b>Funds Expended - Operating (Appropriated)</b>	11,137,400	12,842,100
<b>Funds Expended - Operating (Capital)</b>	1,000,000	0
<b>Year-End Fund Balance</b>	8,266,400	5,106,900
<b>Sustainable State Parks and Roads Fund (PRA3125/A.R.S. § 41-511.17 and A.R.S. § 43-622)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Voluntary contributions from individual income taxpayers via a donation on the individual income tax return form.		
<b>Purpose of Fund:</b> To operate, maintain and make capital improvements to buildings, roads, parking lots, highway entrances and any related structure used to operate state parks.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Yarnell Hill Memorial Fund (PRA3124/A.R.S. § 41-519.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations and donations to the fund. The FY 2015 Environment Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 13) included a one-time appropriation of \$500,000 from the General Fund in FY 2015 to establish Yarnell Hill Memorial State Park. The \$500,000 General Fund appropriation will be used for land acquisition and is not shown below to avoid double counting.		
<b>Purpose of Fund:</b> The park is being created to honor 19 Prescott firefighters who were killed fighting a wildfire near Yarnell, Arizona. The FY 2015 Environment BRB establishes Yarnell Hill Memorial State Park. The Environment BRB creates the Yarnell Hill Memorial Site Board, which will determine whether to establish the new park, in addition to allowing the board to designate a site for the park. The Yarnell Hill Memorial Site Board will administer the fund until December 31, 2016, when the board's authority lapses. At that time, the State Parks Board will administer the fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

## State Personnel Board

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	110,700	125,000	125,000
Employee Related Expenditures	46,000	47,200	47,200
Professional and Outside Services	121,500	162,800	162,800
Travel - In State	1,400	2,400	2,400
Other Operating Expenditures	37,500	34,900	34,900
Equipment	0	2,700	2,700
<b>AGENCY TOTAL</b>	<b>317,100</b>	<b>375,000</b>	<b>375,000</b>

### FUND SOURCES

#### Other Appropriated Funds

Personnel Board Subaccount of the Personnel Division Fund	317,100	375,000	375,000
SUBTOTAL - Other Appropriated Funds	317,100	375,000	375,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>317,100</b>	<b>375,000</b>	<b>375,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>317,100</b>	<b>375,000</b>	<b>375,000</b>

**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 \$375,000 and 3 FTE Positions from the Personnel Board Subaccount of the Personnel Division Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Personnel Board Subaccount of the Personnel Division Fund</b> (PBA1107/A.R.S. § 41-750)		<b>Appropriated</b>
<b>Source of Revenue:</b> A 0.03% charge on the total payroll of each agency within the Arizona Department of Administration Personnel System.		
<b>Purpose of Fund:</b> To fund Personnel Board operations.		
<b>Funds Expended</b>	317,100	375,000
<b>Year-End Fund Balance</b>	511,700	604,600

## Office of Pest Management

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	30.0	30.0	30.0
Personal Services	719,700	743,100	743,100
Employee Related Expenditures	343,900	365,600	365,600
Travel - In State	28,400	31,600	31,600
Other Operating Expenditures	172,700	560,200	560,200
<b>AGENCY TOTAL</b>	<b>1,264,700</b>	<b>1,700,500</b>	<b>1,700,500</b>

### FUND SOURCES

#### Other Appropriated Funds

Pest Management Fund	1,264,700	1,700,500	1,700,500
SUBTOTAL - Other Appropriated Funds	1,264,700	1,700,500	1,700,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,264,700</b>	<b>1,700,500</b>	<b>1,700,500</b>

Federal Funds	159,100	113,500	113,500
<b>TOTAL - ALL SOURCES</b>	<b>1,423,800</b>	<b>1,814,000</b>	<b>1,814,000</b>

**AGENCY DESCRIPTION** — The agency licenses and regulates professional pest control companies and conducts examinations of applicators of structural pesticides.

#### Operating Budget

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The Baseline includes \$1,700,500 and 30 FTE Positions from the Pest Management Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Federal Funds (SBA2000/A.R.S. § 32-2304)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal Environmental Protection Agency grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	159,100	113,500
<b>Year-End Fund Balance</b>	20,100	20,100
<b>Pest Management Fund (SBA2050/A.R.S. § 32-2305)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, inspect, and regulate professional pest control companies and applicators of structural pesticides.		
<b>Funds Expended</b>	1,264,700	1,700,500
<b>Year-End Fund Balance</b>	2,647,600	2,216,700

## Arizona State Board of Pharmacy

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	18.0	18.0	18.0
Personal Services	1,043,300	858,400	858,400
Employee Related Expenditures	394,800	394,800	394,800
Professional and Outside Services	54,000	222,400	222,400
Travel - In State	39,500	40,000	40,000
Travel - Out of State	3,000	3,000	3,000
Other Operating Expenditures	518,700	499,000	499,000
Equipment	48,100	0	0
<b>OPERATING SUBTOTAL</b>	<b>2,101,400</b>	<b>2,017,600</b>	<b>2,017,600</b>
<b>SPECIAL LINE ITEMS</b>			
One-Time Funding Leave Payout	0	36,300	0
<b>AGENCY TOTAL</b>	<b>2,101,400</b>	<b>2,053,900</b>	<b>2,017,600</b>

### FUND SOURCES

#### Other Appropriated Funds

Arizona State Board of Pharmacy Fund	2,101,400	2,053,900	2,017,600
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>2,101,400</b>	<b>2,053,900</b>	<b>2,017,600</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,101,400</b>	<b>2,053,900</b>	<b>2,017,600</b>
Other Non-Appropriated Funds	579,800	427,400	427,400
Federal Funds	2,700	2,000	2,000
<b>TOTAL - ALL SOURCES</b>	<b>2,683,900</b>	<b>2,483,300</b>	<b>2,447,000</b>

**AGENCY DESCRIPTION** — The board licenses, regulates, and conducts examinations of pharmacists and issues permits to distributors of approved medications. The board also educates pharmacists and the general public on the proper distribution and use of these medications.

#### Operating Budget

The Baseline includes \$2,017,600 and 18 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

#### One-Time Funding Leave Payout

The Baseline includes no funding from the Arizona State Board of Pharmacy Fund in FY 2016 for Leave Payout. FY 2016 adjustments would be as follows:

**FY 2016**  
**Remove One-Time Leave Payout OF \$(36,300)**

The Baseline includes a decrease of \$(36,300) from the Arizona State Board of Pharmacy Fund in FY 2016 for the elimination of one-time funding.

The FY 2014 budget included \$48,900 in the operating budget for this purpose. None of the 4 employees who were eligible to retire in FY 2014 retired. Based on the

balances at that time, the annual leave payout for potential retirements was \$36,300. The board's \$48,900 appropriation for this purpose was reduced by \$(12,600) and the remaining \$36,300 was moved into a non-lapsing special line item only authorized for leave payout in FY 2015.

\* \* \*

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Arizona State Board of Pharmacy Fund (PMA2052/A.R.S. § 32-1907)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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, \$395,795 may be transferred to the Controlled Substance Prescription Monitoring Program Fund. The transfer is a "transfer out" and is not displayed in expenditures to avoid double counting.		
<b>Funds Expended</b>	2,101,400	2,053,900
<b>Year-End Fund Balance</b>	3,127,300	3,990,300
<b>Controlled Substances Prescription Monitoring Program Fund (PMA2359/A.R.S. § 36-2605)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	579,800	427,400
<b>Year-End Fund Balance</b>	28,400	131,000
<b>Federal Grants (PMA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal reimbursements and grants.		
<b>Purpose of Fund:</b> Reimbursements for services provided to the federal government and one-time grant to help implement a prescription monitoring program.		
<b>Funds Expended</b>	2,700	2,000
<b>Year-End Fund Balance</b>	100	100



## Board of Physical Therapy

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	205,500	196,300	196,300
Employee Related Expenditures	91,900	84,700	84,700
Professional and Outside Services	46,000	57,600	57,600
Travel - In State	1,000	5,700	5,700
Other Operating Expenditures	63,600	61,700	61,700
Equipment	1,000	2,000	2,000
<b>AGENCY TOTAL</b>	<b>409,000</b>	<b>408,000</b>	<b>408,000</b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Physical Therapy Fund	409,000	408,000	408,000
SUBTOTAL - Other Appropriated Funds	409,000	408,000	408,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>409,000</b>	<b>408,000</b>	<b>408,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>409,000</b>	<b>408,000</b>	<b>408,000</b>

**AGENCY DESCRIPTION** — The board licenses and regulates physical therapists. A physical therapist treats patients by exercise, massage, mechanical energy, electrical energy, heat, light, sound, and water. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

#### Operating Budget

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The Baseline includes \$408,000 and 4 FTE Positions from the Board of Physical Therapy Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Board of Physical Therapy Fund (PTA2053/A.R.S. § 32-2004)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate physical therapists, and physical therapy assistants, and for board administration.		
<b>Funds Expended</b>	409,000	408,000
<b>Year-End Fund Balance</b>	481,400	744,300

## Arizona Pioneers' Home

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	106.3	106.3	106.3
Personal Services	3,277,000	3,455,900	3,455,900
Employee Related Expenditures	1,645,700	1,773,600	1,773,600
Professional and Outside Services	115,900	128,500	128,500
Travel - In State	77,300	115,000	115,000
Other Operating Expenditures	695,500	588,500	559,000
<b>OPERATING SUBTOTAL</b>	<b>5,811,400</b>	<b>6,061,500</b>	<b>6,032,000</b>
<b>SPECIAL LINE ITEMS</b>			
Prescription Drugs	139,200	200,000	200,000
<b>AGENCY TOTAL</b>	<b>5,950,600</b>	<b>6,261,500</b>	<b>6,232,000</b>
<b>FUND SOURCES</b>			
General Fund	1,600,800	1,603,400	1,603,400
<u>Other Appropriated Funds</u>			
Miners' Hospital Fund	1,866,100	2,080,100	2,050,600
State Charitable Fund	2,483,700	2,578,000	2,578,000
SUBTOTAL - Other Appropriated Funds	4,349,800	4,658,100	4,628,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>5,950,600</b>	<b>6,261,500</b>	<b>6,232,000</b>
Other Non-Appropriated Funds	36,700	32,300	32,300
<b>TOTAL - ALL SOURCES</b>	<b>5,987,300</b>	<b>6,293,800</b>	<b>6,264,300</b>

**AGENCY DESCRIPTION** — The Arizona Pioneers' Home provides a home and long-term nursing care and medical care for Arizona pioneers, long-term residents, and disabled miners. The Home, on average, cares for 105 residents.

### Operating Budget

The Baseline includes \$6,032,000 and 106.3 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<u>FY 2016</u>
General Fund	\$1,603,400
Miners' Hospital Fund	2,050,600
State Charitable Fund	2,378,000

FY 2016 adjustments would be as follows:

**Remove One-time Funding OF (29,500)**

The Baseline includes a decrease of \$(29,500) from the Miners' Hospital Fund in FY 2016 for the elimination of 2-year funding for radiator cover upgrades.

### Prescription Drugs

The Baseline includes \$200,000 from the State Charitable Fund in FY 2016 for Prescription Drugs. This amount is unchanged from FY 2015.

Monies in this line item provide funding for prescription drugs used by residents at the Arizona Pioneers' Home.

\* \* \*

**FORMAT** — Operating Lump Sum with Special Line Items by Agency

### FOOTNOTES

#### Standard Footnotes

Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated for the Arizona Pioneers' Home and the State Hospital for Disabled Miners in compliance with the Enabling Act and the Constitution of Arizona.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>IGA and ISA Fund (PIA2500/A.R.S. § 41-921)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Intergovernmental agreements between the Arizona Pioneers' Home and other state and local entities.		
<b>Purpose of Fund:</b> To be used as specified in the grant or agreement.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Miners' Hospital Fund (PIA3130/A.R.S. § 37-525)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide a continuous source of funds to benefit the Arizona Pioneers' Home.		
<b>Funds Expended</b>	1,866,100	2,080,100
<b>Year-End Fund Balance</b>	1,245,800	1,214,300
<b>Pioneers' Home Fund (Cemetery Proceeds) (PIA3144/A.R.S. § 41-926)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Cemetery proceeds from the sale of interment rights or the lease of cemetery land.		
<b>Purpose of Fund:</b> To defray expenses or work conducted by the Arizona Pioneers' Home and the Arizona Pioneers' Home Cemetery.		
<b>Funds Expended</b>	27,500	16,500
<b>Year-End Fund Balance</b>	73,400	97,900
<b>Pioneers' Home Fund (Donations) (PIA3143/A.R.S. § 41-926)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations or contributions from private sources.		
<b>Purpose of Fund:</b> To defray expenses or work conducted by the Arizona Pioneers' Home in serving its clientele.		
<b>Funds Expended</b>	4,000	10,600
<b>Year-End Fund Balance</b>	139,500	141,100
<b>State Charitable Fund (PIA3129/A.R.S. § 37-525)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Earnings from the Pioneers' Home's share of the State Charitable, Penal and Reformatory Grant lands.		
<b>Purpose of Fund:</b> For the operation, Personal Services, and Employee Related Expenditures of the Pioneers' Home.		
<b>Funds Expended</b>	2,483,700	2,578,000
<b>Year-End Fund Balance</b>	2,864,100	3,222,900
<b>Statewide Employee Recognition Gifts Fund (PIA2449/A.R.S. § 41-709)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations, gifts, or contributions from public or private sources.		
<b>Purpose of Fund:</b> For the conduct of employee recognition programs.		
<b>Funds Expended</b>	5,200	5,200
<b>Year-End Fund Balance</b>	18,900	22,700

**State Board of Podiatry Examiners**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	69,000	71,200	71,200
Employee Related Expenditures	21,600	23,000	23,000
Professional and Outside Services	7,100	18,100	18,100
Travel - In State	2,300	3,500	3,500
Other Operating Expenditures	25,200	31,500	31,500
<b>AGENCY TOTAL</b>	<b>125,200</b>	<b>147,300</b>	<b>147,300</b>

**FUND SOURCES**

<i>Other Appropriated Funds</i>			
Podiatry Fund	125,200	147,300	147,300
SUBTOTAL - Other Appropriated Funds	125,200	147,300	147,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>125,200</b>	<b>147,300</b>	<b>147,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>125,200</b>	<b>147,300</b>	<b>147,300</b>

**AGENCY DESCRIPTION** — The board licenses and regulates Doctors of Podiatric Medicine. A podiatrist must take specialized training, serve an internship and pass a qualifying examination prior to licensure to diagnose and treat foot ailments. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

**Operating Budget**

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**FORMAT** — Lump Sum by Agency

The Baseline includes \$147,300 and 1 FTE Position from the Podiatry Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

<b>SUMMARY OF FUNDS</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Estimate</b>
<b>Podiatry Fund (POA2055/A.R.S. § 32-806)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate podiatrists, and for board administration.		
<b>Funds Expended</b>	125,200	147,300
<b>Year-End Fund Balance</b>	138,400	131,900

## Commission for Postsecondary Education

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	112,700	118,900	118,900
Employee Related Expenditures	47,400	54,300	54,300
Professional and Outside Services	16,100	0	0
Travel - In State	700	0	0
Other Operating Expenditures	25,300	11,700	11,700
<b>OPERATING SUBTOTAL</b>	<b>202,200</b>	<b>184,900</b>	<b>184,900</b>
<b>SPECIAL LINE ITEMS</b>			
Arizona College and Career Guide	16,100	21,300	21,300
Arizona Minority Educational Policy Analysis Center	18,900	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	29,700	130,500	130,500
<b>AGENCY TOTAL</b>	<b>2,762,400</b>	<b>2,932,200</b>	<b>2,932,200</b>
<b>FUND SOURCES</b>			
General Fund	1,396,800	1,396,800	1,396,800
<b>Other Appropriated Funds</b>			
Postsecondary Education Fund	1,365,600	1,535,400	1,535,400
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>1,365,600</b>	<b>1,535,400</b>	<b>1,535,400</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,762,400</b>	<b>2,932,200</b>	<b>2,932,200</b>
Other Non-Appropriated Funds	473,700	1,126,400	579,600
Federal Funds	1,188,200	22,400	0
<b>TOTAL - ALL SOURCES</b>	<b>4,424,300</b>	<b>4,081,000</b>	<b>3,511,800</b>

**AGENCY DESCRIPTION** — The Commission for Postsecondary Education reviews and recommends higher education policies, while providing a discussion forum for public and private postsecondary educational institutions and their stakeholders on issues of mutual interest. The 16 commissioners are authorized to administer certain federal and state student financial aid programs.

### Operating Budget

The Baseline includes \$184,900 and 4.5 FTE Positions from the Postsecondary Education Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

### Arizona College and Career Guide

The Baseline includes \$21,300 from the Postsecondary Education Fund in FY 2016 for the Arizona College and Career Guide Special Line Item (SLI). This amount is unchanged from FY 2015.

The Arizona College and Career Guide is an annual publication that lists Arizona's public and private postsecondary educational institutions. The guide describes each institution's available degree and certificate programs, course lengths, and costs of attendance.

### Arizona Minority Educational Policy Analysis Center

The Baseline includes \$100,000 and a 0.2 FTE Position from the Postsecondary Education Fund in FY 2016 for the Arizona Minority Educational Policy Analysis Center (AMEPAC) SLI. These amounts are unchanged from FY 2015.

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 2016. This amount consists of:

	<b>FY 2016</b>
General Fund	\$1,220,800
Postsecondary Education Fund	1,098,700

These amounts are unchanged from FY 2015.

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 2016 for the Math and Science Teacher Initiative. This amount is unchanged from FY 2015.

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 2016 for the Twelve Plus Partnership (TPP). These amounts are unchanged from FY 2015.

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 the Arizona College and Career Guide, Arizona Minority Educational Policy Analysis Center and Twelve Plus Partnership are estimates representing all monies distributed to this fund, including balance forward, revenue and transfers, during FY 2016. 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 must be paid from institutional matching funds and may not exceed 12% of the funds in FY 2016.

Any unencumbered balance remaining in the Postsecondary Education Fund on June 30, 2015, 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 2011, 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. The commission has determined 39 of these loans as uncollectible and has forwarded the loans to the Attorney General for collection.

*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 PEG 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. The commission has not yet determined any of these loans

to be uncollectible and therefore, has not forwarded them to the Attorney General for collection.

*MSSE*

There have been 236 students awarded MSSE forgivable loans since its inception in FY 2007. Of those recipients, 116 completed the loan requirements and had their loan forgiven, 5 have paid their loan balance in full, 39 are currently in repayment, and 76 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, 2 are in default. 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 2014 Actual	FY 2015 Estimate
<b>Family College Savings Program Trust Fund (PEA3121/A.R.S. § 15-1873B)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees paid by financial institutions which are contracted to serve as program managers of assets.		
<b>Purpose of Fund:</b> For operating expenses and administrative costs of the Arizona Family College Savings Program.		
<b>Funds Expended</b>	443,000	471,100
<b>Year-End Fund Balance</b>	245,600	294,500
<b>Federal Grants (PEA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grant revenue.		
<b>Purpose of Fund:</b> Federal grant revenues to be used by the commission as specified by the grant(s).		
<b>Funds Expended</b>	1,188,200	22,400
<b>Year-End Fund Balance</b>	22,400	0

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>IGA/ISA Fund (PEA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<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. In FY 2014 the remaining balance of \$546,800 in the now repealed 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 one-year continuation of the Special Education Grant Program that provides forgivable student loans to students at private postsecondary institutions. Laws 2014, Chapter 17 then required the commission to transfer these monies into the Technology-Based Language Development and Literacy Intervention Fund within the Arizona Department of Education.		
<b>Funds Expended</b>	0	546,800
<b>Year-End Fund Balance</b>	546,800	0
<b>Mathematics, Science, and Special Education Teacher Student Loan Fund (PEA2358/A.R.S. § 15-1784)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Legislative appropriations and repayments of principal and interest of issued loans.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	270,500	293,000
<b>Postsecondary Education Fund (PEA2405/A.R.S. § 15-1853)</b>		<b>Partially-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> For designated purposes. 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.		
<b>Appropriated Funds Expended</b>	1,365,600	1,535,400
<b>Non-Appropriated Funds Expended</b>	30,700	108,500
<b>Year-End Fund Balance</b>	177,600	104,400
<b>Postsecondary Education Grant Program (PEA2530/A.R.S. § 15-1855)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Monies appropriated by the Legislature. Program has not been funded since FY 2010.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,800	1,800
<b>Private Postsecondary Education Student Financial Assistance Fund (PEA2128/A.R.S. § 15-1854)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Monies appropriated by the Legislature. Program has not been funded since FY 2011.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	23,500	33,500
<b>Teachers Incentive Program Fund (PEA2249/A.R.S. § 15-1851)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Monies collected as repayment from students who do not meet the conditions of the loan program.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0



## Arizona Power Authority

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	34,688,400	34,823,500	34,823,500
<b>TOTAL - ALL SOURCES</b>	<b>34,688,400</b>	<b>34,823,500</b>	<b>34,823,500</b>

**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.

<b>SUMMARY OF FUNDS</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Estimate</b>
<b>Hoover Upgrading Fund (PAA1113/A.R.S. § 30-202)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The sale of hydro-electricity from Hoover Dam to APA customers.		
<b>Purpose of Fund:</b> To purchase hydro-electricity from Hoover Dam for APA customers.		
<b>Funds Expended</b>	34,433,500	32,675,200
<b>Year-End Fund Balance</b>	0	0
<b>Interest Income Fund (PAA1112/A.R.S. § 30-203)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Interest income is received from investments with the Arizona State Treasurer.		
<b>Purpose of Fund:</b> To pay for the operating expenses of the Power Authority.		
<b>Funds Expended</b>	6,300	3,500
<b>Year-End Fund Balance</b>	0	0
<b>Power Authority Fund (PAA9506/A.R.S. § 30-202)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Energy sales to any of the authority's 39 customers.		
<b>Purpose of Fund:</b> To purchase supplemental energy on the open market (usually from Salt River Project) for APA customers and to fund special APA projects.		
<b>Funds Expended</b>	248,600	2,144,800
<b>Year-End Fund Balance</b>	3,192,000	3,111,300

**State Board for Private Postsecondary Education**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	222,400	234,500	234,500
Employee Related Expenditures	79,900	87,000	87,000
Professional and Outside Services	16,400	27,400	27,400
Travel - In State	500	2,000	2,000
Travel - Out of State	500	0	0
Other Operating Expenditures	49,700	39,000	39,000
Equipment	1,400	5,800	5,800
<b>OPERATING SUBTOTAL</b>	<b>370,800</b>	<b>395,700</b>	<b>395,700</b>
<b>SPECIAL LINE ITEMS</b>			
Student Tuition Recovery Fund Deposit	245,600	0	0
<b>AGENCY TOTAL</b>	<b>616,400</b>	<b>395,700</b>	<b>395,700</b>

**FUND SOURCES**

<b>Other Appropriated Funds</b>			
Board for Private Postsecondary Education Fund	616,400	395,700	395,700
SUBTOTAL - Other Appropriated Funds	616,400	395,700	395,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>616,400</b>	<b>395,700</b>	<b>395,700</b>
Other Non-Appropriated Funds	106,400	136,600	136,600
<b>TOTAL - ALL SOURCES</b>	<b>722,800</b>	<b>532,300</b>	<b>532,300</b>

**AGENCY DESCRIPTION** — The board licenses and regulates 260 private postsecondary education institutions that service approximately 636,614 students annually. The board processes license applications, determines compliance, investigates complaints and violations, and takes disciplinary action on all private postsecondary institutions that offer vocational and/or degree programs. However, the board does not have jurisdiction over cosmetology, barber, real estate, or professional driving schools. In addition to regulatory duties, the board administers the Student Tuition Recovery Fund, which provides restitution to students financially injured by private postsecondary institutional closures.

**Operating Budget**

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The Baseline includes \$395,700 and 4 FTE Positions from the Board for Private Postsecondary Education Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Board for Private Postsecondary Education Fund (PVA2056/A.R.S. § 32-3004)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate private postsecondary institutions. Monies are also used for board administration costs.		
<b>Funds Expended</b>	616,400	395,700
<b>Year-End Fund Balance</b>	760,900	853,300

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Student Tuition Recovery Fund (PVA3027/A.R.S. § 32-3072)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To compensate persons suffering damages as the result of a private postsecondary institution ceasing operations.		
<b>Funds Expended</b>	106,400	136,600
<b>Year-End Fund Balance</b>	634,400	507,800

## State Board of Psychologist Examiners

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	161,000	199,100	199,100
Employee Related Expenditures	72,700	84,200	84,200
Professional and Outside Services	22,600	18,000	18,000
Travel - In State	6,400	7,400	7,400
Travel - Out of State	5,700	4,000	4,000
Other Operating Expenditures	77,500	97,900	74,100
Equipment	16,500	3,000	3,000
<b>AGENCY TOTAL</b>	<b>362,400</b>	<b>413,600</b>	<b>389,800</b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Psychologist Examiners Fund	362,400	413,600	389,800
SUBTOTAL - Other Appropriated Funds	362,400	413,600	389,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>362,400</b>	<b>413,600</b>	<b>389,800</b>
<b>TOTAL - ALL SOURCES</b>	<b>362,400</b>	<b>413,600</b>	<b>389,800</b>

**AGENCY DESCRIPTION** — The board licenses and regulates psychologists and behavior analysts.

#### Operating Budget

\* \* \*

**FORMAT** — Lump Sum by Agency

The Baseline includes \$389,800 and 4 FTE Positions from the Board of Psychologist Examiners Fund in FY 2016 for the operating budget. FY 2016 adjustments would be as follows:

**Remove One-Time Funding OF FY 2016 \$(23,800)**

The Baseline includes a decrease of \$(23,800) from the Board of Psychologist Examiners Fund in FY 2016 to eliminate one-time funding for a license application and renewal management system.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Board of Psychologist Examiners Fund (SYA2058/A.R.S. § 32-2065)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate psychologists and behavior analysts, and for board administration.		
<b>Funds Expended</b>	362,400	413,600
<b>Year-End Fund Balance</b>	559,000	1,036,300

## Department of Public Safety

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1,904.7	1,907.7	1,907.7
Personal Services	96,020,600	103,981,300	103,981,300
Employee Related Expenditures	63,558,200	70,917,200	70,917,200
Professional and Outside Services	1,614,500	2,158,500	2,158,500
Travel - In State	329,500	652,500	652,500
Travel - Out of State	207,100	195,700	195,700
Other Operating Expenditures	30,668,200	28,832,200	26,263,400
Equipment	10,477,100	7,298,400	7,298,400
<b>OPERATING SUBTOTAL</b>	<b>202,875,200</b>	<b>214,035,800</b>	<b>211,467,000</b>
<b>SPECIAL LINE ITEMS</b>			
ACTIC	0	0	700,000
GIITEM	20,560,800	21,305,900	20,905,600
GIITEM Subaccount	2,240,900	2,390,000	2,390,000
Public Safety Equipment	2,086,200	2,890,000	2,890,000
Motor Vehicle Fuel	3,920,100	3,935,500	5,454,600
<b>AGENCY TOTAL</b>	<b>231,683,200</b>	<b>244,557,200</b>	<b>243,807,200</b>
<b>FUND SOURCES</b>			
General Fund	50,802,100	89,324,900	88,574,900
<b>Other Appropriated Funds</b>			
Automated Fingerprint Identification System Fund	2,359,800	2,909,700	2,909,700
Automation Operations Fund	295,800	296,200	296,200
Concealed Weapons Permit Fund	0	1,276,400	1,276,400
Crime Laboratory Assessment Fund	870,600	871,300	871,300
Crime Laboratory Operations Fund	14,277,200	14,723,800	14,723,800
Criminal Justice Enhancement Fund	2,871,200	2,873,400	2,873,400
Deoxyribonucleic Acid (DNA) Identification System Fund	5,423,800	6,323,200	6,323,200
GIITEM Subaccount	2,240,900	2,390,000	2,390,000
Highway Patrol Fund	19,608,200	19,024,300	19,024,300
Highway User Revenue Fund	119,247,100	89,255,000	89,255,000
Motorcycle Safety Fund	205,000	205,000	205,000
Parity Compensation Fund	1,885,300	1,950,100	1,950,100
Public Safety Equipment Fund	2,086,200	2,890,000	2,890,000
Risk Management Revolving Fund	1,199,900	1,233,700	1,233,700
Safety Enforcement and Transportation Infrastructure Fund	1,566,300	1,566,300	1,566,300
State Aid to Indigent Defense Fund	0	700,000	700,000
State Highway Fund	6,743,800	6,743,900	6,743,900
SUBTOTAL - Other Appropriated Funds	180,881,100	155,232,300	155,232,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>231,683,200</b>	<b>244,557,200</b>	<b>243,807,200</b>
Other Non-Appropriated Funds	37,233,100	46,615,300	42,422,100
Federal Funds	36,913,200	30,624,000	25,311,300
<b>TOTAL - ALL SOURCES</b>	<b>305,829,500</b>	<b>321,796,500</b>	<b>311,540,600</b>

**AGENCY DESCRIPTION** — The Department of Public Safety (DPS) is responsible for the enforcement of state criminal laws and traffic regulations. In addition to the Highway Patrol, DPS operates and maintains statewide communications systems, state crime laboratories and an automated fingerprint identification network, and performs aviation missions, special investigations, and other law enforcement activities.

**Operating Budget**

The Baseline includes \$211,467,000 and 1,770.9 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<u>FY 2016</u>
General Fund	\$63,285,100
Automated Fingerprint Identification System (AFIS) Fund	2,909,700
Automation Operations Fund	296,200
Concealed Weapons Permit Fund	1,276,400
Crime Laboratory Assessment Fund (CLAF)	871,300
Crime Laboratory Operations Fund (CLOF)	14,723,800
Criminal Justice Enhancement Fund (CJEF)	2,739,100
Deoxyribonucleic Acid (DNA) Identification System Fund	6,323,200
Highway Patrol Fund	18,725,900
Highway User Revenue Fund (HURF)	88,617,300
Motorcycle Safety Fund	205,000
Parity Compensation Fund	1,950,100
Risk Management Revolving Fund	1,233,700
Safety Enforcement and Transportation Infrastructure Fund (SETIF)	1,566,300
State Highway Fund	6,743,900

FY 2016 adjustments would be as follows:

**ACTIC Funding Shift OF (700,000)**

The Baseline includes a decrease of \$(700,000) from the State Aid to Indigent Defense Fund in FY 2016 to shift ACTIC operating expenses from the operating budget to its own line item.

**Elimination of One-Time Funding GF (750,000)**

The Baseline includes a decrease of \$(750,000) from the General Fund in FY 2016 for the elimination of one-time funding for ACTIC operating expenses.

**Fuel Expenditure Realignment GF (279,700)  
OF (839,100)**

The Baseline includes a decrease of \$(1,118,800) in FY 2016 to shift all fuel expenditures to the Motor Vehicle Fuel SLI. This amount consists of:

General Fund	(279,700)
CJEF	(134,300)
Highway Patrol Fund	(67,100)
HURF	(637,700)

**Radio and Infrastructure Equipment Replacement GF 0  
OF 0**

The Baseline continues \$677,300 in FY 2016 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 2015. The equipment to be replaced includes portable radios, mobile radios, base stations, and telecommunications infrastructure.

**ACTIC**

The Baseline includes \$700,000 from the State Aid to Indigent Defense Fund in FY 2016 for the operation of the Arizona Counter Terrorism Information Center (ACTIC). FY 2016 adjustments would be as follows:

**ACTIC Funding Shift OF 700,000**

The Baseline includes an increase of \$700,000 from the State Aid to Indigent Defense Fund in FY 2016 to shift ACTIC operating expenses from the operating budget to its own line item.

Created in FY 2005, ACTIC is a joint effort between federal, state, and local law enforcement agencies to combat terrorism, gang violence, and other crimes through information sharing. The salaries of participants are funded by their respective agencies, however, DPS is responsible for the operational costs of the 40,000 square foot building in which ACTIC is housed. These monies fund those costs.

**GIITEM**

The Baseline includes \$20,905,600 and 136.8 FTE Positions from the General Fund in FY 2016 for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). The FY 2016 adjustments would be as follows:

**Fuel Expenditure Realignment GF (400,300)**

The Baseline includes a decrease of \$(400,300) from the General Fund in FY 2016 to shift all fuel expenditures to the Motor Vehicle Fuel SLI.

The GIITEM Special Line Item is comprised of monies for the following GIITEM functions, including: 1) \$8,543,700 for gang enforcement, investigation, and interdiction; 2) \$9,158,500 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.

<u>Function/Purpose</u>	<u>FY 2016</u>
Gang Enforcement & Investigation	\$ 8,543,700
DPS Immigration Personnel	9,158,500
Local Immigration Enforcement Grants	2,603,400 <sup>1/</sup>
GangNet Upgrade & Crime Analysts	600,000
<b>TOTAL</b>	<b>\$20,905,600</b>

<sup>1/</sup> DPS also has prior year non-lapsing monies available for local efforts.

Current statute allocates the first \$1,600,000 in local immigration enforcement grant monies to a county with more than 3,000,000 people (Maricopa County) and the next \$500,000 to a county with less than 500,000 people but more than 300,000 people (Pinal County).

The remaining \$503,400 may be used for agreements with cities, counties, and other entities at a 3:1 match rate. Maricopa and Pinal County are excluded from the matching requirements.

A.R.S. § 41-1724C requires DPS to distribute the monies in the GIITEM Fund as soon after July 1 of every year as practicable. (Please see Table 4 in the Other Issues for Legislative Consideration section for more information on actual expenditures.)

**GIITEM Subaccount**

The Baseline includes \$2,390,000 from the GIITEM Border Security and Law Enforcement Subaccount in FY 2016 for the GIITEM Subaccount for equipment and supplies for border security. This amount is unchanged from FY 2015.

The GIITEM Border Security and Law Enforcement Subaccount receives \$4 of a \$13 criminal fee. These revenues are estimated to total \$2,385,300 in FY 2016. The monies in the GIITEM Subaccount are for border security personnel and public safety equipment. The monies are to be provided directly to county sheriffs without approval by the respective Board of Supervisors. The authorizing legislation does not specify any particular distribution by county.

The FY 2015 Criminal Justice BRB requires DPS to submit to the JLBC for review a FY 2015 expenditure plan for the GIITEM Subaccount. At its June 19, 2014 meeting, the JLBC gave a favorable review to the proposed GIITEM Subaccount expenditure plan for FY 2015. The plan includes \$563,100 for detention liaison officers, \$407,000 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 \$1,049,800 for grants to county sheriffs for border security. (Please see Table 4 in the Other Issues for Legislative Consideration section for more information on actual expenditures.) The Baseline would continue the requirement in FY 2016.

**Public Safety Equipment**

The Baseline includes \$2,890,000 from the Public Safety Equipment Fund in FY 2016 for Public Safety Equipment. This amount is unchanged from FY 2015.

The Public Safety Equipment Fund receives \$4 of a \$13 surcharge on fines, violations and penalties for criminal offenses and civil motor vehicle violations. In addition, DPS receives another \$4 of the surcharge if its officer issued the citation. These revenue sources are subject to appropriation.

Additionally, the fund receives the first \$1,200,000 collected from an assessment of up to \$1,500 on driving under the influence (DUI) offenses. This \$1,200,000 is not subject to appropriation.

The Public Safety Equipment Special Line Item (SLI) monies can be used to purchase vehicles, protective armor, electronic stun devices and other safety equipment.

**Motor Vehicle Fuel**

The Baseline includes \$5,454,600 in FY 2016 for Motor Vehicle Fuel. This amount consists of:

General Fund	4,384,200
CJEF	134,300
Highway Patrol Fund	298,400
HURF	637,700

FY 2016 adjustments would be as follows:

<b>Fuel Expenditure Realignment</b>	<b>GF</b>	<b>680,000</b>
	<b>OF</b>	<b>839,100</b>

The Baseline includes an increase of \$1,519,100 in FY 2016 to shift all fuel expenditures to the Motor Vehicle Fuel SLI. This amount consists of:

General Fund	680,000
CJEF	134,300
Highway Patrol Fund	67,100
HURF	637,700

The Motor Vehicle Fuel SLI centralizes monies appropriated to DPS for motor vehicle fuel. In addition to \$3,920,100 in Motor Vehicle Fuel SLI monies expended in FY 2014, DPS expended \$680,000 GF, \$839,100 OF, and

\$867,500 in non-appropriated monies for fuel from other parts of the DPS budget in FY 2014.

\* \* \*

**FORMAT** — Operating Lump Sum with Special Line Items by Agency

## FOOTNOTES

### *Standard Footnotes*

Of the \$20,905,600 appropriated to GIITEM, only \$2,603,400 is deposited in the GIITEM Fund established by A.R.S. § 41-1724, and is appropriated for the purposes of that section. The \$2,603,400 is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations. This state recognizes that states have inherent authority to arrest a person for any immigration violation.

Of the \$20,905,600 appropriated to GIITEM, \$9,158,500 must be used for 100 Department of Public Safety GIITEM personnel. The additional staff must include at least 50 sworn Department of Public Safety positions to be used for immigration enforcement and border security and 50 Department of Public Safety positions to assist GIITEM in various efforts, including:

- 1) Strict enforcement of all federal law relating to illegal aliens and arresting illegal aliens.
- 2) Responding to or assisting any county sheriff or attorney in investigating complaints of employment of illegal aliens.
- 3) Enforcing Arizona's law known as the Legal Arizona Workers Act, strict enforcement of Arizona's SB 1070, Arizona's "Support Our Law Enforcement and Safe Neighborhoods Act", investigating crimes of identity theft in the context of hiring illegal aliens and the unlawful entry into the country.

- 4) Taking strict enforcement action.

Any change in the GIITEM mission or allocation of monies must be approved by the Joint Legislative Budget Committee. The department shall submit an expenditure plan to the Joint Legislative Budget Committee for review before expending any monies not identified in the department's previous expenditure plans.

Any monies remaining in the Department of Public Safety Joint Account on June 30, 2016 revert to the funds from which they were appropriated. The reverted monies must be returned in direct proportion to the amounts appropriated.

## STATUTORY CHANGES

The Baseline would:

- As session law, continue to notwithstanding the statutory spending cap of \$10,000,000 for HURF (A.R.S. § 28-6537).

- As session law, continue to require DPS to receive JLBC review of the expenditure plan for the GIITEM Subaccount FY 2016 appropriation prior to its expenditure.
- As session law, continue to allow DPS to expend monies from the State Aid to Indigent Defense Fund for ACTIC operating expenses.

## OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

### ***Long Term Budget Impacts: HURF Funding***

The Baseline continues HURF funding at \$89.3 million. The FY 2015 budget reduced HURF funding from \$119.3 million to \$89.3 million and backfilled the reduction with a commensurate amount of General Fund monies. This reduction allowed for the \$30.0 million distribution from HURF to local governments included in the FY 2015 Revenue BRB. By statute, increased HURF funds are typically split evenly between local distributions and state highway construction. The FY 2015 Revenue BRB allocated the \$30.0 million entirely to local jurisdictions as follows: 33.231% to counties, 48.097% to cities and towns, 5.247% to cities with a population larger than 300,000 individuals, and 13.425% to counties with a population of more than 800,000 individuals. These monies were distributed among local jurisdictions in the same proportions as the local share of regular HURF allocations. The impact of this shift is displayed in *Table 2*.

The FY 2015 Revenue BRB continued the FY 2015 \$30.0 million distribution to local governments in FY 2016 and increased the level to \$60.0 million in FY 2017. The legislative intent is that General Fund monies offset the loss of these HURF monies in DPS. The Baseline reflects the legislative intent by continuing the General Fund offset in FY 2016.

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 \$10.0 million per year for both HURF and the State Highway Fund (the latter being a beneficiary of the HURF distribution formula). A series of session law provisions have notwithstanding these caps in most years since FY 2002, however, in FY 2012 this provision was eliminated for the State Highway Fund. *Table 3* reflects DPS expenditures from HURF and the State Highway Fund. (*Please see ADOT Capital section for more information on the HURF distribution formula.*)



**Table 2**  
**Annual Impact of HURF Shift Proposal**  
**on Beneficiaries**  
(\$ in millions)

<u>Beneficiaries</u>	<u>\$ Increase</u>	<u>Revised Total</u>
Cities	16.0 <sup>1/</sup>	373.0
Counties	10.0	232.4
Controlled Access	4.0 <sup>2/</sup>	92.7
State Highway		
Construction	0.0	35.6
<b>Total</b>	<b>30.0</b>	<b>733.7</b>

<sup>1/</sup> Includes \$1.6 million for Phoenix, Tucson, and Mesa.  
<sup>2/</sup> These monies are for distribution to Maricopa and Pima Counties.

**Table 3**  
**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
2014	119.2	6.7	125.9
2015	89.3	6.7	96.0
2016	89.3	6.7	96.0

Table 4

State Immigration Enforcement Assistance to Local Governments

**DPS GIITEM Local Immigration Enforcement Grant Expenditures<sup>1/</sup>**

Agency	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>
Pima County Sheriff's Department	\$904,800	\$825,400	-	-	-	-
Phoenix Police Department	716,100	584,400	342,100	-	-	-
Border Detention Liaison Officers (See Chart Below)	504,800	438,800	397,000	-	-	-
Border County Officers (See Chart Below)	364,800	384,900	351,200	-	-	-
AZ Fraudulent Identification Task Force <sup>2/</sup>	194,600	-	-	-	-	-
Maricopa County Sheriff's Office	1,200,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
DPS Expenditures in Support of Local Grants	441,800	378,500	695,800	327,900	428,600	428,600
Crime Lab Transfer <sup>3/</sup>	-	-	-	-	-	-
Pinal County Sheriff's Department	-	-	500,000	500,000	500,200	500,000
<b>TOTAL</b>	<b>\$4,326,900</b>	<b>\$4,212,000</b>	<b>\$3,886,100</b>	<b>\$2,427,900</b>	<b>2,528,800</b>	<b>2,528,600</b>

Year of Appropriation of Funding	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011 <sup>4/</sup>	FY 2012	FY 2013	FY 2014	FY 2015
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	4,051,900	-	-	-	-	-	-	-	-
	275,000	2,332,300	-	-	-	-	-	-	-
	-	1,879,700 <sup>4/</sup>	1,517,000 <sup>4/</sup>	-	-	-	-	-	-
	-	-	2,413,000	189,300	-	-	-	-	-
	-	-	-	2,238,600	363,100	2,400	-	-	-
	-	-	-	-	2,165,700	437,700	-	-	-
	-	-	-	-	-	-	-	-	2,088,500
	<b>\$4,326,900</b>	<b>\$4,212,000</b>	<b>\$3,930,000</b>	<b>\$2,427,900</b>	<b>\$2,528,800</b>	<b>\$2,528,600</b>	<b>\$2,528,800</b>	<b>\$2,528,800</b>	<b>\$2,528,600</b>

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)

<u>Detention Liaison Officer Grants</u> <sup>5/</sup>	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>
Cochise County Sheriff's Office	\$34,098	\$33,100	\$39,800	\$5,500	\$40,600
Graham County Sheriff's Office	31,209	21,100	31,200	15,200	37,300
Maricopa County Sheriff's Office	-	-	-	-	41,300
Pima County Sheriff's Office	44,015	43,900	44,500	56,700	94,000
Pinal County Sheriff's Office	56,213	46,300	58,700	-	46,300
Santa Cruz County Sheriff's Office	44,139	18,600	-	24,800	30,000
Yuma County Sheriff's Office	41,101	41,000	42,400	35,800	45,300
Department of Corrections	188,054	237,400	180,400	263,000	228,300
<b>Total</b>	<b>\$438,829</b>	<b>\$441,400</b>	<b>\$397,000</b>	<b>\$401,000</b>	<b>\$563,100</b>
<u>Border County Officers</u> <sup>5/</sup>					
Benson Police	\$59,147	\$63,700	\$63,000	\$36,300	\$59,000
Coolidge Police	66,298	46,600	62,900	66,200	56,000
Douglas Police	117,818	123,700	124,800	102,600	120,000
Oro Valley Police	59,581	62,200	54,800	47,300	48,000
Pinal County Sheriff's Office	57,649	54,500	45,700	89,700	64,000
Yuma County Sheriff's Office	24,367	-	-	47,900	60,000
<b>Total</b>	<b>\$384,861</b>	<b>\$350,700</b>	<b>\$351,200</b>	<b>\$390,000</b>	<b>\$407,000</b>
<u>Border Security and Law Enforcement Grants</u> <sup>5/</sup>					
Apache County Sheriff's Office	-	-	-	\$11,600	\$11,500
Cochise County Sheriff's Office	-	-	-	20,800	20,900
Coconino County Sheriff's Office	-	-	-	-	21,600
Gila County Sheriff's Office	-	-	-	8,400	8,600
Graham County Sheriff's Office	-	-	-	-	6,000
Greenlee County Sheriff's Office	-	-	-	-	1,700
La Paz County Sheriff's Office	-	-	-	3,200	3,300
Maricopa County Sheriff's Office	-	-	-	627,700	629,400
Mohave County Sheriff's Office	-	-	-	32,200	32,500
Navajo County Sheriff's Office	-	-	-	16,900	17,300
Pima County Sheriff's Department	-	-	-	156,600	158,900
Pinal County Sheriff's Office	-	-	-	61,100	62,800
Santa Cruz Sheriff's Office	-	-	-	7,500	7,900
Yavapai County Sheriff's Office	-	-	-	33,600	34,000
Yuma County Sheriff's Office	-	-	-	-	33,400
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$979,600</b>	<b>\$1,049,800</b>

5/ Funding for the Detention Liaison Officer Grants and the Border County Officers in FY 2011 and FY 2012 is included in the annual \$2.6 million General Fund appropriation for Local Immigration Enforcement Grants. In FY 2013 - FY 2015 the monies were allocated from the GIITEM Subaccount. Funding for the Border Security and Law Enforcement Grants is provided from the GIITEM Subaccount.

Table 4 (Continued)

GIITEM Subaccount Expenditures<sup>6/7/8/9/</sup>

Agency	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate
Pima County Sheriff	-	-	\$500,000	\$500,000	\$350,000	\$350,000
General Fund Repayment	-	-	1,000,000	-	-	-
Border Detention Liaison Officers (See Chart Above)	-	-	-	397,000	401,000	563,100
Border County Officers (See Chart Above)	-	-	-	351,200	390,000	407,000
Border Security and Law Enforcement Grants (See Chart Above)	-	-	-	-	979,600	1,049,800
<b>TOTAL</b>	-	-	<b>\$1,500,000</b>	<b>\$1,248,200</b>	<b>\$2,120,600</b>	<b>\$2,369,900</b>

6/ Funded from a \$2.1 million GIITEM Fund appropriation. Laws 2011, Chapter 308 created a \$13 surcharge on criminal fines and penalties and civil motor vehicle violations, \$4 of which is to be deposited into the GIITEM Fund Border Security and Law Enforcement Subaccount. These revenues totaled \$2,361,700 in FY 2014. The monies in the GIITEM Subaccount are for border security personnel and equipment. Additionally, the bill redirected the monies normally deposited into the Arizona Criminal Justice Commission's State Aid to Indigent Defense Fund, which totaled \$659,300, to the GIITEM Fund Border Security and Law Enforcement Subaccount in FY 2012. This did not continue in FY 2013.

7/ Laws 2011, Chapter 308 required that the first \$1,000,000 in criminal fee revenue received by the GIITEM Fund Border Security and Law Enforcement Subaccount in FY 2012, be used to repay the General Fund for a commensurate appropriation to the Pinal County Sheriff's Office in FY 2012.

8/ As required by Laws 2013, 1st Special Session, Chapter 5, JLBC reviewed DPS' FY 2014 GIITEM Subaccount expenditure plan on October 29, 2013.

9/ As required by Laws 2014, Chapter 12, JLBC reviewed DPS' FY 2015 GIITEM Subaccount expenditure plan on June 19, 2014.

County Assistance<sup>10/</sup>

Agency	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate
Pinal County Sheriff	-	-	\$1,000,000	-	-	-
<b>TOTAL</b>	-	-	<b>\$1,000,000</b>	-	-	-

10/ 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<sup>11/</sup>

Agency	FY 2010 Actual <sup>12/</sup>	FY 2011 Actual <sup>13/</sup>	FY 2012 Actual <sup>14/</sup>	FY 2013 Actual <sup>14/</sup>	FY 2014 Actual <sup>14/</sup>	FY 2015 Actual <sup>15/</sup>
Maricopa County Attorney	\$715,000	\$1,213,200	\$200,000	\$200,000	\$200,000	\$200,000
Maricopa County Sheriff	-	-	500,000	500,000	500,000	500,000
Pima County Attorney	-	-	97,687	97,687	97,687	97,687
Pima County Sheriff	-	-	97,687	97,687	-	97,687
Pinal County Attorney	-	-	37,447	37,447	37,447	37,447
Pinal County Sheriff	-	-	37,447	37,447	37,447	-
Yavapai County Attorney	-	-	21,030	21,030	21,030	21,030

Table 4 (Continued)

Agency	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual <sup>12/</sup>	Actual <sup>13/</sup>	Actual <sup>14/</sup>	Actual <sup>14/</sup>	Actual <sup>14/</sup>	Actual <sup>15/</sup>
Yavapai County Sheriff	-	-	21,030	21,030	-	-
Mohave County Attorney	-	-	19,949	19,949	19,949	19,949
Mohave County Sheriff	-	-	19,949	19,949	-	-
Yuma County Attorney	-	-	19,507	19,507	19,507	19,507
Yuma County Sheriff	-	-	19,507	19,507	-	-
Cochise County Attorney	-	-	13,089	13,089	-	-
Cochise County Sheriff	-	-	13,089	13,089	-	-
Coconino County Attorney	-	-	13,396	13,396	-	-
Coconino County Sheriff	-	-	13,396	13,396	13,396	-
Navajo County Attorney	-	-	10,708	10,708	10,708	-
Navajo County Sheriff	-	-	10,708	10,708	-	-
Apache County Attorney	-	-	7,127	7,127	7,127	7,127
Apache County Sheriff	-	-	7,127	7,127	-	7,127
Gila County Attorney	-	-	5,341	5,341	5,341	-
Gila County Sheriff	-	-	5,341	5,341	-	-
Santa Cruz County Attorney	-	-	4,726	4,726	4,726	-
Santa Cruz County Sheriff	-	-	4,726	4,726	-	-
Graham County Attorney	-	-	\$3,709	\$3,709	-	-
Graham County Sheriff	-	-	3,709	3,709	-	-
La Paz County Attorney	-	-	2,042	2,042	2,042	2,042
La Paz County Sheriff	-	-	2,042	2,042	-	-
Greenlee County Attorney	-	-	841	841	-	-
Greenlee County Sheriff	-	-	841	841	-	-
Unallocated	-	-	-	-	212,689	184,087
<b>TOTAL</b>	<b>\$715,000</b>	<b>\$1,213,200</b>	<b>\$1,213,200</b>	<b>\$1,213,200</b>	<b>\$1,189,096</b>	<b>\$1,213,197</b>

11/ Funded by a General Fund appropriation.

12/ Due to a budget reduction only Maricopa County received funding.

13/ The FY 2011 budget required the Department of Administration to distribute \$1,213,200 to the County Attorney in a county with a population greater than 1.5 million.

14/ The FY 2012, FY 2013, and FY 2014 budgets required the Department of Administration (ADOA) to distribute \$200,000 to the County Attorney of a county with a population of 2,000,000 or more persons and \$500,000 to the County Sheriff of a county with a population of 2,000,000 or more persons. With Joint Legislative Budget Committee (JLBC) approval, the remaining monies can be distributed to County Attorneys and County Sheriffs of counties with populations of less than 2,000,000 persons. At their April 10, 2014 meeting, the JLBC gave approval to ADOA's FY 2014 expenditure plan to distribute monies proportionate to population. ADOA's proposal did not allocate funding to any county which did not plan to expand the funds. As a result, ADOA did not distribute \$212,689 of the \$1,213,200 FY 2014 appropriation. JLBC's approval included a provision that ADOA distribute the monies if subsequently requested to do so by a county attorney or sheriff not currently scheduled to receive funds. ADOA did not seek JLBC approval of its FY 2012 or FY 2013 distribution.

15/ These figures represent the FY 2015 proposed distribution that received a favorable review at the December 17, 2014 meeting of the JLBC.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Anti-Racketeering Revolving Fund (PSA3123/A.R.S. § 13-2314.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	5,889,500	6,151,700
<b>Year-End Fund Balance</b>	13,593,200	13,202,200
<b>Automated Fingerprint Identification System Fund (PSA2286/A.R.S. § 41-2414)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For operation and maintenance of the Arizona Automated Fingerprint Identification System.		
<b>Funds Expended</b>	2,359,800	2,909,700
<b>Year-End Fund Balance</b>	1,005,500	692,200
<b>Automation Operations Fund (ADA4230/A.R.S. § 41-711)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide agencies and other political entities data processing and information technology consulting services and to maintain the integrity and security of state information.		
<b>Funds Expended</b>	295,800	296,200
<b>Year-End Fund Balance</b>	400	400
<b>Capitol Police Administrative Towing Fund (PSA1999/A.R.S. § 41-1725)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Penalties and fees collected for parking violations on state property.		
<b>Purpose of Fund:</b> For Capitol Police Department law enforcement purposes.		
<b>Funds Expended</b>	24,900	4,500
<b>Year-End Fund Balance</b>	4,400	2,400
<b>Concealed Weapons Permit Fund (PSA2518/A.R.S. § 41-1722)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees for the application, renewal, and replacement of concealed weapons permits. These fees range from \$10 for a replacement permit to \$60 for a new permit. The FY 2015 Criminal Justice BRB (Laws 2014, Chapter 12) created the Concealed Weapons Permit Fund from revenues previously allocated to the Highway Patrol Fund.		
<b>Purpose of Fund:</b> Funds the costs associated with administering the concealed weapons permit process.		
<b>Funds Expended</b>	0	1,276,400
<b>Year-End Fund Balance</b>	0	1,194,000
<b>Conferences, Workshops and Other Education Fund (PSA2700/A.R.S. § 41-1713)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Conference registration fees.		
<b>Purpose of Fund:</b> To cover expenditures of conferences held by the Governor's Office of Highway Safety.		
<b>Funds Expended</b>	25,200	0
<b>Year-End Fund Balance</b>	8,100	8,100
<b>Crime Laboratory Assessment Fund (PSA2282/A.R.S. § 41-2415)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A 2.3% allocation of CJEF. DPS retains 55% of this fund and distributes the remaining funds to political subdivisions that operate crime laboratories.		
<b>Purpose of Fund:</b> To provide enhanced crime lab services, purchase and maintain scientific equipment, and train crime lab forensic scientists.		
<b>Funds Expended</b>	870,600	871,300
<b>Year-End Fund Balance</b>	341,300	394,400

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Crime Laboratory Operations Fund (PSA2394/A.R.S. § 41-1772)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> To fund crime laboratory or other department operations.		
<b>Funds Expended</b>	14,277,200	14,723,800
<b>Year-End Fund Balance</b>	1,435,800	693,400
<b>Criminal Justice Enhancement Fund (PSA3702/A.R.S. § 41-2401)</b>		<b>Partially-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> 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).		
<b>Appropriated Funds Expended</b>	2,871,200	2,873,400
<b>Non-Appropriated Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	894,700	947,200
<b>Deoxyribonucleic Acid (DNA) Identification System Fund (PSA2337/A.R.S. § 41-2419)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> To implement, operate and maintain DNA testing and administrative costs.		
<b>Funds Expended</b>	5,423,800	6,323,200
<b>Year-End Fund Balance</b>	859,800	53,900
<b>DPS Administration Fund (PSA2322/A.R.S. § 41-1713)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> State and local grants and donations.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	2,483,400	2,751,000
<b>Year-End Fund Balance</b>	1,560,900	640,000
<b>DPS Licensing Fund (PSA2490/A.R.S. § 32-2408)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Fees collected from Private Investigator and Security Guard license applicants.		
<i>Purpose of Fund:</i> For the operational and equipment costs of regulating the private investigator and security guard industry.		
<b>Funds Expended</b>	1,159,800	1,301,500
<b>Year-End Fund Balance</b>	175,700	70,300

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Driving Under the Influence Abatement Fund (PSA2422/A.R.S. § 28-1304)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,015,800	2,015,800
<b>Year-End Fund Balance</b>	1,154,100	641,300
<b>Families of Fallen Police Officers Special Plate Fund (PSA2386/A.R.S. § 41-1721)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receives \$17 of the \$25 fee paid for an original or renewal of a Family of Fallen Police Officer Special License Plate.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	195,000	184,100
<b>Year-End Fund Balance</b>	100	10,700
<b>Federal Grants and Reimbursements (PSA2000/A.R.S. § 41-1713)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	36,913,200	30,624,000
<b>Year-End Fund Balance</b>	2,467,500	3,987,600
<b>Fingerprint Clearance Card Fund (PSA2433/A.R.S. § 41-1758.06)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees charged to applicants or contract providers for a fingerprint clearance card.		
<b>Purpose of Fund:</b> To centralize fingerprinting services for state agencies. Revenues pay for the processing and issuance of fingerprint clearance cards.		
<b>Funds Expended</b>	4,504,100	6,048,700
<b>Year-End Fund Balance</b>	4,327,800	3,188,200
<b>Board of Fingerprinting Fund (PSA2435/A.R.S. § 41-619.56)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees paid by fingerprint clearance card applicants.		
<b>Purpose of Fund:</b> To fund the Board of Fingerprinting, which conducts good cause exception hearings for personnel who require a fingerprint clearance card.		
<b>Funds Expended</b>	508,000	571,900
<b>Year-End Fund Balance</b>	1,509,000	1,637,100
<b>Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount (PSA 2396/A.R.S. § 41-1724)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A \$4 criminal fee assessed on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
<b>Purpose of Fund:</b> To provide funding to county sheriffs for law enforcement purposes relating to border security including border personnel.		
<b>Funds Expended</b>	2,240,900	2,390,000
<b>Year-End Fund Balance</b>	2,553,800	5,128,900



SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Gang and Immigration Intelligence Team Enforcement Mission Fund</b> (PSA2396/A.R.S. § 41-1724)		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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%.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Highway Patrol Fund (PSA2032/A.R.S. § 41-1752)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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 of fees collected from towing impound hearings.		
<b>Purpose of Fund:</b> To administer the provisions of law relating to the Highway Patrol and Highway Patrol Reserve and for the costs associated with impounding vehicles. The FY 2015 Criminal Justice BRB (Laws 2014, Chapter 12) shifted the revenues and administration of the CCW program from the Highway Patrol Fund to the newly created Concealed Weapons Permit Fund in FY 2015.		
<b>Funds Expended</b>	19,608,200	19,024,300
<b>Year-End Fund Balance</b>	7,651,100	6,798,200
<b>Highway User Revenue Fund (PSA3113/A.R.S. § 28-6533)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Revenues collected from various highway-related taxes and fees, including the motor vehicle license tax.		
<b>Purpose of Fund:</b> To fund a portion of Highway Patrol costs.		
<b>Funds Expended</b>	119,247,100	89,255,000
<b>Year-End Fund Balance</b>	0	0
<b>IGA and ISA Fund (PSA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received through intergovernmental and interagency agreements.		
<b>Purpose of Fund:</b> To execute intergovernmental and interagency service agreements.		
<b>Funds Expended</b>	7,693,200	10,216,700
<b>Year-End Fund Balance</b>	3,901,800	1,929,600
<b>Indirect Cost Recovery Fund (PSA9000/A.R.S. § 41-1713)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
<b>Purpose of Fund:</b> To pay department-wide administrative and overhead costs.		
<b>Funds Expended</b>	360,900	3,000,900
<b>Year-End Fund Balance</b>	2,869,900	533,700
<b>Motor Carrier Safety Revolving Fund (PSA2380/A.R.S. § 28-5203)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> DPS conducts motor carrier safety investigations, the Motor Vehicle Division of ADOT administers hearings, and the Attorney General enforces civil penalties.		
<b>Funds Expended</b>	7,300	5,800
<b>Year-End Fund Balance</b>	5,000	2,700

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Motorcycle Safety Fund (PSA2479/A.R.S. § 28-2010)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Receives \$1 of each motorcycle registration fee.		
<b>Purpose of Fund:</b> To implement and support voluntary motorcycle safety, education and awareness programs.		
<b>Funds Expended</b>	205,000	205,000
<b>Year-End Fund Balance</b>	411,900	601,900
<b>Parity Compensation Fund (PSA2510/A.R.S. § 41-1720)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Receives 1.51% of the portion of vehicle license tax revenues that otherwise would be deposited in the State Highway Fund.		
<b>Purpose of Fund:</b> To fund salary and benefit adjustments for law enforcement personnel.		
<b>Funds Expended</b>	1,885,300	1,950,100
<b>Year-End Fund Balance</b>	1,594,600	2,344,500
<b>Peace Officers' Training Fund (PSA2049/A.R.S. § 41-1825)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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).		
<b>Funds Expended</b>	6,500,900	7,998,500
<b>Year-End Fund Balance</b>	2,032,000	723,700
<b>Public Safety Equipment Fund (PSA2391/A.R.S. § 41-1723)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> 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 as well as an additional \$4 per citation issued by DPS. These 2 revenue sources are appropriated. In addition, revenues include 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, except for boating related offenses. These assessments are not subject to appropriation.		
<b>Purpose of Fund:</b> To fund purchases of protective body armor, electronic stun gun devices, vehicles, and other safety equipment.		
<b>Appropriated Funds Expended</b>	2,086,200	2,890,000
<b>Non-Appropriated Funds Expended</b>	1,123,600	1,200,000
<b>Year-End Fund Balance</b>	4,526,200	4,479,100
<b>Records Processing Fund (PSA2278/A.R.S. § 41-1750)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For fingerprint processing and department administrative costs.		
<b>Funds Expended</b>	4,741,500	5,164,200
<b>Year-End Fund Balance</b>	520,100	330,800
<b>Risk Management Revolving Fund (PSA4216/A.R.S. § 41-1713)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Transfer from the Arizona Department of Administration Risk Management Fund.		
<b>Purpose of Fund:</b> For the costs of a disaster recovery program for the DPS mainframe data center.		
<b>Funds Expended</b>	1,199,900	1,233,700
<b>Year-End Fund Balance</b>	191,000	191,000

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Safety Enforcement and Transportation Infrastructure Fund</b> (PSA2108/A.R.S. § 28-6547)		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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>		
<b>Funds Expended</b>	1,566,300	1,566,300
<b>Year-End Fund Balance</b>	0	0
<b>State Aid to Indigent Defense Fund (PSA2445/A.R.S. § 11-588)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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. The FY 2015 Criminal Justice Budget Reconciliation Bill (Laws 2014, Chapter 12) permits DPS to utilize monies in the fund for the operational costs of the Arizona Counter Terrorism Information Center.		
<b>Funds Expended</b>	0	700,000
<b>Year-End Fund Balance</b>	0	0
<b>State Highway Fund (PSA2030/A.R.S. § 28-6991)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature, a portion of the Highway User Revenue Fund, fees, penalties and revenue derived from traffic and vehicle regulation.		
<b>Purpose of Fund:</b> To fund a portion of Highway Patrol costs and cover expenses of state enforcement of traffic laws and state administration of traffic safety programs.		
<b>Funds Expended</b>	6,743,800	6,743,900
<b>Year-End Fund Balance</b>	0	0
<b>State Highway Work Zone Safety Fund (PSA2480/A.R.S. § 28-710)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A 50% allocation of the additional assessment levied for civil traffic violations committed in a highway work zone.		
<b>Purpose of Fund:</b> To establish and maintain a public education campaign for highway work zone safety.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	49,500	64,500
<b>Statewide Donations (PSA2025/A.R.S. § 41-1713)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations from outside entities.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	7,300	7,300
<b>State Traffic and Parking Control Fund (ADA2453/A.R.S. § 41-796)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Penalties and fees collected for traffic and parking violations on state property.		
<b>Purpose of Fund:</b> To post signs, markings, and notices for the regulation of vehicles on state property, as well as to maintain state parking lots and structures.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

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**SUMMARY OF FUNDS**

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**FY 2014  
Actual****FY 2015  
Estimate**

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**Victims' Rights Enforcement Fund (PSA2519/A.R.S. § 41-1727)****Non-Appropriated**

**Source of Revenue:** A \$2 surcharge on criminal offenses and civil traffic violations.

**Purpose of Fund:** Laws 2014, Chapter 158 created the Victims' Rights Enforcement Fund to provide grants to non-profit entities that can demonstrate a 5-year history of providing legal representation and social services to crime victims. Up to 5% of the revenues into the fund can be used for administrative costs of the fund.

**Funds Expended**

0 0

**Year-End Fund Balance**

0 295,200

## Public Safety Personnel Retirement System

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>SPECIAL LINE ITEMS</b>			
EORP Fund Deposit	0	5,000,000	5,000,000
Prescott Fire Employer Group Deposit	0	1,000,000	1,000,000
<b>AGENCY TOTAL</b>	<b>0</b>	<b>6,000,000</b>	<b>6,000,000</b>
<b>FUND SOURCES</b>			
General Fund	0	6,000,000	6,000,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>0</b>	<b>6,000,000</b>	<b>6,000,000</b>
Other Non-Appropriated Funds	11,777,200	12,009,000	12,245,900
<b>TOTAL - ALL SOURCES</b>	<b>11,777,200</b>	<b>18,009,000</b>	<b>18,245,900</b>

**AGENCY DESCRIPTION** — The Public Safety Personnel Retirement System (PSPRS) provides retirement, survivors, health, and disability benefits to public employees who work in a public safety capacity, such as law enforcement officials and firefighters. In addition, PSPRS staff administers the Correctional Officers Retirement Plan (CORP) and the Elected Officials' Retirement Plan (EORP), which provide the same benefits to specified populations at the state and local level. PSPRS is not subject to appropriation. 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, 2014 valuation, there were 51,190 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 2016 as part of the closure of the Elected Officials' Retirement Plan (EORP). This amount is unchanged from FY 2015.

Laws 2013, Chapter 217 made several changes relating to the closure of the defined benefit EORP and in creation of a new defined contribution plan, the Elected Officials Defined Contribution Retirement System (EODC System). Chapter 217 annually appropriates \$5,000,000 from the

General Fund to the EORP Fund from FY 2014 through FY 2043 to supplement the normal cost and to amortize the unfunded accrued liability of the now closed EORP. Because the appropriation is in permanent statute, monies in this line item are not included in the General Appropriation Act.

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 matched by the 6% employer contribution rate, with the funds to be deposited into the individual member's retirement account.

Chapter 217, in determining the level 23.5% employer contribution rate, and the annual EORP Fund deposit of \$5,000,000, assumed that the reduction of Permanent

Benefit Increases (PBIs) would be upheld as constitutional. Due to the ruling in *Fields v. Elected Officials Retirement Plan*, these assumptions may need to be analyzed further to account for additional PBI payments. (See *Consolidated Retirement Report* section for more information.)

**Prescott Fire Employer Group Deposit**

The Baseline includes \$1,000,000 from the General Fund in FY 2016 for deposit into the employer account of the Prescott Fire Department group. This amount is unchanged from FY 2015.

In June, 2013, 19 firefighters employed by the Prescott Fire Department died in the line of duty while fighting the Yarnell Hill Fire. Of the 19, 6 were classified as

permanent employees and were enrolled in PSPRS. As such, their survivors qualify to receive ongoing payments equal to 100% of the employees' average monthly wages, including overtime. The increased liability resulting from these benefit payments would be funded from the employer account of the Prescott Fire Department through an increase in employer contribution rates.

To offset the increased pension liabilities resulting from this event, the FY 2015 budget appropriated \$1,000,000 from the General Fund for deposit into the employer account of the Prescott Fire Department from FY 2015 through FY 2019. As a result, monies in this line item are not included in the annual General Appropriation Act in future years.

See the *Consolidated Retirement Report* section for more information on PSPRS membership and actuarial data.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Fire Fighter, Peace Officer, and Corrections Officer Cancer Insurance Policy Program Account (No Fund Number/A.R.S. § 38-643)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> The account allows the Fund Manager to obtain a group cancer insurance policy to provide coverage to fire fighters, peace officers, and correction officers 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.		
<b>Funds Expended</b>	30,900	31,500
<b>Year-End Fund Balance</b>	0	0
<b>Investment and Administrative Expenses (No Fund Number/A.R.S. § 38-843; 38-802; 38-882; 38-840.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Public Safety Personnel Retirement Fund; Elected Officials' Retirement Fund; Correctional Officer Retirement Fund; Elected Officials' Defined Contribution Disability Program Trust Fund.		
<b>Purpose of Fund:</b> 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 2014 and FY 2015 expenditures exclude \$159,266,200 and \$155,381,700, respectively, of net fees applied to investments.		
<b>Funds Expended</b>	11,746,300	11,977,500
<b>Year-End Fund Balance</b>	0	0

# Arizona Department of Racing

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	40.5	40.5	40.5
Personal Services	1,489,700	1,607,900	1,607,900
Employee Related Expenditures	604,000	643,200	643,200
Professional and Outside Services	420,800	333,700	333,700
Travel - In State	54,600	78,700	78,700
Travel - Out of State	15,200	7,500	7,500
Other Operating Expenditures	219,500	229,700	229,700
Equipment	12,000	0	0
<b>OPERATING SUBTOTAL</b>	<b>2,815,800</b>	<b>2,900,700</b>	<b>2,900,700</b>
<b>SPECIAL LINE ITEMS</b>			
Arizona Breeders' Award	250,000	250,000	250,000
County Fairs Livestock and Agricultural Promotion	1,779,500	1,779,500	1,779,500
<b>AGENCY TOTAL</b>	<b>4,845,300</b>	<b>4,930,200</b>	<b>4,930,200</b>
<b>FUND SOURCES</b>			
General Fund	2,029,500	2,029,500	2,029,500
<u>Other Appropriated Funds</u>			
Racing Regulation Fund	2,815,800	2,900,700	2,900,700
SUBTOTAL - Other Appropriated Funds	2,815,800	2,900,700	2,900,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>4,845,300</b>	<b>4,930,200</b>	<b>4,930,200</b>
Other Non-Appropriated Funds	175,400	90,000	90,000
<b>TOTAL - ALL SOURCES</b>	<b>5,020,700</b>	<b>5,020,200</b>	<b>5,020,200</b>

**AGENCY DESCRIPTION** — The Arizona Department of Racing regulates the pari-mutuel horse and greyhound racing industries through the supervision of race meetings, screening of license applicants, collection of taxes and fees, and assessment of fines or other penalties. The Division of Boxing Regulation is responsible for licensing, investigating, and regulating professional boxing, Toughman, and nontraditional fighting contests within Arizona.

## Operating Budget

The Baseline includes \$2,900,700 and 40.5 FTE Positions from the Racing Regulation Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

## Arizona Breeders' Award

The Baseline includes \$250,000 from the General Fund in FY 2016 for the Arizona Breeders' Award. This amount is unchanged from FY 2015.

Monies in this line item go to award the breeder of every winning horse or greyhound foaled or whelped in the state.

## County Fairs Livestock and Agricultural Promotion

The Baseline includes \$1,779,500 from the General Fund in FY 2016 for County Fairs Livestock and Agricultural Promotion. This amount is unchanged from FY 2015.

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**

*Deleted Provisions*

The Baseline would not continue the session law provision that would continue the FY 2013 rulemaking exemption relating to establishing fees. The department has now established those fees.

<b>SUMMARY OF FUNDS</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Estimate</b>
<b>Arizona Breeders' Award Fund (RCA2206/A.R.S. § 5-113)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
<i>Purpose of Fund:</i> To award the breeder of every winning horse, greyhound foaled or whelped, statewide.		
<b>Funds Expended</b>	0	17,500
<b>Year-End Fund Balance</b>	0	2,500
<b>County Fair Racing Fund (RCA2170/A.R.S. § 5-113)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
<i>Purpose of Fund:</i> Provides funding for the administration of county fair racing.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>County Fairs Racing Betterment Fund (RCA2207/A.R.S. § 5-113)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Greyhound and Retired Racehorse Adoption Fund (RCA2015/A.R.S. § 5-113)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> To provide funding for grants to non-profit organizations for the promotion and adoption of retired racing greyhounds and horses.		
<b>Funds Expended</b>	3,300	3,100
<b>Year-End Fund Balance</b>	900	400
<b>Racing Administration Fund (RCA2018/A.R.S. § 5-113)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
<i>Purpose of Fund:</i> To administer the Arizona County Fairs Racing Betterment Fund, the Arizona Breeders' Award Fund, the Arizona Stallion Award Fund, and the Greyhound Adoption Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	23,700	23,700
<b>Racing Investigation Fund (RCA2369/A.R.S. § 41-705)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Monies collected from persons, partnerships, associations or corporations that hold a permit for a racing meeting under Title 5.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	85,200	40,000
<b>Year-End Fund Balance</b>	21,600	21,600



SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Racing Regulation Fund (RCA2556/A.R.S. § 5-113.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support the mission of the department.		
<b>Funds Expended</b>	2,815,800	2,900,700
<b>Year-End Fund Balance</b>	1,024,000	750,300
<b>Racing Regulation Fund - Mixed Martial Arts Account (RCA2393/A.R.S. § 5-225)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees established by the Boxing Commission for unarmed combat events.		
<b>Purpose of Fund:</b> To pay for the administration and regulation of unarmed combat.		
<b>Funds Expended</b>	86,900	29,400
<b>Year-End Fund Balance</b>	39,600	40,200
<b>Stallion Award Fund (RCA2315/A.R.S. § 5-113)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
<b>Purpose of Fund:</b> To award owners or lessees of stallions that bred winning horses within the state.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

## Radiation Regulatory Agency

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	33.5	33.5	29.0
Personal Services	909,600	909,500	909,500
Employee Related Expenditures	392,700	392,700	392,700
Professional and Outside Services	13,900	13,900	13,900
Travel - In State	22,500	22,500	22,500
Travel - Out of State	2,100	2,100	2,100
Other Operating Expenditures	240,700	279,500	279,500
Equipment	6,600	6,600	6,600
<b>OPERATING SUBTOTAL</b>	<b>1,588,100</b>	<b>1,626,800</b>	<b>1,626,800</b>
<b>SPECIAL LINE ITEMS</b>			
Nuclear Emergency Management Fund	695,300	695,300	0
<b>AGENCY TOTAL</b>	<b>2,283,400</b>	<b>2,322,100</b>	<b>1,626,800</b>
<b>FUND SOURCES</b>			
General Fund	1,467,900	1,468,900	773,600
<i>Other Appropriated Funds</i>			
Radiation Regulatory Fee Fund	579,600	579,800	579,800
State Radiologic Technologist Certification Fund	235,900	273,400	273,400
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>815,500</b>	<b>853,200</b>	<b>853,200</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,283,400</b>	<b>2,322,100</b>	<b>1,626,800</b>
Other Non-Appropriated Funds	30,600	30,600	30,600
Federal Funds	285,500	285,500	285,500
<b>TOTAL - ALL SOURCES</b>	<b>2,599,500</b>	<b>2,638,200</b>	<b>1,942,900</b>

**AGENCY DESCRIPTION** — The department regulates the use, storage, and disposal of sources of radiation. This includes licensing or certifying users, inspecting x-ray equipment, developing emergency response capability, and monitoring environmental radiation.

### Operating Budget

The Baseline includes \$1,626,800 and 29 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$773,600
Radiation Regulatory Fee Fund	579,800
State Radiologic Technologist Certification Fund	273,400

These amounts are unchanged from FY 2015.

### Nuclear Emergency Management Fund

The Baseline includes no funding from the General Fund in FY 2016 for the Nuclear Emergency Management Fund (NEMF). FY 2016 adjustments would be as follows:

### NEMF Decrease                      GF (695,300)

The Baseline includes a decrease of \$(695,300) and (4.5) FTE Positions from the General Fund in FY 2016 for the elimination of NEMF funding. Laws 2013, Chapter 13 appropriated \$695,250 and 4.5 FTE Positions from the General Fund in FY 2014 and FY 2015. The Radiation Regulatory Agency, Department of Emergency and Military Affairs, and Department of Agriculture received monies from this bill. The FY 2016 allocation will be made through a bill separate from the General Appropriation Act, the amount of which will be determined at a later date. *(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 fee raising authority and an exemption relating to establishing fees for the Radiation Regulatory Agency in FY 2016. The bill continues an intent clause that limits additional revenues to \$561,000.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Federal Grants (AEA2000/A.R.S. § 30-654)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants and miscellaneous revenue.		
<b>Purpose of Fund:</b> To track radiation levels, assess and reduce radon levels, and monitor x-ray facilities in the state.		
<b>Funds Expended</b>	285,500	285,500
<b>Year-End Fund Balance</b>	34,400	34,100
<b>Laser Safety Fund (AEA2138/A.R.S. § 32-3234)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees collected from the authorization of certificates to individuals that operate lasers of Intense Pulsed Light (IPL) devices for health and cosmetic related purposes.		
<b>Purpose of Fund:</b> To fund the costs of issuing licenses to individuals that operate lasers or IPL devices for health related purposes.		
<b>Funds Expended</b>	30,600	30,600
<b>Year-End Fund Balance</b>	4,500	9,800
<b>Nuclear Emergency Management Fund (AEA2138/A.R.S. § 26-306.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	14,100	30,700
<b>Radiation Regulatory Fee Fund (AEA2554/A.R.S. § 30-658)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Includes fees collected for licensing, inspection, and registration fees for individuals and other entities utilizing radiological materials. Laws 2011, Chapter 28 created the Radiation Regulatory Fee Fund and shifted into the fund the previously non-appropriated fees that were deposited into the Service Fees Increase Fund. The bill also continued to allow the Radiation Regulatory Agency \$500,000 in fee authority to deposit into the fund.		
<b>Purpose of Fund:</b> To provide funding for the operating expenses of the agency.		
<b>Funds Expended</b>	579,600	579,800
<b>Year-End Fund Balance</b>	22,300	11,100
<b>State Radiologic Technologist Certification Fund (AEA2061/A.R.S. § 32-2823)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> License fees paid by x-ray technologists.		
<b>Purpose of Fund:</b> To provide for the licensing of x-ray technologists and the investigation of complaints.		
<b>Funds Expended</b>	235,900	273,400
<b>Year-End Fund Balance</b>	9,000	16,100

## State Real Estate Department

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	37.0	37.0	37.0
Personal Services	1,365,800	1,612,600	1,612,600
Employee Related Expenditures	591,600	656,200	656,200
Professional and Outside Services	130,700	215,400	215,400
Travel - In State	46,400	40,000	40,000
Travel - Out of State	5,300	10,000	10,000
Other Operating Expenditures	424,000	410,500	410,500
Equipment	44,500	45,000	45,000
<b>AGENCY TOTAL</b>	<b>2,608,300</b>	<b>2,989,700</b>	<b>2,989,700</b>
<b>FUND SOURCES</b>			
General Fund	2,608,300	2,989,700	2,989,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,608,300</b>	<b>2,989,700</b>	<b>2,989,700</b>
Other Non-Appropriated Funds	42,000	230,100	230,100
<b>TOTAL - ALL SOURCES</b>	<b>2,650,300</b>	<b>3,219,800</b>	<b>3,219,800</b>

**AGENCY DESCRIPTION** — The department issues licenses for real estate, cemetery, and membership campground sales. The department also regulates the real estate industry, including licensees, developers, subdividers, and real estate schools. The department collects various filing and licensing fees, which are deposited into the state General Fund. The revenues derived from these fees are required by law to be between 95% and 110% of the department's state General Fund appropriation.

### Operating Budget

\* \* \*

The Baseline includes \$2,989,700 and 37 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Education Revolving Fund (REA4011/A.R.S. § 32-2107)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sale of the department's educational publications, primarily the <i>Real Estate Lawbook</i> .		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	18,000	100
<b>Year-End Fund Balance</b>	26,200	34,700
<b>Recovery Fund (REA3119/A.R.S. § 32-2186)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	24,000	230,000
<b>Year-End Fund Balance</b>	905,300	738,100

## Residential Utility Consumer Office

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	588,900	757,700	757,700
Employee Related Expenditures	208,800	249,700	249,700
Professional and Outside Services	1,900	2,400	2,400
Travel - In State	900	8,600	8,600
Travel - Out of State	11,300	7,000	7,000
Other Operating Expenditures	170,100	167,400	167,400
Equipment	18,700	0	0
<b>OPERATING SUBTOTAL</b>	<b>1,000,600</b>	<b>1,192,800</b>	<b>1,192,800</b>
<b>SPECIAL LINE ITEMS</b>			
Professional Witnesses	31,300	145,000	145,000
<b>AGENCY TOTAL</b>	<b>1,031,900</b>	<b>1,337,800</b>	<b>1,337,800</b>
<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Residential Utility Consumer Office Revolving Fund	1,031,900	1,337,800	1,337,800
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>1,031,900</b>	<b>1,337,800</b>	<b>1,337,800</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,031,900</b>	<b>1,337,800</b>	<b>1,337,800</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,031,900</b>	<b>1,337,800</b>	<b>1,337,800</b>

**AGENCY DESCRIPTION** — The Residential Utility Consumer Office (RUCO) serves as an advocate for residential customers of public utilities in rate hearings held before the Arizona Corporation Commission. 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 \$1,192,800 and 11 FTE Positions from the RUCO Revolving Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

Monies in this line item are used to fund expert witness testimony at utility rate hearings.

\* \* \*

**FORMAT** — Operating Lump Sum with Special Line Items by Agency

### Professional Witnesses

The Baseline includes \$145,000 from the RUCO Revolving Fund in FY 2016 for Professional Witnesses. This amount is unchanged from FY 2015.

### FOOTNOTES

#### Standard Footnotes

Monies in the Professional Witnesses Special Line Item are a continuing appropriation and are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Residential Utility Consumer Office Revolving Fund (UOA2175/A.R.S. § 40-409)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To operate the Residential Utility Consumer Office.		
<b>Funds Expended</b>	1,031,900	1,337,800
<b>Year-End Fund Balance</b>	660,600	515,000

## Board of Respiratory Care Examiners

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	166,000	176,500	176,500
Employee Related Expenditures	60,500	79,200	79,200
Professional and Outside Services	10,100	0	0
Travel - In State	1,200	300	300
Travel - Out of State	0	1,000	1,000
Other Operating Expenditures	59,100	39,100	39,100
Equipment	100	1,100	1,100
<b>AGENCY TOTAL</b>	<b>297,000</b>	<b>297,200</b>	<b>297,200</b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Respiratory Care Examiners Fund	297,000	297,200	297,200
SUBTOTAL - Other Appropriated Funds	297,000	297,200	297,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>297,000</b>	<b>297,200</b>	<b>297,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>297,000</b>	<b>297,200</b>	<b>297,200</b>

**AGENCY DESCRIPTION** — The board licenses and regulates respiratory care practitioners. A respiratory therapist performs inhalation therapy and respiratory therapy, which includes administering pharmacological, diagnostic, and therapeutic agents, as directed by a physician.

#### Operating Budget

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The Baseline includes \$297,200 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Board of Respiratory Care Examiners Fund (RBA2269/A.R.S. § 32-3505)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate respiratory care practitioners, and for board administration.		
<b>Funds Expended</b>	297,000	297,200
<b>Year-End Fund Balance</b>	222,600	204,700

## Arizona State Retirement System

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	246.9	246.9	246.9
Personal Services	12,641,900	12,757,000	12,757,000
Employee Related Expenditures	4,877,700	5,021,000	5,021,000
Professional and Outside Services	4,214,900	3,879,300	3,879,300
Travel - In State	30,100	30,000	30,000
Travel - Out of State	48,900	48,600	48,600
Other Operating Expenditures	1,889,700	2,684,800	2,684,800
Equipment	236,900	389,500	389,500
<b>OPERATING SUBTOTAL</b>	<b>23,940,100</b>	<b>24,810,200</b>	<b>24,810,200</b>
<b>SPECIAL LINE ITEMS</b>			
ASRS Plan Design Changes	311,800	0	0
Automation Upgrades	1,117,400	4,484,500	2,270,000
Laws 2011, Ch. 26 Rate Change Administration Procedures	219,600	0	0
Laws 2011, Ch. 357 Plan Changes	154,600	0	0
Laws 2012, Ch. 88 ASRS; Spousal Consent	5,800	0	0
Laws 2013, Ch. 110 ASRS; Amendments	200,000	0	0
Laws 2013, Ch. 216 Public Retirement Systems; Ineligible Employees	12,600	0	0
<b>AGENCY TOTAL</b>	<b>25,961,900</b>	<b>29,294,700</b>	<b>27,080,200</b>
<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Long-Term Disability Trust Fund Administration Account	2,532,400	2,800,000	2,800,000
State Retirement System Administration Account	23,429,500	26,494,700	24,280,200
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>25,961,900</b>	<b>29,294,700</b>	<b>27,080,200</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>25,961,900</b>	<b>29,294,700</b>	<b>27,080,200</b>
Other Non-Appropriated Funds	85,221,100	96,005,500	100,609,000
<b>TOTAL - ALL SOURCES</b>	<b>111,183,000</b>	<b>125,300,200</b>	<b>127,689,200</b>

**AGENCY DESCRIPTION** — The Arizona State Retirement System (ASRS) provides retirement, survivors, health and disability benefits to employees of most public employers in Arizona, including public schools, most local and county governments, and the State of Arizona. 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 \$24,810,200 and 246.9 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
State Retirement System Administration Account	\$22,010,200
Long-Term Disability (LTD) Trust Fund Administration Account	2,800,000

These amounts are unchanged from FY 2015.

### Automation Upgrades

The Baseline includes \$2,270,000 from the State Retirement System Administration Account in FY 2016 for Automation Upgrades. FY 2016 adjustments would be as follows:

**Remove One-Time Funding OF (2,214,500)**  
The Baseline includes a decrease of \$(2,214,500) from the State Retirement System Administration Account in FY 2016 for the third year of a 4-year project to consolidate and upgrade an ASRS business application system with a

more current Java-based Web application. The 4-year budget of the project is a total of \$10,214,500, as follows:

- Year 1: \$1,390,000
- Year 2: \$4,484,500
- Year 3: \$2,270,000
- Year 4: \$2,070,000

The project received approval through the Project Investment Justification (PIJ) process from the Arizona Strategic Enterprise Technology (ASET) Office, and from the Information Technology Authorization Committee (ITAC) in 2012. As part of this review, ASRS is required to give an annual update on the project to ITAC.

The project was originally planned to last 5 years, for a total cost of \$10,214,500. Due to an improved methodology used to implement the technology modernizations, the project is now expected to last 4 years. As a result, the FY 2015 budget shifted the funding that

would have occurred in the fifth year of the project into the second year of the project. The FY 2016 Baseline readjusts funding to match estimated project costs in Year 3. The appropriation from this line item is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations.

\* \* \*

**FORMAT** — Operating Lump Sum with Special Line Items by Agency

**FOOTNOTES**

*Standard Footnotes*

Monies in the Automation Upgrades Line Item are a continuing appropriation and are exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations.

*See the Consolidated Retirement Report section for more information on ASRS membership and actuarial data.*

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Administrative Account - Investment Expenses (RSA1407/A.R.S. § 38-721)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Transfer from the State Retirement Fund.		
<i>Purpose of Fund:</i> Investment management fees and related consulting fees, actuarial consulting fees, rent, and retiree payroll. Funding is subject to Retirement Board approval. Excludes \$165,039,000 and \$168,490,000 of net fees applied to investments in FY 2014 and FY 2015, respectively.		
<b>Funds Expended</b>	85,212,000	96,005,500
<b>Year-End Fund Balance</b>	0	0
<b>Long-Term Disability Trust Fund Administration Account (RSA1408/A.R.S. § 38-797.02)</b>		<b>Partially-Appropriated</b>
<i>Source of Revenue:</i> Long-Term Disability (LTD) Trust Fund.		
<i>Purpose of Fund:</i> To pay for the cost of administering the LTD program.		
<b>Appropriated Funds Expended</b>	2,532,400	2,800,000
<b>Non-Appropriated Funds Expended</b>	9,100	0
<b>Year-End Fund Balance</b>	40,300	0
<b>State Retirement System Administration Account (RSA1401/A.R.S. § 38-721)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> Transfer from the State Retirement Fund.		
<i>Purpose of Fund:</i> To pay the Arizona State Retirement System's administrative expenses.		
<b>Funds Expended</b>	23,429,500	26,494,700
<b>Year-End Fund Balance</b>	748,900	0



## Department of Revenue

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	861.8	880.8	880.8
Personal Services	30,869,300	34,499,800	34,499,800
Employee Related Expenditures	14,409,500	14,654,000	14,654,000
Professional and Outside Services	5,687,700	5,326,200	5,326,200
Travel - In State	282,200	336,000	336,000
Travel - Out of State	200,300	349,700	349,700
Other Operating Expenditures	10,531,100	8,048,900	8,048,900
Equipment	976,200	615,700	615,700
<b>OPERATING SUBTOTAL</b>	<b>62,956,300</b>	<b>63,830,300</b>	<b>63,830,300</b>
<b>SPECIAL LINE ITEMS</b>			
BRITS Operational Support	7,555,500	7,604,200	7,604,200
TPT Simplification	0	1,000,000	1,000,000
Unclaimed Property Administration and Audit	1,497,100	1,218,500	1,218,500
<b>AGENCY TOTAL</b>	<b>72,008,900</b>	<b>73,653,000</b>	<b>73,653,000</b>
<b>FUND SOURCES</b>			
General Fund	46,040,200	48,139,400	48,139,400
<b>Other Appropriated Funds</b>			
Department of Revenue Administrative Fund	24,684,600	24,436,800	24,436,800
Liability Setoff Revolving Fund	709,600	397,300	397,300
Tobacco Tax and Health Care Fund	574,500	679,500	679,500
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>25,968,700</b>	<b>25,513,600</b>	<b>25,513,600</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>72,008,900</b>	<b>73,653,000</b>	<b>73,653,000</b>
Other Non-Appropriated Funds	1,693,500	5,847,400	5,847,400
<b>TOTAL - ALL SOURCES</b>	<b>73,702,400</b>	<b>79,500,400</b>	<b>79,500,400</b>

**AGENCY DESCRIPTION** — The Department of Revenue (DOR) administers and enforces the collection of personal and corporate income, sales, withholding, luxury and estate taxes. The department administers state property tax laws through the 15 county assessors. The department does not collect transportation related fees and taxes, nor the insurance premium tax.

### Operating Budget

The Baseline includes \$63,830,300 and 810.8 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$42,430,200
DOR Administrative Fund	20,323,300
Liability Setoff Revolving Fund	397,300
Tobacco Tax and Health Care Fund	679,500

These amounts are unchanged from FY 2015.

### Business Reengineering/Integrated Tax System (BRITS) Operational Support

The Baseline includes \$7,604,200 and 51 FTE Positions in FY 2016 for operational support of BRITS. These amounts consist of:

General Fund	4,709,200
DOR Administrative Fund	2,895,000

These amounts are unchanged from FY 2015.

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.

### ***TPT Simplification***

The Baseline includes \$1,000,000 and 19 FTE Positions from the General Fund in FY 2016 for Transaction Privilege Tax (TPT) simplification responsibilities. These amounts are unchanged from FY 2015. This line item was previously recorded in FY 2015 in the Operating Budget. The FY 2015 amounts have been transferred to this line item for ease of comparison. *(Please see the FY 2015 Appropriations Report for more information.)*

Laws 2013, Chapter 253 created a unified TPT audit and collections system under the auspices of DOR. As a result, DOR will assume the responsibility for the audit and collection of TPT taxes from all municipalities including the 18 Non-Program cities which currently administer their own TPT taxes. These monies will allow DOR to fund the additional staffing associated with the new TPT oversight responsibilities.

### ***Unclaimed Property Administration and Audit***

The Baseline includes \$1,218,500 from the DOR Administrative Fund in FY 2016 for Unclaimed Property Administration and Audit. This amount is unchanged from FY 2015.

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 is 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 2016 to the Joint Legislative Budget Committee on or before September 30, 2015. 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 2016 on or before September 30, 2016. The reports must include a comparison of projected and actual General Fund revenue enforcement collections for FY 2016.

### **OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

#### ***Tobacco Tax/Master Settlement Agreement***

The Baseline continues to transfer \$436,500 from the Traditional Medicaid Services line item in AHCCCS in FY 2016 for DOR staff to help enforce the provisions of the Master Settlement Agreement. These monies are provided in a footnote in the AHCCCS budget. This transfer funds 6 FTE Positions to perform luxury tax enforcement and audit duties. The FTE Position increase is not reflected in DOR's appropriation total. *(Please see the AHCCCS section for details regarding these transfers.)*

Additionally, the Baseline includes a decrease of \$(1,000,000) to the Automation Projects Fund to eliminate one-time funding for the development of a luxury tax processing and revenue accounting system within DOR to help administer the Master Settlement Agreement. *(Please see the Department of Administration - Automation Projects Fund section for details regarding this information technology project.)*

*(Please see the FY 2015 Appropriations Report for background information relating to DOR tobacco tax enforcement funding.)*

#### ***Capital Gains Reduction and Tax Credit Reporting***

The Baseline continues to include a transfer of \$1,700,000 from the General Fund to the Automation Projects Fund to further accelerate Individual Income Tax return analysis and automate Corporate Income Tax returns. The costs of this project are offset by revenues generated from more timely tax return analysis, allowing the department to more easily detect tax fraud. *(Please see the Department of Administration - Automation Projects Fund section for details regarding this information technology project.)*

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Client County Equipment Capitalization Fund (RVA2457/A.R.S. § 42-11057)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Department of Revenue Administrative Fund (RVA1993/A.R.S. § 42-1116.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To cover the Department of Revenue's operating costs including unclaimed property contract auditors and the handling, publicizing and selling of abandoned property.		
<b>Funds Expended</b>	24,684,600	24,436,800
<b>Year-End Fund Balance</b>	3,203,000	3,203,000
<b>Escheated Estates Fund (RVA3745/A.R.S. § 12-885)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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. There were no transfers made in FY 2014.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	25,000	25,000
<b>Estate and Unclaimed Property Fund (RVA1520/A.R.S. § 44-301)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Transfer to Unclaimed Property Refunds</b>	34,059,200	38,400,000
<b>Year-End Fund Balance</b>	5,327,700	5,627,700
<b>I Didn't Pay Enough Fund (RVA6001/A.R.S. § 43-211)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Voluntary contributions from taxpayers.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>IGA and ISA Fund (RVA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Transfer of funds from Arizona Early Childhood Development and Health Board. The fund also receives all transfers relating to the Automation Projects Fund projects.		
<b>Purpose of Fund:</b> To assist the Revenue Tobacco unit in enforcement compliance.		
<b>Funds Expended</b>	1,685,000	5,834,900
<b>Year-End Fund Balance</b>	214,900	1,076,700
<b>Liability Setoff Revolving Fund (RVA2179/A.R.S. § 42-1122)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To cover the Department of Revenue's costs of administering the Liability Setoff program.		
<b>Funds Expended</b>	709,600	397,300
<b>Year-End Fund Balance</b>	1,554,300	232,000
<b>Revenue Publications Revolving Fund (RVA2166/A.R.S. § 42-1004)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receipts from the sale of department tax-related publications.		
<b>Purpose of Fund:</b> To offset costs of publishing and distributing tax-related publications.		
<b>Funds Expended</b>	6,200	12,500
<b>Year-End Fund Balance</b>	11,400	16,400
<b>Special Collections Fund (RVA2168/A.R.S. § 42-1004)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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 5, Article 1 (transaction privilege taxes).		
<b>Purpose of Fund:</b> 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 2014.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Statewide Employee Recognition Gifts/Donations Fund (RVA2449/A.R.S. § 35-149)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> For employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
<b>Funds Expended</b>	2,300	0
<b>Year-End Fund Balance</b>	800	3,600
<b>Tobacco Tax and Health Care Fund (RVA1306/A.R.S. § 36-771)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund consists of tobacco taxes retained by the department to administer the tobacco tax program.		
<b>Purpose of Fund:</b> To monitor and enforce tobacco tax laws.		
<b>Funds Expended</b>	574,500	679,500
<b>Year-End Fund Balance</b>	1,500	1,300
<b>Waste Tire Fund (RVA2356/A.R.S. § 44-1305)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Collections from a fee on new tire purchases and penalties for violations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,800	3,800

## School Facilities Board

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	942,400	993,600	993,600
Employee Related Expenditures	312,700	342,600	342,600
Professional and Outside Services	140,000	140,000	140,000
Travel - In State	25,500	36,000	36,000
Travel - Out of State	200	0	0
Other Operating Expenditures	165,700	164,900	164,900
Equipment	600	0	0
<b>OPERATING SUBTOTAL</b>	<b>1,587,100</b>	<b>1,677,100</b>	<b>1,677,100</b>
<b>SPECIAL LINE ITEMS</b>			
Building Renewal Grants	16,667,900	16,667,900	16,667,900
New School Facilities	672,000	858,200	766,600
New School Facilities Debt Service	172,719,800	170,155,200	172,388,100
<b>AGENCY TOTAL</b>	<b>191,646,800</b>	<b>189,358,400</b>	<b>191,499,700</b>
<b>FUND SOURCES</b>			
General Fund	191,646,800	189,358,400	191,499,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>191,646,800</b>	<b>189,358,400</b>	<b>191,499,700</b>
Other Non-Appropriated Funds	89,183,600	89,747,600	89,062,800
<b>TOTAL - ALL SOURCES</b>	<b>280,830,400</b>	<b>279,106,000</b>	<b>280,562,500</b>

**AGENCY DESCRIPTION** — The School Facilities Board (SFB) is composed of 9 gubernatorial appointments and the Superintendent of Education. The board administers the New School Facilities Fund, the Building Renewal Grant Fund, and the Emergency Deficiencies Correction Fund to provide capital funding for K-12 school districts.

### Operating Budget

The Baseline includes \$1,677,100 and 17 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

### Building Renewal Grants

The Baseline includes \$16,667,900 from the General Fund in FY 2016 for Building Renewal Grants. This amount is unchanged from FY 2015.

The Building Renewal Grant Fund was created in FY 2009 to provide grant-based funding for building renewal projects. The fund consists of legislative appropriations and is administered by SFB.

SFB distributes monies to school districts to fund “primary” building renewal projects. SFB prioritizes the projects with emphasis given to school districts that have provided routine preventative maintenance on their facility and can provide a match of monies provided by the fund. “Primary” building renewal funding is for projects

required to meet the minimum school facility adequacy guidelines.

Pursuant to A.R.S. § 15-2022, SFB is required to transfer excess funds in the New School Facilities (NSF) Fund to the Emergency Deficiencies Correction (EDC) Fund to the extent that the transfer does not affect or disrupt any approved new construction projects. NSF Fund revenues are derived from legislative appropriations and lease-purchase proceeds. SFB estimates the EDC Fund to have a \$0 balance at the end of FY 2016.

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 \$766,600 from the General Fund in FY 2016 for New School Facilities. FY 2016 adjustments would be as follows:

**New School Construction                      GF                      FY 2016  
\$ (91,600)**

The Baseline includes a decrease of \$(91,600) from the General Fund in FY 2016 for funding associated with New School Construction. This amount would bring New School Construction funding to \$766,600, which reflects the following changes:

- The completion of 9,720 square feet of additional space with a capacity of 116 K-6 students for Thatcher Unified School District (USD). The project costs a total of \$1,530,200 including additional costs related to site conditions. Of the total cost, \$858,200 occurred in FY 2015 and is being removed in the Baseline.
- Funding to begin construction of additional K-4 space for Benson USD. The project would be funded in FY 2016 and FY 2017, and would construct 7,560 additional square feet with capacity for 84 students. The total project cost, including site conditions, would be \$1,283,200. The project would be funded as follows: FY 2016 funding of \$766,600, which includes \$516,600 for construction and \$250,000 for site conditions; and FY 2017 funding of \$516,600 for construction.

Benson USD qualifies for new school construction when its K-4 Average Daily Membership (ADM) exceeds 387 students. As of November 2014, the K-4 ADM at Benson USD was 406 students. For elementary schools, statute allows construction of space to accommodate no more than 5 years of future enrollment growth. The Joint Legislative Budget Committee (JLBC) Staff estimates average annual growth of 3.0% over the next 5 years, based on historical growth and an assumption of a moderate increase in growth rates. Under that projection, Benson USD would have 471 students in 2020, or 84 students over the 387 student threshold.

SFB assumes average annual ADM growth of 7.3% over the next 5 years. Given the uncertainty of this rapid growth projection, the Baseline funding is instead based on the more moderate 3.0% annual growth rate. Since SFB has already awarded Benson a new 191 student school, the Baseline includes a statutory provision to notwithstanding SFB's award.

*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 districtwide 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 JLBC. At its December 2014 meeting, JLBC approved a 0% adjustment in the cost per square foot amounts. This inflation adjustment is based on a longitudinal measurement of construction costs since the last time the Committee adopted an adjustment. Construction costs are still below November 2008 levels, which is the last time the construction cost index was increased. *(Please see Table 1 for FY 2016 statutory funding guidelines.)*

<u>Type of School</u>	<u>Square Feet Per Student</u>	<u>Funding Per Square Foot</u> <sup>1/2/</sup>
K-6	90	\$136.66
7-8	100	\$144.27
9-12 (<1,800 pupils)	134	\$167.05
9-12 (≥1,800 pupils)	125	\$167.05

<sup>1/</sup> Increased by 5% for rural school districts.  
<sup>2/</sup> FY 2016 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 2014, there are \$4.1 billion Class B bonds outstanding.

**New School Facilities Debt Service**

The Baseline includes \$172,388,100 from the General Fund in FY 2016 for New School Facilities Debt Service. FY 2016 adjustments would be as follows:

**Lease-Purchase Payment                      GF                      (1,567,900)**

The Baseline includes a decrease of \$(1,567,900) from the General Fund in FY 2016 for decreased lease-purchase payments. This reflects the variations in SFB's existing lease-purchase schedule.

**Refinancing Agreement                      GF                      3,800,800**

The Baseline includes an increase of \$3,800,800 from the General Fund in FY 2016 to restore one-time savings from the refinancing agreement reviewed by the Joint Committee on Capital Review (JCCR) in October 2013. The FY 2014 K-12 Education Budget Reconciliation Bill

(BRB) (Laws 2013, 1<sup>st</sup> Special Session, Chapter 3) authorized SFB to enter into a refinancing agreement. At its October 2013 meeting, the JCCR favorably reviewed a refinancing agreement. That provided \$3,800,800 of non-recurring savings in FY 2015. This policy issue does not include the impact of the second SFB refinancing review by JCCR in April 2014. Due to the timing of that second review, those savings were not included in the enacted budget and are not included in the SFB budget table. *(Please see Other Issues for Legislative Consideration for additional information.)*

*Background* – In FY 2003 - FY 2005, FY 2008, FY 2009, and FY 2011, SFB entered into lease-purchase agreements to finance the costs of new school construction. For each agreement, SFB issued Certificates of Participation (COPs) that are typically repaid over a period of 15 years. At the end of FY 2016, the outstanding amount of General Fund lease-purchase principal to be paid will be \$765,251,600.

The FY 2016 Baseline includes \$9,938,100 for the entire debt service requirement for the Qualified School Construction Bonds (QSCB) issuance in FY 2016. 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 \$3,976,500 in FY 2016 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 \$5,961,600.

\* \* \*

**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 2016 must be deposited in or revert to the state General Fund.

## STATUTORY CHANGES

The Baseline would:

- As permanent law, require the School Facilities Board to annually report to the Joint Legislative Budget Committee by December 1 on all Class B bond approvals by school districts in that year. *(Please see Other Issues for Legislative Consideration for additional information.)*
- As session law, notwithstanding the School Facilities Board's awards for new school construction in FY 2016, and instead require the School Facilities Board to construct the Benson USD K-4 project to accommodate 84 students based on JLBC Staff enrollment projections.

## OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

### *FY 2015 Ex-Appropriation*

Due to the timing of the JCCR review, the savings from the second SFB refinancing agreement that occurred in spring 2014 were not included in the FY 2015 enacted budget. The Baseline includes a one-time FY 2015 ex-appropriation of \$(9,415,900) from the General Fund to reflect the additional savings from the refinancing agreement, reviewed by JCCR in April 2014. In addition, any future year savings amounts are included in the state's long-term estimates. *(Please see the New School Facilities Debt Service section for additional information.)*

### *Long Term Budget Impacts*

Beyond FY 2016 Baseline changes, JLBC Staff estimates that School Facilities Board statutory caseload changes will result in a decrease of \$(378,400) in FY 2017 and an additional decrease of \$(761,600) in FY 2018 below FY 2017. This estimate assumes no additional funding for school facilities beyond the Benson USD K-4 space and includes adjustments for SFB's existing lease-purchase schedule.

These estimates are subject to change depending on SFB's future awards of new school construction.

### *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). School district Class B bonding is limited to 10% and 20% of property values for non-unified and unified districts, respectively.

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 2014, 99 school districts have outstanding voter approved Class B bonds. The total amount of voter-approved Class B bonds outstanding at the end of FY 2014 was approximately \$4.1 billion.

The Baseline adds a provision to permanent law that requires SFB to annually report to JLBC by December 1 of each year on all Class B bond approvals by school districts in that year. This will provide a better understanding of the amount of bond issuances and school construction occurring outside of state funding. This will also enable the state to calculate the total capacity of school districts across the state compared to enrollment in order to more easily project new school facilities requirements.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Building Renewal Grant Fund (SFA2392/A.R.S. § 15-2032)</b>		<b>Non-Appropriated</b>
<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 2014 and FY 2015 expenditures exclude \$16,667,900 in each year from the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Emergency Deficiencies Correction Fund (SFA2484/A.R.S. § 15-2022)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	133,600	712,000
<b>Year-End Fund Balance</b>	596,500	0
<b>Lease to Own Debt Service Fund (SFA2373/A.R.S. § 15-2004)</b>		<b>Non-Appropriated</b>
<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 2014 and FY 2015 expenditures exclude \$172,719,800 and \$170,155,200, respectively, from the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,562,900	2,534,900
<b>New School Facilities Fund (SFA2460/A.R.S. § 15-2041)</b>		<b>Non-Appropriated</b>
<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 and FY 2015 expenditures exclude \$672,000 and \$858,200, respectively, 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.		
<b>Funds Expended</b>	5,396,600	9,300
<b>Year-End Fund Balance</b>	825,100	194,700
<b>School Improvement Revenue Bond Debt Service Fund (SFA5020/A.R.S. § 15-2084)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	56,259,000	64,125,300
<b>Year-End Fund Balance</b>	28,776,400	29,605,000



## Department of State - Secretary of State

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	141.1	141.1	141.1
Personal Services	4,838,900	4,904,900	4,904,900
Employee Related Expenditures	2,188,000	2,221,600	2,221,600
Professional and Outside Services	243,600	292,300	292,300
Travel - In State	11,700	11,700	11,700
Travel - Out of State	23,800	23,800	23,800
Other Operating Expenditures	3,085,200	2,933,100	2,933,100
Equipment	289,800	201,400	201,400
<b>OPERATING SUBTOTAL</b>	<b>10,681,000</b>	<b>10,588,800</b>	<b>10,588,800</b>
<b>SPECIAL LINE ITEMS</b>			
Election Services	997,200	4,431,900	4,431,900
Help America Vote Act (HAVA)	2,697,500	2,941,100	2,941,100
Library Grants-in-Aid	531,700	651,400	651,400
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
<b>AGENCY TOTAL</b>	<b>15,004,400</b>	<b>18,710,200</b>	<b>18,710,200</b>
<b>FUND SOURCES</b>			
General Fund	11,460,800	15,027,800	15,027,800
<b>Other Appropriated Funds</b>			
Election Systems Improvement Fund	2,697,500	2,941,100	2,941,100
Records Services Fund	846,100	741,300	741,300
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>3,543,600</b>	<b>3,682,400</b>	<b>3,682,400</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>15,004,400</b>	<b>18,710,200</b>	<b>18,710,200</b>
Other Non-Appropriated Funds	2,401,600	1,344,000	1,251,100
Federal Funds	3,727,700	3,727,700	3,727,700
<b>TOTAL - ALL SOURCES</b>	<b>21,133,700</b>	<b>23,781,900</b>	<b>23,689,000</b>

**AGENCY DESCRIPTION** — The Secretary of State is an elected Constitutional Officer. The Department of State is responsible for recordings and filings under the Uniform Commercial Code (U.C.C.); coordinating statewide elections; receiving required filings from legislators, state officials, judges, candidates for office, campaign committees, and lobbyists; receiving filings of administrative rules, intergovernmental agency agreements, and official executive orders/proclamations; registering trade names, trademarks and limited partnerships; appointing notaries public; and certifying certain telemarketing and charitable solicitation organizations. In addition, the Department of State is the archival authority and designated repository for historical records and documents of state and local governments, as well as a designated federal document regional repository.

### Operating Budget

The Baseline includes \$10,588,800 and 131.1 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$9,847,500
Record Services Fund	741,300

These amounts are unchanged from FY 2015.

### Election Services

The Baseline includes \$4,431,900 and 10 FTE Positions from the General Fund in FY 2016 for Election Services. These amounts are unchanged from FY 2015.

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 traditional 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.

In FY 2016, the line item would fund the Presidential Preference Election (PPE). PPE elections differ from all-mail and traditional elections in that they have a separate ballot for each recognized political party and no other election may appear on the PPE ballot. (See *Other Issues for Legislative Consideration for further discussion.*)

#### ***Help America Vote Act (HAVA)***

The Baseline includes \$2,941,100 from the Election Systems Improvement Fund in FY 2016 for the Help America Vote Act (HAVA) (P.L. 107-252). This amount is unchanged from FY 2015.

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 2015 and FY 2016, approximately \$1,197,300 in HAVA monies would be available in FY 2017.

#### ***Library Grants-in-Aid***

The Baseline includes \$651,400 from the General Fund in FY 2016 for Library Grants-in-Aid. This amount is unchanged from FY 2015.

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 2016 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2015.

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.

\* \* \*

**FORMAT** — Operating Lump Sum with Special Line Items by Agency

## **FOOTNOTES**

### *Standard Footnotes*

Included in the operating lump sum appropriation of \$10,588,800 for FY 2016 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 2016 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, 2017.

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, 2015 the actual amount and purpose of expenditures from the Election Systems Improvement Fund in FY 2015 and the expected amount and purpose of expenditures from the fund for FY 2016.

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.

## **OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

### ***Presidential Preference Election***

Laws 2012, Chapter 361 requires the Secretary of State to reimburse counties for 100% of the costs incurred for each PPE. Prior to Chapter 361, the Secretary of State was required to reimburse counties at a rate of \$1.25 per active registered voter in that county on January 1 of the PPE year.

Based on feedback from the various County Recorder's offices, the Secretary of State's office has developed a cost estimate of 2 PPE scenarios under Chapter 361:

- A traditional PPE, conducted with a mix of physical polling places and mail balloting which would cost \$9.5 million. This option would require adding \$5.1 million to the JLBC Baseline Election Services line item amount of \$4.4 million;
- A PPE conducted entirely by mail which would cost \$10.1 million. This option would require adding \$5.7 million to the JLBC Baseline.

Due to difficulties with previous attempts, the Secretary of State's office has determined an internet-based PPE is not feasible for 2016.

Alternatively, the Legislature could suspend the 100% reimbursement provision and reimburse the counties for \$4.4 million in expenses.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Address Confidentiality Program Fund (STA2557/A.R.S. § 41-169)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> An assessment of \$50 imposed on all persons convicted of domestic violence, stalking, or certain sexual offenses.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	110,400	151,100
<b>Year-End Fund Balance</b>	148,600	184,300
<b>Arizona Blue Book Revolving Fund (STA2006/A.R.S. § 41-131)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	11,200	11,200
<b>Data Processing Acquisition Fund (STA2265/A.R.S. § 41-127)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	268,500	268,500
<b>Year-End Fund Balance</b>	220,600	127,600
<b>Election Systems Improvement Fund (STA2357/A.R.S. § 41-129)</b>		<b>Appropriated</b>
<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.		
<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.		
<b>Funds Expended</b>	2,697,500	2,941,100
<b>Year-End Fund Balance</b>	7,270,900	4,138,400
<b>Election Training Fund (STA2521/A.R.S. § 16-407)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	100	100
<b>Year-End Fund Balance</b>	5,400	8,100
<b>Federal Grants (LAA2000/A.R.S. § 41-151.06)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	3,727,700	3,727,700
<b>Year-End Fund Balance</b>	1,000,500	1,210,100
<b>IGA and ISA Fund (STA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	65,000	92,900
<b>Year-End Fund Balance</b>	92,900	0

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Museum Gift Shop Revolving Fund (LAA4008/A.R.S. § 41-151.24)</b>		<b>Non-Appropriated</b>
<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	97,700	97,700
Year-End Fund Balance	114,400	77,200
<b>Notary Bond Fund (STA2387/A.R.S. § 41-314)</b>		<b>Non-Appropriated</b>
<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	100,000	100,000
Year-End Fund Balance	42,800	40,800
<b>Professional Employer Organization Fund (STA2520/A.R.S. § 23-576)</b>		<b>Appropriated</b>
<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, 1st 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
<b>Records Services Fund (LAA2431/A.R.S. § 41-151.12)</b>		<b>Appropriated</b>
<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	846,100	741,300
Year-End Fund Balance	418,200	380,500
<b>Standing Political Committee Administrative Fund (STA2426/A.R.S. § 41-128)</b>		<b>Non-Appropriated</b>
<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	43,500	62,600
<b>State Library Fund (LAA2115/A.R.S. § 41-151.06)</b>		<b>Non-Appropriated</b>
<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	1,759,900	633,700
Year-End Fund Balance	1,315,400	901,500

## State Boards' Office

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	125,300	126,000	126,000
Employee Related Expenditures	65,900	66,300	66,300
Professional and Outside Services	1,500	1,100	1,100
Other Operating Expenditures	35,300	37,700	37,700
Equipment	800	0	0
<b>AGENCY TOTAL</b>	<b>228,800</b>	<b>231,100</b>	<b>231,100</b>

### FUND SOURCES

#### Other Appropriated Funds

Special Services Revolving Fund	228,800	231,100	231,100
SUBTOTAL - Other Appropriated Funds	228,800	231,100	231,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>228,800</b>	<b>231,100</b>	<b>231,100</b>
<b>TOTAL - ALL SOURCES</b>	<b>228,800</b>	<b>231,100</b>	<b>231,100</b>

**AGENCY DESCRIPTION** — The office serves to centralize services and pool resources of small regulatory boards. Examples of shared items include office space and equipment, as well as accounting, clerical, administrative, and telephone services. The office is under the Management Services Division of the Arizona Department of Administration, but is supported by transfers of appropriated funds from the participating boards.

#### Operating Budget

\* \* \*

The Baseline includes \$231,100 and 3 FTE Positions from the Special Services Revolving Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

The breakdown of the FY 2016 State Boards' Office charges by agency is reflected in *Table 1*.

<b>Board</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Acupuncture Board of Examiners	\$ 19,000	\$ 19,200	\$ 19,200
Barbers, Board of	1,600	1,600	1,600
Funeral Directors & Embalmers, State Board of	36,800	37,200	37,200
Homeopathic and Integrated Medicine Examiners, Board of	14,700	14,800	14,800
Massage Therapy, Board of	42,700	43,100	43,100
Naturopathic Physicians Medical Board	18,200	18,400	18,400
Nursing Care Inst. Admin. & Assisted Living Facility Mgrs.	25,900	26,200	26,200
Opticians, State Board of Dispensing	24,300	24,600	24,600
Optometry, State Board of	23,400	23,600	23,600
Physical Therapy, Board of	100	100	100
Podiatry Examiners, State Board of	22,100	22,300	22,300
<b>Total</b>	<b>\$228,800</b>	<b>\$231,100</b>	<b>\$231,100</b>

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Special Services Revolving Fund (ADA4208/A.R.S. § 35-193.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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>		
<b>Purpose of Fund:</b> To provide centralized office services, printing, and other administrative or management services.		
<b>Funds Expended</b>	228,800	231,100
<b>Year-End Fund Balance</b>	4,100	4,100

***State Board of Tax Appeals***

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	170,500	179,000	179,000
Employee Related Expenditures	48,700	44,600	44,600
Travel - In State	300	400	400
Other Operating Expenditures	41,400	41,600	41,600
Equipment	1,100	0	0
<b>AGENCY TOTAL</b>	<b>262,000</b>	<b>265,600</b>	<b>265,600</b>

**FUND SOURCES**

General Fund	262,000	265,600	265,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>262,000</b>	<b>265,600</b>	<b>265,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>262,000</b>	<b>265,600</b>	<b>265,600</b>

**AGENCY DESCRIPTION** — The board consists of 3 members appointed by the Governor. The board provides an independent appeals process for taxpayers with disputes relating to income, sales, use, estate, and luxury tax decisions from the Department of Revenue and resolves jurisdictional disputes between municipalities regarding the imposition of transaction privilege and use taxes.

***Operating Budget***

\* \* \*

The Baseline includes \$265,600 and 4 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

**State Board of Technical Registration**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	25.0	25.0	25.0
Personal Services	903,700	950,300	950,300
Employee Related Expenditures	368,600	387,200	387,200
Professional and Outside Services	111,000	117,200	117,200
Travel - In State	4,200	4,900	4,900
Travel - Out of State	10,300	10,900	10,900
Other Operating Expenditures	358,200	634,200	634,200
Equipment	18,700	19,900	19,900
<b>AGENCY TOTAL</b>	<b>1,774,700</b>	<b>2,124,600</b>	<b>2,124,600</b>
<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Technical Registration Fund	1,774,700	2,124,600	2,124,600
SUBTOTAL - Other Appropriated Funds	1,774,700	2,124,600	2,124,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,774,700</b>	<b>2,124,600</b>	<b>2,124,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,774,700</b>	<b>2,124,600</b>	<b>2,124,600</b>

**AGENCY DESCRIPTION** — The agency licenses, investigates, and conducts examinations of architects, assayers (assessors of mineral value), engineers, geologists, home inspectors, land surveyors, and landscape architects.

**Operating Budget**

\* \* \*

The Baseline includes \$2,124,600 and 25 FTE Positions from the Technical Registration Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**FORMAT** — Lump Sum by Agency

<b>SUMMARY OF FUNDS</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Estimate</b>
<b>Technical Registration Fund (TEA2070/A.R.S. § 32-109)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate architects, assayers, engineers, geologists, land surveyors, landscape architects, and home inspectors, and for board administration.		
<b>Funds Expended</b>	1,774,700	2,124,600
<b>Year-End Fund Balance</b>	1,579,900	1,460,500



**Office of Tourism**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	28.0	28.0	28.0
Personal Services	1,513,000	1,779,000	1,779,000
Employee Related Expenditures	533,400	625,100	625,100
Professional and Outside Services	2,974,400	480,600	480,600
Travel - In State	21,600	11,600	11,600
Travel - Out of State	129,400	368,500	368,500
Other Operating Expenditures	1,889,100	3,818,900	3,818,900
Equipment	41,700	20,000	20,000
<b>OPERATING SUBTOTAL</b>	<b>7,102,600</b>	<b>7,103,700</b>	<b>7,103,700</b>
<b>SPECIAL LINE ITEMS</b>			
Arizona Promotion	0	2,000,000	0
<b>AGENCY TOTAL</b>	<b>7,102,600</b>	<b>9,103,700</b>	<b>7,103,700</b>
<b>FUND SOURCES</b>			
General Fund	7,102,600	9,103,700	7,103,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>7,102,600</b>	<b>9,103,700</b>	<b>7,103,700</b>
Other Non-Appropriated Funds	14,411,100	13,580,200	13,580,200
<b>TOTAL - ALL SOURCES</b>	<b>21,513,700</b>	<b>22,683,900</b>	<b>20,683,900</b>

**AGENCY DESCRIPTION** — The office is responsible for promoting tourism within the state, which includes planning and developing an information campaign, advertising, exhibitions, and operating a visitors' center. The agency receives a transfer from the Arizona Sports and Tourism Authority (AZSTA), a portion of tribal gaming contributions, and General Fund appropriations to the Tourism Fund.

**Operating Budget**

The Baseline includes \$7,103,700 and 28 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

**Arizona Promotion**

The Baseline includes no funding in FY 2016 for Arizona Promotion. FY 2016 adjustments would be as follows:

**FY 2016**

**Remove One-Time Funding GF \$(2,000,000)**

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2016 for the elimination of one-time funding for the Arizona Promotion Special Line Item.

Monies in this line item funded the promotion of the tourism industry and tourism efforts in the state.

\* \* \*

**FORMAT** — Operating Lump Sum by Agency in the form of a deposit to the 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.)

Table 1

Office of Tourism Revenues

<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
<u>General Fund Appropriation</u>				
• General Fund appropriation to be used administering the Office of Tourism and promoting tourism	General Fund	\$7,102,600	\$ 9,103,700	\$7,103,700
<u>Sports and Tourism Authority</u>				
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	7,015,100	7,574,100	7,952,800
<u>Tribal Gaming</u>				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	<u>6,159,500</u>	<u>6,159,500</u> <sup>1/</sup>	<u>6,295,500</u> <sup>1/</sup>
<b>Total</b>		<b>\$20,277,200</b>	<b>\$22,837,300</b>	<b>\$21,352,000</b>

<sup>1/</sup> The Tribal Gaming amounts for FY 2015 and FY 2016 are JLBC estimates.

<b>SUMMARY OF FUNDS</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Estimate</b>
<b>Tourism Fund (TOA2236/A.R.S. § 41-2306)</b>		<b>Non-Appropriated</b>
<p><b>Source of Revenue:</b> 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.</p> <p><b>Purpose of Fund:</b> To pay for all costs associated with Office of Tourism activities.</p>		
<b>Funds Expended</b>	14,411,100	13,580,200
<b>Year-End Fund Balance</b>	4,525,500	4,451,200

## Department of Transportation

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4,548.0	4,548.0	4,548.0
Personal Services	96,429,300	96,558,900	96,558,900
Employee Related Expenditures	44,212,500	43,349,900	43,349,900
Professional and Outside Services	4,485,000	4,522,000	4,107,200
Travel - In State	784,600	837,100	837,100
Travel - Out of State	178,400	205,500	205,500
Other Operating Expenditures	47,278,300	54,452,700	54,452,700
Equipment	6,564,200	7,089,300	7,089,300
<b>OPERATING SUBTOTAL</b>	<b>199,932,300</b>	<b>207,015,400</b>	<b>206,600,600</b>
<b>SPECIAL LINE ITEMS</b>			
Attorney General Legal Services	2,895,600	2,895,600	3,310,400
Fraud Investigation	770,400	773,600	773,600
Highway Maintenance	136,300,900	136,202,000	136,202,000
New Third Party Funding	965,800	971,500	971,500
Vehicles and Heavy Equipment	17,112,500	18,507,000	18,507,000
<b>AGENCY TOTAL</b>	<b>357,977,500</b>	<b>366,365,100</b>	<b>366,365,100</b>
<b>FUND SOURCES</b>			
General Fund	4,100	50,400	50,400
<u>Other Appropriated Funds</u>			
Air Quality Fund	34,700	74,500	74,500
Driving Under the Influence Abatement Fund	153,800	153,900	153,900
Highway User Revenue Fund	650,700	651,800	651,800
Motor Vehicle Liability Insurance Enforcement Fund	1,080,100	1,087,100	1,087,100
Safety Enforcement and Transportation Infrastructure Fund	1,878,200	1,881,000	1,881,000
State Aviation Fund	1,606,800	1,624,900	1,624,900
State Highway Fund	333,998,100	340,869,900	340,869,900
Transportation Department Equipment Fund	17,112,500	18,507,000	18,507,000
Vehicle Inspection and Title Enforcement Fund	1,458,500	1,464,600	1,464,600
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>357,973,400</b>	<b>366,314,700</b>	<b>366,314,700</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>357,977,500</b>	<b>366,365,100</b>	<b>366,365,100</b>
Other Non-Appropriated Funds	34,378,600	169,568,800	169,568,800
Federal Funds	2,979,800	2,000,000	2,000,000
<b>TOTAL - ALL SOURCES</b>	<b>395,335,900</b>	<b>537,933,900</b>	<b>537,933,900</b>

**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 \$206,600,600 and 3,360 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$50,400
Air Quality Fund	74,500
Driving Under the Influence Abatement Fund	153,900

Highway User Revenue Fund	396,700
Motor Vehicle Liability Insurance Enforcement Fund	882,000
Safety Enforcement and Transportation Infrastructure Fund	1,318,500
State Aviation Fund	1,624,900
State Highway Fund	200,715,900
Vehicle Inspection & Title Enforcement Fund	1,383,800

FY 2016 adjustments would be as follows:

**Attorney General Realignment OF (414,800)**

The Baseline includes a decrease of \$(414,800) from the State Highway Fund in FY 2016 to shift funding from the operating budget to the Attorney General line item, aligning all Attorney General resources into a single line item. There is no net change in agency resources.

**Attorney General Legal Services**

The Baseline includes \$3,310,400 from the State Highway Fund in FY 2016 for Attorney General Legal Services. FY 2016 adjustments would be as follows:

**Attorney General Realignment OF 414,800**

The Baseline includes an increase of \$414,800 from the State Highway Fund in FY 2016 to shift funding from the operating budget to the Attorney General line item, aligning all Attorney General resources into a single line item. There is no net change in agency resources.

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 \$773,600 and 10 FTE Positions from the State Highway Fund in FY 2016 for Fraud Investigation. These amounts are unchanged from FY 2015.

Monies in this line item are used for investigation of fraudulent driver's licenses and motor vehicle documents.

**Highway Maintenance**

The Baseline includes \$136,202,000 and 932 FTE Positions in FY 2016 for Highway Maintenance. These amounts consist of:

Safety Enforcement and Transportation Infrastructure Fund	562,500
State Highway Fund	135,639,500

These amounts are unchanged from FY 2015.

In addition to the \$136,202,000 included for Highway Maintenance, the Proposition 400 Maricopa County half-cent sales tax extension makes another \$12,900,000 available in FY 2016 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 \$971,500 and 21 FTE Positions in FY 2016 for New Third Party Funding. These amounts consist of:

Highway User Revenue Fund	255,100
Motor Vehicle Liability Insurance Enforcement Fund	205,100
State Highway Fund	430,500
Vehicle Inspection & Title Enforcement Fund	80,800

These amounts are unchanged from FY 2015.

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 \$18,507,000 and 225 FTE Positions from the Transportation Department Equipment Fund in FY 2016 for Vehicles and Heavy Equipment. These amounts are unchanged from FY 2015.

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, \$136,202,000 in FY 2016 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, 2016.

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 total amount appropriated, the Department of Transportation shall pay \$16,773,800 in FY 2016 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, 2016 for FY 2016.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Air Quality Fund (DTA2226/A.R.S. § 49-551)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For tracking the availability and sales of oxygenated fuels to ensure that a sufficient supply is available for non-attainment areas of the state.		
<b>Funds Expended</b>	34,700	74,500
<b>Year-End Fund Balance</b>	39,300	39,300
<b>Arizona Highways Magazine Fund (DTA2031/A.R.S. § 28-7315)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,585,300	4,827,400
<b>Year-End Fund Balance</b>	3,292,100	3,412,000
<b>Cash Deposits Fund (DTA2266/A.R.S. § 28-363)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Deposits from individuals either bidding at auction on department property or renting department property.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	8,000	0
<b>Year-End Fund Balance</b>	455,500	460,800
<b>Contract Counsel Fund (DTA4212/A.R.S. § 28-6925)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To reimburse the Attorney General for attorneys' services for rights-of-way condemnation cases on federal aid projects.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>ADOT Donations Fund (DTA3080/A.R.S. § 28-818)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> Federal Funds, donations, monies from this state or any agency of this state for the Bicycle Safety Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Appropriated Funds Expended</b>	0	0
<b>Non-Appropriated Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Driving Under the Influence Abatement Fund (DTA2422/A.R.S. § 28-1304)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	153,800	153,900
<b>Year-End Fund Balance</b>	0	0
<b>Economic Strength Project Fund (DTA2244/A.R.S. § 28-7282)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives \$1,000,000 each June 15 from the Highway User Revenue Fund and interest from investment of inactive balances.		
<b>Purpose of Fund:</b> 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>		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,533,400	4,565,600
<b>Federal Grants (DTA2097/A.R.S. § 28-363)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants, other than aviation federal grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,979,800	2,000,000
<b>Year-End Fund Balance</b>	1,027,700	1,027,700
<b>Highway Expansion and Extension Loan Program Fund (DTA2417/A.R.S. § 28-7674)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	12,500,000
<b>Year-End Fund Balance</b>	78,226,400	66,929,400
<b>Highway User Revenue Fund (DTA3113/A.R.S. § 28-6533)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	650,700	651,800
<b>Year-End Fund Balance</b>	100,785,500	101,743,800

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Arizona International Development Authority Fund (DTA1994/A.R.S. § 41-4505)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Local Agency Deposits Fund (DTA3701/A.R.S. § 28-363)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from local jurisdictions.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	650,600	0
<b>Year-End Fund Balance</b>	18,714,000	13,714,000
<b>Maricopa Regional Area Road Fund (DTA2029/A.R.S. § 28-6302)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	27,577,700	150,382,000
<b>Year-End Fund Balance</b>	508,493,700	62,229,700
<b>Motor Carrier Safety Revolving Fund (DTA2380/A.R.S. § 28-5203)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To carry out the provisions of the chapter. DPS conducts investigations, the Motor Vehicle Division administers hearings, and the Attorney General enforces civil penalties.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	42,400	51,200
<b>Motor Vehicle Liability Insurance Enforcement Fund (DTA2285/A.R.S. § 28-4151)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For the department to enforce mandatory motor vehicle liability insurance laws.		
<b>Funds Expended</b>	1,080,100	1,087,100
<b>Year-End Fund Balance</b>	3,909,800	5,842,600
<b>Railroad Corridor Acquisition Fund (DTA2493/Laws 2007, Chapter 267, Section 13)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriation.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	147,200	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Rental Tax and Bond Deposit Fund (DTA3737/A.R.S. § 28-371)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Cash deposits from motor carrier and use fuel taxpayers, and portions of rent that the department collects.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	722,100	754,500
<b>Safety Enforcement and Transportation Infrastructure Fund (DTA2108/A.R.S. § 28-6547)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,878,200	1,881,000
<b>Year-End Fund Balance*</b>	125,300	(709,600)
<b>Shared Location and Advertising Agreements Expense Fund (DTA2414/A.R.S. § 28-409)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	15,700	20,000
<b>Year-End Fund Balance</b>	73,800	53,800
<b>State Aviation Fund (DTA2005/A.R.S. § 28-8202)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,606,800	1,624,900
<b>Year-End Fund Balance</b>	36,016,100	22,871,800
<b>State Highway Fund (DTA2030/A.R.S. § 28-6991)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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>		
<b>Funds Expended</b>	333,998,100	340,869,900
<b>Year-End Fund Balance</b>	318,769,100	387,188,000
<b>Statewide Employee Recognition Gifts/Donations Fund (DTA2449/A.R.S. § 35-149)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
<b>Funds Expended</b>	16,000	39,400
<b>Year-End Fund Balance</b>	29,400	10,000



SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Statewide Special Plates Fund (DTA2650/A.R.S. § 35-131)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,378,100	1,800,000
<b>Year-End Fund Balance</b>	813,800	610,200
<b>Transportation Department Equipment Fund (DTA2071/A.R.S. § 28-7006)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Equipment rental, sale at auction, insurance recoveries, donations, interest earnings, and monies appropriated by the Legislature (for purchase, repairs and maintenance).		
<b>Purpose of Fund:</b> For ownership, maintenance, service or repair of equipment and consumable material including administrative expenses.		
<b>Funds Expended</b>	17,112,500	18,507,000
<b>Year-End Fund Balance</b>	976,200	444,200
<b>Underground Storage Tank Revolving Fund (DTA3728/A.R.S. § 28-6008)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	74,200	109,100
<b>Vehicle Inspection and Title Enforcement Fund (DTA2272/A.R.S. § 28-2012)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,458,500	1,464,600
<b>Year-End Fund Balance</b>	767,500	836,100

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

## State Treasurer

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	30.4	30.4	30.4
Personal Services	1,623,900	1,725,300	1,725,300
Employee Related Expenditures	663,500	675,900	675,900
Professional and Outside Services	196,100	167,900	167,900
Travel - In State	700	2,000	2,000
Travel - Out of State	2,800	0	0
Other Operating Expenditures	236,700	250,800	250,800
<b>OPERATING SUBTOTAL</b>	<b>2,723,700</b>	<b>2,821,900</b>	<b>2,821,900</b>
<b>SPECIAL LINE ITEMS</b>			
Justice of the Peace Salaries	1,205,100	1,205,100	1,205,100
Law Enforcement/Boating Safety Fund Grants	1,913,200	2,183,800	2,183,800
<b>AGENCY TOTAL</b>	<b>5,842,000</b>	<b>6,210,800</b>	<b>6,210,800</b>
<b>FUND SOURCES</b>			
General Fund	1,205,100	1,205,100	1,205,100
<i>Other Appropriated Funds</i>			
Law Enforcement and Boating Safety Fund	1,913,200	2,183,800	2,183,800
State Treasurer Empowerment Scholarship Account Fund	40,000	40,000	40,000
State Treasurer's Management Fund	197,500	197,600	197,600
State Treasurer's Operating Fund	2,486,200	2,584,300	2,584,300
SUBTOTAL - Other Appropriated Funds	4,636,900	5,005,700	5,005,700
SUBTOTAL - Appropriated Funds	5,842,000	6,210,800	6,210,800
Other Non-Appropriated Funds	4,772,400	4,772,400	4,772,400
<b>TOTAL - ALL SOURCES</b>	<b>10,614,400</b>	<b>10,983,200</b>	<b>10,983,200</b>

**AGENCY DESCRIPTION** — The State Treasurer is an elected Constitutional Officer. The primary responsibilities of the office are to receive and keep custody over all monies belonging to the state that are not required to be kept by another entity, to pay warrants of the Arizona Department of Administration, and to keep an account of all monies received and disbursed. The office also invests state monies and operates the Local Government Investment Pool (LGIP) for the benefit of participating units of local government.

### Operating Budget

The Baseline includes \$2,821,900 and 30.4 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
State Treasurer Empowerment Scholarship Account Fund	\$40,000
State Treasurer's Management Fund	197,600
State Treasurer's Operating Fund	2,584,300

These amounts are unchanged from FY 2015.

### Justice of the Peace Salaries

The Baseline includes \$1,205,100 from the General Fund in FY 2016 for the Justice of the Peace (JP) Salaries

Special Line Item. This amount is unchanged from FY 2015.

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, 1<sup>st</sup> 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 2016 for the administration of the Law Enforcement/Boating Safety Fund grants. This amount is unchanged from FY 2015.

A.R.S. § 5-383 requires the State Treasurer to administer LEBSF monies. However, the allocation determinations are made by the Arizona Game and Fish Commission. 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 Arizona Game and Fish Commission. The FY 2014 allocation is included in *Table 1*. The distribution is less than the appropriation due to insufficient revenues.

County	FY 2014
Apache	\$ 54,700
Coconino	222,500
Gila	187,700
La Paz	319,900
Maricopa	324,300
Mohave	563,000
Navajo	61,300
Yuma	179,800
<b>Total</b>	<b>\$1,913,200</b>

Laws 2014, Chapter 127 redirects fees for operating watercraft while "under the influence" from the Public Safety Equipment Fund to LEBSF and creates a new \$500 fee for individuals who refuse a sobriety test and are convicted of operating a watercraft while under the influence. These fees are deposited into LEBSF and are subject to legislative appropriation. This shift is projected to increase LEBSF revenues by approximately \$601,500 in FY 2015.

\* \* \*

**FORMAT** — Operating Lump Sum with Special Line Items by Agency

**STATUTORY CHANGES**

The Baseline would, as permanent law, transfer the administration of the African-American Commission Fund from the Treasurer to the Arizona Commission of African-American Affairs.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Border Security Trust Fund (TRA2549/A.R.S. § 41-113)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Public and private donations, beginning in FY 2012.		
<b>Purpose of Fund:</b> To provide funding for the construction of a physical or virtual fence along the Arizona-Mexico border.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	264,400	264,800
<b>Criminal Justice Enhancement Fund (TRA3702/A.R.S. § 41-2401)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For distribution to counties for the training of detention officers and county jail operational enhancement.		
<b>Funds Expended</b>	4,772,400	4,772,400
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Law Enforcement and Boating Safety Fund (TRA2111/A.R.S. § 5-383)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A portion of watercraft licensing taxes and fines for operating motorized watercraft while under the influence.		
<b>Purpose of Fund:</b> To provide grants to county law enforcement agencies for water and boating safety programs. The Treasurer distributes grants based on a formula determined by the Arizona Game and Fish Commission.		
<b>Funds Expended</b>	1,913,200	2,183,800
<b>Year-End Fund Balance</b>	0	0
<b>Public Deposit Administration Fund (TRA2574/A.R.S. § 35-1212)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Pro Rata fees assessed to participants in the Statewide Collateral Pool and interest.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>State Treasurer Empowerment Scholarship Account Fund (TRA2570/A.R.S. § 15-2402)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A one-time transfer from the Public Safety Personnel Retirement System Investment and Administrative Expenses Account.		
<b>Purpose of Fund:</b> 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).		
<b>Funds Expended</b>	40,000	40,000
<b>Year-End Fund Balance</b>	0	0
<b>State Treasurer's Management Fund (TRA3799/A.R.S. § 35-326.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide funding for the administrative expenses associated with managing LGIP.		
<b>Funds Expended</b>	197,500	197,600
<b>Year-End Fund Balance</b>	424,300	424,300
<b>State Treasurer's Operating Fund (TRA3795/A.R.S. § 35-316)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A portion of management fee collections not to exceed 0.06% from the earnings on investment pools other than permanent endowment funds.		
<b>Purpose of Fund:</b> To provide funding for the operating expenses of the agency.		
<b>Funds Expended</b>	2,486,200	2,584,300
<b>Year-End Fund Balance</b>	203,900	203,900

***Commission on Uniform State Laws***

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>SPECIAL LINE ITEMS</b>			
National Dues and Travel	75,000	0	0
<b>AGENCY TOTAL</b>	<b>75,000</b>	<b>0</b>	<b>0</b>
<b>FUND SOURCES</b>			
General Fund	75,000	0	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>75,000</b>	<b>0</b>	<b>0</b>
<b>TOTAL - ALL SOURCES</b>	<b>75,000</b>	<b>0</b>	<b>0</b>

**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 no funding in FY 2016 for the National Dues and Travel Special Line Item. This amount is unchanged from FY 2015.

Monies in this line item were 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. In FY 2014, a total of \$54,000 was used for dues; the remaining \$21,000 was 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 for 1 year.

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**FORMAT** — Lump Sum by Agency

## Arizona Board of Regents

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	25.9	25.9	25.9
Personal Services	1,622,500	1,497,500	1,497,500
Employee Related Expenditures	460,900	551,000	551,000
Professional and Outside Services	20,300	24,000	24,000
Other Operating Expenditures	245,600	280,000	280,000
<b>OPERATING SUBTOTAL</b>	<b>2,349,300</b>	<b>2,352,500</b>	<b>2,352,500</b>
<b>SPECIAL LINE ITEMS</b>			
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
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	131,000	137,000	137,000
WICHE Student Subsidies	4,077,400	4,094,000	4,094,000
<b>AGENCY TOTAL</b>	<b>21,902,600</b>	<b>21,928,400</b>	<b>21,928,400</b>
<b>FUND SOURCES</b>			
General Fund	21,902,600	21,928,400	21,928,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>21,902,600</b>	<b>21,928,400</b>	<b>21,928,400</b>
Other Non-Appropriated Funds	12,728,600	16,244,800	11,310,800
Federal Funds	387,600	1,085,000	939,700
<b>TOTAL - ALL SOURCES</b>	<b>35,018,800</b>	<b>39,258,200</b>	<b>34,178,900</b>

**AGENCY DESCRIPTION** — Article 11 of the Arizona Constitution creates the Arizona Board of Regents (ABOR). ABOR governs the 3 state institutions comprising the Arizona University System: Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA). The board is legally, fiscally, and strategically responsible for the state universities.

### Operating Budget

The Baseline includes \$2,352,500 and 25.9 FTE Positions from the General Fund in FY 2016 for the operating budget. These amounts are unchanged from FY 2015.

### Arizona Teachers Incentive Program

The Baseline includes \$90,000 from the General Fund in FY 2016 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2015.

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 2014, 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 2016 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2015.

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 2014 and are projected to also contribute \$277,200 in both FY 2015 and FY 2016.

### Performance Funding

The Baseline includes \$5,000,000 from the General Fund in FY 2016 for the Performance Funding Special Line Item (SLI). This amount is unchanged from FY 2015 and

represents a continuation of the same \$5,000,000 that was appropriated in FY 2015.

The FY 2015 appropriation of \$5,000,000 to ABOR 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
- \$1,205,000 to UA - Main

These amounts are the same as the FY 2014 performance funding. The FY 2016 Baseline retains these same \$5,000,000 funds in ABOR with the distribution by university to be determined later.

The \$5,000,000 was first appropriated in FY 2013. These funds were 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
- \$1,345,000 to UA - Main

Unlike the FY 2014 and FY 2015 monies, the FY 2013 allocation is appropriated directly to each university.

In summary, the FY 2013 - FY 2016 budgets provided a total increase of \$10,000,000 from the General Fund for performance funding. Of that amount, \$5,000,000 has been allocated to individual campuses and \$5,000,000 remains in ABOR.

*Background* - The FY 2013 Higher Education Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 301) required ABOR and the universities to adopt a performance funding model by July 1, 2012. The model uses 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. At the present time, ABOR and the universities are discussing revisions to further refine the model. An ongoing budget footnote requires that ABOR report the final allocation of performance funding to the JLBC by July 1 of each year.

A budget footnote requires that ABOR use the adopted performance funding model in developing and submitting future budget requests for the universities under its jurisdiction, and that the Legislature use the performance funding model in the development of future fiscal year appropriations for the universities. *(Please see Performance Funding in Other Issues for Legislative Consideration for additional information.)*

### ***Student Financial Assistance***

The Baseline includes \$10,041,200 from the General Fund in FY 2016 for Student Financial Assistance. This amount is unchanged from FY 2015.

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 \$51 - \$95 in FY 2015, depending on the university. All students pay roughly the same fee, except part-time students, who pay half the regular fee. The FY 2016 Baseline would continue to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2016.

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 2014, AFAT disbursed \$19,080,400. *(For more information, please see the Other Issues for Legislative Consideration section on Financial Aid.)*

### ***Western Interstate Commission Office***

The Baseline includes \$137,000 from the General Fund in FY 2016 for the Western Interstate Commission Office. This amount is unchanged from FY 2015.

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 \$4,094,000 from the General Fund in FY 2016 for WICHE student subsidies. This amount is unchanged from FY 2015.

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 2015, the board is providing subsidies to 172 Arizona students, which is (2) fewer than FY 2014. Participating students receive admissions preference and subsidized tuition. A.R.S. § 15-1745 requires graduates to practice 1 year in Arizona, or 6 months in an under-served Arizona community, for each year of WICHE support.

Participants who fail to meet their service requirements must repay 100% of their subsidies, plus interest.

The WICHE central office determines subsidy amounts for each program through negotiations with participating institutions. As rough guidance, WICHE subsidies are intended to cover the difference between resident and non-resident tuition at a public university or approximately half the private university tuition rate.

\* \* \*

**FORMAT** — Operating Lump Sum with Special Line Items by Agency

## FOOTNOTES

### *Standard Footnotes*

#### Performance Funding

The Arizona Board of Regents shall allocate the \$5,000,000 appropriation for performance funding to the 3 universities under its jurisdiction in accordance with a performance funding model to be adopted by the board that is substantially similar to what the board used in allocating the performance funding appropriation for FY 2015.

It is the intent of the Legislature that the Arizona Board of Regents adopt a performance funding model and report to the Joint Legislative Budget Committee the final allocation of the \$5,000,000 performance funding lump sum appropriation on or before July 1, 2015. The formula must be consistent with board objectives previously adopted in the board's enterprise plan. The performance funding model must use select performance metrics that include, at a minimum, the increase in degrees awarded, the increase in completed student credit hours and the increase in externally generated research and public service funding. The formula may give added weight to degrees related to science, technology, engineering and mathematics, as well as other high-value degrees that are in short supply or are essential to the state's long-term economic development strategy.

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

Within 10 days after the acceptance of the universities' semiannual all funds budget reports, the Arizona Board of Regents must submit an expenditure plan for review to the Joint Legislative Budget Committee. The expenditure plan must include any tuition revenue amounts that are greater

than the appropriated amounts and all retained tuition and fee revenue expenditures for the current fiscal year. The additional revenue expenditure plan must provide as much detail as the university budget requests.

#### Universitywide

The state General Fund appropriations may not be used for alumni association funding.

The increased state General Fund appropriations from Laws 2014, Chapter 18 may not be used for medical marijuana research.

The appropriated may not be used for scholarships or any student newspaper.

Any unencumbered balances remaining in the collections account on June 30, 2015 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 2014, the state's match would grow to \$24,710,800 or an increase of \$14,669,600 over the current appropriation in FY 2016.
- As session law in the General Appropriation Act, continue the \$200,000,000 universitywide payment deferral to the universities from FY 2016 to FY 2017.
- 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, 2015. This assessment is expected to generate \$869,800 from the universities and \$768,500 from the community colleges. (*Please see the Arizona Department of Education budget narrative for more information.*)



**OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

***Long Term Budget Impacts***

Beyond FY 2016 Baseline changes, the JLBC Staff estimates the previously appropriated 2003 Research Infrastructure Financing payments will result in an increase of \$3.9 million in FY 2017 over FY 2016, and an increase of \$3.7 million in FY 2018 over FY 2017. (Please see 2003 Research Infrastructure Refinancing and Capital Outlay - Arizona Board of Regents in Other Issues for Legislative Consideration for more information.)

***Tuition Revenues***

To improve transparency, the JLBC Staff recommends that the Legislature consider adopting a uniform approach in the FY 2016 budget and either appropriate all or none of tuition.

Total FY 2015 tuition and fees are projected to be \$1.84 billion. Of this amount, \$1.07 billion is appropriated while \$777.1 million is non-appropriated. Statute allows the universities to retain a portion of tuition collections for expenditures, as approved by ABOR pursuant to A.R.S. § 15-1626A. These “locally” retained tuition monies are considered non-appropriated. Any remaining tuition collections are part of the appropriated budget. While Financial Aid and Debt Service are primarily non-appropriated, general operating expenses appear in both appropriated and non-appropriated budgets.

Either full appropriation or full non-appropriation would make tuition collections more transparent since they would no longer be split as locally retained (non-appropriated) and appropriated. The appropriation of all tuition would require flexibility to account for variance between the projected tuition and actual collections. If tuition were entirely non-appropriated, the universities would reduce administrative costs of the current split approach. The state would lose the interest generated when the tuition funds flow to the state before returning to the individual university for use. Based on the FY 2014 interest on appropriated tuitions, the interest from the 3 universities’ appropriated tuition was \$218,500.

If non-appropriated, the JLBC Staff recommends that university fund structure be made more transparent. The locally retained tuition monies are currently in funds labeled as “Designated” funds. The Designated Fund for each university includes the retained tuition and fees, and includes monies from other sources. The JLBC Staff recommends tuition and fees be retained in one fund and labeled as such.

***Parity Funding***

Beginning in FY 2013, the Legislature began appropriating funds to ASU and NAU to increase their per pupil General Fund support to the higher level of UA. The original intent of the parity funding was to add \$76.4 million collectively to the ASU and NAU budgets in \$15.3 million

annual increments between FY 2013 and FY 2017. The FY 2013 budget added the first \$15.3 million. The FY 2014 budget added another \$15.3 million (for a total of \$30.5 million).

Rather than continue to fund a new incremental parity appropriation through FY 2017, the FY 2015 budget added an additional final parity appropriation of \$27.5 million for a total of \$58.0 million. In making the FY 2015 appropriation, the legislative intent was that the parity funding would continue at this level without further increases.

The \$58,040,000 was allocated as follows:

- \$38,843,100 to ASU - Tempe/Downtown Phoenix
- \$6,647,000 to ASU - East
- \$12,549,900 to NAU

With this final parity appropriation, the parity funding for FY 2016 and beyond would be rolled into the operating budgets of ASU and NAU. The Baseline would also eliminate any associated footnotes.

***2003 Research Infrastructure Refinancing***

Laws 2003, Chapter 267 appropriated for FY 2008 to FY 2031 monies for lease-purchase capital financing of research infrastructure projects such as installations and facilities for continuance and growth of scientific and technological research activities at the university to the respective universities each year.

The Baseline includes a reduction of \$(2.5) million from the General Fund in FY 2016 to amend research infrastructure lease-purchase payments to their actual debt service obligations. ABOR recently refinanced the Certificates of Participation (COPs) for the 2003 research infrastructure appropriation, resulting in total savings across all 3 universities of \$(5.6) million in FY 2015, \$(8.1) million in FY 2016 and \$(4.3) million in FY 2017. The \$(2.5) million reduction reflects the additional savings in FY 2016 beyond that of FY 2015. Since Section 134 of the FY 2015 General Appropriation Act reduced individual campus appropriations by these amounts through FY 2017, the additional savings would not need to appear in the FY 2016 General Appropriation Act. Due to Section 134, the General Fund amounts need to be adjusted by \$(2,523,300) for ASU, \$1,700 for NAU, and \$400 for UA. The university savings are as follows:

	<b><u>FY 2015</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>
ASU	\$ (522,600)	\$(3,045,900)	\$(2,329,800)
NAU	(408,500)	(406,800)	(1,653,200)
UA	<u>(4,659,800)</u>	<u>(4,659,400)</u>	<u>(274,600)</u>
<b>Total</b>	<b><u>\$(5,590,900)</u></b>	<b><u>\$(8,112,100)</u></b>	<b><u>\$(4,257,600)</u></b>

After FY 2017, the savings are generally less than \$600,000. The majority of the savings would accrue to NAU. (Please see Capital Outlay - Arizona Board of Regents sections for additional information.)

**Payment Deferral**

The Baseline includes \$200,000,000 from the General Fund for universitywide FY 2015 payments deferred until FY 2016 and includes a universitywide FY 2016 General Fund payment deferral of \$(200,000,000) until FY 2017. The payment deferral has been unchanged since FY 2011.

The FY 2016 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)
<b>Total</b>	<b><u>\$(200,000,000)</u></b>

**University System Summary Tables**

Table 2 summarizes the FY 2016 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 2015 increases in tuition collections.

Table 3 shows enrollment for Arizona University System students. Between fall 2013 and fall 2014, enrollment increased from 140,144 FTE to 146,611 FTE, or 4.6%. Spring enrollment is traditionally lower than the fall. Prior to the FY 2014 budget, the university system projected enrollment was calculated for the next academic year based on a weighted rolling average of the next, current,

and prior academic years, with the current academic year receiving double the weight of each of the other 2 years. Enrollment information is now based on actual enrollment data.

Table 4 shows ABOR changes to resident and non-resident undergraduate tuition from FY 2014 to FY 2015. While NAU has maintained a guaranteed tuition model for incoming freshman over the previous 6 years, UA will begin a similar program beginning in FY 2015. ASU previously provided guaranteed tuition; however, for 10 years beginning in FY 2015, ASU will limit annual tuition growth to between 0% and 3%.

Table 5 shows the financial aid distribution and the sources of aid for the Arizona University System in FY 2014. Of the \$2.0 billion total financial aid distributions in FY 2014, the state appropriated \$1.9 billion, university institutional services provided \$669.5 million, and AFAT (made up of both state and institutional funds) accounted for \$19.1 million.

Table 6 displays total tuition collections for the Arizona University System, which equal an estimated \$1.8 billion in FY 2015 and \$1.9 billion in FY 2016. The FY 2015 amount reflects estimated student growth and does not reflect any tuition changes.

The universities annually project their expenditure needs for financial aid, facilities (plant fund), debt service, and the operating budget. A.R.S. § 15-1626 authorizes ABOR to then allocate collections between the appropriated operating budgets, under legislative control, and non-appropriated funds, locally retained by the universities.

Table 2

	FY 2016 Summary of Spending Authority					
	Appropriated Funds			Non-Appropriated Funds		Total
	General Fund	Collections Fund <sup>1/</sup>	Tech & Research Fund (TRIF)	Federal Funds	Other Funds	
ABOR	\$ 21,928,400	\$ 0	\$ 0	\$ 939,700	\$ 11,310,800	\$ 34,178,900
ASU-Tempe/DPC	287,581,000	516,830,500	0	291,467,000	940,803,000	2,036,681,500
ASU-East	25,853,400	29,509,500	2,000,000	6,344,000	14,669,000	78,375,900
ASU-West	33,328,100	40,975,500	1,600,000	11,567,000	20,977,000	108,447,600
NAU	118,282,900	132,857,500	0	75,631,500	213,856,400	540,628,300
UA-Main	209,341,600	301,560,300	0	241,771,900	943,465,200	1,696,139,000
UA-Health Sciences	69,585,300	43,434,900	0	97,012,500	235,951,500	445,984,200
<b>Total</b>	<b>\$765,900,700</b>	<b>\$1,065,168,200</b>	<b>\$3,600,000</b>	<b>\$724,733,600</b>	<b>\$2,381,032,900</b>	<b>\$4,940,435,400</b>

1/ Excludes FY 2016 tuition adjustments.

Table 3

Arizona University System 45<sup>th</sup> Day Enrollment <sup>1/</sup>

	<u>Fall 2013</u>	<u>Spring 2014</u>	<u>Fall 2014</u>	<u>Fall 2013 to Fall 2014 % Change</u>
ASU-Tempe/ DPC	64,393	61,346	68,612	6.6%
ASU-East	5,177	4,992	5,687	9.8%
ASU-West	6,344	5,995	6,610	4.2%
NAU	24,593	23,367	25,743	4.7%
UA-Main	36,606	34,682	37,131	1.4%
UA-Health Sciences	<u>3,031</u>	<u>2,866</u>	<u>2,828</u>	<u>(6.7)%</u>
<b>Total</b>	<b>140,144</b>	<b>133,249</b>	<b>146,611</b>	<b>4.6%</b>

<sup>1/</sup> Adjusted FTE does not include students with excess credit hours.

Table 4

Arizona University System  
FY 2015 Undergraduate and Graduate Tuition <sup>1/</sup>

	<u>Resident Undergraduate</u>		<u>Resident Graduate</u>		<u>Non-Resident Undergraduate</u>		<u>Non-Resident Graduate</u>	
	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>
ASU	\$10,157	1.5%	\$11,283	4.3%	\$24,503	3.6%	\$26,717	3.5%
NAU	\$9,989	2.6%	\$9,165	4.5%	\$22,509	1.9%	\$20,249	1.9%
UofA	\$10,957	5.4%	\$11,723	1.8%	\$29,421	8.7%	\$28,705	4.8%

<sup>1/</sup> Reflects tuition rates for new students at NAU and UA and all classes at ASU. NAU and UA provide a guaranteed tuition rate for each incoming class, while ASU annual undergraduate tuition growth is limited to 3% through FY 2024.

Table 5

FY 2014 Financial Aid Distribution by Source  
(\$ in Thousands) <sup>1/</sup>

	<u>Federal</u>	<u>State</u> <sup>2/</sup>	<u>Institutional</u> <sup>3/</sup>	<u>Private/Other</u> <sup>4/</sup>	<u>Total</u>
Grants	\$225,307.1	\$1,672.4	\$502,710.1	\$185,226.3	\$ 914,915.9
Loans	690,815.0	229.1	60.1	229,708.4	920,812.6
Employment	<u>7,191.9</u>	<u>0.0</u>	<u>166,750.4</u>	<u>0.0</u>	<u>173,942.3</u>
<b>Total</b>	<b>\$923,314.0</b>	<b>\$1,901.5</b>	<b>\$669,520.6</b>	<b>\$414,934.7</b>	<b>\$2,009,670.9</b> <sup>5/</sup>

<sup>1/</sup> Information provided by ABOR.

<sup>2/</sup> State sources of aid include revenues from the Commission for Postsecondary Education.

<sup>3/</sup> Institutional sources of aid include revenues from: Local Retention, the Collegiate License Plate Fund, Foundation funds, and Financial Aid Carry Forward from previous years.

<sup>4/</sup> Private/Other sources of aid include AFAT, which is a combination of both state and institutional sources of aid.

<sup>5/</sup> Numbers do not add due to rounding.

**Table 6**

<b>Tuition Revenue Allocation</b>			
	<b>FY 2014 <u>Actual</u></b>	<b>FY 2015 <u>Estimate</u></b>	<b>FY 2016 <u>Estimate</u><sup>2/</sup></b>
<b>Appropriated</b>			
Operating Budget	\$ 956,217,600	\$ 1,065,168,200 <sup>1/</sup>	\$ 1,065,168,200
<b>Non-Appropriated</b>			
Operating Budget	\$ 160,930,800	\$ 191,571,500	\$ 223,252,000
Financial Aid	430,025,400	465,718,800	481,607,900
Plant Fund	31,332,600	33,463,300	40,055,800
Debt Service	<u>89,608,200</u>	<u>86,312,800</u>	<u>92,346,300</u>
<i>Subtotal</i>	<i>\$ 711,897,000</i>	<i>\$ 777,066,400</i>	<i>\$ 837,262,000</i>
<b>Total</b>	<b>\$1,668,114,600</b>	<b>\$1,842,234,700</b>	<b>\$1,902,430,200</b>

<sup>1/</sup> This amount reflects appropriated tuition collections and fees as allocated by ABOR and favorably reviewed by the JLBC at its September 2014 meeting.

<sup>2/</sup> The source for these non-appropriated amounts are the universities' FY 2016 budget requests from October 2014. The appropriated amount includes all FY 2016 estimated tuition collections and fees at that time, but do not reflect FY 2016 tuition adjustments that may be approved by ABOR in spring 2015.

<b>SUMMARY OF FUNDS</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Estimate</b>
<b>Arizona Health Education Center Program Fund (BRA2/A.R.S. § 5-522)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Lottery proceeds.		
<b>Purpose of Fund:</b> 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 \$4,528,200 in FY 2014 and are expected to be \$4,773,900 in FY 2015 and \$4,860,200 in FY 2016.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Federal Funds (BRA2000/A.R.S. § 15-1666)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants from the United States Department of Education.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	387,600	1,085,000
<b>Year-End Fund Balance</b>	19,000	0
<b>Regents Local Fund (BRA1/A.R.S. § 15-1626)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Contributions of retained tuition from the 3 universities.		
<b>Purpose of Fund:</b> To supplement the ABOR operating budget.		
<b>Funds Expended</b>	5,512,200	7,966,500
<b>Year-End Fund Balance</b>	2,766,500	200,000
<b>Technology and Research Initiative Fund (BRA2472/A.R.S. § 15-1648)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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 \$65,274,500 in FY 2014 and are estimated to be \$62,385,000 in FY 2015 and \$63,500,000 in FY 2016.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,351,300	4,467,000
<b>Year-End Fund Balance</b>	476,500	0

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**SUMMARY OF FUNDS**

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**FY 2014  
Actual****FY 2015  
Estimate**

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**Trust Land Fund (BRA3131/3132/3134/3136/A.R.S. § 15-1662)****Non-Appropriated**

**Source of Revenue:** Monies derived from the lease, sale, or other disposition of lands granted to the state by the United States for the use and benefit of the universities. Land funds are allocated for Agricultural and Mechanical Colleges, Military Institutes, Universities, and Normal Schools, respectively. Total land earnings were \$3,811,300 in FY 2014 and are estimated to be the same in FY 2015 and FY 2016.

**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.

<b>Funds Expended</b>	3,865,100	3,811,300
<b>Year-End Fund Balance</b>	0	0

## Arizona State University - Tempe/DPC

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	6,142.9	6,142.9	6,142.9
Personal Services	367,043,200	412,626,400	412,626,400
Employee Related Expenditures	111,845,700	126,012,700	126,012,700
Professional and Outside Services	5,526,900	5,275,200	5,275,200
Travel - In State	183,900	202,000	202,000
Travel - Out of State	3,446,700	4,255,800	4,255,800
Other Operating Expenditures	70,925,000	58,163,900	97,007,000
Equipment	16,852,500	19,037,500	19,037,500
<b>OPERATING SUBTOTAL</b>	<b>575,823,900</b>	<b>625,573,500</b>	<b>664,416,600</b>
<b>SPECIAL LINE ITEMS</b>			
Biomedical Informatics	2,697,300	2,746,600	2,746,600
Downtown Phoenix Campus	110,777,700	126,739,200	126,739,200
Parity Funding	20,444,400	38,843,100	0
Research Infrastructure Lease-Purchase Payment	13,553,600	13,032,400	10,509,100
<b>AGENCY TOTAL</b>	<b>723,296,900</b>	<b>806,934,800</b>	<b>804,411,500</b>
<b>FUND SOURCES</b>			
General Fund	270,228,200	290,104,300	287,581,000
<b>Other Appropriated Funds</b>			
University Collections Fund	453,068,700	516,830,500	516,830,500
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>453,068,700</b>	<b>516,830,500</b>	<b>516,830,500</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>723,296,900</b>	<b>806,934,800</b>	<b>804,411,500</b>
Other Non-Appropriated Funds	797,705,600	867,604,500	940,803,000
Federal Funds	272,250,800	282,074,200	291,467,000
<b>TOTAL - ALL SOURCES</b>	<b>1,793,253,300</b>	<b>1,956,613,500</b>	<b>2,036,681,500</b>

**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 297 Baccalaureate, Master's, Doctoral and first professional degree programs, and 86 undergraduate and graduate certificate programs to 55,235 full-time students at its Tempe Campus. The Downtown Phoenix Campus (DPC), budgeted as a unit of the Tempe Campus, offers 70 degree programs and 36 certificate programs to 13,377 full-time students.

### Operating Budget

The Baseline includes \$664,416,600 and 5,338.7 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$252,895,700
University Collections Fund	411,520,900

FY 2016 adjustments would be as follows:

#### **Parity Funding Transfer                      GF    38,843,100**

The Baseline includes an increase of \$38,843,100 and 45 FTE Positions from the General Fund in FY 2016 to transfer parity funding into the operating budget. This funding was appropriated to a Parity Funding line item to bring ASU - Tempe/DPC's per pupil funding to that of the

higher University of Arizona amount. This increase completed the parity initiative. The Baseline transfers these monies into the operating budget for no net change in resources.

The Baseline also includes \$2,000,000 from the General Fund in FY 2016 for university operating expenditures appropriated in a footnote in the FY 2015 General Appropriation Act. As a result, these monies do not appear in the General Appropriation Act.

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these additional revenues.

### **Biomedical Informatics**

The Baseline includes \$2,746,600 and 14.2 FTE Positions in FY 2016 for the Biomedical Informatics Department. These amounts consist of:

General Fund	1,955,200
University Collections Fund	791,400

These amounts are unchanged from FY 2015.

This multidisciplinary department incorporates computer science, biology, and engineering to organize and analyze medical data. This department moved from the Downtown Phoenix Campus (DPC) to Mayo Clinic's hospital in Phoenix last year.

### **Downtown Phoenix Campus**

The Baseline includes \$126,739,200 and 790 FTE Positions in FY 2016 for programs headquartered at the DPC. These amounts consist of:

General Fund	22,221,000
University Collections Fund	104,518,200

These amounts are unchanged from FY 2015.

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 13,396 in fall 2014.

### **Parity Funding**

The Baseline includes no funding for the Parity Funding line item. FY 2016 adjustments would be as follows:

#### **Parity Funding Transfer                      GF    (38,843,100)**

The Baseline includes a decrease of \$(38,843,100) and (45) FTE Positions from the General Fund in FY 2016 to transfer parity funding to the operating budget.

### **Research Infrastructure Lease-Purchase Payment**

The Baseline includes \$10,509,100 from the General Fund in FY 2016 for the Research Infrastructure Lease-Purchase Payment line item. FY 2016 adjustments would be as follows:

#### **Refinance Savings                                      GF    (2,523,300)**

The Baseline includes a decrease of \$(2,523,300) from the General Fund in FY 2016 to reflect savings from the refinance of Certificates of Participation (COPs) for research infrastructure projects.

Laws 2003, Chapter 267 appropriated a total of \$34,625,000 from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006. The FY 2015 General Appropriation Act (Laws 2014, Chapter 18) reduced the ASU research infrastructure appropriation of \$13,555,000 by \$(522,600) in FY 2015, \$(3,045,900) in FY 2016 and \$(2,329,800) in FY 2017.

Since this funding appears in Laws 2003, Chapter 267 and Laws 2014, Chapter 18, Section 134, this funding does not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects. Of this amount, ASU-Tempe/DPC has issued \$187,200,000 in COPs.

\* \* \*

**FORMAT** — Operating Lump Sum with Special Line Items by Agency

### **FOOTNOTES**

*Standard Footnotes (Please see Arizona Board of Regents (ABOR) for university-wide standard footnotes.)*

The appropriated monies shall not be used by the Arizona State University College of Law Legal Clinic for any lawsuits involving inmates of the State Department of Corrections in which the state is the adverse party.

It is the intent of the Legislature that the General Fund base funding for Arizona State University - Tempe and Downtown Phoenix Campuses is \$275,071,900. This appropriation includes a deferral of \$74,760,400 from FY 2016 to FY 2017. This deferral shall be paid as required in this act. *(The General Fund base funding of \$275,071,900 plus the \$13,555,000 in Laws 2003, Chapter 267 lease-purchase appropriations, plus \$2,000,000 from a footnote in the FY 2015 General Appropriation Act, less \$(3,045,900) in savings from the refinance of Certificates of Participation for research infrastructure in the FY 2015 General Appropriation Act, equals the FY 2016 total of \$287,581,000. The \$74,760,400 deferral amount into FY 2016 was appropriated by Laws 2014, Chapter 18.)*

#### *Deletion of Prior Footnotes*

The Baseline does not include the provision that appropriated \$2,000,000 in FY 2016 and FY 2017 from the state General Fund to ASU - Tempe/DPC Campus for operating expenditures since the monies were already appropriated with the initial footnote.

The Baseline would delete the footnote related to parity funding.

**Payment Deferral**

The Baseline includes \$74,760,400 from the General Fund for FY 2015 payments that were deferred until FY 2016 and includes a FY 2016 General Fund payment deferral of \$(74,760,400) until FY 2017. 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 2016 General Fund Baseline is \$287,581,000. Of this amount:

- \$200,311,500 would be included in ASU-Tempe/DPC's individual section of the FY 2016 General Appropriation Act.

- \$74,760,400 was appropriated in the FY 2015 General Appropriation Act (Laws 2014, Chapter 18) to reflect the deferral of FY 2015 monies to FY 2016.
- \$13,555,000 was appropriated in Laws 2003, Chapter 267 for a research infrastructure lease-purchase payment.
- \$(3,045,900) was reduced in Section 134 of the FY 2015 General Appropriation Act for Research Infrastructure savings.
- \$2,000,000 was appropriated by a footnote in the FY 2015 General Appropriation Act

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Auxiliary Fund (UNI8906/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Sales revenues of substantially self-supporting university services.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	130,767,900	126,591,800
<b>Year-End Fund Balance</b>	10,335,800	9,795,400
<b>Designated Fund (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	512,918,400	578,589,100
<b>Year-End Fund Balance</b>	391,246,100	384,435,900
<b>Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	1,841,500	0
<b>Year-End Fund Balance</b>	112,996,900	112,996,900
<b>Federal Grants (UNI8903/A.R.S. § 15-1666)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	272,250,800	282,074,200
<b>Year-End Fund Balance</b>	0	0
<b>Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Non-federally sponsored research programs.		
<i>Purpose of Fund:</i> To assist and promote non-federally sponsored research.		
<b>Funds Expended</b>	28,835,700	30,902,700
<b>Year-End Fund Balance</b>	1,952,400	1,522,000



SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Loan Fund (UNI8901/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	368,400	0
<b>Year-End Fund Balance</b>	13,814,000	13,814,000
<b>Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the private or non-federal donating entities.		
<b>Funds Expended</b>	119,557,900	125,119,900
<b>Year-End Fund Balance</b>	47,955,900	50,164,700
<b>University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> University system revenues.		
<b>Purpose of Fund:</b> 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> )		
<b>Funds Expended</b>	3,415,800	6,401,000
<b>Year-End Fund Balance</b>	0	0
<b>University Collections Fund (ASA1411/A.R.S. § 15-1626)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Tuition and registration fees, as well as a portion of university trust land earnings.		
<b>Purpose of Fund:</b> To operate the university.		
<b>Funds Expended</b>	453,068,700	516,830,500
<b>Year-End Fund Balance</b>	0	0

**Arizona State University - East Campus**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	425.6	425.6	425.6
Personal Services	24,807,700	24,358,700	24,358,700
Employee Related Expenditures	7,733,700	7,593,700	7,593,700
Professional and Outside Services	4,003,200	3,930,700	3,930,700
Travel - In State	31,100	30,600	30,600
Travel - Out of State	288,600	283,400	283,400
Other Operating Expenditures	16,017,200	10,512,700	17,159,700
Equipment	1,109,200	1,089,100	1,089,100
<b>OPERATING SUBTOTAL</b>	<b>53,990,700</b>	<b>47,798,900</b>	<b>54,445,900</b>
<b>SPECIAL LINE ITEMS</b>			
Parity Funding	3,497,800	6,647,000	0
Research Infrastructure Lease-Purchase Payment	917,000	917,000	917,000
TRIF Lease-Purchase Payment	2,000,000	2,000,000	2,000,000
<b>AGENCY TOTAL</b>	<b>60,405,500</b>	<b>57,362,900</b>	<b>57,362,900</b>
<b>FUND SOURCES</b>			
General Fund	22,704,200	25,853,400	25,853,400
<u>Other Appropriated Funds</u>			
Technology and Research Initiative Fund	2,000,000	2,000,000	2,000,000
University Collections Fund	35,701,300	29,509,500	29,509,500
SUBTOTAL - Other Appropriated Funds	37,701,300	31,509,500	31,509,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>60,405,500</b>	<b>57,362,900</b>	<b>57,362,900</b>
Other Non-Appropriated Funds	13,083,300	14,134,900	14,669,000
Federal Funds	5,911,600	6,139,000	6,344,000
<b>TOTAL - ALL SOURCES</b>	<b>79,400,400</b>	<b>77,636,800</b>	<b>78,375,900</b>

**AGENCY DESCRIPTION** — Established as a separate budget unit in 1994, Arizona State University - East Campus ASU-East, also known as the Polytechnic Campus, currently offers 44 professional and technical Baccalaureate, Master's, and Doctoral degree programs and 9 undergraduate certificate programs to 5,687 full-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 \$54,445,900 and 425.6 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$24,936,400
University Collections Fund	29,509,500

FY 2016 adjustments would be as follows:

**Parity Funding Transfer**      **GF**      **6,647,000**  
 The Baseline includes an increase of \$6,647,000 and 9 FTE Positions from the General Fund in FY 2016 to transfer parity funding into the operating budget. This funding was appropriated to a Parity Funding line item to bring ASU - East's per pupil funding to that of the higher

University of Arizona amount. This increase completed the parity initiative. The Baseline transfers these monies into the operating budget for no net change in resources.

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these additional revenues.

**Parity Funding**

The Baseline includes no funding for the Parity Funding line item. FY 2016 adjustments would be as follows:

**Parity Funding Transfer                      GF    (6,647,000)**

The Baseline includes a decrease of \$(6,647,000) and (9) FTE Positions from the General Fund in FY 2016 to transfer parity funding to the operating budget.

**Research Infrastructure Lease-Purchase Payment**

The Baseline includes \$917,000 from the General Fund in FY 2016 for the Research Infrastructure Lease-Purchase Payment line item. Unlike the ASU - Tempe/DPC payment, this amount is unchanged from FY 2015.

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 2016 for lease-purchase payment requirements. This amount is unchanged from FY 2015.

Laws 2000, 5<sup>th</sup> 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. Beginning in FY 2003, the lease-purchase payment increased to \$2,000,000, which will be the annual lease-purchase payment through FY 2021.

\* \* \*

**FORMAT** — Operating Lump Sum with Special Line Items by Agency

**FOOTNOTES**

*Standard Footnotes (Please see Arizona Board of Regents (ABOR) for university-wide standard footnotes.)*

It is the intent of the Legislature that the General Fund base funding for Arizona State University - East Campus is \$24,936,400. This appropriation includes a deferral of \$5,750,200 from FY 2016 to FY 2017. This deferral shall be paid as required in this act. *(The General Fund base funding of \$24,936,400 plus the \$917,000 in Laws 2003, Chapter 267 lease-purchase appropriations equals the FY 2016 total of \$25,853,400. The \$5,750,200 deferral amount into FY 2016 was appropriated by Laws 2014, Chapter 18.)*

*Deletion of Prior Year Footnotes*

The Baseline would delete the footnote related to parity funding.

**OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

**Payment Deferral**

The Baseline includes \$5,750,200 from the General Fund for FY 2015 payments that were deferred until FY 2016 and includes a FY 2016 General Fund payment deferral of \$(5,750,200) until FY 2017. 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 2016 General Fund Baseline is \$25,853,400. Of this amount:

- \$19,186,200 would be included in ASU-East's individual section of the FY 2016 General Appropriation Act.
- \$5,750,200 was appropriated in the FY 2015 General Appropriation Act (Laws 2014, Chapter 18) to reflect the deferral of FY 2015 monies to FY 2016.
- \$917,000 was appropriated in Laws 2003, Chapter 267 for a research infrastructure lease-purchase payment.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Auxiliary Fund (UNI8906/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sales revenues of substantially self-supporting university services.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	91,800	31,600
<b>Year-End Fund Balance</b>	192,400	126,300

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Designated Fund (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	10,537,200	13,089,500
<b>Year-End Fund Balance</b>	17,720,200	13,197,900
<b>Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support endowment operations and compensate designated beneficiaries.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	85,000	85,000
<b>Federal Grants (UNI8903/A.R.S. § 15-1666)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants and contracts.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the federal government.		
<b>Funds Expended</b>	5,911,600	6,139,000
<b>Year-End Fund Balance</b>	100	400
<b>Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the private or non-federal donating entities.		
<b>Funds Expended</b>	2,454,300	1,013,800
<b>Year-End Fund Balance</b>	2,416,000	2,824,300
<b>Technology and Research Initiative Fund (UNI2472/A.R.S. § 15-1648)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To make lease-purchase payments on certificates of participation used for technology and research capital projects.		
<b>Funds Expended</b>	2,000,000	2,000,000
<b>Year-End Fund Balance</b>	0	0
<b>University Collections Fund (ASA1411/A.R.S. § 15-1626)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Tuition and registration fees, as well as a portion of university trust land earnings.		
<b>Purpose of Fund:</b> To operate the university.		
<b>Funds Expended</b>	35,701,300	29,509,500
<b>Year-End Fund Balance</b>	0	0

**Arizona State University - West Campus**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	562.9	562.9	562.9
Personal Services	32,671,600	33,384,500	33,384,500
Employee Related Expenditures	10,417,700	10,644,900	10,644,900
Professional and Outside Services	3,976,200	4,062,900	4,062,900
Travel - In State	33,500	34,200	34,200
Travel - Out of State	139,800	142,900	142,900
Other Operating Expenditures	26,478,900	25,460,700	25,460,700
Equipment	561,200	573,500	573,500
<b>OPERATING SUBTOTAL</b>	<b>74,278,900</b>	<b>74,303,600</b>	<b>74,303,600</b>
<b>SPECIAL LINE ITEMS</b>			
TRIF Lease-Purchase Payment	1,600,000	1,600,000	1,600,000
<b>AGENCY TOTAL</b>	<b>75,878,900</b>	<b>75,903,600</b>	<b>75,903,600</b>
<b>FUND SOURCES</b>			
General Fund	33,328,100	33,328,100	33,328,100
<b>Other Appropriated Funds</b>			
Technology and Research Initiative Fund	1,600,000	1,600,000	1,600,000
University Collections Fund	40,950,800	40,975,500	40,975,500
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>42,550,800</b>	<b>42,575,500</b>	<b>42,575,500</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>75,878,900</b>	<b>75,903,600</b>	<b>75,903,600</b>
Other Non-Appropriated Funds	20,911,500	20,321,300	20,977,000
Federal Funds	10,811,300	11,194,200	11,567,000
<b>TOTAL - ALL SOURCES</b>	<b>107,601,700</b>	<b>107,419,100</b>	<b>108,447,600</b>

**AGENCY DESCRIPTION** — Established as a separate budget unit in 1984, Arizona State University - West Campus (ASU-West) currently offers 48 Baccalaureate, selective Master's, and Doctoral degree programs in the professional and liberal arts and 10 undergraduate certificate programs to 6,610 full-time students. ASU-West is located at a 277-acre site in northwest Phoenix.

**Operating Budget**

The Baseline includes \$74,303,600 and 562.9 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$33,328,100
University Collections Fund	40,975,500

These amounts are unchanged from FY 2015.

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these additional revenues.

**TRIF Lease-Purchase Payment**

The Baseline includes \$1,600,000 from the Technology and Research Initiative Fund (TRIF) in FY 2016 for lease-purchase payment requirements. This amount is unchanged from FY 2015.

Laws 2000, 5<sup>th</sup> Special Session, Chapter 1 appropriated \$1,100,000 from TRIF to make the initial lease-purchase payment in FY 2002 on \$21,600,000 in infrastructure development at ASU-East. Beginning in FY 2003, the lease-purchase payment increased to \$1,600,000, which will be the annual lease-purchase payment through FY 2021.

\* \* \*

**FORMAT** — Operating Lump Sum with Special Line Items by Agency

**FOOTNOTES**

*Standard Footnotes (Please see Arizona Board of Regents (ABOR) for university-wide 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. This appropriation includes a deferral of \$10,064,800 from FY 2016 to FY 2017. This deferral shall be paid as required in this act. *(The General Fund base funding of \$33,328,100 includes the \$10,064,800 deferral amount into FY 2016 as appropriated by Laws 2014, Chapter 18.)*

deferral. The payment deferral is unchanged from FY 2011. *(Please see ABOR for more information.)*

The FY 2016 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 2016 General Appropriation Act.
- \$10,064,800 was appropriated in the FY 2015 General Appropriation Act (Laws 2014, Chapter 18) to reflect the deferral of FY 2015 monies to FY 2016.

**OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

***Payment Deferral***

The Baseline includes \$10,064,800 from the General Fund for FY 2015 payments that were deferred until FY 2016 and includes a FY 2016 General Fund payment deferral of \$(10,064,800) until FY 2017. These amounts constitute a portion of a \$200,000,000 university-wide payment

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Auxiliary Fund (UNI8906/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sales revenues of substantially self-supporting university services.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	135,500	13,000
<b>Year-End Fund Balance</b>	294,700	402,300
<b>Designated Fund (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	13,896,000	13,627,000
<b>Year-End Fund Balance</b>	18,174,600	17,364,300
<b>Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support endowment operations and compensate designated beneficiaries.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	33,200	33,200
<b>Federal Grants (UNI8903/A.R.S. § 15-1666)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants and contracts.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the federal government.		
<b>Funds Expended</b>	10,811,300	11,194,200
<b>Year-End Fund Balance*</b>	(100)	(300)

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the private or non-federal donating entities.		
<b>Funds Expended</b>	6,880,000	6,681,300
<b>Year-End Fund Balance</b>	4,639,200	5,044,500
<b>Technology and Research Initiative Fund (UNI2472/A.R.S. § 15-1648)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To make lease-purchase payments on certificates of participation used for technology and research capital projects.		
<b>Funds Expended</b>	1,600,000	1,600,000
<b>Year-End Fund Balance</b>	0	0
<b>University Collections Fund (ASA1411/A.R.S. § 15-1626)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Tuition and registration fees, as well as a portion of university trust land earnings.		
<b>Purpose of Fund:</b> To operate the university.		
<b>Funds Expended</b>	40,950,800	40,975,500
<b>Year-End Fund Balance</b>	0	0

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

# Northern Arizona University

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2,057.2	2,057.2	2,057.2
Personal Services	58,743,300	71,956,700	71,956,700
Employee Related Expenditures	19,570,400	20,823,400	20,823,400
Professional and Outside Services	5,852,600	3,623,200	3,623,200
Travel - In State	176,200	227,800	227,800
Travel - Out of State	334,800	0	0
Other Operating Expenditures	127,731,700	128,446,300	140,996,200
Equipment	0	299,300	299,300
<b>OPERATING SUBTOTAL</b>	<b>212,409,000</b>	<b>225,376,700</b>	<b>237,926,600</b>
<b>SPECIAL LINE ITEMS</b>			
Biomedical Research	0	3,000,000	3,000,000
NAU - Yuma	2,194,000	2,430,000	2,430,000
Parity Funding	6,605,200	12,549,900	0
Research Infrastructure Lease-Purchase Payment	5,900,000	5,491,500	5,493,200
Teacher Training	2,417,900	2,290,600	2,290,600
<b>AGENCY TOTAL</b>	<b>229,526,100</b>	<b>251,138,700</b>	<b>251,140,400</b>
<b>FUND SOURCES</b>			
General Fund	109,245,000	118,281,200	118,282,900
<u>Other Appropriated Funds</u>			
University Collections Fund	120,281,100	132,857,500	132,857,500
SUBTOTAL - Other Appropriated Funds	120,281,100	132,857,500	132,857,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>229,526,100</b>	<b>251,138,700</b>	<b>251,140,400</b>
Other Non-Appropriated Funds	187,383,500	201,697,200	213,856,400
Federal Funds	74,058,300	74,798,900	75,631,500
<b>TOTAL - ALL SOURCES</b>	<b>490,967,900</b>	<b>527,634,800</b>	<b>540,628,300</b>

**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 152 degree programs and 67 certificate programs to 25,743 full-time students in 9 colleges/divisions through its campus in Flagstaff and its distance learning programs. Besides its online offerings, the university provides programs through 38 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 \$237,926,600 and 2,027.8 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$105,069,100
University Collections Fund	132,857,500

FY 2016 adjustments would be as follows:

<b>Parity Funding Transfer</b>	<b>GF</b>	<b>12,549,900</b>
The Baseline includes an increase of \$12,549,900 from the General Fund in FY 2016 to transfer parity funding into		

the operating budget. This funding was appropriated to a Parity Funding line item to bring NAU's per pupil funding to that of the higher University of Arizona amount. This increase completed the parity initiative. The Baseline transfers these monies into the operating budget for no net change in resources.

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections. 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.)



Laws 2014, Chapter 18 appropriated \$500,000 from the General Fund in FY 2016 for university operating expenditures. As a result, these monies do not appear in the General Appropriation Act.

### **Biomedical Research**

The Baseline includes \$3,000,000 from the General Fund in FY 2016 for the Biomedical Research Special Line Item (SLI). This amount is unchanged from FY 2015.

Section 132 of the FY 2015 General Appropriation Act (Laws 2014, Chapter 18) appropriated \$3,000,000 annually to NAU from FY 2015 to FY 2019 for biotechnology. As a result these monies do not appear in the General Appropriation Act.

Funding is to be allocated to a nonprofit medical research foundation that specializes in biotechnology and that collaborates with universities, hospitals, biotechnology and health science research centers. As of December 2014, \$1.5 million has been allocated to the Translational Genomics Research Institute (TGen). *(Please see the Department of Health Services section for additional information on nonprofit medical research funding.)*

### **NAU - Yuma**

The Baseline includes \$2,430,000 and 29.4 FTE Positions from the General Fund in FY 2016 for NAU-Yuma. These amounts are unchanged from FY 2015.

NAU operates this campus in conjunction with the Arizona Western College in Yuma.

### **Parity Funding**

The Baseline includes no funding for the Parity Funding line item. FY 2016 adjustments would be as follows:

<b>Parity Funding Transfer</b>	<b>GF</b>	<b>(12,549,900)</b>
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The Baseline includes a decrease of \$(12,549,900) from the General Fund in FY 2016 to transfer parity funding to the operating budget.

### **Research Infrastructure Lease-Purchase Payment**

The Baseline includes \$5,493,200 from the General Fund in FY 2016 for the Research Infrastructure Lease-Purchase Payment line item. FY 2016 adjustments would be as follows:

<b>Refinance Adjustment</b>	<b>GF</b>	<b>1,700</b>
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The Baseline includes an increase of \$1,700 from the General Fund in FY 2016 to adjust anticipated savings from the refinance of Certificates of Participation (COPs) for research infrastructure projects from the previous year.

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. The FY 2015 General Appropriation Act reduced the NAU research infrastructure appropriation of \$5,900,000 by \$(408,500) in FY 2015, \$(406,800) in FY 2016 and \$(1,653,200) in FY 2017.

Since this funding appears in Laws 2003, Chapter 267 and Laws 2014, Chapter 18, Section 134, this funding does not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects. Of this amount, NAU has issued \$77,475,000 in COPs.

### **Teacher Training**

The Baseline includes \$2,290,600 from the General Fund in FY 2016 for the Teacher Training SLI. This amount is unchanged from FY 2015.

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 Arizona Board of Regents (ABOR) for university-wide standard footnotes.)*

The appropriated amount for the Teacher Training line item must be distributed to the Arizona K-12 Center for Program Implementation and Mentor Training for the Arizona Mentor Teacher program prescribed by the State Board of Education.

It is the intent of the Legislature that the General Fund base funding for Northern Arizona University is \$109,289,700. This appropriation includes a deferral of \$30,494,800 from FY 2016 to FY 2017. This deferral shall be paid as required by this act. *(The General Fund base funding of \$109,289,700 plus the \$5,900,000 in Laws 2003, Chapter 267 lease-purchase appropriations, plus the \$3,000,000 for Biomedical Research in Section 132 of the FY 2015 General Appropriation Act, plus the \$500,000 in the FY 2015 General Appropriation Act footnote, less \$(406,800) in savings from the refinance of Certificates of Participation for research infrastructure in the FY 2015 General Appropriation Act equals the FY 2016 total of \$118,282,900. The \$30,494,800 deferral amount into FY 2016 was appropriated by Laws 2014, Chapter 18.)*

*Deletion of Prior Year Footnotes*

The Baseline does not include the provision that appropriated \$500,000 in FY 2016 and FY 2017 from the state General Fund to NAU for operating expenditures since the monies were already appropriated with the initial footnote.

The Baseline would delete the footnote related to parity funding.

**OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

***Payment Deferral***

The Baseline includes \$30,494,800 from the General Fund in FY 2015 payments that were deferred until FY 2016 and includes a FY 2016 General Fund payment deferral of \$(30,494,800) until FY 2017. 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 2016 General Fund Baseline is \$118,282,900. Of this amount:

- \$78,794,900 would be included in NAU’s section of the FY 2016 General Appropriation Act.
- \$30,494,800 was appropriated in the FY 2015 General Appropriation Act (Laws 2014, Chapter 18) to reflect the deferral of FY 2015 monies to FY 2016.
- \$5,900,000 was appropriated in Laws 2003, Chapter 267 for a research infrastructure lease-purchase payment.
- \$3,000,000 was appropriated in Section 132 of the FY 2015 General Appropriation Act for Biomedical Research.
- \$500,000 was appropriated by a footnote in the FY 2015 General Appropriation Act.
- \$(406,800) was reduced in Section 134 of the FY 2015 General Appropriation Act for Research Infrastructure savings in FY 2016.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Auxiliary Fund (UNI8906/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sales revenues of substantially self-supporting university services.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	55,670,700	60,755,600
<b>Year-End Fund Balance</b>	19,175,300	19,424,100
<b>Designated Fund (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	105,377,100	113,599,100
<b>Year-End Fund Balance</b>	77,852,600	50,905,200
<b>Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support endowment operations and compensate designated beneficiaries.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Federal Grants (UNI8903/A.R.S. § 15-1666)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants and contracts.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the federal government.		
<b>Funds Expended</b>	70,084,000	69,864,600
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Federally-sponsored research programs.		
<i>Purpose of Fund:</i> To assist and promote federally sponsored research.		
<b>Funds Expended</b>	3,974,300	4,934,300
<b>Year-End Fund Balance</b>	6,524,800	6,125,900
<b>Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Non-federally sponsored research programs.		
<i>Purpose of Fund:</i> To assist and promote non-federally sponsored research.		
<b>Funds Expended</b>	1,939,200	2,200,000
<b>Year-End Fund Balance</b>	3,832,000	3,632,000
<b>Loan Fund (UNI8901/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	0	237,000
<b>Year-End Fund Balance</b>	34,620,800	35,400,600
<b>Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	17,845,300	18,757,700
<b>Year-End Fund Balance</b>	12,144,200	10,437,400
<b>University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> University system revenues.		
<i>Purpose of Fund:</i> 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> )		
<b>Funds Expended</b>	6,551,200	6,147,800
<b>Year-End Fund Balance</b>	0	0
<b>University Collections Fund (NAA1421/A.R.S. § 15-1626)</b>		<b>Appropriated</b>
<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.		
<b>Funds Expended</b>	120,281,100	132,857,500
<b>Year-End Fund Balance</b>	0	0

## University of Arizona - Main Campus

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	5,365.0	5,393.0	5,393.0
Personal Services	266,590,600	289,631,500	289,631,500
Employee Related Expenditures	86,192,800	93,401,600	93,401,600
Professional and Outside Services	3,281,300	4,710,100	4,710,100
Travel - In State	90,300	82,600	82,600
Travel - Out of State	611,000	75,300	75,300
Other Operating Expenditures	38,394,900	48,940,500	48,940,500
Equipment	1,009,700	1,809,400	1,809,400
<b>OPERATING SUBTOTAL</b>	<b>396,170,600</b>	<b>438,651,000</b>	<b>438,651,000</b>
<b>SPECIAL LINE ITEMS</b>			
Agriculture	38,818,200	38,195,600	38,195,600
Arizona Cooperative Extension	13,040,900	16,360,200	16,360,200
Freedom Center	497,900	500,000	500,000
Research Infrastructure Lease-Purchase Payment	13,723,400	9,593,200	9,593,600
Sierra Vista Campus	5,837,200	7,601,500	7,601,500
<b>AGENCY TOTAL</b>	<b>468,088,200</b>	<b>510,901,500</b>	<b>510,901,900</b>
<b>FUND SOURCES</b>			
General Fund	208,501,000	209,341,200	209,341,600
<b>Other Appropriated Funds</b>			
University Collections Fund	259,587,200	301,560,300	301,560,300
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>259,587,200</b>	<b>301,560,300</b>	<b>301,560,300</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>468,088,200</b>	<b>510,901,500</b>	<b>510,901,900</b>
Other Non-Appropriated Funds	903,944,600	919,876,100	943,465,200
Federal Funds	234,892,200	235,609,500	241,771,900
<b>TOTAL - ALL SOURCES</b>	<b>1,606,925,000</b>	<b>1,666,387,100</b>	<b>1,696,139,000</b>

**AGENCY DESCRIPTION** — Established in 1885, The University of Arizona (UA) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). As a primary research institution, UA offers 356 degree-programs to approximately 37,131 full-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 \$438,651,000 and 4,624.1 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$153,189,200
University Collections Fund	285,461,800

These amounts are unchanged from FY 2015.

The Baseline also includes \$2,000,000 from the General Fund in FY 2016 and FY 2017 for university operating expenditures appropriated in a footnote in the FY 2015

General Appropriation Act. As a result, these monies do not appear in the FY 2016 General Appropriation Act.

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these additional revenues.

### Agriculture

The Baseline includes \$38,195,600 and 515.1 FTE Positions in FY 2016 for the Agriculture Programs. These amounts consist of:

General Fund 28,628,200  
 University Collections Fund 9,567,400

These amounts are unchanged from FY 2015.

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 \$16,360,200 and 181.1 FTE Positions in FY 2016 for the Arizona Cooperative Extension. These amounts consist of:

General Fund 14,660,100  
 University Collections Fund 1,700,100

These amounts are unchanged from FY 2015.

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 2016 for the Freedom Center. This amount is unchanged from FY 2015.

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 \$9,593,600 from the General Fund in FY 2016 for the Research Infrastructure Lease-Purchase Payment SLI. FY 2016 adjustments would be as follows:

**Refinance Adjustment GF 400**

The Baseline includes an increase of \$400 from the General Fund in FY 2016 to adjust anticipated savings from the refinance of Certificates of Participation (COPs) for research infrastructure projects from the previous year.

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. The FY 2015 General Appropriation Act (Laws 2014, Chapter 18) reduced the UA research infrastructure appropriation of

\$14,253,000 by \$(4,659,800) in FY 2015, \$(4,659,400) in FY 2016, and \$(274,600) in FY 2017.

Since this funding appears in Laws 2003, Chapter 267 and Laws 2014, Chapter 18, Section 134, this funding does not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects. Of this amount, UA-Main has issued \$187,200,000 in COPs.

**Sierra Vista Campus**

The Baseline includes \$7,601,500 and 72.7 FTE Positions in FY 2016 for the Sierra Vista Campus. These amounts consist of:

General Fund 2,770,500  
 University Collections Fund 4,831,000

These amounts are unchanged from FY 2015.

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 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 University of Arizona - Main Campus is \$197,748,000. This appropriation includes a deferral of \$62,153,100 from FY 2016 to FY 2017. This deferral shall be paid as required in this act. *(The General Fund base funding of \$197,748,000 plus the \$14,253,000 in Laws 2003, Chapter 267, lease-purchase appropriations, plus the \$2,000,000 from a FY 2015 General Appropriation Act footnote, less \$(4,659,400) in savings from the refinance of Certificates of Participation for research infrastructure in a FY 2015 General Appropriation Act footnote, equals the FY 2016 total of \$209,341,600. The \$62,153,100 deferral amount was appropriated by Laws 2014, Chapter 18.)*

*Deletion of Prior Year Footnotes*

The Baseline does not include the provision that appropriated \$2,000,000 in FY 2016 and FY 2017 from the state General Fund to University of Arizona - Main Campus for operating expenditures since the monies were already appropriated with the initial footnote.

**OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

***Payment Deferral***

The Baseline includes \$62,153,100 from the General Fund for FY 2015 payments that were deferred until FY 2016 and would include a FY 2016 General Fund payment deferral of \$(62,153,100) until FY 2017. 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 2016 General Fund budget is \$209,341,600. Of this amount:

- \$135,594,900 would be included in UA - Main individual section of the FY 2016 General Appropriation Act.

- \$62,153,100 was appropriated in the FY 2015 General Appropriation Act (Laws 2014, Chapter 18) to reflect the deferral of FY 2015 monies to FY 2016.
- \$14,253,000 was appropriated in Laws 2003, Chapter 267 for a research infrastructure lease-purchase payment.
- \$(4,659,400) was reduced in Section 134 of the FY 2015 General Appropriation Act for research infrastructure savings.
- \$2,000,000 was appropriated in Laws 2014, Chapter 18 for university operating expenditures in FY 2016.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Auxiliary Fund (UNI8906/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Sales revenues of substantially self-supporting university services.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	203,875,500	210,596,100
<b>Year-End Fund Balance</b>	29,499,100	29,172,600
<b>Designated Fund (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	521,907,900	528,377,600
<b>Year-End Fund Balance</b>	152,826,100	116,860,600
<b>Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	163,149,900	168,051,200
<b>Federal Grants (UNI8903/A.R.S. § 15-1666)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	188,519,100	188,755,000
<b>Year-End Fund Balance*</b>	(4,262,500)	4,544,100
<b>Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Federally-sponsored research programs.		
<i>Purpose of Fund:</i> To assist and promote federally sponsored research.		
<b>Funds Expended</b>	46,373,100	46,854,500
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Non-federally sponsored research programs.		
<b>Purpose of Fund:</b> To assist and promote non-federally sponsored research.		
<b>Funds Expended</b>	9,337,900	9,524,700
<b>Year-End Fund Balance</b>	0	0
<b>Loan Fund (UNI8901/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,216,100	1,240,400
<b>Year-End Fund Balance</b>	21,656,000	22,031,100
<b>Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the private or non-federal donating entities.		
<b>Funds Expended</b>	155,608,500	158,688,600
<b>Year-End Fund Balance</b>	41,061,500	39,381,600
<b>University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> University system revenues.		
<b>Purpose of Fund:</b> 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> )		
<b>Funds Expended</b>	11,998,700	11,448,700
<b>Year-End Fund Balance</b>	0	0
<b>University Collections Fund (UAA1402/A.R.S. § 15-1626)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Tuition and registration fees, as well as a portion of university trust land earnings.		
<b>Purpose of Fund:</b> To operate the university.		
<b>Funds Expended</b>	259,587,300	301,560,300
<b>Year-End Fund Balance</b>	0	0

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

**University of Arizona - Health Sciences Center**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1,054.1	1,054.1	1,054.1
Personal Services	48,061,200	50,886,300	50,886,300
Employee Related Expenditures	14,711,100	15,086,100	15,086,100
Professional and Outside Services	5,026,900	1,705,600	1,705,600
Travel - In State	60,500	41,200	41,200
Travel - Out of State	181,400	7,700	7,700
Other Operating Expenditures	5,252,900	2,102,900	2,102,900
Equipment	468,800	186,800	186,800
<b>OPERATING SUBTOTAL</b>	<b>73,762,800</b>	<b>70,016,600</b>	<b>70,016,600</b>
<b>SPECIAL LINE ITEMS</b>			
Clinical Rural Rotation	345,300	353,400	353,400
Clinical Teaching Support	8,587,000	8,587,000	8,587,000
Liver Research Institute	467,800	430,100	430,100
Phoenix Medical Campus	29,071,500	31,778,700	31,778,700
Telemedicine Network	1,854,200	1,854,400	1,854,400
<b>AGENCY TOTAL</b>	<b>114,088,600</b>	<b>113,020,200</b>	<b>113,020,200</b>
<b>FUND SOURCES</b>			
General Fund	69,585,300	69,585,300	69,585,300
<i>Other Appropriated Funds</i>			
University Collections Fund	44,503,300	43,434,900	43,434,900
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>44,503,300</b>	<b>43,434,900</b>	<b>43,434,900</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>114,088,600</b>	<b>113,020,200</b>	<b>113,020,200</b>
Other Non-Appropriated Funds	205,927,100	229,888,600	235,951,500
Federal Funds	93,795,100	94,186,800	97,012,500
<b>TOTAL - ALL SOURCES</b>	<b>413,810,800</b>	<b>437,095,600</b>	<b>445,984,200</b>

**AGENCY DESCRIPTION** — The University of Arizona’s Health Sciences Center (UA-HSC) includes its Colleges of Medicine, Nursing, Pharmacy, and Public Health and its School of Health Professions enrolls over 2,779 full-time students as well as 456 medical 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 301 medical and 49 Master of Public Health students.

**Operating Budget**

The Baseline includes \$70,016,600 and 629.2 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$34,900,200
University Collections Fund	35,116,400

These amounts are unchanged from FY 2015.

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections. The University Collections

Fund amount will ultimately be adjusted to reflect these additional revenues.

**Clinical Rural Rotation**

The Baseline includes \$353,400 and 6.1 FTE Positions from the General Fund in FY 2016 for the Clinical Rural Rotation program. These amounts are unchanged from FY 2015.

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 2016 for Clinical Teaching Support. These amounts are unchanged from FY 2015.

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 2016 for the Liver Research Institute. These amounts are unchanged from FY 2015.

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 \$31,778,700 and 185.4 FTE Positions in FY 2016 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	23,460,200
University Collections Fund	8,318,500

These amounts are unchanged from FY 2015.

The Phoenix Medical Campus currently has 301 medical students and 49 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, 1<sup>st</sup> Special Session, Chapter 6 and Laws 2009, 3<sup>rd</sup> Special Session, Chapter 9 authorized the Arizona Board of Regents (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 Medical Campus.

In September 2014, the JCCR favorably reviewed UA's planned SPEED bond issuance of \$136,100,000 to fund construction of the Biosciences Partnership Building on the Phoenix Medical Campus. The bond has yet to be

issued and the debt service will be paid with 80% from Lottery revenues and 20% from university system revenues.

Of the \$376,000,000 allocated for the Phoenix Medical Campus, the Joint Committee on Capital Review (JCCR) has reviewed \$275,545,000. *(For additional information on university lottery bonding, please see the Capital Outlay - ABOR Building System section of this report. For historical information, please see the FY 2015 Appropriations Report.)*

### **Telemedicine Network**

The Baseline includes \$1,854,400 and 14.9 FTE Positions from the General Fund in FY 2016 for the Telemedicine Network. These amounts are unchanged from FY 2015.

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.

\* \* \*

**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 University of Arizona - Health Sciences Center is \$69,585,300. This appropriation includes a deferral of \$16,776,700 from FY 2016 to FY 2017. This deferral shall be paid as required in this act. *(The \$16,776,700 deferral amount into FY 2016 was appropriated by Laws 2014, Chapter 18.)*

### **OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

#### **Payment Deferral**

The Baseline includes \$16,776,700 from the General Fund for FY 2015 payments that were deferred until FY 2016 and includes a FY 2016 General Fund payment deferral of \$(16,776,700) until FY 2017. 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 2016 General Fund budget is \$69,585,300. Of this amount:

- \$52,808,600 would be included in UA-HSC's individual section of the FY 2016 General Appropriation Act.

- \$16,776,700 was appropriated in the FY 2015 General Appropriation Act (Laws 2014, Chapter 18) to reflect the deferral of FY 2015 monies to FY 2016.

**University of Arizona Health Network**

On June 26, 2014, the University of Arizona Health Network (UAHN) and the University of Arizona (UA) announced plans to negotiate an affiliation with Banner Health. Negotiations are currently underway to merge the Banner Health network and the UAHN comprised of the 2 UA hospitals, its health plan division and physicians group.

The purchase of the land owned by ABOR and leased to the University Medical Center is part of the preliminary June 2014 proposal. Prior to 1984, the UA Hospital was owned by the state. In 1984, the Arizona Legislature adopted A.R.S. § 15-1637 to allow ABOR to enter into an agreement in which the University Medical Center (UMC) would be operated by the non-profit University Medical Center Corporation (UMCC). With the subsequent lease and conveyance agreement, the UMCC would take on the debt obligations and operational responsibilities (the liability to the state of running a hospital was considered a burden at the time of this transaction), ABOR leased the land to the UMCC, and ABOR conveyed the hospital building and equipment to the UMCC. The state also remained responsible for a limited amount of liability for the hospital. UMCC eventually became the current non-profit entity, UAHN, with the University Medical Center, other UAHN medical facilities, a health plan division, and a physicians group.

The June 2014 merger proposal includes:

- The purchase of the land currently leased to the University.
- The removal of the risk management liability for the University Hospital still held by the state.
- A \$300 million endowment to establish an Academic Enhancement Fund to provide \$20 million per year for UA’s clinical and translational research mission at the College of Medicine - Phoenix and the College of Medicine - Tucson.

- An additional \$20 million per year to support the clinical enterprise and additional funding support based on growth in revenues.
- \$500 million for capital improvements to the hospital and development of an outpatient center.
- University Family Care is an Arizona Health Care Cost Containment System (AHCCCS) contractor, operated by UA Health Plans; the contractor currently serves an AHCCCS population of 129,000 members in 10 counties. AHCCCS approved the change of ownership to Banner for the contract on November 12, 2014.
- The contract with UA-South Campus will remain in place with Pima County.
- UA faculty will be dually employed by UA and Banner. University faculty hold teaching appointments at the University of Arizona and clinical duties at the hospital. Their time is cost allocated so UA-HSC spending only reflects time spent on academic issues.

The statutory authority to sell the land rests with ABOR, and no legislative authority is necessary for the transaction.

The proposed transaction does not change the operation of the UA Health Sciences center. An academic council comprised of 6 persons, 3 appointed by UA, and 3 by Banner will oversee the clinical, clinical research, teaching operations of the UPH physicians; residency programs at the University Medical Center (Tucson), South Campus hospital (Tucson), and Banner Good Samaritan Medical Center (Phoenix); and the medical student rotations at the Phoenix and Tucson campuses.

The anticipated closure date for the merger is January 31, 2015, and the final terms of the deal are unknown.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Auxiliary Fund (UNI8906/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sales revenues of substantially self-supporting university services.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	9,560,700	10,294,200
<b>Year-End Fund Balance*</b>	(735,700)	397,400

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Designated Fund (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	84,501,800	105,460,100
<b>Year-End Fund Balance</b>	105,201,700	133,989,600
<b>Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support endowment operations and compensate designated beneficiaries.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	126,099,000	132,143,700
<b>Federal Grants (UNI8903/A.R.S. § 15-1666)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants and contracts.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the federal government.		
<b>Funds Expended</b>	71,462,800	71,408,000
<b>Year-End Fund Balance*</b>	(460,100)	2,860,100
<b>Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federally-sponsored research programs.		
<b>Purpose of Fund:</b> To assist and promote federally sponsored research.		
<b>Funds Expended</b>	22,332,300	22,778,800
<b>Year-End Fund Balance</b>	0	0
<b>Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Non-federally sponsored research programs.		
<b>Purpose of Fund:</b> To assist and promote non-federally sponsored research.		
<b>Funds Expended</b>	3,221,100	3,285,500
<b>Year-End Fund Balance</b>	0	0
<b>Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the private or non-federal donating entities.		
<b>Funds Expended</b>	108,643,500	110,848,800
<b>Year-End Fund Balance</b>	15,946,800	12,244,500
<b>University Collections Fund (UAA1403/A.R.S. § 15-1626)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Tuition and registration fees, as well as a portion of university trust land earnings.		
<b>Purpose of Fund:</b> To operate the university.		
<b>Funds Expended</b>	44,503,300	43,434,900
<b>Year-End Fund Balance</b>	0	0

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

## Department of Veterans' Services

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	500.3	500.3	510.3
Personal Services	1,694,100	1,867,100	1,867,100
Employee Related Expenditures	645,100	636,600	636,600
Professional and Outside Services	38,000	44,900	44,900
Travel - In State	27,000	25,900	25,900
Travel - Out of State	7,900	12,100	12,100
Other Operating Expenditures	528,800	516,400	516,400
Equipment	83,400	118,200	118,200
<b>OPERATING SUBTOTAL</b>	<b>3,024,300</b>	<b>3,221,200</b>	<b>3,221,200</b>
<b>SPECIAL LINE ITEMS</b>			
Arizona State Veterans' Homes	29,315,700	31,095,000	31,095,000
Arizona State Veterans' Cemeteries	275,600	275,600	482,700
Veterans' Benefit Counseling	2,712,500	2,848,100	2,848,100
<b>AGENCY TOTAL</b>	<b>35,328,100</b>	<b>37,439,900</b>	<b>37,647,000</b>
<b>FUND SOURCES</b>			
General Fund	5,485,700	5,438,300	5,645,400
<i>Other Appropriated Funds</i>			
State Home for Veterans' Trust Fund	29,315,700	31,095,000	31,095,000
Veterans' Conservatorship Fund	526,500	906,600	906,600
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>29,842,400</b>	<b>32,001,600</b>	<b>32,001,600</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>35,328,100</b>	<b>37,439,900</b>	<b>37,647,000</b>
<i>Other Non-Appropriated Funds</i>			
Other Non-Appropriated Funds	2,395,800	9,079,700	9,217,700
Federal Funds	531,800	850,600	850,600
<b>TOTAL - ALL SOURCES</b>	<b>38,255,700</b>	<b>47,370,200</b>	<b>47,715,300</b>

**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 \$3,221,200 and 62.8 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$2,314,600
Veterans' Conservatorship Fund	906,600

These amounts are unchanged from FY 2015.

### Arizona State Veterans' Homes

The Baseline includes \$31,095,000 and 380 FTE Positions from the State Home for Veterans' Trust Fund in FY 2016 for the Arizona State Veterans' Homes. These amounts are unchanged from FY 2015.

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.

### Arizona State Veterans' Cemeteries

The Baseline includes \$482,700 and 10.5 FTE Positions from the General Fund in FY 2016 for the Arizona State Veterans' Cemeteries. FY 2016 adjustments would be as follows:

<b>New Cemetery</b>	<b>GF</b>	<b>207,100</b>
<b>Operating Cost</b>		

The Baseline includes an increase of \$207,100 and 10 FTE positions from the General Fund in FY 2016 to partially

offset the operating costs at the new Flagstaff and Marana Veterans' Cemeteries. This funds 6 months of operating costs with non-appropriated internment fees expected to contribute another \$138,000.

The federal government approved the construction of 2 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. Construction for the Flagstaff cemetery began in March 2014 and construction for the Marana cemetery began in August 2014. The department projects that construction will conclude by January 2016 for both cemeteries.

Monies in this line item are also used to partially offset the operating costs at the Southern Arizona Cemetery in Sierra Vista. The name of this line item has been changed to reflect the location of cemeteries throughout the state.

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

**STATUTORY CHANGES**

The Baseline would, as permanent law, change the name of the Southern Arizona Veterans' Cemetery Trust Fund to the Arizona State Veterans' Cemetery Trust Fund. Monies deposited into this fund would be used to operate and maintain all 3 cemeteries in the state.

**Veterans' Benefit Counseling**

The Baseline includes \$2,848,100 and 57 FTE Positions from the General Fund in FY 2016 for Veterans' Benefit Counseling. These amounts are unchanged from FY 2015.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Federal Funds (VSA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> U.S. Department of Veterans' Affairs and Department of Defense Grants.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	531,800	850,600
<b>Year-End Fund Balance</b>	606,500	608,900
<b>Military Family Relief Fund (VSA2339/A.R.S. § 41-608.04)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	318,100	443,600
<b>Year-End Fund Balance</b>	4,513,500	5,089,900
<b>Southern Arizona Veterans' Cemetery Trust Fund (VSA2499/A.R.S. § 41-608.03)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Monies, grants, gifts, and contributions from any public or private source.		
<i>Purpose of Fund:</i> To manage and maintain the southern Arizona veterans' cemetery.		
<b>Funds Expended</b>	219,500	183,600
<b>Year-End Fund Balance</b>	138,200	194,600

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>State Home for Veterans' Trust Fund (VSA2355/A.R.S. § 41-608.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Charges for services, fees and reimbursements received from residents, the Department of Veterans' Affairs, Medicaid, Medicare, and private insurance carriers.		
<b>Purpose of Fund:</b> To operate and maintain state-operated nursing homes for Arizona veterans.		
<b>Funds Expended</b>	29,315,700	31,095,000
<b>Year-End Fund Balance</b>	4,081,100	6,810,300
<b>Statewide Employee Recognition Gifts (VSA2449/A.R.S. § 41-709)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations, gifts, or contributions from public or private sources.		
<b>Purpose of Fund:</b> For the conduct of employee recognition programs.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,400	1,400
<b>Veterans' Cemetery Fund (VSA2481/A.R.S. § 41-608.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Includes a one-time \$500,000 appropriation from the General Fund and federal monies used as reimbursement for the construction of veterans' cemeteries. 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.		
<b>Purpose of Fund:</b> To acquire property for and to establish state veterans' cemeteries.		
<b>Funds Expended</b>	33,500	7,725,600
<b>Year-End Fund Balance</b>	300,200	150,200
<b>Veterans' Conservatorship Fund (VSA2077/A.R.S. § 14-5414.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To operate the Fiduciary Division of the Department of Veterans' Services.		
<b>Funds Expended</b>	526,500	906,600
<b>Year-End Fund Balance</b>	2,400	2,400
<b>Veterans' Donations Fund (VSA2441/A.R.S. § 41-608)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,824,700	726,700
<b>Year-End Fund Balance</b>	1,451,700	2,463,400

## Arizona State Veterinary Medical Examining Board

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	5.5	6.0	6.0
Personal Services	251,600	318,300	318,300
Employee Related Expenditures	77,200	111,400	111,400
Professional and Outside Services	30,200	35,700	35,700
Travel - In State	7,200	9,500	9,500
Travel - Out of State	1,100	1,500	1,500
Other Operating Expenditures	63,400	89,900	59,400
Equipment	3,500	11,000	11,000
<b>AGENCY TOTAL</b>	<b>434,200</b>	<b>577,300</b>	<b>546,800</b>

### FUND SOURCES

#### Other Appropriated Funds

Veterinary Medical Examining Board Fund	434,200	577,300	546,800
SUBTOTAL - Other Appropriated Funds	434,200	577,300	546,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>434,200</b>	<b>577,300</b>	<b>546,800</b>
<b>TOTAL - ALL SOURCES</b>	<b>434,200</b>	<b>577,300</b>	<b>546,800</b>

**AGENCY DESCRIPTION** — The board licenses and regulates veterinarians, veterinary technicians, and veterinary premises.

**Operating Budget**

\* \* \*

The Baseline includes \$546,800 and 6 FTE Positions from the Veterinary Medical Examining Board Fund in FY 2016 for the operating budget. FY 2016 adjustments would be as follows:

**FORMAT** — Lump Sum by Agency

**Remove One-Time Funding OF FY 2016 \$(30,500)**

The Baseline includes a decrease of \$(30,500) from the Veterinary Medical Examining Board Fund in FY 2016 to eliminate one-time funding for technology updates.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Veterinary Medical Examining Board Fund (VTA2078/A.R.S. § 32-2205)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate veterinarians, veterinary technicians, and veterinary premises, and for board administration.		
<b>Funds Expended</b>	434,200	577,300
<b>Year-End Fund Balance</b>	1,178,200	1,690,900

## Water Infrastructure Finance Authority

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>SPECIAL LINE ITEMS</b>			
Water Supply Development Revolving Fund Deposit	0	1,000,000	0
<b>AGENCY TOTAL</b>	<b>0</b>	<b>1,000,000</b>	<b>0</b>
<b>FUND SOURCES</b>			
General Fund	0	1,000,000	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>0</b>	<b>1,000,000</b>	<b>0</b>
Other Non-Appropriated Funds	110,193,800	115,448,300	115,448,300
Federal Funds	36,450,400	31,540,200	31,540,200
<b>TOTAL - ALL SOURCES</b>	<b>146,644,200</b>	<b>147,988,500</b>	<b>146,988,500</b>

**AGENCY DESCRIPTION** — The Water Infrastructure Finance Authority (WIFA) finances the construction, rehabilitation, and/or improvement of drinking water, waste water, waste water reclamation, and other water quality facilities/projects. The agency also provides general administrative support to the Greater Arizona Development Authority (GADA). The Chairman of the WIFA board is the Director of the Arizona Department of Environmental Quality (ADEQ) or the Director's representative.

### **Water Supply Development Revolving Fund Deposit**

The Baseline includes no funding from the General Fund in FY 2016 for the non-appropriated Water Supply Development Revolving Fund. FY 2016 adjustments would be as follows:

	<b>FY 2016</b>
<b>Remove One-Time Deposit</b>	<b>GF \$(1,000,000)</b>

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2016 for the elimination of a one-time deposit to the Water Supply Development Revolving Fund.

Laws 2007, Chapter 226 established the Water Supply Development Revolving Fund. Prior to FY 2015, however, no funding had been previously appropriated for the purpose of community lending. Monies in the fund are to be used to provide financial assistance to construct water supply projects to water providers in Arizona, particularly in rural areas, lacking sufficient water supplies to meet their long-term water demands. Financial assistance for water supply development projects as defined in statute includes support for the planning or design of projects, direct loans for projects, or using funds as security for bonded projects.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Clean Water Revolving Fund (WFA2254/A.R.S. § 49-1221)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, federal capitalization grants, loan repayments, loan servicing fees, donations, and interest.		
<b>Purpose of Fund:</b> To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
<b>Appropriated Funds Expended</b>	0	0
<b>Non-Appropriated Funds Expended</b>	70,079,100	82,528,600
<b>Year-End Fund Balance</b>	101,945,100	84,102,000
<b>Drinking Water Revolving Fund (WFA2307/A.R.S. § 49-1241)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, federal capitalization grants, loan repayments, loan servicing fees, donations, and interest.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	40,028,900	32,691,700
<b>Year-End Fund Balance</b>	95,714,700	94,676,900



SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Federal Funds (WFA2000/A.R.S. § 49-1203)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants related to water supply management, and other programs.		
<b>Purpose of Fund:</b> To be used as specified by federal law.		
<b>Funds Expended</b>	36,450,400	31,540,200
<b>Year-End Fund Balance</b>	563,900	563,300
<b>Greater Arizona Development Authority Revolving Fund (WFA2311/A.R.S. § 41-2254)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest.		
<b>Purpose of Fund:</b> To help rural communities meet their infrastructure needs. The Greater Arizona Development Authority (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.		
<b>Funds Expended</b>	85,800	228,000
<b>Year-End Fund Balance</b>	13,286,200	13,247,200
<b>Small Water Systems Fund (WFA2225/A.R.S. § 49-355)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations and interest.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Water Supply Development Revolving Fund (WFA2336/A.R.S. § 49-1271)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest. The FY 2015 General Appropriation Act (Laws 2014, Chapter 18) made a one-time General Fund appropriation to the fund in FY 2015.		
<b>Purpose of Fund:</b> To be used to provide financial assistance to construct water supply projects for water providers in Arizona, particularly in rural areas, lacking sufficient water supplies to meet their long-term water demands. Financial assistance for water supply development projects as defined in statute includes support for the planning or design of projects, direct loans for projects, or using funds as security for bonded projects. Expenditures are not displayed to avoid double counting of the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	946,300

## Department of Water Resources

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	90.0	96.0	96.0
Personal Services	3,238,200	4,178,900	4,178,900
Employee Related Expenditures	1,301,600	1,596,300	1,596,300
Professional and Outside Services	179,200	210,000	210,000
Travel - In State	146,100	224,400	224,400
Travel - Out of State	24,600	77,000	77,000
Other Operating Expenditures	1,810,900	1,934,500	1,934,500
Equipment	123,500	280,000	280,000
<b>OPERATING SUBTOTAL</b>	<b>6,824,100</b>	<b>8,501,100</b>	<b>8,501,100</b>
<b>SPECIAL LINE ITEMS</b>			
Adjudication Support	1,209,000	1,257,200	1,257,200
Assured and Adequate Water Supply Administration	1,727,500	1,990,300	1,990,300
Automated Groundwater Monitoring	403,400	410,300	410,300
Conservation and Drought Program	405,400	410,200	410,200
Lower Colorado River Litigation Expenses	330,900	500,000	500,000
Rural Water Studies	1,152,700	1,168,100	1,168,100
<b>AGENCY TOTAL</b>	<b>12,053,000</b>	<b>14,237,200</b>	<b>14,237,200</b>
<b>FUND SOURCES</b>			
General Fund	11,970,200	13,330,300	13,330,300
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	0	266,500	266,500
Water Resources Fund	82,800	640,400	640,400
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>82,800</b>	<b>906,900</b>	<b>906,900</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>12,053,000</b>	<b>14,237,200</b>	<b>14,237,200</b>
Other Non-Appropriated Funds	7,239,200	8,905,600	8,905,600
Federal Funds	32,100	469,400	469,400
<b>TOTAL - ALL SOURCES</b>	<b>19,324,300</b>	<b>23,612,200</b>	<b>23,612,200</b>

**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 \$8,501,100 and 44 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$8,360,700
Water Resources Fund	140,400

These amounts are unchanged from FY 2015.

### Adjudication Support

The Baseline includes \$1,257,200 and 14.5 FTE Positions from the General Fund in FY 2016 for Adjudication Support. These amounts are unchanged from FY 2015.

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 \$1,990,300 and 19.8 FTE Positions in FY 2016 for the Assured and Adequate Water Supply (AAWS) Program. These amounts consist of:

General Fund	1,723,800
AAWS Administration Fund	266,500

These amounts are unchanged from FY 2015.

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 \$410,300 and 2 FTE Positions from the General Fund in FY 2016 for Automated Groundwater Monitoring. These amounts are unchanged from FY 2015.

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 \$410,200 and 4.7 FTE Positions from the General Fund in FY 2016 for the Conservation and Drought Program. These amounts are unchanged from FY 2015.

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 2016 for Lower Colorado River Litigation Expenses. This amount is unchanged from FY 2015.

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, which were granted in October 2014. The case is being appealed.

#### ***Rural Water Studies***

The Baseline includes \$1,168,100 and 11 FTE Positions from the General Fund in FY 2016 for Rural Water Studies. These amounts are unchanged from FY 2015.

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 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 may be used only for the exclusive purposes prescribed in A.R.S. § 45-256 and A.R.S. § 45-257B4. The Department of Water Resources may not transfer any monies into or out of the Adjudication Support line item.

Monies in the Assured and Adequate Water Supply Administration line item may be used only for the exclusive purposes prescribed in A.R.S. § 45-108 and A.R.S. § 45-576 through A.R.S. § 45-579. The Department of Water Resources may not transfer any monies into or out of the Assured and Adequate Water Supply Administration line item.

The Department of Water Resources may not transfer any monies from the Lower Colorado River Litigation

Expenses line item without the prior review by the Joint Legislative Budget Committee.

The \$500,000 appropriation from the Lower Colorado River Litigation Expenses Special Line Item is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

It is the intent of the Legislature that monies in the Rural Water Studies line item be spent only to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state’s AMAs and not be made available for other department operating expenditures.

**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 2016.

*Deleted Provisions*

The Baseline would remove the session law provision allowing the department non-municipality special fee authority. The department has made those fees permanent.

<b>SUMMARY OF FUNDS</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Estimate</b>
<b>Administrative Fund (WCA3025/A.R.S. § 45-113)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Assured and Adequate Water Supply Administration Fund (WCA2509/A.R.S. § 45-580)</b>		<b>Appropriated</b>
<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.		
<b>Funds Expended</b>	0	266,500
<b>Year-End Fund Balance</b>	226,100	105,600
<b>Augmentation and Conservation Assistance Fund (WCA2213/A.R.S. § 45-615)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	335,000	550,000
<b>Year-End Fund Balance</b>	2,581,300	2,827,000

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Colorado River Water Use Fee Clearing Account (WCA2538/A.R.S. § 45-333)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees assessed to those who divert and consume water from the mainstream of the Colorado River.		
<b>Purpose of Fund:</b> Monies are transferred to the Lower River Multispecies Conservation Program.		
<b>Funds Expended</b>	9,500	9,500
<b>Year-End Fund Balance</b>	0	0
<b>Dam Repair Fund (WCA2218/A.R.S. § 45-1212.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, dam safety inspection fees, and filing fees.		
<b>Purpose of Fund:</b> Generally, to offer loans and grants for private dam owners to make non-emergency repairs, and for program operations.		
<b>Funds Expended</b>	47,600	312,800
<b>Year-End Fund Balance</b>	1,880,600	2,023,800
<b>Federal Grants (WCA2000/A.R.S. § 45-105)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants from the federal government.		
<b>Purpose of Fund:</b> To support water protection, rural water studies, and water banking initiatives, as well as certain operating expenses.		
<b>Funds Expended</b>	32,100	469,400
<b>Year-End Fund Balance</b>	83,700	83,700
<b>Flood Warning System Fund (WCA1021/A.R.S. § 45-1503)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, grants, and contributions from other public agencies.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,300	52,000
<b>Year-End Fund Balance</b>	314,800	314,800
<b>General Adjudications Fund (WCA2191/A.R.S. § 45-260)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Court fees paid by water claimants and from legislative appropriations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	13,100	10,000
<b>Year-End Fund Balance</b>	31,200	26,200
<b>Indirect Cost Recovery Fund (WCA9000/A.R.S. § 45-104)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Cost allocation transfers of federal and other non-appropriated funds.		
<b>Purpose of Fund:</b> To provide various indirect administrative services, including security and cashiering.		
<b>Funds Expended</b>	202,200	675,600
<b>Year-End Fund Balance</b>	1,280,500	1,232,000
<b>Interagency Service Agreement Fund (WCA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Collections from other state and local agencies.		
<b>Purpose of Fund:</b> To pay for projects based upon interagency service agreements with other agencies.		
<b>Funds Expended</b>	243,600	258,400
<b>Year-End Fund Balance</b>	497,700	339,300
<b>Production and Copying Fund (WCA2411/A.R.S. § 45-115)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To produce and distribute department publications, as well as to copy department records.		
<b>Funds Expended</b>	6,900	3,000
<b>Year-End Fund Balance</b>	14,700	14,700

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Publication and Mailing Fund (WCA2410/A.R.S. § 45-116)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To publish and mail legal notices.		
<b>Funds Expended</b>	3,700	3,000
<b>Year-End Fund Balance</b>	1,200	2,200
<b>Purchase and Retirement Fund (WCA2474/A.R.S. § 45-615)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A portion of fees for groundwater withdrawal in AMAs.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	94,300	94,800
<b>Statewide Donations Fund (WCA2025/A.R.S. § 45-105)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants, gifts or donations of money or other property from any source.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	10,000	50,000
<b>Year-End Fund Balance</b>	193,100	193,100
<b>Water Banking Fund (WCA2110/A.R.S. § 45-2425)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> 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).		
<b>Purpose of Fund:</b> 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.		
<b>Appropriated Funds Expended</b>	0	0
<b>Non-Appropriated Funds Expended</b>	5,058,500	5,510,400
<b>Year-End Fund Balance</b>	6,684,500	7,409,100
<b>Water Protection Fund (WCA1302/A.R.S. § 45-2111)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> From purchases or leases of CAP water.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	889,400	866,500
<b>Year-End Fund Balance</b>	3,719,200	971,400

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Water Quality Fund (WCA2304/A.R.S. § 45-618)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	139,600	306,000
<b>Year-End Fund Balance</b>	331,700	326,700
<b>Water Resources Fund (WCA2398/A.R.S. § 45-117)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	82,800	640,400
<b>Year-End Fund Balance</b>	3,270,900	3,127,500
<b>Well Administration and Enforcement Fund (WCA2491/A.R.S. § 45-606)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Well-drilling filing and permit fees.		
<b>Purpose of Fund:</b> To monitor, investigate, and enforce regulations concerning the construction, replacement, deepening, and abandonment of wells, as well as the capping of open wells.		
<b>Funds Expended</b>	278,800	298,400
<b>Year-End Fund Balance</b>	267,900	317,500

**Department of Weights and Measures**

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>PROGRAM BUDGET</b>			
General Services	1,611,600	1,805,800	1,737,800
Oxygenated Fuel	837,900	789,700	789,700
Vapor Recovery	587,000	653,500	653,500
<b>AGENCY TOTAL</b>	<b>3,036,500</b>	<b>3,249,000</b>	<b>3,181,000</b>
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	36.4	38.4	38.4
Personal Services	1,436,500	1,519,000	1,519,000
Employee Related Expenditures	683,100	746,100	746,100
Professional and Outside Services	227,200	215,300	215,300
Travel - In State	151,500	151,700	151,700
Travel - Out of State	27,800	14,600	14,600
Other Operating Expenditures	416,700	433,000	433,000
Equipment	93,700	169,300	101,300
<b>AGENCY TOTAL</b>	<b>3,036,500</b>	<b>3,249,000</b>	<b>3,181,000</b>
<b>FUND SOURCES</b>			
General Fund	1,281,600	1,475,700	1,407,700
<u>Other Appropriated Funds</u>			
Air Quality Fund	1,424,900	1,443,200	1,443,200
Motor Vehicle Liability Insurance Enforcement Fund	330,000	330,100	330,100
SUBTOTAL - Other Appropriated Funds	1,754,900	1,773,300	1,773,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>3,036,500</b>	<b>3,249,000</b>	<b>3,181,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>3,036,500</b>	<b>3,249,000</b>	<b>3,181,000</b>

**AGENCY DESCRIPTION** — The department regulates the determination and representation of weight and measurement in the marketplace and also maintains 2 environmentally related gasoline inspection programs. All programs investigate consumer complaints.

**Operating Budget**

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The Baseline includes \$3,181,000 and 38.4 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

**FORMAT** — Lump Sum by Program

	<b>FY 2016</b>
General Fund	\$1,407,700
Air Quality Fund	1,443,200
Motor Vehicle Liability Insurance Enforcement Fund	330,100

FY 2016 adjustments would be as follows:

**Remove One-Time Funding GF (68,000)**

The Baseline includes a decrease of \$(68,000) from the General Fund in FY 2016 to eliminate one-time funding, including \$(36,000) for a forklift for the State Metrology Department and \$(32,000) for equipment for new staff for the Vehicle for Hire program.



SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Air Quality Fund (EVA2226/A.R.S. § 49-551)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies received from the \$1.50 fee assessed on motor vehicle registration, as well as gifts, grants, donations, and legislative appropriations.		
<b>Purpose of Fund:</b> 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 program and annual appropriations for the Department of Weights and Measures Oxygenated Fuels and Vapor Recovery programs.		
<b>Funds Expended</b>	1,424,900	1,443,200
<b>Year-End Fund Balance*</b>	(380,900)	(1,824,100)
<b>Motor Vehicle Liability Insurance Enforcement Fund (DTA2285/A.R.S. § 28-4151)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For the department to enforce mandatory motor vehicle liability insurance laws.		
<b>Funds Expended</b>	330,000	330,100
<b>Year-End Fund Balance*</b>	(294,200)	(624,300)

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

***CAPITAL OUTLAY ESTIMATES***

**Capital Outlay  
Summary**

	FY 2016 BASELINE
<b>BUILDING RENEWAL</b>	
ADOA Building System	14,567,900
ADOT Building System	3,396,800
ABOR Building System	0
<b>SUBTOTAL</b>	<b>17,964,700</b>
<b>INDIVIDUAL PROJECTS</b>	
ADOA Building System	0
ADOT Building System	261,452,800
ABOR Building System	0
<b>SUBTOTAL</b>	<b>261,452,800</b>
<b>LEASE-PURCHASE PAYMENTS</b>	
Lease-Purchase Obligations <u>1/</u>	114,563,600
<b>TOTALS</b>	
ADOA Building System	129,131,500
ADOT Building System	264,849,600
ABOR Building System	0
<b>TOTAL - ALL PROJECTS</b>	<b>393,981,100</b>
<b>FUND SOURCES</b>	
General Fund	114,563,600
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	9,000,000
Department of Corrections Building Renewal Fund	5,464,300
State Aviation Fund	21,996,700
State Highway Fund	242,852,900
State Lottery Fund	103,600
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>279,417,500</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>393,981,100</b>
Other Non-Appropriated Funds	466,892,000
Federal Funds	670,848,000
<b>TOTAL - ALL SOURCES</b>	<b>1,531,721,100</b>

**DESCRIPTION** — The Capital Outlay Budget consists of one-time appropriations to maintain, expand, enhance, or make a lease-purchase payment for the state's capital stock, which includes office buildings, service centers, residential treatment centers, state parks, prisons, highways, and other. For the purposes of capital management and planning, the state is divided into 3 building systems, the Arizona Department of Administration (ADOA) Building System, the Arizona Department of Transportation (ADOT) Building System, and the Arizona Board of Regents (ABOR) Building System. Capital appropriations are typically made through the Capital Outlay Act but may be made through other bills as well.

The following amounts are one-time appropriations:

	<b>FY 2016</b>
<b>Capital Outlay</b>	<b>GF \$114,563,600</b>
	<b>OF 279,417,500</b>

The Baseline includes a total of \$393,981,100 from Appropriated Funds in FY 2016. Of the total, \$114,563,600 is from the General Fund and \$279,417,500 is from Other Appropriated Funds. The Baseline consists of 3 main categories: 1) Building Renewal, 2) Individual Projects, and 3) Lease-Purchase Payments.

**Building Renewal**

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on support of a formula determined by the Joint Committee on Capital Review. The formula takes into account the replacement value, age, and life-cycle of a building. Available appropriations are administered by ADOA (or individual agencies within the ADOA Building System that have their own funding source for building renewal), ADOT, and ABOR.

The Baseline includes total funding of \$17,964,700 in FY 2016 for Building Renewal which is from Other Appropriated Funds. These amounts include:

Arizona Department of Administration Capital Outlay Stabilization Fund @ 24.9% (non-ADC buildings)	\$9,000,000
Department of Corrections General Fund/ADC Building Renewal Fund @ 31.1% (ADC-only buildings)	5,464,300
State Lottery Fund @ 100%	<u>103,600</u>
Subtotal - ADOA	\$14,567,900
Arizona Department of Transportation State Highway Fund @ 27.1%	\$ 3,191,900
State Aviation Fund @ 93.2%	<u>204,900</u>
Subtotal - ADOT	\$ 3,396,800

(See the individual building systems' write-ups for more information.)

**Individual Projects**

The Baseline includes total funding of \$261,452,800 in FY 2016 for individual capital projects, which consists of \$261,452,800 from Other Appropriated Funds. (See the individual building systems' write-ups for more information.)

**Lease-Purchase Payments**

The Baseline includes \$114,563,600 from the General Fund in FY 2016 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 and the Rio Nuevo Multipurpose Facility District. (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 2016 to be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with Title 41, Chapter 4, Article 7, Arizona Revised Statutes. Of the amounts appropriated to the Department of Administration, up to \$275,000 in Personal Services and Employee Related Expenditures for up to 5 FTE Positions may be allocated each fiscal year until the building renewal projects are completed. All other monies appropriated in this section may not be spent for Personal Services or Employee Related Expenditures or for maintenance contracts on building components and equipment without review by the Joint Committee on Capital Review. ~~Any monies appropriated for building renewal in FY 2016 that are unexpended or unencumbered on June 30, 2017 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 may not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities.

*New Footnotes*

Excluding appropriations made to the Department of Transportation for highway construction, any appropriations made in this act in FY 2016 that are unexpended on June 30, 2017 shall revert to the fund from which the monies were appropriated. (See Other Issues for Legislative Consideration for further detail.)

*Deletion of Prior Year Footnotes*

The Baseline would delete the standard capital footnote specifying that Capital Outlay Act appropriations do not lapse unless: the project has been finished or abandoned, or the appropriation stands for a full fiscal year without expenditure or encumbrance. (See Other Issues for Legislative Consideration for further detail.)

**OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

*Capital Standard Footnote Changes*

The current Capital Outlay Act allows appropriations to remain active as long as the appropriation has some level of expenditure or encumbrance during a given fiscal year. The Executive has interpreted this language as permitting capital appropriations to remain active as long as minimal planning activity is occurring. As a result, the state has a significant number of appropriations that remain active well beyond their original legislative authorization with little to no annual activity.

As of the end of FY 2014, there are 3 General Fund Capital appropriations totaling \$4.2 million which are still active after a period of 2 fiscal years. In addition, there are 2 agencies with a significant amount of Other Fund capital appropriations active after a period of 2 fiscal years: 1) Department of Administration – 8 appropriations with \$5.6 million of remaining funding; and 2) Game and Fish Department – 11 appropriations with \$2.8 million of remaining funding.

To address this issue, the Baseline proposes to require all non-ADOT highway construction capital appropriations to lapse after a period of 2 fiscal years, unless an appropriation is specifically exempted. Preventing future capital appropriations from remaining inactive for a period of several fiscal years will allow the Legislature to better evaluate agency capital expenditures based on agencies' capital needs at a given time. A corresponding portion of the Capital Standard Building Renewal footnote would be deleted (relating to lapsing) as it would be covered under the new proposed footnote.

# Capital Outlay

## Arizona Department of Administration Building System

FY 2016  
BASELINE

### BUILDING RENEWAL

Department of Administration	9,000,000
Arizona Lottery Commission	103,600
Department of Corrections	5,464,300
<b>SUBTOTAL</b>	<b>14,567,900</b>

### TOTAL - ALL PROJECTS

**14,567,900**

### FUND SOURCES

#### Other Appropriated Funds

Capital Outlay Stabilization Fund	9,000,000
Department of Corrections Building Renewal Fund	5,464,300
State Lottery Fund	103,600

SUBTOTAL - Other Appropriated Funds **14,567,900**

**SUBTOTAL - Appropriated Funds 14,567,900**

### TOTAL - ALL SOURCES

**14,567,900**

**DESCRIPTION** — The Arizona Department of Administration (ADOA) Building System is comprised of all state agencies except the Arizona Board of Regents (ABOR) 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 2016 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:

### Building Renewal OF **FY 2016** **\$14,567,900**

The Baseline includes \$14,567,900 from Other Appropriated Funds in FY 2016 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 2015 and represents 24.9% of the non-Department of Corrections (ADC) building renewal formula. The FY 2015 appropriation of \$18,000,000 included \$9,000,000 from COSF and \$9,000,000 from the General Fund, which represented 53.0% of the non-ADC formula.
- \$103,600 from the State Lottery Fund to the Arizona State Lottery Commission, which continues to fund 100% of the building renewal formula. The FY 2015 budget included \$97,400 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, which funds 31.1% of the ADC-only building renewal formula. The FY 2015 appropriation of \$8,464,300 included \$5,464,300 from the ADC Building Renewal Fund and \$3,000,000 from the

General Fund, which represented 51.6% of the ADC-only formula.

- \$0 from the Game and Fish Fund to the Arizona Game and Fish Department. Since the Game and Fish Department is a non-General Fund agency, the Baseline would typically fund 100% of the agency's building renewal formula for a total of \$767,000. However, as of the end of FY 2013, the agency still has \$76,700 of available building renewal funding from the agency's FY 2013 appropriation, along with \$547,600 allocated in FY 2014. The agency did not receive a building renewal appropriation in FY 2015.

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, 2017.

\* \* \*

**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 established by A.R.S. § 41-792.01 are insufficient to fund the appropriation to the Department of Administration for building renewal, the appropriation to the Department of Administration is reduced by the difference between the amount appropriated to the Department of Administration from the Capital Outlay Stabilization Fund and the balance in the Capital Outlay Stabilization Fund.

ON OR BEFORE JANUARY 31, 2016, AND JULY 31, 2016, the State Department of Corrections shall report ~~monthly~~ to the Joint Legislative Budget Committee Staff on the status of ALL BUILDING RENEWAL ~~the~~ projects AND BUILDING RENEWAL EXPENDITURES ~~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. *(These changes convert the status reports to semi-annually.)*

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 if the funding for the FTE Positions is cost allocated among the projects receiving benefit. The Department of Administration shall report any FTE Position reallocations to the Joint Committee on Capital Review on or before December 31, 2015.

*New Footnotes*

On or before January 31, 2016, and July 31, 2016 the Department of Administration shall report to the Joint Legislative Budget Committee Staff on the status of all building renewal projects and building renewal expenditures. *(The footnote requires semi-annual reporting.)*

**STATUTORY CHANGES**

*Deleted Provisions*

The Baseline would not continue the one-time session law provision that allows ADOA to use monies appropriated for building renewal for building demolition.

**OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

***COSF Rental Rate Change & Payment Adjustments***

The Baseline includes no agency adjustments for lease-purchase and rental charges, as all changes will be funded from existing agency appropriations and will have no corresponding change in agency funding levels. Excluding the ADOA sale/leaseback, the lease-purchase and rent changes are as follows:

	<u>General Fund</u>	<u>Total Funds</u>
• Lease-Purchase	\$ 65,600	\$ 110,500
• PLTO	30,300	252,300
• Rent	<u>(201,900)</u>	<u>(739,000)</u>
	\$ (106,000)	\$ (376,200)

***Lease-Purchase***

In FY 2016, lease-purchase payments will increase by \$110,500, of which \$65,600 is from the General Fund and \$44,900 from Other Appropriated Funds.

***Privatized-Lease-to-Own***

In FY 2016, PLTO payments will increase by \$252,300 of which \$30,300 is from the General Fund, \$189,800 is from Other Appropriated Funds, and \$32,200 is from Non-Appropriated Funds.

***Rent Adjustments***

In FY 2016, rent payments will decrease by \$(739,000) of which \$(201,900) is from the General Fund, \$(393,400) is from Other Appropriated Funds, and \$(143,700) is from Non-Appropriated Funds.

The Baseline includes an updated Summary of Rent Charges, which reflects updated space utilization amounts when applying the current rental rates (Office - \$13.08 per sq. ft./Storage - \$4.74 per sq. ft.). *(Please see Summary of Rent Charges for additional information.)*

## LEASE-PURCHASE APPROPRIATIONS 1/ Department of Administration Building System

	Fiscal Year 2015 - Appropriations Report				Fiscal Year 2016 - Baseline				FY 2016 - FY 2015 Difference			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
<b>BUDGET UNITS</b>												
Administration, AZ Department of Sale/Lease-Back	84,123,700			84,123,700	84,114,600			84,114,600	(9,100)	0	0	(9,100)
Corrections, Arizona Department of 4,000 Public Prison Beds	16,064,400			16,064,400	16,061,900			16,061,900	(2,500)	0	0	(2,500)
Water and Wastewater Projects	657,500			657,500	657,000			657,000	(500)	0	0	(500)
1,000 Public Prison Beds - Refinance 2/	3,074,600			3,074,600	3,075,300			3,075,300	700	0	0	700
Subtotal - AZ Department of Corrections	\$19,796,500	\$0	\$0	\$19,796,500	\$19,794,200	\$0	\$0	\$19,794,200	(\$2,300)	\$0	\$0	(\$2,300)
Health Services, Department of Health Services Building - Refinance 3/	1,793,900	1,196,200		2,990,100	1,858,600	1,239,400		3,098,000	64,700	43,200	0	107,900
Health Lab - Refinance 2/	0	2,031,300		2,031,300	0	2,033,000		2,033,000	0	1,700	0	1,700
Arizona State Hospital Forensic Unit	3,110,500			3,110,500	3,113,700			3,113,700	3,200	0	0	3,200
Subtotal - Department of Health Services	\$4,904,400	\$3,227,500	\$0	\$8,131,900	\$4,972,300	\$3,272,400	\$0	\$8,244,700	\$67,900	\$44,900	\$0	\$112,800
<b>GRAND TOTAL</b>	<b>\$108,824,600</b>	<b>\$3,227,500</b>	<b>\$0</b>	<b>\$112,052,100</b>	<b>\$108,881,100</b>	<b>\$3,272,400</b>	<b>\$0</b>	<b>\$112,153,500</b>	<b>\$56,500</b>	<b>\$44,900</b>	<b>\$0</b>	<b>\$101,400</b>

1/ Pursuant to A.R.S. § 41-792.01, state agencies occupying buildings being lease-purchased by the Arizona Department of Administration (ADOA) shall pay the higher of the billed amount reported [herein] by the Joint Legislative Budget Committee Staff or the pro rata share of the lease-purchase based on actual occupancy.

2/ As reviewed by JCCR in October 2012, ADOA refinanced the existing ADC 1,000 prison bed lease-purchase agreement (2004B) and DHS health lab lease-purchase agreement (2002A).

3/ As reviewed by JCCR in October 2012, ADOA refinanced the existing DHS building PLTO into a traditional lease-purchase agreement. The DHS building will now be under a lease-purchase agreement, as opposed to being owned by a developer, and then leased to the state. While a PLTO usually requires a private entity to maintain the building until the life of the agreement is complete, the conversion of this agreement into a traditional lease-purchase has been accompanied by an agreement with a private entity that will continue to be responsible for the maintenance of the DHS building through the end of the issuance in 2029.

**PRIVATIZED LEASE-TO-OWN APPROPRIATIONS 1/**

	Fiscal Year 2015 - Appropriations Report				Fiscal Year 2016 - Baseline				FY 2016 - FY 2015 Difference			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
<b>Arizona Department of Administration Building</b>												
Accountancy, State Board of	0	110,400	0	110,400	0	113,200	0	113,200	0	2,800	0	2,800
Administration, Arizona Department of	819,800	2,112,500	220,700	3,153,000	840,600	2,166,000	226,300	3,232,900	20,800	53,500	5,600	79,900
Deaf and Hard of Hearing, Commission for the	0	211,900	0	211,900	0	217,300	0	217,300	0	5,400	0	5,400
Equalization, State Board of	86,400	0	0	86,400	88,600	0	0	88,600	2,200	0	0	2,200
Tax Appeals, State Board of	33,200	0	0	33,200	34,000	0	0	34,000	800	0	0	800
Subtotal - ADOA Building	\$939,400	\$2,434,800	\$220,700	\$3,594,900	963,200	2,496,500	226,300	3,686,000	\$23,800	\$61,700	\$5,600	\$91,100
<b>Arizona Department of Environmental Quality Building</b>												
Criminal Justice Commission, Arizona	0	11,200	173,600	184,800	0	11,500	178,000	189,500	0	300	4,400	4,700
Environmental Quality, Department of	0	3,953,700	0	3,953,700	0	4,054,000	0	4,054,000	0	100,300	0	100,300
Environmental Quality, Department of - WIFA	0	0	111,200	111,200	0	0	114,000	114,000	0	0	2,800	2,800
Fire, Building and Life Safety, Department of	144,700	0	53,400	198,100	148,400	0	54,800	203,200	3,700	0	1,400	5,100
Forester, State	110,200	0	0	110,200	113,000	0	0	113,000	2,800	0	0	2,800
Gaming, Department of	0	607,800	0	607,800	0	623,200	0	623,200	0	15,400	0	15,400
Housing, Department of	0	29,600	464,200	493,800	0	30,300	476,000	506,300	0	700	11,800	12,500
Insurance, Department of	0	0	56,300	56,300	0	0	57,700	57,700	0	0	1,400	1,400
Racing, Arizona Department of	0	151,800	0	151,800	0	155,600	0	155,600	0	3,800	0	3,800
Residential Utility Consumer Office	0	117,900	0	117,900	0	120,900	0	120,900	0	3,000	0	3,000
Technical Registration, State Board of	0	181,900	0	181,900	0	186,500	0	186,500	0	4,600	0	4,600
Tourism, Office of	0	0	187,300	187,300	0	0	192,100	192,100	0	0	4,800	4,800
Subtotal - ADEQ Building	\$254,900	\$5,053,900	\$1,046,000	\$6,354,800	\$261,400	\$5,182,000	\$1,072,600	\$6,516,000	\$6,500	\$128,100	\$26,600	\$161,200
<b>GRAND TOTAL</b>	<b>\$1,194,300</b>	<b>\$7,488,700</b>	<b>\$1,266,700</b>	<b>\$9,949,700</b>	<b>\$1,224,600</b>	<b>\$7,678,500</b>	<b>\$1,298,900</b>	<b>\$10,202,000</b>	<b>\$30,300</b>	<b>\$189,800</b>	<b>\$32,200</b>	<b>\$252,300</b>

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.



## SUMMARY OF RENT CHARGES 1/ 2/

	Fiscal Year 2015 - Appropriations Report				Fiscal Year 2016 - Baseline				FY 2016 - FY 2015 Difference			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
<b>BUDGET UNITS</b>												
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	18,900	17,700	0	36,600	10,600	9,900	0	20,500
1510 W Adams	0	353,600	0	353,600	0	124,600	0	124,600	0	(229,000)	0	(229,000)
1520 W Adams	0	147,900	0	147,900	0	196,000	0	196,000	0	48,100	0	48,100
1522 W Jackson	0	41,900	0	41,900	0	41,900	0	41,900	0	0	0	0
1537 W Jackson	0	89,100	0	89,100	0	89,100	0	89,100	0	0	0	0
1616 W Adams	0	77,300	0	77,300	0	77,300	0	77,300	0	0	0	0
1802 W Jackson	0	24,900	61,900	86,800	0	24,900	61,900	86,800	0	0	0	0
1840 W Jackson	0	63,600	0	63,600	0	63,600	0	63,600	0	0	0	0
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	32,600	78,800	0	111,400	7,200	17,500	0	24,700
1789 W Jefferson (DES West)	0	16,400	0	16,400	0	16,400	0	16,400	0	0	0	0
1937 W Jefferson/CDC	0	114,600	0	114,600	0	0	0	0	0	(114,600)	0	(114,600)
1801 W Madison	0	21,500	0	21,500	0	21,500	0	21,500	0	0	0	0
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	\$1,201,500	\$61,900	\$1,297,100	\$51,500	\$933,400	\$61,900	\$1,046,800	\$17,800	(\$268,100)	\$0	(\$250,300)
Administrative Hearings, Office of												
1400 W Washington	71,000	900	131,500	203,400	71,000	900	131,500	203,400	0	0	0	0
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	\$131,500	\$214,800	\$71,000	\$12,300	\$131,500	\$214,800	\$0	\$0	\$0	\$0
Agriculture, AZ Department of												
1520 W Adams	106,400	0	0	106,400	106,400	0	0	106,400	0	0	0	0
1688 W Adams	197,700	0	222,800	420,500	197,700	0	222,800	420,500	0	0	0	0
400 W Congress, Tucson	32,100	0	4,700	36,800	32,100	0	4,700	36,800	0	0	0	0
Subtotal - AZ Dept of Agriculture	\$336,200	\$0	\$227,500	\$563,700	\$336,200	\$0	\$227,500	\$563,700	\$0	\$0	\$0	\$0
Appraisal, State Board of												
15 S 15th Ave	0	32,700	0	32,700	0	32,700	0	32,700	0	0	0	0
AZ Health Care Cost Containment System												
Kingman Building	6,800	0	6,600	13,400	6,800	0	6,600	13,400	0	0	0	0
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	550,300	315,500	320,200	1,186,000	550,300	315,500	320,200	1,186,000	0	0	0	0
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	137,700	107,900	79,900	325,500	137,700	107,900	79,900	325,500	0	0	0	0
Capitol Center	967,700	340,000	0	1,307,700	967,700	340,000	0	1,307,700	0	0	0	0
Subtotal - Attorney General - Dept of Law	\$1,688,300	\$789,000	\$419,200	\$2,896,500	\$1,688,300	\$789,000	\$419,200	\$2,896,500	\$0	\$0	\$0	\$0
Automobile Theft Authority												
1400 W Washington	0	34,800	0	34,800	0	34,800	0	34,800	0	0	0	0
Barbers, Board of												
1400 W Washington	0	12,500	0	12,500	0	12,500	0	12,500	0	0	0	0
Charter Schools, State Board for												
1616 W Adams	70,500	0	0	70,500	70,500	0	0	70,500	0	0	0	0
1700 W Washington	24,700	0	0	24,700	0	0	0	0	(24,700)	0	0	(24,700)
Subtotal - State Board for Charter Schools	\$95,200	\$0	\$0	\$95,200	\$70,500	\$0	\$0	\$70,500	(\$24,700)	\$0	\$0	(\$24,700)
Child Safety, Department of												
1400 W Washington	0	0	0	0	0	0	100,400	100,400	0	0	100,400	100,400
Kingman Building	0	0	0	0	50,700	104,000	69,900	224,600	50,700	104,000	69,900	224,600
400 W Congress, Tucson	0	0	0	0	211,900	199,600	96,000	507,500	211,900	199,600	96,000	507,500
Capitol Center	0	0	0	0	195,700	54,400	112,300	362,400	195,700	54,400	112,300	362,400
Subtotal - Department of Child Safety	\$0	\$0	\$0	\$0	\$458,300	\$358,000	\$378,600	\$1,194,900	\$458,300	\$358,000	\$378,600	\$1,194,900
Citizens Clean Election Commission												
1616 W Adams	0	0	54,300	54,300	0	0	54,300	54,300	0	0	0	0

	Fiscal Year 2015 - Appropriations Report				Fiscal Year 2016 - Baseline				FY 2016 - FY 2015 Difference			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
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	448,800	0	448,800	0	418,700	0	418,700	0	(30,100)	0	(30,100)
Subtotal - Registrar of Contractors	\$0	\$486,800	\$0	\$486,800	\$0	\$456,700	\$0	\$456,700	\$0	(\$30,100)	\$0	(\$30,100)
Corporation Commission												
1200 W Washington	0	527,800	0	527,800	0	527,800	0	527,800	0	0	0	0
1300 W Washington	0	382,400	0	382,400	0	382,400	0	382,400	0	0	0	0
1400 W Washington	0	154,200	0	154,200	0	154,200	0	154,200	0	0	0	0
400 W Congress, Tucson	5,500	47,900	3,100	56,500	5,500	47,900	3,100	56,500	0	0	0	0
Subtotal - Corporation Commission	\$5,500	\$1,112,300	\$3,100	\$1,120,900	\$5,500	\$1,112,300	\$3,100	\$1,120,900	\$0	\$0	\$0	\$0
Corrections, State Department of												
1601 W Jefferson	749,800	0	0	749,800	749,800	0	0	749,800	0	0	0	0
1645 W Jefferson	671,000	0	0	671,000	668,600	0	0	668,600	(2,400)	0	0	(2,400)
1831 W Jefferson	266,300	0	0	266,300	266,300	0	0	266,300	0	0	0	0
Subtotal - State Dept of Corrections	\$1,687,100	\$0	\$0	\$1,687,100	\$1,684,700	\$0	\$0	\$1,684,700	(\$2,400)	\$0	\$0	(\$2,400)
Deaf and the Hard of Hearing, Commission for the												
1400 W Washington	0	8,400	0	8,400	0	8,400	0	8,400	0	0	0	0
Economic Security, Department of												
1400 W Washington	0	0	100,400	100,400	0	0	58,000	58,000	0	0	(42,400)	(42,400)
1624 W Adams	64,100	29,200	23,400	116,700	64,100	29,200	23,400	116,700	0	0	0	0
1700 W Washington	15,500	7,100	5,700	28,300	12,800	5,900	4,700	23,400	(2,700)	(1,200)	(1,000)	(4,900)
1789 W Jefferson (DES West)	1,430,600	356,500	472,900	2,260,000	1,430,600	356,500	472,900	2,260,000	0	0	0	0
Kingman Building	50,700	104,000	69,900	224,600	31,900	65,500	44,000	141,400	(18,800)	(38,500)	(25,900)	(83,200)
400 W Congress, Tucson	211,900	199,600	96,000	507,500	190,600	179,600	86,400	456,600	(21,300)	(20,000)	(9,600)	(50,900)
DES Group Homes	139,200	200,100	0	339,300	139,200	200,100	0	339,300	0	0	0	0
Capitol Center	195,700	54,400	112,300	362,400	78,600	21,900	45,100	145,600	(117,100)	(32,500)	(67,200)	(216,800)
Subtotal - Department of Economic Security	\$2,107,700	\$950,900	\$880,600	\$3,939,200	\$1,947,800	\$858,700	\$734,500	\$3,541,000	(\$159,900)	(\$92,200)	(\$146,100)	(\$398,200)
Education, Department of												
1535 W Jefferson	310,900	106,300	578,800	996,100	311,000	106,300	578,900	996,300	100	0	100	200
400 W Congress, Tucson	0	12,000	42,500	54,500	0	12,000	42,500	54,500	0	0	0	0
416 W Congress, Tucson	0	900	21,100	22,000	0	900	21,100	22,000	0	0	0	0
Subtotal - Department of Education	\$310,900	\$119,200	\$642,400	\$1,072,600	\$311,000	\$119,200	\$642,500	\$1,072,800	\$100	\$0	\$100	\$200
Environmental Quality, Department of												
400 W Congress, Tucson	0	96,800	0	96,800	0	96,800	0	96,800	0	0	0	0
Equal Opportunity, Governor's Office of												
1700 W Washington	13,000	0	0	13,000	13,000	0	0	13,000	0	0	0	0
Equalization, State Board of												
416 W Congress, Tucson	1,400	0	0	1,400	1,400	0	0	1,400	0	0	0	0
Executive Clemency, Board of												
1645 W Jefferson	83,700	0	0	83,700	86,200	0	0	86,200	2,500	0	0	2,500
Financial Institutions, Department of												
2910 N 44th Street	166,000	32,400	0	198,400	166,000	32,400	0	198,400	0	0	0	0
Fire, Building, and Life Safety, Department of												
400 W Congress, Tucson	12,300	0	7,500	19,800	12,300	0	7,500	19,800	0	0	0	0
Funeral Directors & Embalmers, State Board of												
1400 W Washington	0	15,000	0	15,000	0	15,000	0	15,000	0	0	0	0
Gaming, Department of												
400 W Congress, Tucson	0	14,000	0	14,000	0	14,000	0	14,000	0	0	0	0
Geological Survey, AZ												
402 W Congress, Tucson	17,500	0	0	17,500	17,500	0	0	17,500	0	0	0	0
416 W Congress, Tucson	147,700	0	0	147,700	147,700	0	0	147,700	0	0	0	0
1520 W Adams	48,100	0	0	48,100	0	0	0	0	(48,100)	0	0	(48,100)
Subtotal - AZ Geological Survey	\$213,300	\$0	\$0	\$213,300	\$165,200	\$0	\$0	\$165,200	(\$48,100)	\$0	\$0	(\$48,100)
Governor, Office of the												
1700 W Washington	552,700	0	130,100	682,800	579,000	0	136,300	715,300	26,300	0	6,200	32,500
400 W Congress, Tucson	30,000	0	0	30,000	30,000	0	0	30,000	0	0	0	0
Subtotal - Office of the Governor	\$582,700	\$0	\$130,100	\$712,800	\$609,000	\$0	\$136,300	\$745,300	\$26,300	\$0	\$6,200	\$32,500
Gov's Ofc of Strategic Planning & Budgeting												
1700 W Washington	131,100	0	0	131,100	131,200	0	0	131,200	100	0	0	100

	Fiscal Year 2015 - Appropriations Report				Fiscal Year 2016 - Baseline				FY 2016 - FY 2015 Difference			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Health Services, Department of												
1740 W Adams	0	1,013,500	0	1,013,500	0	1,013,500	0	1,013,500	0	0	0	0
1818 W Adams	209,600	0	0	209,600	209,600	0	0	209,600	0	0	0	0
400 W Congress, Tucson	84,100	50,300	0	134,400	84,100	50,300	0	134,400	0	0	0	0
402 W Congress, Tucson	0	3,300	0	3,300	0	3,300	0	3,300	0	0	0	0
416 W Congress, Tucson	0	56,400	0	56,400	0	56,400	0	56,400	0	0	0	0
Subtotal - Department of Health Services	\$293,700	\$1,123,500	\$0	\$1,417,200	\$293,700	\$1,123,500	\$0	\$1,417,200	\$0	\$0	\$0	\$0
Historical Society, Arizona												
1502 W Washington	360,700	0	0	360,700	360,700	0	0	360,700	0	0	0	0
Homeland Security, AZ Dept of												
1700 W Washington	0	0	131,300	131,300	0	0	131,400	131,400	0	0	100	100
Homeopathic & Integrated Medicine Examiners, State Board of												
1400 W Washington	0	4,900	0	4,900	0	4,900	0	4,900	0	0	0	0
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	323,400	0	107,800	431,200	323,400	0	107,800	431,200	0	0	0	0
Judiciary - Court of Appeals												
400 W Congress, Tucson	380,700	0	0	380,700	380,700	0	0	380,700	0	0	0	0
Judiciary - Supreme Court												
1501 W Washington	2,859,800	0	0	2,859,800	2,859,800	0	0	2,859,800	0	0	0	0
400 W Congress, Tucson	83,800	0	0	83,800	83,800	0	0	83,800	0	0	0	0
Subtotal - Supreme Court	\$2,943,600	\$0	\$0	\$2,943,600	\$2,943,600	\$0	\$0	\$2,943,600	\$0	\$0	\$0	\$0
Subtotal - Judiciary	\$3,324,300	\$0	\$0	\$3,324,300	\$3,324,300	\$0	\$0	\$3,324,300	\$0	\$0	\$0	\$0
Juvenile Corrections, Department of												
1624 W Adams	364,700	0	0	364,700	364,700	0	0	364,700	0	0	0	0
Land Department, State												
1616 W Adams	0	779,700	0	779,700	0	779,700	0	779,700	0	0	0	0
Legislature - Auditor General												
1400 W Washington	0	0	0	0	16,900	0	0	16,900	16,900	0	0	16,900
2910 N 44th Street	342,200	0	0	342,200	342,200	0	0	342,200	0	0	0	0
400 W Congress, Tucson	45,100	0	0	45,100	45,100	0	0	45,100	0	0	0	0
Subtotal - Legislature - Auditor General	\$387,300	\$0	\$0	\$387,300	\$404,200	\$0	\$0	\$404,200	\$16,900	\$0	\$0	\$16,900
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	200,100	0	200,100	0	200,100	0	200,100	0	0	0	0
Massage Therapy Board												
1400 W Washington	0	9,900	0	9,900	0	28,500	0	28,500	0	18,600	0	18,600
Mine Inspector, State												
1700 W Washington	84,200	0	0	84,200	84,200	0	0	84,200	0	0	0	0
Naturopathic Physicians Medical Board												
1400 W Washington	0	22,900	0	22,900	0	4,200	0	4,200	0	(18,700)	0	(18,700)
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	34,200	0	34,200	0	34,200	0	34,200	0	0	0	0
Parks Board, AZ State												
1300 W Washington	0	61,300	249,000	310,300	0	61,300	249,000	310,300	0	0	0	0
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	\$300,500	\$361,800	\$0	\$61,300	\$300,500	\$361,800	\$0	\$0	\$0	\$0

	Fiscal Year 2015 - Appropriations Report				Fiscal Year 2016 - Baseline				FY 2016 - FY 2015 Difference			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
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	3,900	0	3,900	0	3,900	0	3,900	0	0	0	0
Subtotal - Office of Pest Management	\$0	\$50,200	\$0	\$50,200	\$0	\$50,200	\$0	\$50,200	\$0	\$0	\$0	\$0
Pharmacy, AZ State Board of												
1616 W Adams	0	117,800	0	117,800	0	117,800	0	117,800	0	0	0	0
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	20,600	0	20,600	0	20,500	0	20,500	0	(100)	0	(100)
Public Safety, Department of												
14 N 18th Avenue	20,100	5,300	5,600	31,000	20,100	5,300	5,600	31,000	0	0	0	0
1700 W Washington	50,900	13,300	14,000	78,200	51,000	13,300	14,000	78,300	100	0	0	100
1937 W Jefferson/Wayland	14,600	3,900	4,200	22,700	0	0	0	0	(14,600)	(3,900)	(4,200)	(22,700)
400 W Congress, Tucson	10,900	2,800	2,900	16,600	10,900	2,800	2,900	16,600	0	0	0	0
Subtotal - Department of Public Safety	\$96,500	\$25,300	\$26,700	\$148,500	\$82,000	\$21,400	\$22,500	\$125,900	(\$14,500)	(\$3,900)	(\$4,200)	(\$22,600)
Real Estate Department, State												
2910 N 44th Street	235,900	0	0	235,900	235,900	0	0	235,900	0	0	0	0
Respiratory Care Examiners, Board of												
1400 W Washington	0	19,800	0	19,800	0	19,800	0	19,800	0	0	0	0
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	1,377,200	709,400	0	2,086,600	1,377,200	709,400	0	2,086,600	0	0	0	0
Subtotal - Department of Revenue	\$1,569,000	\$807,100	\$0	\$2,376,100	\$1,569,000	\$807,100	\$0	\$2,376,100	\$0	\$0	\$0	\$0
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	80,500	0	33,000	113,500	600	0	200	800
Secretary of State - Dept of State												
1100 W Washington	23,500	0	0	23,500	23,500	0	0	23,500	0	0	0	0
1700 W Washington	193,400	0	0	193,400	193,700	0	0	193,700	300	0	0	300
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	1,593,000	0	0	1,593,000	1,593,000	0	0	1,593,000	0	0	0	0
Subtotal - Secretary of State - Dept of State	\$2,119,300	\$0	\$0	\$2,119,300	\$2,119,600	\$0	\$0	\$2,119,600	\$300	\$0	\$0	\$300
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 <sup>2/</sup>	0	127,500	0	127,500	0	127,500	0	127,500	0	0	0	0
Treasurer, State												
1700 W Washington	0	140,900	0	140,900	0	142,000	0	142,000	0	1,100	0	1,100
Veterinary Medical Examining Board, AZ State												
9500 Doubletree Rd.	0	23,300	0	23,300	0	23,300	0	23,300	0	0	0	0
<b>GRAND TOTAL</b>	<b>\$16,784,100</b>	<b>\$8,613,200</b>	<b>\$3,228,000</b>	<b>\$28,625,400</b>	<b>\$16,582,200</b>	<b>\$8,219,800</b>	<b>\$3,084,300</b>	<b>\$27,886,400</b>	<b>(\$201,900)</b>	<b>(\$393,400)</b>	<b>(\$143,700)</b>	<b>(\$739,000)</b>

<sup>1/</sup> Continues to reflect the FY 2015 rental rates enacted by Laws 2014, Chapter 14, Section 7, with an office square footage rental rate of \$13.08 and storage square footage rental rate of \$4.74.

<sup>2/</sup> 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.

<sup>3/</sup> 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 2016  
BASELINE

### BUILDING RENEWAL

ADOT Building Renewal	3,396,800
<b>SUBTOTAL</b>	<b>3,396,800</b>

### INDIVIDUAL PROJECTS

Airport Planning and Development	21,791,800
Controlled Access Highways	88,663,000
Debt Service	115,356,000
Statewide Highway Construction	35,642,000
<b>SUBTOTAL</b>	<b>261,452,800</b>

### TOTAL - ALL PROJECTS

**264,849,600**

### FUND SOURCES

#### Other Appropriated Funds

State Aviation Fund	21,996,700
State Highway Fund	242,852,900
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>264,849,600</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>264,849,600</b>

Other Non-Appropriated Funds	466,892,000
Federal Funds	670,848,000
<b>TOTAL - ALL SOURCES</b>	<b>1,402,589,600</b>

**DESCRIPTION** — The Arizona Department of Transportation (ADOT) Building System includes all buildings and highways controlled by ADOT. The following includes amounts for state highway construction and other projects related to ADOT's mission.

The following reflects one-time appropriations:

**FY 2016**

**Building Renewal** OF **\$3,396,800**

The Baseline includes \$3,396,800 in FY 2016 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 27.1% funding of the revised highways building renewal formula and 93.2% funding of the aviation building renewal formula.

**Airport Planning and Development** OF **21,791,800**

The Baseline includes \$21,791,800 from the State Aviation Fund (SAF) in FY 2016 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 **88,663,000**

The Baseline includes \$88,663,000 from SHF in FY 2016 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 **115,356,000**

The Baseline includes \$115,356,000 from SHF in FY 2016 for the appropriated portion of the debt service on bonds. ADOT has approximately \$2,692,405,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2016 debt service payments. (*Please see Table 4 for more information on debt service.*)

**Statewide Highway Construction** OF **35,642,000**

The Baseline includes \$35,642,000 from SHF in FY 2016 for highway construction. Please see *Table 6* for the HURF distribution analysis, which shows that \$35,642,000 of net SHF monies will be available for statewide highway construction in FY 2016 from the FY 2016 HURF revenue cash flow. Only a small portion of the state's total

\$1,836,000,000 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.

<b>Table 1</b>	
<b>FY 2016 Highway Construction &amp; Debt Service</b>	
	<u>Capital Outlay Bill</u>
Controlled Access	\$ 88,663,000
Debt Service	115,356,000
Highway Construction	<u>35,642,000</u>
<b>Total</b>	<b>\$239,661,000</b>

\* \* \*

**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 established by A.R.S. § 28-8202 for the planning, construction, development and improvement of state, county, city or town airports as determined by the State Transportation Board. Any balances and collections in the State Aviation Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the Department of Transportation for the purposes provided in this paragraph.

The amount appropriated for highway construction is from the State Highway Fund established by A.R.S. § 28-6991 for the planning and construction of state highways, including the national system of interstate highways within this state, the state primary or secondary system, the county primary or secondary system and urban rural routes, the acquisition of rights-of-way, the cost of contracted field administration and field engineering on construction projects and debt service payments on bonds issued for highway construction. Any balances and collections in the State Highway Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the department for the purposes provided in this paragraph.

The Department of Transportation shall report on or before November 1, 2015 to the Joint Committee on Capital Review on its actual prior year, estimated current year and upcoming budget year highway construction expenses from all fund sources, including appropriated monies, federal monies, local agency monies, state highway monies, bond proceeds and regional area road monies. The report must be in the same format as in the prior year unless modifications have been approved by the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting.

On or before November 1, 2015, the Department of Transportation shall report the department's estimated outstanding debt principal balance at the end of FY 2017 and the estimated debt service payment amount for FY 2017 to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. This report must include State Highway Fund statewide construction bonds, Arizona Highway User Revenue Fund, Maricopa Association of Governments and Pima Association of Governments controlled access bonds, Maricopa Regional Area Road Fund bonds and Grant Anticipation Notes and is intended to be comparable to the information in the FY 2016 Appropriations Report.

On or before November 1, 2015, the Department of Transportation shall report capital outlay information for FY 2015, FY 2016 and FY 2017 to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. This information must appear in the same format as tables 2, 3 and 6, as found in the FY 2015 Appropriations Report.

**OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

**Summary of Non-Appropriated Capital Funds**

Table 2 provides a summary of non-appropriated capital expenditures. Non-appropriated capital expenditures are expected to grow to \$1.5 billion from \$988.4 million before falling back to \$1.1 billion in FY 2016. Because construction of the South Mountain Freeway will begin in FY 2015, expenditures from the Maricopa Regional Area Road Fund (MRARF) are noticeably higher in FY 2015 than the other years. Further background information regarding the funds is contained in the ADOT Summary of Funds in the ADOT operating section of the *FY 2016 Baseline Book*. The ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in Table 2.

**Table 2**

**Non-Appropriated Capital Fund Expenditures**  
(\$ in Thousands)

	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Aviation Federal Funds	\$ 727	\$ 940	\$ 1,100
Federal Grants	<u>669,747</u>	<u>669,748</u>	<u>669,748</u>
<b>Subtotal - Federal Funds</b>	<b>\$ 670,474</b>	<b>\$ 670,688</b>	<b>\$ 670,848</b>
Economic Strength Project Fund	\$ 1,000	\$ 1,000	\$ 1,000
Highway Expansion and Extension Loan Program Fund	0	12,500	37,500
Local Agency Deposits Fund	84,484	90,000	85,000
Maricopa Regional Area Road Fund	232,415	706,015	343,392
<b>Subtotal - Other Non-Appropriated Funds</b>	<b>\$ 317,899</b>	<b>\$ 809,515</b>	<b>\$ 466,892</b>
<b>Total</b>	<b>\$988,373</b>	<b>\$1,480,203</b>	<b>\$1,137,740</b>

**Summary of Highway Construction**

The State Transportation Board oversees the department's highway construction program. The 5-Year Highway Construction Program adopted by the board on June 13, 2014 includes monies from SHF, Federal Funds, MRARF, HURF for controlled access roads, and bond revenues. The highway construction program adopted by the State Transportation Board totals \$814,741,000 for FY 2016. (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 \$239,661,000 for highway construction, including \$35,642,000 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 2014 through FY 2016, 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 2016 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 2016**  
(\$ in Thousands)

	<b>FY 2016</b> <sup>1/</sup>
Construction	\$ 111,104
Urban Controlled Access <sup>2/</sup>	412,812
Pavement Preservation Maintenance	236,059
Other <sup>3/</sup>	<u>54,766</u>
<b>Total</b>	<b>\$814,741</b>

<sup>1/</sup> Data from ADOT's 2015-2019 5-Year Transportation Facilities Construction Program.  
<sup>2/</sup> Includes expenditures from HURF for controlled access, PAG, and MRARF.  
<sup>3/</sup> Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.

For FY 2014, Table 4 shows that total FY 2014 cash highway construction expenditures were \$906.8 million while \$288.0 million was spent on debt service. In FY 2015, total estimated cash highway construction expenditures are \$1.5 billion with total debt service of \$307.5 million. The FY 2015 increase is primarily due to MRARF. As previously indicated, ADOT will begin construction of the South Mountain Freeway in FY 2015.

In FY 2016, total estimated cash highway construction expenditures are \$1.5 billion with total debt service of \$338.6 million. While the total cash highway construction program in FY 2016 is comparable to FY 2015, MRARF is projected to decline from \$535.9 million in FY 2015 to \$140.4 million in FY 2016. The SHF portion of the cash highway construction program grows from \$33.8 million in FY 2015 to \$283.9 million in FY 2016.

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 \$129.5 million in FY 2014, \$141.8 million in FY 2015, and \$136.0 million in FY 2016. Of the \$338.6 million total debt service amount in Table 4, only \$115.4 million is appropriated.

Table 4

**Highway Construction and Debt Service Expenditures by Fund Source**  
(\$ in Millions)

<u>Sources</u>	<u>FY 2014</u> <u>Actual</u>	<u>FY 2015</u> <u>Estimate</u>	<u>FY 2016</u> <u>Estimate</u>
<b>State Highway Fund (SHF)</b>			
<i>Appropriated</i>			
HURF - Statewide Debt Service	\$ 96.8	\$ 111.1	\$ 115.4
HURF - MAG Debt Service	25.2	27.9	30.6
MAG/PAG 15.2% Controlled Access - Construction Expenditures	13.8	30.3	235.3
Net SHF Funds Available for Statewide Highway Construction Expenditures	17.6	-	35.6
<b>Total SHF - Appropriated</b>	<b>\$ 153.4</b>	<b>\$ 169.3</b>	<b>\$ 416.9</b>
<i>Non-Appropriated</i>			
SHF Highway Construction <sup>1/</sup>	\$ 20.0	\$ 3.5	\$ 13.0
<b>Total SHF - Non-Appropriated</b>	<b>\$ 20.0</b>	<b>\$ 3.5</b>	<b>\$ 13.0</b>
<b>Total SHF Highway Construction Expenditures</b>	<b>\$ 173.4</b>	<b>\$ 172.8</b>	<b>\$ 429.9</b>
<b>Federal Aid</b>			
<b>Total Federal Aid Highway Construction Expenditures</b>	<b>\$ 692.7</b>	<b>\$ 805.0</b>	<b>\$ 805.0</b>
<b>Maricopa Regional Area Road Fund</b>			
Highway Construction Expenditures	\$ 67.8	\$ 535.9	\$ 140.4
MRARF Debt Service	103.2	103.6	135.7
<b>Total Maricopa Regional Area Road Fund Highway Construction Expenditures</b>	<b>\$ 171.0</b>	<b>\$ 639.5</b>	<b>\$ 276.1</b>
<b>Bond Proceeds</b>			
HURF - Highway Construction Expenditures	\$ 39.0	\$ 112.1	\$ 100.0
MRARF - Highway Construction Expenditures	80.0	30.1	220.0
GAN - Highway Construction Expenditures	34.8	13.1	-
<b>Total Bond Proceeds Highway Construction Expenditures</b>	<b>\$ 153.8</b>	<b>\$ 155.3</b>	<b>\$ 320.0</b>
<b>Local Agency Deposits Fund</b>			
Local Agency Deposits Fund Highway Construction Expenditures (Non-Federal)	\$ 3.9	\$ 10.0	\$ 5.0
Total Local Agency Deposits Fund	\$ 3.9	\$ 10.0	\$ 5.0
Total Local Agency Deposits Fund Debt Service	-	-	-
Total Local Agency Deposits Fund Cash Highway Constr. Expenditures	3.9	10.0	5.0
<b>Total Local Agency Deposits Fund Highway Construction Expenditures</b>	<b>\$ 3.9</b>	<b>\$ 10.0</b>	<b>\$ 5.0</b>
<b>Total Highway Construction Expenditures</b>	<b>\$ 1,194.8</b>	<b>\$ 1,782.6</b>	<b>\$ 1,836.0</b>
<b>Total Debt Service</b>			
SHF	\$ 122.0	\$ 139.0	\$ 146.0
Federal Aid	62.8	64.9	56.9
MRARF	103.2	103.6	135.7
<b>Total Debt Service</b>	<b>\$ 288.0</b>	<b>\$ 307.5</b>	<b>\$ 338.6 <sup>2/</sup></b>
<b>Total Cash Highway Construction Expenditures</b>			
SHF	\$ 51.4	\$ 33.8	\$ 283.9
Federal Aid	629.9	740.1	748.1
MRARF	67.8	535.9	140.4
Bond Proceeds	153.8	155.3	320.0
Local Agency Deposits Fund	3.9	10.0	5.0
<b>Total Cash Highway Construction Expenditures</b>	<b>\$ 906.8</b>	<b>\$ 1,475.1</b>	<b>\$ 1,497.4</b>
<b>Total Highway Construction Expenditures</b>	<b>\$ 1,194.8</b>	<b>\$ 1,782.6</b>	<b>\$ 1,836.0</b>

<sup>1/</sup> Includes funding from the Statewide Transportation Acceleration Needs Account (STAN).

<sup>2/</sup> Information provided by the department. Includes \$145,983,000 for HURF bonds (\$115,356,000 for statewide program and \$30,627,000 MAG program); \$56,903,000 for Grant Anticipation Notes; and \$135,644,000 for MRARF bonds as of June 30, 2014.



**Highway User Revenue Fund Analysis**

HURF consists of monies received in the state from transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax (VLT), vehicle registration, driver’s license, and others. *Table 5* explains the formula distribution of HURF monies between state and local governments. *Table 6* presents the overall HURF distribution for FY 2014 through FY 2016. The line in *Table 6* showing Net SHF Available for Statewide Highway Construction, which totals \$35,642,000 for FY 2016, does not include Maricopa County and Pima County Controlled Access Funds, Bond Funds, Federal Funds, and Miscellaneous Funds available for construction. The line represents the amount that is available from the discretionary SHF to fund the State Transportation Board’s 5-Year Plan.

Total FY 2014 HURF collections of \$1,241,332,000 were 2.6% above FY 2013. As of November 2014, HURF year-to-date collections were 2.7% higher than the prior year. The Baseline projects HURF revenue to grow by 2.0% in both FY 2015 and FY 2016.

Gas prices have dropped significantly in the last few months. The average price per gallon of regular gasoline in Arizona was \$2.45 in mid-December, or (69) cents per gallon lower than a year ago, according to the American Automobile Association. If this trend of dramatically lower gas prices continues, fuel consumption could increase. In that circumstance, HURF revenue growth in FY 2015 and FY 2016 will likely outpace the Baseline forecast.

Despite a (0.5)% drop in use fuel tax (diesel) revenue in FY 2014, growth in all the other major HURF revenue categories led to overall HURF growth in FY 2014. VLT revenue increased by the largest percentage, growing by 6.7% over the prior year. VLT revenue growth was followed by motor carrier fee revenue growth of 4.1%, registration fee revenue growth of 3.7%, and gas tax revenue growth of 0.8%.

Laws 2013, Chapter 244 deposited \$12,419,700 from the Underground Storage Tank (UST) tax into SHF for FY 2014 covering the period from January 2014 to June 30, 2014. The source of the tax is a 1-cent excise tax on petroleum products and hazardous substances. Prior to the FY 2014 SHF transfer, these monies were deposited in the Regulated Substance Fund. As of October 2014, \$9,774,200 had been deposited in SHF from the UST tax for FY 2015.

The FY 2015 Budget Procedures BRB (Laws 2014, Chapter 14) eliminates the deposit of UST tax collections in SHF effective January 1, 2015. After that date, revenues will be deposited into the Department of Environmental Quality’s UST Assurance Account.

In FY 2014, UST tax collections were \$29.0 million. Assuming similar collections in FY 2015, SHF would receive UST tax collections equaling \$14.5 million for the first half of FY 2015. *(Please see the Department of Environmental Quality’s narrative for more details.)*

**3-Year HURF Distribution to Local Governments**

The FY 2015 Revenue Budget Reconciliation Bill (BRB) requires \$30.0 million of HURF revenues in both FY 2015 and FY 2016 and \$60.0 million of HURF revenues in FY 2017 to be allocated directly to counties, cities and towns in percentages reflecting the current non-state distribution of HURF revenues. The language specifies that these HURF revenues may only be spent on direct construction/repair and right-of-way expenditures. *(Please see footnote 4 in Table 6 for the impact of this policy on the HURF distribution.)*

Prior to FY 2015, \$119.2 million of HURF funding had been allocated to the Department of Public Safety (DPS) for highway patrol expenses. By replacing \$30.0 million of HURF with General Fund in the DPS budget, the Legislature made the additional \$30.0 million available to local governments through the HURF distribution in FY 2015. Consistent with the FY 2015 Revenue BRB, the FY 2016 Baseline continues the \$30.0 million local HURF allocation in FY 2016 and increases it to \$60.0 million in FY 2017.

As seen in *Table 5*, approximately 50% of HURF funding is distributed to local governments. When \$119.2 million of HURF was used for highway patrol expenses, local governments effectively lost \$60.0 million of their HURF monies. If the full \$60.0 million in FY 2017 is distributed solely to local governments, they will essentially be held harmless from the impact of the DPS funding shift.

**Table 5**

**Percentage Distribution of HURF Monies**

Cities	30.5%
Counties	19.0%
Controlled Access <sup>1/</sup>	7.7%
State Highway Fund <sup>1/</sup>	<u>42.8%</u>
<b>Total</b>	<b>100.0%</b>

<sup>1/</sup> A.R.S. § 28-6538 distributes 50.5% of HURF monies to SHF, with 12.6% of the monies distributed to SHF being allocated to controlled access highways in Maricopa and Pima Counties. The State Transportation Board adds 2.6% by Board Policy to the statutory 12.6%, making a total of 15.2% of SHF monies set aside for controlled access highways (50.5% of 15.2% = 7.7% displayed in the table above). The controlled access monies are divided: 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

Table 6

**Highway User Revenue Fund (HURF) Distribution**  
(\$ in Thousands)

	<u>FY 2014</u> <u>Actual</u>	<u>FY 2015</u> <u>Estimate</u>	<u>FY 2016</u> <u>Estimate</u>
<b>Total HURF Collections</b>	\$1,241,332	\$1,266,159	\$1,291,482
Less: Economic Strength Fund <sup>1/</sup>	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program <sup>2/</sup>	672	652	652
Automation Projects Fund	5	0	0
Dept. of Public Safety Transfer from HURF <sup>3/</sup>	119,247	89,255	89,255
Reversions from DPS	(1,656)	0	0
Cities <sup>4/</sup>	0	16,003	16,003
Counties <sup>4/</sup>	0	9,969	9,969
Controlled Access <sup>4/</sup>	0	4,028	4,028
<b>Net HURF Collections</b>	<b>\$1,122,064</b>	<b>\$1,145,252</b>	<b>\$1,170,575</b>
Less: Cities <sup>5/</sup>	342,230	349,302	357,025
Counties <sup>5/</sup>	213,192	217,598	222,409
VLT Transfer to Parity Compensation Fund <sup>6/</sup>	2,616	2,826	2,934
VLT Transfer to General Fund (5-Year VLT) <sup>7/</sup>	1,205	1,200	1,200
VLT Transfer to General Fund (Abandoned Vehicle) <sup>8/</sup>	3,704	3,700	3,700
Controlled Access <sup>9/</sup>	84,986	86,735	88,663
<b>Net SHF (Discretionary)</b>	<b>\$ 474,131</b>	<b>\$ 483,891</b>	<b>\$ 494,644</b>
Plus: Other Income <sup>10/</sup>	42,871	43,636	31,102
Less: Operating Budget <sup>11/</sup>	331,354	340,870	340,870
Dept of Public Safety Transfer from Highway Fund <sup>12/</sup>	6,744	6,744	6,744
Capital Outlay	5,280	5,280	0
Building Renewal	2,268	3,192	3,192
Motor Vehicle Third Party Payments <sup>13/</sup>	21,822	23,065	23,942
AFIS Replacement	2,348	0	0
Debt Service <sup>14/</sup>	112,237	111,075	115,356
<b>Net SHF Available for Statewide Highway Construction</b> <b>(5-Year Plan) <sup>15/</sup></b>	<b>\$ 34,949</b>	<b>\$ 37,301</b>	<b>\$ 35,642</b>
<b>SHF Adjustments</b>			
Plus: Controlled Access SHF Beginning Balance	223,177	270,878	305,434
STAN Account Beginning Balance	38,266	18,534	15,034
<b>Total SHF Available for Statewide Highway Construction</b>	<b>\$ 296,392</b>	<b>\$ 326,713</b>	<b>\$ 356,110</b>

<sup>1/</sup> Provides monies for economic strength highway projects recommended by the Commerce Authority and approved by the State Transportation Board.

<sup>2/</sup> The FY 2015 amount of \$651,800 includes \$300 for statewide adjustments.

<sup>3/</sup> The FY 2014 amount of \$119,247,100 includes \$719,800 for statewide adjustments and \$5,900 for the retention payment. The FY 2015 amount of \$89,255,000 includes \$7,900 for statewide adjustments.

<sup>4/</sup> The FY 2015 Revenue Budget Reconciliation Bill (Laws 2014, Chapter 9) requires, as session law, \$30 million of HURF revenues in both FY 2015 and FY 2016 and \$60 million of HURF revenues in FY 2017 to be allocated directly to counties and cities and towns in percentages reflecting current non-state distribution of HURF revenues. The legislation also specifies that those revenues may only be spent on direct construction/repair and right-of-way expenditures. These additional HURF monies are due to a reduction in those funds in the Department of Public Safety budget.

<sup>5/</sup> A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

<sup>6/</sup> A.R.S § 28-5808A transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.

<sup>7/</sup> 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.

<sup>8/</sup> 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.

<sup>9/</sup> A statutorily defined distribution of SHF monies for design, acquisition and construction of controlled access highways. The monies are divided 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

<sup>10/</sup> Includes interest and rental income, transfers from the Public Roads Fund, deposits from the UST tax, revenue from 4 formerly non-appropriated funds, and miscellaneous sales and other income. The FY 2014 amount of \$42,871,000 includes \$42,199,000 in miscellaneous revenue and \$672,000 for the Registration Compliance program. The FY 2015 estimate of \$43,636,000 includes \$42,984,200 in miscellaneous revenue and \$651,800 for the Registration Compliance program. The FY 2016 estimate of \$31,102,000 includes \$30,450,200 in miscellaneous revenue and \$651,800 for the Registration Compliance program.

<sup>11/</sup> The FY 2015 amount of \$340,869,900 includes \$3,461,900 for new lane miles and \$84,800 for statewide adjustments.

<sup>12/</sup> The FY 2014 amount of \$6,743,800 includes \$(36,200) in statewide adjustments. The FY 2015 amount of \$6,743,900 includes \$100 for statewide adjustments.

<sup>13/</sup> Statutory payments to third parties from VLT collected by third parties.

<sup>14/</sup> Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

<sup>15/</sup> 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 2016  
 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 Baseline includes no funding for Building Renewal in the ABOR Building System.

\$202,573,800. (See *Capital Outlay - Debt and Lease-Purchase Financing for more information.*)

*University Lottery Bonds*

Laws 2008, Chapter 287 as amended by Laws 2009, 1<sup>st</sup> Special Session, Chapter 6 and Laws 2009, 3<sup>rd</sup> Special Session, Chapter 9 authorized ABOR to enter into lease-to-own and bond transactions up to a maximum of \$800,000,000 to pay facilities. The bonds are to be paid with 80% Lottery monies and 20% university system revenues.

**Lease-Purchase Projects**

In FY 2016, ABOR is projected to have \$716,604,000 in outstanding lease-purchase balances, with an overall debt service payment of \$76,131,300. The FY 2016 General Fund share of the debt service is \$26,508,800. These monies pay for the 2003 Certificates of Participations which were issued in the amount of \$482,500,000 to provide funding for a variety of research infrastructure projects.

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.

Laws 2003, Chapter 267 appropriated \$34,625,000 from the General Fund from FY 2008 through FY 2031 to pay for the Research Infrastructure debt service.

\$408,000,000 Allocation

In terms of the \$408,000,000 allocation, JCCR favorably reviewed:

The FY 2016 Research Infrastructure debt service will be \$(8,112,100) below the amount in FY 2015 due to refinancing Certificates of Participation. (See the *ABOR operating section for additional information on universitywide refinance savings.*)

- \$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 \$34,773,000 was issued in January 2013, with the remaining \$3,000,000 issued in May 2014.

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 2016, ABOR is projected to have \$2,259,750,000 in outstanding bond balances, including both system revenue and Lottery bonds. The projected debt service is

- The Committee favorably reviewed \$66,500,000 for the University of Arizona (UA) new construction projects in December 2012, which was issued in April 2013.
- In April 2013, the Committee favorably reviewed \$71,215,000 for Northern Arizona University (NAU) for a new construction project at its Flagstaff campus, which was partially paid in cash, and issued in June 2013.
- Additionally, in August 2013, the Committee favorably reviewed \$33,265,000 for ASU building renewal projects, which were issued May 2014.

As a result of these actions, \$409,068,000 has been favorably reviewed by JCCR. ASU has had projects favorably reviewed in the amount of \$137,653,000, but they have actually issued \$126,380,000, which is within their statutory allotment with \$9,620,000 remaining. NAU has had projects favorably reviewed in the amount of \$136,015,000, but have actually issued its statutory allotment of \$136,000,000. Of the total \$408,000,000 prescribed in statute, \$393,830,000 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. The campus was to be a collaboration between the 3 universities. Subsequent to the March 2010 JCCR meeting, ASU withdrew its partnership altogether from the Phoenix Biomedical Campus. As a result:

- ASU's \$43,010,000 portion of the \$172,940,000 will not be issued.
- UA issued \$122,245,000 in June 2010.
- In September 2014, the Committee favorably reviewed \$136,100,000 for a Bioscience Partnership Building, which will house 245,000 gross square feet and 10-stories of new research space.

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, \$700,613,000 of the Chapter 287 authority has been reviewed (*see Table 1*). Of that amount, \$539,550,000 has been issued. At this time, a total of \$260,450,000 in remaining authority is available for university lottery bonding projects, including \$136,100,000 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 \$539,550,000 of total issuances will result in a total debt service payment of \$30,167,000 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 \$49,020,100 in FY 2016. Since the maximum 80% Lottery portion of the debt service is expected to be \$40,582,000 in FY 2016, the remaining \$8,438,100 will be deposited to the General Fund. The 20% share of the university payment, which will be paid for with university system revenues, is \$10,145,500 in FY 2016.

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.

<b>University Issuances</b>						
<b>Purpose</b>	<b>University</b>	<b>Statutory Distribution</b>	<b>Reviewed Issuance</b>	<b>Actual Issuance</b>	<b>Remaining Authority</b>	<b>Planned Issuance <sup>1/</sup></b>
Phoenix Biomedical Campus	UA	\$360,960,000	\$267,445,000	\$122,245,000	\$238,715,000	\$136,100,000
	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	137,653,000 <sup>2/</sup>	126,380,000	9,620,000	0
	NAU	136,000,000	136,015,000 <sup>2/</sup>	132,500,000	3,500,000	0
	UA	<u>136,000,000</u>	<u>135,400,000</u>	<u>134,950,000</u>	<u>1,050,000</u>	<u>0</u>
<i>Subtotal</i>		<i>408,000,000</i>	<i>409,068,000</i>	<i>393,830,000</i>	<i>14,170,000</i>	<i>0</i>
<b>TOTAL</b>		<b>\$800,000,000</b>	<b>\$700,613,000</b>	<b>\$539,550,000</b>	<b>\$260,450,000</b>	<b>\$ 136,100,000</b>

<sup>1/</sup> Planned issuances by end of FY 2016.  
<sup>2/</sup> Actual issuances will not exceed statutory distribution.

<b>University Lottery Bonding Projects <sup>1/</sup></b>						
		<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
Projected Lottery Revenue to UCI Fund <sup>2/</sup>		\$ 28,313,700	\$ 37,559,500	\$ 49,020,100	\$ 55,667,400	\$ 65,509,600
Building Renewal Projects						
Lottery Debt Service	80%	\$ 12,887,400	\$ 14,440,900	\$ 25,101,900	\$ 26,376,600	\$ 26,372,100
University Debt Service	20%	<u>3,221,900</u>	<u>3,610,200</u>	<u>6,275,500</u>	<u>6,594,200</u>	<u>6,593,100</u>
<b>Total Debt Service for \$380.0 M</b>		<b>\$ 16,109,300</b>	<b>\$ 18,051,100</b>	<b>\$ 31,377,400</b>	<b>\$ 32,970,800</b>	<b>\$ 32,965,200</b>
Phoenix Biomedical Campus						
Lottery Debt Service	80%	\$ 4,564,200	\$ 9,119,800	\$ 14,715,200	\$ 14,714,600	\$ 14,715,200
University Debt Service	20%	<u>1,141,000</u>	<u>2,280,000</u>	<u>3,678,800</u>	<u>3,678,600</u>	<u>3,678,800</u>
<b>Total Debt Service for \$268.1 M <sup>3/</sup></b>		<b>\$ 5,705,200</b>	<b>\$ 11,399,800</b>	<b>\$ 18,394,000</b>	<b>\$ 18,393,200</b>	<b>\$ 18,394,000</b>
ASU School of Construction						
Lottery Debt Service	80%	\$ 121,000	\$ 572,900	\$ 764,900	\$ 767,100	\$ 767,100
University Debt Service	20%	<u>30,200</u>	<u>143,200</u>	<u>191,200</u>	<u>191,800</u>	<u>191,800</u>
<b>Total Debt Service for \$16.0 M</b>		<b>\$ 151,200</b>	<b>\$ 716,100</b>	<b>\$ 956,100</b>	<b>\$ 958,900</b>	<b>\$ 958,900</b>
Total Lottery Share at 80% <sup>4/</sup>		\$ 17,572,600	\$ 24,133,600	\$ 40,582,000	\$ 41,858,300	\$ 41,854,400
Projected University Cost <sup>4/5/</sup>		\$ 4,393,100	\$ 6,033,400	\$ 10,145,500	\$ 10,464,600	\$ 10,463,700

<sup>1/</sup> Represents JCCR reviewed projects and planned FY 2015 and FY 2016 issuances.  
<sup>2/</sup> 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.  
<sup>3/</sup> UA has already issued its \$122,245,000 share, NAU will be paying cash for its \$7,685,000 share, and ASU's \$43,235,000 share will not be issued as a result of the withdrawal of their partnership from the Phoenix Biomedical Campus.  
<sup>4/</sup> 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.  
<sup>5/</sup> Represents the 20% university share.

**Capital Outlay**  
**Debt and Lease-Purchase Financing**

FY 2016  
 BASELINE

**LEASE-PURCHASE PAYMENTS\***

Arizona Department of Administration - 2010 Leaseback Financing	84,114,600
Phoenix Convention Center	20,449,000
Rio Nuevo Distribution	10,000,000
<b>TOTAL - ALL PROJECTS</b>	<b>114,563,600</b>

\* 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 3.)

**FUND SOURCES**

General Fund	114,563,600
<b>TOTAL - ALL SOURCES</b>	<b>114,563,600</b>

**DESCRIPTION** — This section summarizes the state’s debt and lease-purchase obligations.

**Debt Financed Projects**

**2010 Leaseback Financing**      **GF**      **FY 2016**  
**\$84,114,600**

The Baseline includes \$84,114,600 from the General Fund in FY 2016 for lease-purchase payments related to the \$1,035,419,300 state building sale/lease-back agreements. This amount is a decrease of \$(9,100) from the FY 2015 payment.

The FY 2010 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2009, 3<sup>rd</sup> Special Session, Chapter 6) and Laws 2010, 6<sup>th</sup> Special Session, Chapter 4 authorized the Arizona Department of Administration (ADOA) to enter into sale/lease-back agreements in FY 2010 for existing state-owned facilities, requiring the funds to be deposited to the General Fund to subsidize state operating expenses. ADOA sold the issuances in 2 series (January 2010 and June 2010) at an average tax-exempt interest rate ranging from 4.37% to 4.57%, with an effective yield of approximately 4%. These issuances range up to 20 years in period of time, however, optional prepayment by the state is prohibited by the agreements until FY 2020. (Please see the Debt and Lease-Purchase Financing narrative pages in the FY 2013 Appropriations Report for more information.)

The sale/lease-back agreements were issued as a tax-exempt deficit financing mechanism in which the proceeds were used for state operational expenses. In this circumstance, the federal government essentially requires the state to agree to either of the following requirements:

- Working Capital Surplus Limitation – Limits the state’s total cash reserve to the lesser of the following amounts: 1) A calculation of cash reserves for a fixed 3-year period before the issuance occurred; or 2) 5% of General Fund spending for that fiscal year. The state’s

cash reserve is defined as: the General Fund, the Budget Stabilization Fund (BSF), and monies in certain Department of Revenue clearing accounts. During FY 2012 – FY 2014, excess cash balances were to be used to purchase tax-exempt securities on a temporary basis. Beginning with the FY 2015 balance, excess cash balances would be used for mandatory retirement of the tax-exempt financing, which would occur in FY 2017. The mandatory repayment requirements would have superseded the existing FY 2020 prepayment restriction contained in the financing agreements.

- Investment Yield Restriction – Limits the investment return on the state’s operating balance to the interest rate paid on the outstanding tax-exempt financing (approximately 4%). The state would be required to restrict the yield on investments with a value equal to the current level of outstanding financing – which at the end of FY 2016 is expected to be \$1.24 billion. The yield restriction exists for the entire term of the operating financing.

When the financing was originally issued, the state agreed to the Working Capital Surplus limitation. Given concerns about the potential for the mandatory repayment requirements, the Executive opted to convert to the Investment Yield Restriction in May 2014. The selection of this limitation is irrevocable for the duration of the financing. The Baseline removes the Working Capital Surplus reporting requirement from statute and adds a reporting requirement for the Investment Yield Restriction limitation.

Because the state is no longer subject to the mandatory repayment requirements of the Working Capital Surplus Limitation, the operating financing is not subject to prepayment by the state until FY 2020.

**Phoenix Convention Center GF 20,449,000**

The Baseline includes \$20,449,000 from the General Fund in FY 2016 related to the state participating in repayment of \$300,000,000 for the expansion of the Phoenix Convention Center. For FY 2016, the payment of \$20,449,000 is unchanged from FY 2015.

In FY 2005, the City of Phoenix issued \$600,000,000 in Certificates of Participation (COPs), of which 50% will be repaid by the state. The project was completed in January 2009.

When the financing was originally authorized, Laws 2003, Chapter 266 enacted a debt service schedule related to this issuance, which was later modified by the FY 2012 Revenue BRB (Laws 2011, Chapter 28). The Baseline includes a technical statutory change to conform other existing provisions to this permanent debt service schedule. Under this schedule, the state’s annual contribution is scheduled to gradually increase from \$20,449,000 in FY 2016 to \$30,000,000 by FY 2044.

Statute requires the Auditor General to estimate annually how amounts of General Fund revenues resulting from the expansion project compare to debt service payments made by the state since the project’s 2009 completion. If the cumulative estimated revenues from the project fail to meet the state’s cumulative debt service, the state is to reduce its payments to the City of Phoenix by the shortfall amount.

The first comparison report was required in 2014. The study found that estimated General Fund revenues exceeded the state’s debt service payments by \$56,900,000 during the 5-year time period between 2009 and 2014. As a result, the state’s payment remained the same. The net increase was largely due to the state’s low introductory debt service payments. In just FY 2014 alone, \$8,800,000 in added revenues from the project was \$(11,649,000) short of the \$20,449,000 in debt payments.

**Rio Nuevo Distribution GF 10,000,000**

The Baseline includes \$10,000,000 from the General Fund in FY 2016 for debt service payments to finance the development of a multipurpose facility and supporting projects in the Rio Nuevo Multipurpose Facility District.

In prior years, distributions of monies to the Rio Nuevo district were accounted for as a reduction of state transaction privilege tax (TPT) revenue. Beginning in FY 2016, these payments will be displayed in the Baseline as a state expenditure instead. This will assure greater transparency and will be consistent with how the distributions of state monies to the Phoenix Convention Center are currently reported. The FY 2016 payments to the Rio Nuevo district are estimated to be \$10,000,000, which is 5.4% above the actual sales tax distributions for the district in FY 2014. This amount will be adjusted to reflect actual TPT distributions to the district in FY 2016.

*Background* – Tucson voters approved Proposition 400 in November 1999, establishing the Rio Nuevo Multipurpose Facilities District from 1999 to 2009. This district, which receives a diversion of TPT to finance the development of a multipurpose facility and supporting projects, stretches east from Downtown Tucson along the retail-intensive Broadway Corridor.

Laws 1999, Chapter 162 allows the district to retain the state’s share of TPT from sales of secondary businesses that are deemed “necessary or beneficial” to the development of the primary component multipurpose facility. This law also limited the district’s TPT revenues to the lesser of: (1) 50% of collections or (2) revenues net of those received prior to the year of the election authorizing the district. This method of permitting a local area to use the state’s tax collections to finance local development projects with the expectation that future tax collections will increase as a result, is known as tax increment financing. Lastly, Laws 1999, Chapter 172 required the district’s municipality to spend a matching amount on projects by the district’s expiration date of July 1, 2025, or until the date all authorized debt service payments are completed, in order to receive state TPT revenues.

Through FY 2014, Rio Nuevo has received a total of \$118,376,500 in TPT distributions from the state (*See Table 1*). Laws 2006, Chapter 376 extended the period Rio Nuevo could receive these payments from 10 years to 25 years (to July 1, 2025).

<u>Fiscal Year</u>	<u>Distributions</u>
FY 2014	\$9,486,100
FY 2013	\$9,755,752
FY 2012	\$11,957,943
FY 2011	\$14,099,949
FY 2010	\$8,727,318
FY 2009	\$10,399,336
FY 2008	\$15,456,187
FY 2007	\$14,974,923
FY 2006	\$10,968,178
FY 2005	\$7,469,632
FY 2004	\$5,081,197
<b>Total</b>	<b>\$118,376,515</b>

\* \* \*

**FORMAT** — Lump Sum by Project by Fund

**FOOTNOTES**

*Standard Footnotes*

In accordance with A.R.S. § 9-602, \$20,449,000 of state General Fund revenue is allocated in FY 2016 to the Arizona Convention Center Development Fund established by A.R.S. § 9-601.

*New Footnotes*

In accordance with A.R.S. § 42-5031B, a portion of TPT revenues are to be distributed to a multipurpose facility district. The Rio Nuevo Multipurpose Facility District is estimated to receive \$10,000,000 in FY 2016, but the actual amount will be distributed in compliance with A.R.S. § 42-5031B.

**STATUTORY CHANGES**

The Baseline would:

- As permanent law, conform the Phoenix Convention Center debt service distribution in A.R.S. § 42-5030 to the distributions contained in A.R.S. § 9-602, which were modified to conform to the actual debt service payments of the Phoenix Convention Center financing.
- As permanent law, repeal the Working Capital Surplus reporting requirement in A.R.S. § 41-707.
- As permanent law, require the Department of Administration to report by October 1 of each year on any costs associated with the Investment Yield Restriction, including whether the policy has reduced the yield of investments or required the state to pay any associated penalties to the federal government.

**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 New Jersey, 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 (Kentucky, Michigan, Pennsylvania). 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 recent 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 2* provides information on current lease-to-own agreements.

<u>Fund Type</u>	<u>FY 2016 Payment</u>	<u>Lease Completion</u>
General Fund	\$1,224,600	FY 2028
Other Approp.	7,678,500	FY 2028
Non-Approp.	<u>1,298,900</u>	FY 2028
<b>Total</b>	<b>\$10,202,000</b>	<b>NA</b>

These payments are not included in *Table 3'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, 3<sup>rd</sup> Special Session, Chapter 12) allowed SFB to enter into up to \$100,000,000 of new construction lease-purchase agreements to be financed by a federal program known as Qualified School Construction Bonds (QSCB). The lease-purchase agreement was issued for \$91,325,000 in October 2010 and will be retired in FY 2028. (*Please see the SFB Baseline narrative for more information.*)

The FY 2014 K-12 Education BRB (Laws 2013, 1<sup>st</sup> Special Session, Chapter 3) authorized SFB to enter into a refinancing agreement, provided that the agreement must: 1) reduce SFB lease-purchase payments by a combined total of at least \$4,000,000 in FY 2014 and FY 2015; and 2) not increase or decrease SFB lease-purchase payments in any other fiscal year by more than \$100,000.

SFB's first proposed refinance under the authority in Chapter 3 received a favorable review from the Joint Committee on Capital Review (JCCR) in October 2013 and reduces SFB's lease-purchase payments by \$(1,445,200) in FY 2014 and \$(3,800,800) in FY 2015.

At its April 10, 2014 meeting, JCCR favorably reviewed a second refinancing agreement, which produced non-recurring savings of \$(9,415,900) in FY 2015. The FY 2016 Baseline includes a one-time ex-appropriation of these savings for FY 2015.



In addition, all other lease-purchase payments and PLTO payments are estimated to change by the following amounts in FY 2016: 1) Lease-purchase payments will increase by \$65,600 from the General Fund and \$44,900 from All Other Funds; and 2) PLTO payments will increase by \$30,300 from the General Fund and \$222,000 from All Other Funds. These adjustments would be funded from existing agency appropriations and would have no corresponding change in agency funding levels. (Please see the Capital Outlay ADOA Building System narrative for more information.)

Table 3 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, 6<sup>th</sup> Special Session, Chapter 4 authorized ADOA to issue a 20-year, \$450,000,000 Lottery revenue bond by December 31, 2010 to be deposited into the General Fund. Payments started in FY 2011 and have been made from the Lottery revenues that would have otherwise been deposited into the General Fund. The FY 2016 bond payment will be \$37,501,800. This results in the General Fund receiving \$(37,501,800) less in Lottery revenues in FY 2016.

The federal requirements pertaining to operating financing also apply to the Lottery Revenue Bonds. (Please see the 2010 Leaseback Financing section in the earlier part of this narrative for more information on these requirements.)

	Overall Balance	GF Balance	Overall FY 16 Payment	FY 16 GF Payment	Retirement FY
<b>Lease-Purchase Summary</b>					
<u>ADOA Building System</u>					
<b>2008A Issuance</b>					
ADC 4000 Prison Beds, Water, and Wastewater	\$ 158,660,000	\$ 158,660,000	\$ 16,061,900	\$ 16,061,900	FY 23 FY 28
DHS Forensic Hospital	20,685,000	20,685,000	3,113,700	3,113,700	FY 23
<i>Subtotal</i>	\$ 179,345,000	\$ 179,345,000	\$ 19,175,600	\$ 19,175,600	
<b>2010 A/B Issuance</b>					
Sale/Leaseback	\$ 886,415,000	\$ 886,415,000	\$ 84,114,600	\$ 84,114,600	FY 30
<b>2013 A Issuance</b>					
PLTO Refinance - DHS Building	\$ 22,345,000	\$ -	\$ 3,098,000	\$ 1,858,800	FY 29
<b>2013 B Issuance</b>					
Refinance - 2002A Health Lab	\$ 13,420,000	\$ -	\$ 2,033,000	\$ -	FY 23
Refinance - 2004B Prisons	11,140,000	11,140,000	3,075,300	3,075,300	FY 19
<i>Subtotal - ADOA</i>	\$ 1,112,665,000	\$ 1,076,900,000	\$ 111,496,500	\$ 108,224,300	
<u>School Facilities Board</u>					
New School Construction - FY 2003 - FY 2005	\$ -	\$ -	\$ 66,228,800	\$ 66,228,800	FY 20
New School Construction - FY 2008 - FY 2009	381,975,000	381,975,000	58,645,700	58,645,700	FY 24
Federal Bonds	60,346,600	60,346,600	9,938,000 <sup>3/</sup>	9,938,000 <sup>3/</sup>	FY 28
2011 Refinance	58,785,000	58,785,000	2,449,800	2,449,800	FY 20
2013 Refinance	45,125,000	45,125,000	24,780,300	24,780,300	FY 20
2014 Refinance	219,020,000	219,020,000	10,345,500	10,345,500	FY 20
<i>Subtotal - SFB</i>	\$ 765,251,600	\$ 765,251,600	\$ 172,388,100	\$ 172,388,100	
<u>ABOR Building System</u>					
Arizona State University	\$ 289,033,000	\$ 151,905,000	\$ 27,075,300	\$ 11,421,600	FY 19-39
Northern Arizona University	56,945,000	56,945,000	5,700,000	5,493,200	FY 31
University of Arizona	370,626,000	151,570,000	43,356,000	9,594,000	FY 72
<i>Subtotal - ABOR</i>	\$ 716,604,000	\$ 360,420,000	\$ 76,131,300	\$ 26,508,800	
Phoenix Convention Center <sup>4/5/</sup>	\$ 260,124,300	\$ 260,124,300	\$ 20,449,000	\$ 20,449,000	FY 44
<i>TOTAL - Lease-Purchase</i>	\$ 2,854,644,900	\$ 2,462,695,900	\$ 380,464,900	\$ 327,570,200	(Continued)

**Table 3 (Continued)**

<b>Bonding Summary</b>	<b>Overall Balance</b>	<b>1/</b>	<b>GF Balance</b>	<b>1/</b>	<b>Overall FY 16 Payment</b>	<b>2/</b>	<b>FY 16 GF Payment</b>	<b>2/</b>	<b>Retirement FY</b>
<u>School Facilities Board</u>									
Deficiencies Correction:									
Proposition 301	\$ 245,885,000		\$ -		\$ 64,147,000		\$ -		FY 20
State Land Trust - FY 2004	46,396,900		-		24,903,500		-		FY 18
<i>Subtotal - SFB</i>	<u>\$ 292,281,900</u>		<u>\$ -</u>		<u>\$ 89,050,500</u>		<u>\$ -</u>		
Department of Transportation <u>6/</u>	\$ 1,690,780,000		\$ -		\$ 202,886,000 <u>7/</u>		\$ -		FY 14 - 38
<u>ABOR Building System</u>									
Arizona State University	\$ 772,895,000		\$ -		\$ 78,032,500		\$ -		FY 44
Northern Arizona University	310,210,000		-		25,540,800		-		FY 41
University of Arizona	495,725,000		-		48,372,000		-		FY 48
University Lottery Bond (SPEED)	680,920,000 <u>8/</u>		-		50,727,500		-		FY 48
<i>Subtotal - ABOR</i>	<u>\$ 2,259,750,000</u>		<u>\$ -</u>		<u>\$ 202,672,800</u>		<u>\$ -</u>		
Lottery Revenue Bond <u>4/</u>	\$ 353,675,000		\$ 353,675,000		\$ 37,501,800		\$ 37,501,800		FY 29
<i>TOTAL - Bonding</i>	<u>\$ 4,596,486,900</u>		<u>\$ 353,675,000</u>		<u>\$ 532,111,100</u>		<u>\$ 37,501,800</u>		
<b>TOTAL - Lease-Purchase &amp; Bonding</b>	<b>\$ 7,451,131,800</b>		<b>\$ 2,816,370,900</b>		<b>\$ 912,576,000</b>		<b>\$ 365,072,000</b>		

1/ Represents principal balances as of June 30, 2016. 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 16 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 2016 this subsidy is expected to be \$3,976,500 of the \$9,938,000 payment.

4/ These obligations will be repaid with foregone General Fund revenues.

5/ The Convention Center debt service will eventually increase over a number of years to a maximum of \$30,000,000. Monies are given to the the city to pay this portion of the lease-purchase payment. The FY 2016 payment amount reflects the changes to the payment schedule enacted by Laws 2011, Chapter 28.

6/ Includes \$1,543,460,000 for Highway User Revenue Fund bonds and \$147,320,000 for Grant Anticipation Notes.

7/ Future debt service schedule is: FY 2017 - \$172,259,700; FY 2018 - \$172,014,700; FY 2019 - \$136,540,200.

8/ Represents outstanding balance as of the end of FY 2016 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 2015

FY 2015 General Fund Baseline revenues are projected to be \$9.21 billion. As indicated in *Table 1*, the revised FY 2015 revenue estimate is \$(193.0) million lower than the estimate from the FY 2015 budget enacted April 2014.

<b>Table 1</b>	
<b>FY 2015 Revenue Forecast</b>	
<b>(\$ in Millions)</b>	
Adopted FY 2015 Revenue Estimate	\$9,401.0
Revised Revenue Forecast	\$ (193.0)
Revised FY 2015 Revenue Estimate	\$9,208.0

The Baseline Revenue projection is \$(193.0) million lower than the original forecast due to:

- A loss of \$(175) million in ongoing revenues under the updated January consensus forecast, as discussed below.
- Decreased balance forward from FY 2014. The original budget assumed an ending balance of \$595 million for FY 2014. The actual balance carried forward into FY 2015 was \$577 million, a decrease of \$(18) million. This decrease was the net result of lower-than-expected revenue collections for FY 2014, partially offset by lower-than-anticipated expenditures.

The FY 2015 base revenue growth is based on the consensus forecasting process (*see FY 2016 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 2015 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.

The recent trend in revenue collections has been below the forecasted levels. Between April and November 2014, revenue collections were below forecast for 8 consecutive months. Ongoing revenue growth since April is 1.7%.

Overall for FY 2014, the budgeted base growth of 4.3% ended up at 3.1%. This was primarily due to a larger-than-expected decline in corporate income tax collections.

FY 2015 revenue growth has remained slow as well. Compared to the budgeted FY 2015 growth rate of 5.3%, collections through November were up by only 3.0%.

In December, corporate income tax collections grew by 47.5% compared to the prior year. Year to date, corporate

income tax is up by 21.4% and has thereby offset the weak performance in FY 2014. Although overall year-to-date General Fund revenue growth improved to 4.6% in December, sales tax and individual income tax growth remain slow with year-to-date growth rates of 3.4% and 3.2%, respectively.

Based on the weighted average of the components of the 4-sector consensus forecast, “Big 3” General Fund revenue would grow by 4.2% in FY 2015. After adjusting for small revenue categories, the base revenue growth rate is 4.3%. After including tax law changes, the projected adjusted revenue growth would be 3.0%.

The above forecast has been adjusted from the original 4-sector forecast to more accurately reflect actual growth in corporate income tax collections through the first half of the current fiscal year. The original 4-sector forecast resulted in an estimated 3.7% growth in base corporate income tax collections for FY 2015, before the impact of the previously enacted rate changes.

Given corporate revenue growth of 21.4% through the first half of the fiscal year, corporate collections would have to decline by (10)% in the second half of the fiscal year to reach the 3.7% level. Given the year-to-date collections, JLBC Staff has adjusted the 3.7% growth to 15.0%. To achieve this rate, corporate collections would have to show growth of approximately 10% in the second half of FY 2015.

Total corporate collections are projected to decline by (0.8)% after accounting for \$(91.1) million in enacted tax law changes for Tax Year (TY) 2014. As is standard practice for some filers, corporations may seek extensions of their TY 2014 filing until October 2015. In that circumstance, the impact of some of the tax law reductions may be deferred to FY 2016.

<b>Table 2</b>					
<b>FY 2015 4-Sector Forecast Percentages</b>					
	<b>FAC</b>	<b>UA Low</b>	<b>UA Base</b>	<b>JLBC</b>	<b>Avg.</b>
Sales	4.5%	2.5%	4.0%	4.0%	3.7%
Individual Income	3.7%	1.8%	3.0%	3.6%	3.0%
Corporate Income <sup>1/</sup>	2.9%	(2.0)%	(1.2)%	15.0%	3.7%
Weighted Average <sup>2/</sup>	4.9%	3.1%	4.4%	4.6%	4.3%

<sup>1/</sup> Given year-to-date actuals, each sector subsequently adjusted to 15.0% growth.  
<sup>2/</sup> Once adjusted for small revenue categories, the base FY 2015 revenue increase is 3.6%. After further adjusting all sectors to 15% corporate income tax growth, the base FY 2015 revenue increase is 4.3%.

The original FY 2015 budget assumed a revenue level of \$9.40 billion, which represented base revenue growth of 5.3%. Due to lower-than-expected FY 2014 collections, General Fund Revenues would need to increase by 6.6% to meet the original forecast. Relative to that projection, preliminary year-to-date results through December for the 3 major revenue categories are mixed. Sales tax revenues have grown 3.4%, individual income tax has increased 3.2%, while corporate income tax collections have increased 21.4%.

Based on tax collections through December, year-to-date ongoing revenues are 4.6% above the same period in FY 2014. 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 2015.

The individual revenue detail for FY 2015 is found in *Table 8* at the end of this section.

**FY 2016 AND BEYOND**

While base revenues are forecast to grow in FY 2016, one-time factors are forecast to reduce overall FY 2016 collections to \$8.77 billion, or \$(439.8) million below FY 2015. This net revenue loss includes:

- \$300.0 million increase representing a 3.3% gain in base revenues under the 4-sector consensus forecast for FY 2016, as outlined below.
- \$3.3 million gain due to a decrease in urban revenue sharing.
- \$(577.4) million decrease in the balance forward from the previous fiscal year.
- \$(111.8) million loss due to previously enacted legislation.
- \$(53.9) million loss as a result of the one-time HITF transfer in FY 2015.

The FY 2016 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 2015. Consisting of 13 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*.

Sales tax is expected to grow by 3.6%, individual income tax by 3.7%, and corporate income tax by 0.1%. After adjusting for small revenue categories, FY 2016 base revenues would grow by 3.3%, or in dollar terms, \$300.0 million.

Arizona’s expected slow growth in FY 2016 is likely due to a combination of factors. Apart from unfavorable economic conditions, such as slow wage and household formation growth, which Arizona shares with most other states, the Grand Canyon State remains disproportionately affected by the overhang of the “housing bubble” that led up to the 2007-2009 recession. To provide some perspective, through November, Arizona remained among a minority of states with year-over-year losses in construction employment. This is in contrast to other states that were similarly affected by the run-up in housing prices, such as California, Nevada and Florida, which are now experiencing high single-digit (or even double-digit) growth in construction employment.

Because of the slow growth in recent years coupled with the uncertainty of Arizona’s future growth trajectory, FAC members now believe that the long term base revenue growth rate will be close to 4.8%. This long term growth rate is essentially consistent with the 4-sector base revenue growth rates of 4.4% in FY 2017 and 5.1% in FY 2018.

**Risks to the Revenue Forecast**

The growth in state tax revenues is closely linked to the overall performance of the U.S. and Arizona economy. In prior periods of economic recovery, the state economy has generally outperformed the national economy. At these times, the stronger economic rebound in Arizona was primarily fueled by the construction sector. However, this has not been the case during the current expansion phase of the business cycle (which officially began more than 5 years ago). Instead, the construction industry is expected to be the only private sector of the state’s economy that

**Table 3**  
**FY 2016 4-Sector Forecast Percentages**

	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales	4.4%	1.1%	4.4%	4.4%	3.6%
Individual Income	4.4%	1.0%	3.8%	5.4%	3.7%
Corporate Income	3.1%	(6.6)%	0.7%	3.1%	0.1%
Weighted Average <sup>1/</sup>	4.3%	0.6%	3.9%	4.7%	3.3%

<sup>1/</sup> Once adjusted for small revenue categories, the base FY 2016 revenue increase is 3.3%.

lost jobs in calendar year 2014. In terms of overall economic performance, including employment and personal income growth, Arizona is essentially on par with the nation as a whole.

This deviation from the historical norm (in terms of the pace of the economic recovery in Arizona vis-à-vis the nation) has introduced additional uncertainty into the state revenue forecast. Thus, one question that forecasters have to consider in the current environment of uncertainty is whether the Great Recession has produced a “new normal” for Arizona in terms of the future growth of economic measures such as job, population, and personal income, all of which affect state revenue collections.

Since the Arizona economy is ultimately dependent on the U.S. and global economy, there are a number of risks to the state revenue forecast, including:

Unforeseen natural disasters and geopolitical events – An escalation of the conflict in the Middle East is one example of an event that could affect the global economy in the near term.

International economics – Although the U.S. is less dependent on international trade than most other developed economies, slower growth among our major trading partners could adversely affect the U.S. economy. With Japan suffering its fourth recession in 6 years, the Eurozone barely growing, and growth in China poised to decelerate in 2015, U.S. net export, and hence economic growth, could slow in future years.

Monetary policy – While the Federal Reserve Bank recently ended its third round of quantitative easing (program under which the Fed purchased U.S. Treasury bonds and mortgage-backed securities), it also signaled that future rate increases would follow once economic conditions have improved sufficiently. There is always a risk, however, that if the timing and pace of such rate hikes are poorly executed, economic recovery could stall.

Housing and Construction – Recent demographic data indicates that household formation in the U.S. has been slowing. If this trend continues, the lower demand for housing and related construction activity may be more persistent than currently assumed. While part of this change can be attributed to an underlying demographic shift (aging population), much of it also appears to be driven by economic factors, including poor wage growth, slower immigration, limited access to credit, reduced mobility, and the burden of record-high student loans, all of which have slowed the recovery of the housing market. Thus, the uncertainty of future household formation is another risk factor that could affect the economy and hence revenue growth.

Oil Prices – With the price of crude oil being down by more than 50% since June 2014, U.S. consumers have also

benefitted from the concomitant drop in gasoline prices. The economic and fiscal impacts of lower prices at the gas pump are uncertain, however, as such impacts depend on numerous factors, including the magnitude and duration of the price reduction, as well as the amount of the “gas price” windfall that is saved or used to pay down debt. Additionally, it is also difficult to predict how much of the spending that is being redirected to non-gasoline purchases is subject to the state sales tax.

To provide some perspective of the potential impact, the JLBC Staff estimates that the sales tax windfall could range from \$10 million to \$40 million depending on the underlying assumptions with respect to the size and length of the price decrease, the assumed savings rate, and the percentage of redirected consumer spending that is taxable. However, considering the uncertain nature of oil prices, any associated state revenue windfall should not be considered ongoing. For this reason, the 4-sector forecast does not factor in the oil price windfall.

**Revenue Adjustments**

Table 4 provides an overview of base revenue growth rates for FY 2015 and FY 2016 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 2015 and FY 2016  
(\$ in Millions)**

	<u>FY 2015</u>	<u>%</u>	<u>FY 2016</u>	<u>%</u>
Base Revenue	\$9,185.6 <sup>1/</sup>	3.0%	\$9,485.6	3.3%
Prior Budget				
Legislation	N/A		(105.7)	
Urban Revenue				
Sharing	(608.9)		(605.6)	
<i>One-Time Financing</i>				
Fund Transfers	53.9		0.0	
Prior Legislation	N/A		(6.1)	
Balance Forward	<u>577.4</u>		<u>0.0</u>	
<b>Adjusted Revenue</b>	<b>\$9,208.0</b>	<b>(1.8)%</b>	<b>\$8,768.2</b>	<b>(4.8)%</b>

<sup>1/</sup> The FY 2015 Base Revenue of \$9.19 billion includes \$(120.6) million in ongoing tax law and revenue changes. Adjusting for these changes, the FY 2015 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 2015**

In FY 2015, prior budget legislation is expected to reduce General Fund revenues by \$(120.6) million. *Table 5* provides a summary of previously-enacted budget legislation changes with ongoing revenue impacts in FY 2015. As noted above, the FY 2015 base revenue growth of 4.3% excludes these changes.

Pre-2014 Tax Law Changes

In addition to the tax law and revenue changes enacted during the 2014 Legislative Session, the following changes (as described below) were enacted in prior sessions and will have an impact on FY 2015 revenue collections.

1) Corporate School Tuition Tax Credit – Laws 2006, Chapter 14 established a tax credit for contributions by corporations and insurers to private school tuition organizations that provide scholarships and tuition grants to students of low-income families. Chapter 14 established a cap on this credit of \$5 million per year. Laws 2006, Chapter 325 increased the credit cap to \$10 million per year, and provided that the cap be increased by 20% annually, beginning in FY 2008. According to the Department of Revenue, credit-eligible donations by corporations and insurers equaled the credit cap of \$35.8 million in FY 2014 and have already reached the FY 2015 credit cap of \$43.0 million. Thus, relative to FY 2014, this credit program is estimated to reduce General Fund revenue by \$(7.2) million in FY 2015. *(For the revenue impact after FY 2015, see page 461.)*

2) Expansion of Small Business Eligibility for Angel Investment Credit – Laws 2011, 2<sup>nd</sup> 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 the Arizona Commerce Authority. The credit program is capped at \$20 million. Chapter 1 extended agency’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. *(For the revenue impact after FY 2015, see page 461.)*

3) Elimination of Small Business Capital Gains – Laws 2011, 2<sup>nd</sup> 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

<b>Table 5</b>	
<b>FY 2015 Budget Legislation Changes With Ongoing Revenue Impact (\$ in Millions)</b>	
<u>Pre-2014 Tax Law Changes (Year Enacted)</u>	
1) School Tuition Credit Indexing (2006)	\$ (7.2)
2) Expansion of Small Business Eligibility for “Angel” Investment Credit (2011)	(0.5)
3) Elimination of Capital Gains on Income Derived from Small Businesses (2011)	(8.6)
4) Phase-in of Corporate Tax Rate Reduction from 6.968% to 4.9% over 4 Years (2011)	(42.5)
5) Phase-in of Corporate Sales Factor Increase from 80% to 100% over 4 Years (2011)	(29.3)
6) Job Tax Credit (2011 & 2012)	(4.2)
7) Corporate Sales Factor Change for Service Providers (2012)	(3.0)
8) Phase-in of Long Term Capital Gains Reduction of 25% over 3 Years (2012)	(9.2)
9) Income Tax Deduction for Federal Bonus Depreciation (2012)	(1.8)
10) Qualified Facility Credit (2012)	(4.0)
11) Data Center TPT Exemption (2013)	(1.8)
Subtotal	\$(112.1)
<u>2014 Tax Law and Revenue Changes</u>	
12) Electricity and Natural Gas TPT Exemption	\$ (14.6)
13) Long Term Care System Fund	7.9
14) Watercraft Fine Revenue Shift	(0.5)
15) Job Tax Credit Change	(0.9)
16) Mixed Waste Processing TPT Exemption	(0.2)
17) Health Sciences Institution TPT Exemption	(0.2)
Subtotal	\$ (8.5)
<b>Total – FY 2015 Revenue Impact</b>	<b>\$(120.6)</b>

collections by \$(11.6) million in FY 2015. However, as a result of updated capital gains data, the estimated FY 2015 revenue impact has since been revised to \$(8.6) million. *(For the revenue impact after FY 2015, see page 461.)*

4) Phase-In of Corporate Income Tax Rate Reduction – Laws 2011, 2<sup>nd</sup> 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. At the time of the enacted April 2014 budget for FY 2015, this estimate was revised to \$(50.4) million. However, based on the latest update of the corporate income tax forecast, this estimate has now been revised to \$(42.5) million in FY 2015. *(For the revenue impact after FY 2015, see page 461.)*

5) Phase-In of Corporate Sales Factor Increase – Laws 2011, 2<sup>nd</sup> 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. At the time of the enacted April 2014 budget for FY 2015, this estimate was revised to \$(39.3) million. However, as a

result of the latest update of the corporate income tax forecast, along with a new report from the Department of Revenue on the corporate sales factor, this provision is now estimated to reduce corporate income tax revenue by \$(29.3) million in FY 2015. *(For the revenue impact after FY 2015, see page 461.)*

6) Job Tax Credit – Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1 provides a \$3,000 annual individual and corporate income tax credit for each net new qualifying job added by an employer in the state. To qualify for the 3-year credit, the new employment position must: (1) be full-time, (2) pay at least the county median wage, and (3) include health insurance paid by the employer. In addition, a business cannot claim the credit unless it meets certain minimum job creation and capital investment requirements. Laws 2012, Chapter 343 removed the 400 maximum job tax credit claims per employer established by Chapter 1. The job tax credit was originally estimated to reduce revenues by \$(19.7) million in FY 2015. Based on actual credit data, however, the original estimate has since been revised to \$(4.2) million for FY 2015. *(For the revenue impact after FY 2015, see page 461.)*

7) Corporate Sales Factor for Service Providers – Laws 2012, Chapter 2 allows multi-state service-providing companies to reduce their Arizona corporate income tax liability through a change in the calculation of the sales factor. To be eligible for the change, a company is required to derive at least 85% of its sales of services from out-of-state customers. The change in the calculation of the sales factor is phased in over 4 years, beginning in TY 2014. This provision was originally estimated to reduce corporate income tax collections by \$(3.0) million in FY 2014. As a result of further review of the legislation, however, it was subsequently determined that the first-year impact would not occur until FY 2015. *(For the revenue impact after FY 2015, see page 461.)*

8) Phase-In of Long Term Capital Gains Reduction – 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 \$(23.0) million in FY 2015. However, as a result of a recent report by the Department of Revenue on the preliminary cost of this provision, the estimated revenue reduction in FY 2015 has been revised to \$(9.2) million. *(For the revenue impact after FY 2015, see page 461.)*

9) Income Tax Deduction for Federal Bonus Depreciation – Laws 2012, Chapter 343 allows an individual income deduction equal to 10% of the bonus depreciation claimed on federal returns for assets purchased and placed in service in 2013 and subsequent years. The state revenue impact of this provision depends on whether the federal government provides bonus depreciation or not. In December 2014, the U.S. Congress

extended the 50% bonus depreciation retroactively for TY 2014. The Baseline assumes that the Legislature will conform to the extension of this federal provision. Additionally, the Baseline also assumes that the U.S. Congress will continue to provide “one-year extenders” in the next few years. Under these assumptions, individual income tax revenue is estimated to be reduced by \$(1.8) million annually, beginning in FY 2015. At the time of the enacted April 2014 budget for FY 2015, the \$(1.8) million estimate was assumed to be one-time. *(For a more detailed discussion of this topic, see page 354 of the FY 2015 Appropriations Report.)*

Apart from bonus depreciation and other provisions, the U.S. Congress also retroactively extended the \$500,000 individual and corporate income tax deduction (“business expensing”) for qualifying investments. Without the federal tax extender, the business expensing allowance would have been \$25,000. The \$500,000 federal cap has been in place since TY 2012. As result of legislation enacted in 2013 (Laws 2013, Chapter 256), the state conformed to the \$500,000 amount for TY 2013 (or FY 2014, for budgetary purposes).

In the 2014 Regular Session, the Legislature passed HB 2664 to permanently raise the business expensing allowance for state income taxes to \$500,000. At the time, the budget had already been enacted and assumed a 1-year continuation of the \$500,000 limit at a cost of \$25 million. The Governor, however, vetoed HB 2664. The Executive used the \$25 million General Fund savings from the veto as a financing source for the cost of establishing the new Department of Child Safety in the May 2014 2<sup>nd</sup> Special Session. Since the cost of business expensing has been redirected elsewhere, the Baseline does not fund its continuation in FY 2016.

10) 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 headquarters. 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 investment credit enacted in 2009. This provision is estimated to reduce revenues by \$(4.0) million in FY 2015. *(For the revenue impact after FY 2015, see page 461.)*



11) Data Center TPT Exemption – Laws 2013, 1<sup>st</sup> 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. 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 estimated to reduce General Fund revenues by \$(1.8) million in FY 2015. *(For the revenue impact after FY 2015, see page 461.)*

#### 2014 Tax Law Changes

In the 2014 Session, the Legislature enacted the following ongoing tax law and revenue changes.

12) Electricity and Natural Gas TPT Exemption – Laws 2014, Chapter 7 exempts the gross proceeds from sales of electricity and natural gas to businesses that are principally engaged in manufacturing or smelting operations from state TPT and use tax. The exemption is estimated to reduce General Fund revenue collections by \$(14.6) million in FY 2015. *(For the revenue impact after FY 2015, see page 461.)*

13) Long Term Care System Fund – Laws 2014, Chapter 11 (FY 2015 Health and Welfare Budget Reconciliation Bill) requires all monies in the Long Term Care System Fund accrued from capitation payments for developmental disability services that are unexpended and unencumbered at the end of the fiscal year to revert to the General Fund. The transfer amount may be adjusted for reported but unpaid claims as well as estimated incurred but unreported claims, subject to approval by the Arizona Health Care Cost Containment System (AHCCCS). At the time of the enactment of the FY 2015 budget, Chapter 11 was estimated to increase General Fund revenues by \$35 million annually, beginning in FY 2015. This estimate has since been revised to \$7.9 million annually.

14) Watercraft Fine Revenue Shift – Laws 2014, Chapter 127 redirects certain fines for operating a watercraft while under the influence from the Public Safety Equipment Fund (PSEF) to the Law Enforcement and Boating Safety Fund (LEBSF). PSEF retains the first \$1,200,000 of certain DUI fee revenues and the remainder is deposited into the General Fund. Prior to Chapter 127, PSEF received \$1,200,000 and the General Fund received \$9,179,400 in FY 2013. After shifting the \$500,000 of under the influence fees to LEBSF, PSEF is projected to still receive \$1,200,000. The General Fund deposit,

however, will decline by \$(500,000) beginning in FY 2015.

15) Job Tax Credit Change – Laws 2014, Chapter 168 changed the requirement for the new Job Tax Credit program by providing that second and third year individual and corporate credits can be claimed irrespective of whether the same employee remains employed as long as the employer replaces the vacant position with another qualified employee within 90 days. The provision, which is effective retroactively from January 1, 2014, is estimated to reduce income tax collections by \$(882,000), beginning in FY 2015.

16) Mixed Waste Processing Facility TPT Exemption – Laws 2014, Chapter 228 exempts the gross proceeds from building a mixed waste processing facility from the prime contracting tax. To qualify for the TPT exemption, the facility must be located on a municipal landfill and constructed for the purpose of recycling solid waste or producing renewable energy from landfill waste. Chapter 228 is estimated to decrease General Fund revenue by \$(183,600), beginning in FY 2015.

17) Health Sciences Institution TPT Exemption – Laws 2014, Chapter 276 exempts personal property that is sold to a qualified health sciences educational institution from state and municipal retail, publication, and job printing TPT and use tax. Chapter 276 is estimated to reduce General Fund revenue by \$(196,400), beginning in FY 2015.

#### **FY 2016 – FY 2018**

In recent years, the Legislature has enacted a number of tax provisions with delayed effective dates. In some cases, there was a period of time of up to 4 years 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. The FY 2015 budget adopted in April 2014 reflects a number of such revisions of the original estimates *(for more detail, see page 351 of the FY 2015 Appropriations Report)*. Additionally, for those provisions that are phased in over multiple years, the estimates may need to be revised several times as newer data becomes available. *Table 6* below compares estimates used at the time of the enactment of the FY 2015 budget to estimates that have been revised after this time.

In FY 2016, General Fund revenue estimates have been adjusted downward by \$(105.7) million relative to FY 2015 to reflect the start of a previously enacted tax law change or its ongoing phase-in. The FY 2017 estimates have been further adjusted downward by \$(78.3) million relative to FY 2016 for additional phase-ins. In FY 2018, the Baseline revenues were reduced by another \$(76.9) million relative to FY 2017 as the phase-in continues.

**Table 6**

**Prior Year Budget Legislation with Ongoing Revenue Impact in FY 2016 through FY 2018**  
 (\$ Millions) <sup>1/</sup>

<u>Bill/Description of Provision</u>	<u>Prior Estimates</u> <sup>2/</sup>			<u>Current Estimates</u>		
	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>
<u>Laws 2006, Ch. 14 &amp; 325</u>						
18) Corporate School Tuition Credit for Low-Income Students.	<sup>3/</sup>	<sup>3/</sup>	<sup>3/</sup>	\$ (8.6)	\$ (10.3)	\$ (12.4)
<u>Laws 2011, 2<sup>nd</sup> SS, Ch. 1</u>						
19) Increases small business eligibility for 30% “angel” investment tax credit from \$2 million to \$10 million in assets through FY 2016.	4.5	0.0	0.0	4.5	0.0	0.0
20) Eliminates capital gains on income derived from small businesses.	\$(0.4)	\$(0.8)	\$(0.4)	\$(0.0)	\$(0.0)	\$(0.0)
21) Phases down corporate tax rate from 6.968% to 4.9% over 4 years.	(60.7)	(61.7)	(81.2)	(41.9)	(37.9)	(41.2)
22) Phases in corporate sales factor from 80% to 100% over 4 years.	(37.9)	(31.7)	(26.0)	(26.2)	(23.0)	(19.3)
23) Creates a \$3,000 new job tax credit claimed annually for 3 years. <sup>4/</sup>	(4.2)	(3.1)	(2.0)	(4.2)	(3.1)	(0.0)
<u>Laws 2012, Ch. 2</u>						
24) Provides a change in the calculation of the corporate sales factor for service companies.	(0.5)	(0.4)	(0.5)	(0.0)	(0.0)	(0.0)
<u>Laws 2012, Ch. 343</u>						
25) Phases in (over 3 years) a 25% reduction of long term capital gains on assets purchased after 2011. <sup>5/</sup>	(12.1)	(7.0)	(4.7)	(11.3)	(0.0)	(0.0)
26) Creates an income tax credit for capital investments in new/expanded manufacturing/research facilities and commercial headquarters. <sup>5/</sup>	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
<u>Laws 2013, Ch. 236</u>						
27) Exempts certain Enterprise Zone income tax credit certification requirements.	0.3	0.0	0.0	0.0	0.0	0.0
<u>Laws 2013, Ch. 255</u>						
28) Exempts trade/service contractors from prime contracting tax. Instead, materials taxed as retail.	1.3	0.0	0.0	0.0	0.0	0.0
<u>Laws 2013, 1<sup>st</sup> SS, Ch. 9</u>						
29) Exempts data center equipment from TPT. <sup>5/</sup>	(1.9)	0.0	0.0	(1.9)	0.0	0.0
<u>Laws 2014, Ch. 7</u>						
30) Exempts electricity and natural gas purchased by manufacturing & smelting facilities from TPT. <sup>6/</sup>	(3.6)	0.0	0.0	(3.6)	0.0	0.0
<u>Laws 2014, Ch. 8</u>						
31) Creates a tax credit for investment in new facilities that produce energy for self-consumption using renewable energy sources if the power is used primarily in manufacturing.	(10.0)	0.0	0.0	(10.0)	0.0	0.0

<u>Bill/Description of Provision</u>	<u>Prior Estimates</u> <sup>2/</sup>			<u>Current Estimates</u>		
	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>
<u>Laws 2014, Ch. 68</u> 32) Requires individual taxpayers claiming an amount for the Proposition 301 \$25 Tax Credit to provide a valid social security number.	1.5	0.0	0.0	1.5	0.0	0.0
<u>Laws 2014, Ch. 168</u> 33) Provides that if an employee in a newly created job leaves his position, the employer can still claim the new job tax credit as long as the vacant position is filled within 90 days.	(0.4)	(0.4)	0.0	0.0	0.0	0.0
<u>Laws 2014, Ch. 228</u> 34) Exempts the construction of mixed waste processing facilities located on a municipal landfill and built for the purpose of recycling waste or producing renewable energy from TPT.	0.1	(0.1)	0.0	0.0	0.0	0.0
<u>Laws 2014, Ch. 276</u> 35) Exempts personal property sold to a qualified health sciences educational institution under the retail, publication, and job printing classifications from TPT.	(0.3)	0.0	0.0	0.0	0.0	0.0
<b>Revenue Impact Over Prior Year</b>	<b>\$(128.3)</b>	<b>\$(109.2)</b>	<b>\$(118.8)</b>	<b>\$(105.7)</b>	<b>\$(78.3)</b>	<b>\$(76.9)</b>
<p><sup>1/</sup> Represents marginal pricing: All impacts are stated relative to the prior year. <i>See Table 5 for first FY 2015 tax law changes.</i> Impact excludes property tax changes, which affect Department of Education spending rather than General Fund Revenues.</p> <p><sup>2/</sup> The estimated revenue impact of the bill/provision included in the FY 2015 budget enacted in April 2014.</p> <p><sup>3/</sup> Revenue impacts of Laws 2006, Chapters 14 and 325 were not reflected in the FY 2015 budget enacted in April 2014.</p> <p><sup>4/</sup> 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.</p> <p><sup>5/</sup> Impact began in FY 2014.</p> <p><sup>6/</sup> Impact began in FY 2015.</p>						

As noted above, *Table 6* lists prior year tax law changes with ongoing revenue impact in FY 2016 through FY 2018 under both prior (when FY 2015 budget was enacted in April 2014) and current scoring. Below follows a description of each of the provisions included in *Table 6*.

18) Corporate School Tuition Tax Credit – Laws 2006, Chapters 14 and 325. (*For a detailed description of this provision, see 1) on page 458.*) As noted earlier, the cap of this credit program increases by 20% annually. Credit donations were made up to the cap in each year between FY 2013 and FY 2015, and are currently projected to reach the cap of \$51.6 million in FY 2016, \$61.9 million in FY 2017, and \$74.3 million in FY 2018. Thus, this credit program is estimated to reduce corporate income and insurance premium tax collections by \$(8.6) million in FY 2016, followed by additional reductions of \$(10.3) million in FY 2017, and \$(12.4) million in FY 2018. The impact of this provision was not included in the FY 2015 budget adopted in April 2014.

19) Expansion of Small Business Eligibility for Angel Investment Credit – Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1. (*For a detailed description of this provision,*

*see 2) on page 458.*) This program allows the Arizona Commerce Authority to authorize a total of \$20 million in “angel” investment credits through FY 2016. This program cap, however, is expected to be reached already in FY 2015 when the final amount of credit authorization is estimated to be \$4.5 million. Thus, relative to the FY 2015 revenue base, the “Angel” Investment program is estimated to generate a savings of \$4.5 million in FY 2016. The original estimate of this provision has not been revised.

20) Elimination of Small Business Capital Gains – Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1. (*For a detailed description of this provision, see 3) on page 458.*) When the FY 2015 budget was enacted, this provision was estimated to reduce individual income tax revenue by \$(0.4) million in FY 2016, followed by an additional \$(0.8) million in FY 2017 and \$(0.4) million in FY 2018. The estimated impact has since been revised to \$0 (relative to the FY 2015 revenue base) due to the small magnitude of the change.

21) Phase-In of Corporate Income Tax Rate Reduction – Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1. (*For a*

*detailed description of this provision, see 4) on page 458.)* When the FY 2015 budget was adopted, this rate reduction was estimated to reduce corporate income tax collections by \$(60.7) million in FY 2016, followed by an additional reduction of \$(61.7) million in FY 2017, and \$(81.2) million in FY 2018. However, based on the latest update of the corporate income tax forecast, this estimate has now been revised to \$(41.9) million in FY 2016, followed by an additional reduction of \$(37.9) million in FY 2017, and \$(41.2) million in FY 2018.

22) Phase-In of Corporate Sales Factor Increase – Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1. (*For a detailed description of this provision, see 5) on page 458.*) When the FY 2015 budget was enacted, the phase-in of the single sales factor was estimated to reduce corporate income tax collections by \$(37.9) million in FY 2016, followed by an additional reduction of \$(31.7) million in FY 2017, and \$(26.0) million in FY 2018. However, based on the latest update of the corporate income tax forecast, along with a new report from the Department of Revenue on the corporate sales factor, this provision is now estimated to reduce corporate income tax revenue by \$(26.2) million in FY 2016, followed by an additional reduction of \$(23.0) million in FY 2017, and \$(19.3) million in FY 2018.

23) Job Tax Credit – Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1. (*For a detailed description of this provision, see 6) on page 459.*) When the FY 2015 budget was enacted, the job tax credit was estimated to reduce corporate income tax revenue by \$(4.2) million in FY 2016, followed by an additional reduction of \$(3.1) million in FY 2017, and \$(2.0) million in FY 2018. Under the revised estimate, the revenue impact is unchanged for FY 2016 and FY 2017. Because of the small dollar impact in FY 2018, the revised estimate is scored at \$0.

24) Corporate Sales Factor for Service Providers – Laws 2012, Chapter 2. (*For a detailed description of this provision, see 7) on page 459.*) At the time of the FY 2015 budget enactment, this provision was estimated to reduce corporate income tax revenue by \$(0.5) million in FY 2016, followed by an additional reduction of \$(0.4) million in FY 2017, and \$(0.5) million in FY 2018. Because of the small dollar impacts beginning in FY 2016, these estimates are scored at \$0 under the revised revenue estimate.

25) Phase-In of Long Term Capital Gains Reduction – Laws 2012, Chapter 343. (*For a detailed description of this provision, see 8) on page 459.*) When the FY 2015 budget was adopted, this provision was estimated to reduce individual income tax revenue by \$(12.1) million in FY 2016, followed by an additional reduction of \$(7.0) million in FY 2017, and \$(4.7) million in FY 2018. As a result of a recently issued report by the Department of Revenue, the estimate for FY 2016 has been revised to \$(11.3) million. Since the phase-in of the 25% capital gains reduction will be fully implemented in FY 2016, the revised estimate assumes no incremental impact in FY 2017 and FY 2018.

26) Qualified Facility Tax Credit – Laws 2012, Chapter 343. (*For a detailed description of this provision, see 10) on page 459.*) This provision is estimated to reduce income tax revenue by \$(4.0) million in FY 2016, followed by an additional reduction of \$(4.0) million in FY 2017 and \$(4.0) million in FY 2018. The impact of this provision has not been revised.

27) Exempts Enterprise Zone Credit Certification Requirement – Laws 2013, Chapter 236 provides that businesses, which were certified by the Arizona Commerce Authority and then claimed first year individual or corporate 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. At the time of the FY 2015 budget enactment, this provision was estimated to generate a savings of \$0.3 million in FY 2016 (*For more details, see pages 349 and 351 of the FY 2015 Appropriations Report.*) Because of the small dollar impact in FY 2016, the revised estimate is scored at \$0 in FY 2016.

28) TPT Simplification – Laws 2013, Chapter 255 makes numerous changes to the state and municipal TPT with respect to administration, collections, and auditing. In addition, beginning 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. When the FY 2015 budget was enacted, the changes under Chapter 255 were estimated to result in a state TPT net increase of \$1.3 million, beginning in FY 2016. Because of the considerable uncertainty associated with the fiscal impact of this provision, the revised estimate is scored at \$0.

29) Data Center TPT Exemption – Laws 2013, 1<sup>st</sup> Special Session, Chapter 9. (*For a detailed description of this provision, see 11) on page 460.*) Relative to the FY 2015 revenue base, this provision is estimated to reduce state sales tax collections by \$(1.9) million beginning in FY 2016. The impact of this provision has not been revised.

30) Electricity and Natural Gas TPT Exemption – Laws 2014, Chapter 7. (*For a detailed description of this provision, see 12) on page 460.*) Relative to the FY 2015 base, this provision is estimated to reduce state sales tax revenue by \$(3.6) million in FY 2016. The estimated impact of this provision has not been revised.

31) Renewable Energy Facility Credit – Laws 2014, Chapter 8 creates a new individual and corporate income tax credit for any company that makes an investment of at least \$300 million in a new renewable energy facility that produces energy that is primarily used in the company's own manufacturing processes. The credit has an aggregate cap of \$10 million a year. The credit is estimated to

reduce income tax collections by \$(10) million, beginning in FY 2016. The fiscal impact of this provision has not been revised.

32) Social Security Number (SSN) Requirement – Laws 2014, Chapter 68 requires individual taxpayers to provide the Department of Revenue a valid SSN to claim the Proposition 301 Sales Tax Credit, otherwise known as the Increased Excise Taxes Paid Credit (IETC). An individual income tax filer can claim a \$25 credit to offset the 0.6% sales tax increase resulting from Proposition 301 passed in November 2000. For taxpayers filing as single or as married person filing separately, the income requirement for claiming the credit is \$12,500 or less. Individual taxpayers had previously been able to also claim this credit using a federally-issued individual taxpayer identification number. The SSN requirement is effective January 1, 2015 and is estimated to reduce the use of the credit, thereby increasing income tax collections by \$1.5 million annually, beginning in FY 2016. The estimated impact of this provision has not been revised.

33) Job Tax Credit Change – Laws 2014, Chapter 168. (For a detailed description of this provision, see 15) on page 460.) At the time of the FY 2015 budget enactment, this provision was estimated to reduce corporate income tax revenue by \$(0.4) million in FY 2016, followed by an additional reduction of \$(0.4) million beginning in FY 2017. Because of the small revenue impacts in FY 2016 and FY 2017, the revised estimate is scored at \$0 for both of those years.

34) Mixed Waste Processing Facility TPT Exemption – Laws 2014, Chapter 228. (For a detailed description of this provision, see 16) on page 460.) When the FY 2015 budget was adopted, this provision was estimated to increase state sales tax revenue by \$0.1 million in FY 2016 (relative to FY 2015), followed by a revenue reduction of \$(0.1) million in FY 2017 (relative to FY 2016). Due to the small dollar impacts in FY 2016 and FY 2017, the revised estimate is scored at \$0 for both of those years.

35) Health Sciences Institution TPT Exemption – Laws 2014, Chapter 276. (For a detailed description of this provision, see 17) on page 460.) At the time of the FY 2015 budget enactment, this provision was estimated to reduce state sales tax revenue by \$(0.3) million in FY 2016 (relative to FY 2015). Because of the small dollar impact in FY 2016, the revised estimate is scored at \$0 in FY 2016.

### **Urban Revenue Sharing**

The Urban Revenue Sharing (URS) program provides that a percentage of state income tax revenues (including both individual and corporate income tax) be shared with incorporated cities and towns within the state. The amount that is currently distributed to cities and towns is 15% of

net individual and corporate income tax collections from 2 years prior. As indicated in *Table 8*, total URS distributions will decrease from \$608.9 million in FY 2015 to \$605.6 million in FY 2016. This URS decrease results in a FY 2016 General Fund revenue gain of \$3.3 million relative to FY 2015.

### **One-Time Financing**

As shown in *Table 8*, one-time financing sources are included in the budget for FY 2015 and FY 2016. The following is a discussion of the one-time financing sources.

#### ***FY 2015***

The \$631.3 million in one-time financing sources for FY 2015 includes:

Fund Transfers – The FY 2015 General Appropriation Act (Laws 2014, Chapter 18) transferred \$53.9 million from the Special Employee Health Insurance Trust Fund (HITF) to the General Fund for the purpose of providing adequate support and maintenance for state agencies.

Balance Forward – The FY 2014 General Fund ending balance carried forward into FY 2015 was \$577.4 million.

FY 2015 is currently projected to end with a negative General Fund balance (deficit) of \$(148.4) million to \$(480.5) million. The Baseline assumes that the FY 2015 shortfall will be resolved prior to FY 2016.

#### ***FY 2016***

The one-time revenue loss of \$(6.1) million in FY 2016 includes:

Budget Legislation – Laws 2014, Chapter 10 provides a one-time increase (in the form of an inflation adjustment) of the individual income tax rate brackets in TY 2015. This rate bracket adjustment results in an estimated one-time revenue loss of \$(6.1) million in FY 2016.

#### ***FY 2017 & FY 2018***

As shown in *Table 7*, no one-time financing sources are currently included for FY 2017 and FY 2018.

**Table 7****FY 2015 through FY 2018 One-Time Financing Sources  
(\$ in Millions)**

	<b><u>FY 2015</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>
Balance Forward	\$ 577.4	--	--	--
Budget Legislation				
Tax Bracket Adjustment	0.0	(6.1)	0.0	0.0
Fund Transfers	<u>53.9</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>Total One-Time Financing</b>	<b><u>\$631.3</u></b>	<b><u>\$(6.1)</u></b>	<b><u>\$0.0</u></b>	<b><u>\$0.0</u></b>

Table 8

## GENERAL FUND REVENUE - FY 2014-FY 2016

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2014	% CHANGE PRIOR YR	FORECAST FY 2015	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2016	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	3,995,367.7	5.7%	4,127,914.5	3.3%	132,546.9	4,276,292.1	3.6%	148,377.6
Income - Individual <sup>1/</sup>	3,487,182.0	2.6%	3,572,756.1	2.5%	85,574.1	3,703,256.1	3.7%	130,500.0
- Corporate	575,180.2	-13.1%	570,375.3	-0.8%	(4,805.0)	570,866.5	0.1%	491.3
Property	25,611.2	94.0%	26,000.0	1.5%	388.8	26,500.0	1.9%	500.0
Luxury - Tobacco	25,837.4	5.3%	23,395.2	-9.5%	(2,442.2)	22,920.0	-2.0%	(475.2)
- Liquor	32,901.2	3.9%	32,911.7	0.0%	10.5	33,602.8	2.1%	691.1
Insurance Premium	411,760.7	6.5%	450,600.0	9.4%	38,839.3	475,400.0	5.5%	24,800.0
Other Taxes (Includes MV Tax)	6,937.7	342.6%	6,700.0	-3.4%	(237.7)	6,900.0	3.0%	200.0
Sub-Total - Taxes	8,560,778.0	3.2%	8,810,652.8	2.9%	249,874.8	9,115,737.6	3.5%	305,084.8
<b>Other Non-Tax Revenues:</b>								
Lottery	72,881.3	-8.0%	75,566.9	3.7%	2,685.6	70,576.3	-6.6%	(4,990.6)
Licenses, Fees and Permits	29,847.6	1.4%	30,937.9	3.7%	1,090.3	30,437.9	-1.6%	(500.0)
Interest	13,821.4	15.0%	9,100.0	-34.2%	(4,721.4)	6,453.6	-29.1%	(2,646.4)
Sales and Services	37,806.2	2.5%	39,140.0	3.5%	1,333.8	39,140.0	0.0%	0.0
Other Miscellaneous	75,896.9	-19.6%	80,000.0	5.4%	4,103.1	80,000.0	0.0%	0.0
Transfers and Reimbursements	55,259.5	77.8%	63,400.0	14.7%	8,140.5	65,900.0	3.9%	2,500.0
Disproportionate Share Revenue	75,366.2	-3.6%	76,821.9	1.9%	1,455.7	77,366.3	0.7%	544.4
Sub-Total - Other Non-Tax	360,879.0	-0.1%	374,966.7	3.9%	14,087.7	369,874.1	-1.4%	(5,092.6)
<b>Subtotal On-Going Revenue</b>	<b>8,921,657.1</b>	<b>3.1%</b> <sup>1/</sup>	<b>9,185,619.5</b>	<b>3.0%</b> <sup>2/</sup>	<b>263,962.4</b>	<b>9,485,611.7</b>	<b>3.3%</b>	<b>299,992.2</b>
Previously Enacted Tax Law Changes	0.0	N/A	0.0	N/A	0.0	(105,700.0)	N/A	(105,700.0)
3-Year 1¢ TPT Increase	8,422.9	-99.1%	0.0	-100.0%	(8,422.9)	0.0	N/A	0.0
<b>Subtotal w/Tax Law Changes</b>	<b>8,930,080.0</b>	<b>-7.2%</b>	<b>9,185,619.5</b>	<b>2.9%</b>	<b>255,539.5</b>	<b>9,379,911.7</b>	<b>2.1%</b>	<b>194,292.2</b>
Urban Revenue Sharing (URS)	(561,001.2)	9.2%	(608,935.7)	8.5%	(47,934.5)	(605,634.3)	-0.5%	3,301.4
<b>Subtotal w/Tax Law Changes/URS</b>	<b>8,369,078.8</b>	<b>-8.1%</b>	<b>8,576,683.8</b>	<b>2.5%</b>	<b>207,605.0</b>	<b>8,774,277.4</b>	<b>2.3%</b>	<b>197,593.6</b>
<b>One-Time Financing Sources:</b>								
Fund Transfers	141,541.1	207.7%	53,900.0	-61.9%	(87,641.1)	0.0	-100.0%	(53,900.0)
Previously Enacted Changes	(24,800.0)	N/A <sup>1/</sup>	0.0	-100.0%	24,800.0	(6,100.0)	N/A	(6,100.0)
Sub-Total - One-Time Financing Sources	116,741.1	106.6%	53,900.0	-53.8%	(62,841.1)	(6,100.0)	-111.3%	(60,000.0)
<b>Subtotal - Revenues</b>	<b>8,485,819.9</b>	<b>-7.4%</b>	<b>8,630,583.8</b>	<b>1.7%</b>	<b>144,763.8</b>	<b>8,768,177.4</b>	<b>1.6%</b>	<b>137,593.6</b>
Balance Forward	895,475.0	125.6%	577,399.2	N/A	0.0	0.0	-100.0%	(577,399.2)
<b>Total - Resources</b>	<b>9,381,294.9</b>	<b>-1.9%</b>	<b>9,207,983.0</b>	<b>-1.8%</b>	<b>144,763.8</b>	<b>8,768,177.4</b>	<b>-4.8%</b>	<b>(439,805.6)</b>

<sup>1/</sup> To reflect the \$24.8 million of business expensing as a one time cost, the FY 2014 individual income tax actual has been adjusted upward by \$24.8 million.

Prior to this adjustment, the FY 2014 on-going revenue increase would be 2.7%.

<sup>2/</sup> The 3.0% FY 2015 increase includes \$(120.6) million in tax law and other revenue changes. Adjusting for these changes, the base FY 2015 increase is 4.3%.

Table 8

## GENERAL FUND REVENUE - FY 2017-FY 2018

FORECAST REVENUE GROWTH						
(\$ in Thousands)						
	FORECAST FY 2017	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2018	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	4,473,585.5	4.6%	197,293.4	4,722,304.3	5.6%	248,718.8
Income - Individual	3,873,726.9	4.6%	170,470.8	4,084,233.2	5.4%	210,506.3
- Corporate	476,701.7	-16.5%	(94,164.8)	394,695.1	-17.2%	(82,006.6)
Property	27,030.0	2.0%	530.0	27,570.6	2.0%	540.6
Luxury - Tobacco	22,514.4	-1.8%	(405.7)	22,118.1	-1.8%	(396.3)
- Liquor	34,320.9	2.1%	718.1	35,065.0	2.2%	744.1
Insurance Premium	494,400.0	4.0%	19,000.0	514,200.0	4.0%	19,800.0
Other Taxes (Includes MV Tax)	7,107.0	3.0%	207.0	7,320.2	3.0%	213.2
Sub-Total - Taxes	9,409,386.4	3.2%	293,648.8	9,807,506.5	4.2%	398,120.1
<b>Other Non-Tax Revenues:</b>						
Lottery	77,223.6	9.4%	6,647.3	87,066.5	12.7%	9,842.9
Licenses, Fees and Permits	31,351.0	3.0%	913.1	32,291.6	3.0%	940.5
Interest	6,503.7	0.8%	50.1	6,519.2	0.2%	15.5
Sales and Services	40,314.2	3.0%	1,174.2	41,523.6	3.0%	1,209.4
Other Miscellaneous	83,200.0	4.0%	3,200.0	86,528.0	4.0%	3,328.0
Transfers and Reimbursements	67,877.0	3.0%	1,977.0	69,913.3	3.0%	2,036.3
Disproportionate Share Revenue	77,366.3	0.0%	0.0	77,366.3	0.0%	0.0
Sub-Total - Other Non-Tax	383,835.8	3.8%	13,961.7	401,208.5	4.5%	17,372.7
<b>Subtotal On-Going Revenue</b>	<b>9,793,222.2</b>	<b>3.2%</b> <sup>3/</sup>	<b>307,610.5</b>	<b>10,208,715.0</b>	<b>4.2%</b> <sup>4/</sup>	<b>415,492.8</b>
Previously Enacted Tax Law Changes	(78,300.0)	-25.9%	27,400.0	(76,900.0)	-1.8%	1,400.0
3-Year 1¢ TPT Increase	0.0	N/A	0.0	0.0	N/A	0.0
<b>Subtotal w/Tax Law Changes</b>	<b>9,714,922.2</b>	<b>3.6%</b>	<b>335,010.5</b>	<b>10,131,815.0</b>	<b>4.3%</b>	<b>416,892.8</b>
Urban Revenue Sharing (URS)	(621,469.7)	2.6%	(15,835.4)	(626,088.4)	0.7%	(4,618.7)
<b>Subtotal w/Tax Law Changes/URS</b>	<b>9,093,452.5</b>	<b>3.6%</b>	<b>319,175.1</b>	<b>9,505,726.6</b>	<b>4.5%</b>	<b>412,274.1</b>
<b>One-Time Financing Sources:</b>						
Fund Transfers	0.0	N/A	0.0	0.0	N/A	0.0
Previously Enacted Changes	0.0	-100.0%	6,100.0	0.0	N/A	0.0
Sub-Total - One-Time Financing Sources	0.0	-100.0%	6,100.0	0.0	N/A	0.0
<b>Subtotal - Revenues</b>	<b>9,093,452.5</b>	<b>3.7%</b>	<b>325,275.1</b>	<b>9,505,726.6</b>	<b>4.5%</b>	<b>412,274.1</b>
Balance Forward	0.0	N/A	0.0	0.0	N/A	0.0
<b>Total - Resources</b>	<b>9,093,452.5</b>	<b>3.7%</b>	<b>325,275.1</b>	<b>9,505,726.6</b>	<b>4.5%</b>	<b>412,274.1</b>

<sup>3/</sup> Adjusting for the \$(105.7) M in tax law changes in FY '16, the base FY '17 increase is 4.4%.

<sup>4/</sup> Adjusting for the \$(78.3) M in tax law changes in FY '17, the base FY '18 increase is 5.1%.



## BUDGET STABILIZATION FUND

### Background

The Budget Stabilization Fund (BSF) for Arizona was enacted in 1990 (A.R.S. § 35-144). The fund is administered by the State Treasurer, who is responsible for transferring General Fund money into and out of the BSF as required by law. The BSF is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth. The BSF is also known as the “Rainy Day Fund.”

### The Formula

There is a statutory formula to calculate the amount to be appropriated to (deposit) or transferred out (withdrawal) of the BSF. The formula is based on total annual Arizona personal income (excluding transfer payments) adjusted for inflation.

The January budget documents of the JLBC and the Governor are to include estimates of the amounts to be appropriated to or transferred from the BSF for the upcoming budget year. The final determination of the amount to be appropriated or transferred is based on calculations from the Arizona Economic Estimates Commission (EEC). This final calculation is not made until June 1 of the budget year. The EEC determines the annual growth rate of real adjusted state personal income, its trend growth rate over the past 7 years, and the calculated appropriation to or transfer from the BSF. The EEC calculations, however, do not result in any automatic deposits or withdrawals, as they must be authorized by legislative action. In practice, the formula has only served as a general guideline and has rarely been used to determine the actual deposit or withdrawal.

Key features of the BSF can be summarized as follows:

- The deposit into or withdrawal from the BSF for a given fiscal year is determined by comparing the annual growth rate of real adjusted Arizona Personal Income (AZPI) for the calendar year ending in the fiscal year to its 7-year trend growth rate.
- Real adjusted personal income in the BSF formula is defined as Arizona personal income less transfer payments, adjusted by the gross domestic product price deflator index.
- Trend growth rate is defined as the average annual growth rate of real adjusted personal income for the most recent 7 calendar years.
- If the annual growth rate exceeds the trend growth rate, the “excess” percent multiplied by General Fund

revenue of the prior fiscal year would equal the amount to be deposited into the BSF.

- If the annual growth rate of real adjusted personal income is both less than 2% and less than the trend growth rate, the deficiency when multiplied by the General Fund revenue of the prior year would equal the amount to be withdrawn from the BSF. This 2% floor avoids withdrawing monies from the BSF when economic conditions are slowing but there is not a recession.
- By a two-thirds majority, the Legislature, with the concurrence of the Governor, can decrease a deposit or increase a withdrawal.
- The BSF's total balance cannot be larger than 7.0% of the current year's General Fund revenues, excluding the beginning balance.
- In addition to the fixed income investments, the Treasurer is allowed to invest up to 25% of the BSF in equity securities (A.R.S. § 35-314.02).

### Deposits/Withdrawals

#### FY 2013

In CY 2012, Arizona real adjusted personal income grew by 1.99%, with a trend growth rate of 0.32%. Since the CY 2012 “excess” growth rate was 1.67%, the formula recommended a BSF deposit of \$145.6 million in FY 2013. This amount was less than the \$200.0 million BSF deposit authorized by Laws 2012, Chapter 294.

#### FY 2014

In CY 2013, Arizona real adjusted personal income grew by 0.85%, with a trend growth rate of (0.38)%. Since the “excess” growth rate in CY 2013 was 1.23%, the formula recommended a BSF deposit of \$112.2 million in FY 2014. The Legislature, however, did not authorize such deposit.

Laws 2013, 1<sup>st</sup> Special Session, Chapter 9 deposited \$1.0 million in BSF interest earnings into the Arts Fund (administered by the Arizona Commission on the Arts) in FY 2014. In addition, Chapter 9 authorized the transfer of \$1.0 million in interest earnings into the Arizona State Park's Board's State Parks Revenue Fund in FY 2014.

#### FY 2015

The University of Arizona's Economic and Business Research Center (EBR) estimates that Arizona real adjusted personal income increased by 1.67% in CY 2014. Since this is 2.12% above the estimated trend growth rate of (0.45)%, the formula is projected to recommend a BSF deposit of \$177.4 million in FY 2015. A deposit of such amount could not be made, however, since this would

Table 1

**Budget Stabilization Fund <sup>1/</sup>**  
**(\$ in Thousands)**

<u>General Fund Revenues</u>	<u>Actual FY 2013</u>	<u>Actual FY 2014</u>	<u>Estimate FY 2015</u>	<u>Estimate FY 2016</u>
Adjusted Revenues	\$9,106,020.7	\$8,369,078.8	\$8,576,683.8	\$8,774,277.4
Statutory Limit of Revenues	7.0%	7.0%	7.0%	7.0%
Maximum Balance	637,421.4	585,835.5	600,367.9	614,199.4
<u>Arizona Personal Income in Prior CY</u>				
Real Adjusted Annual Income Growth	1.99%	0.85%	1.67%	1.39%
7-Year Average Income Growth	<u>0.32%</u>	<u>(0.38)%</u>	<u>(0.45)%</u>	<u>0.09%</u>
Annual Difference	1.67%	1.23%	2.12%	1.30%
<u>BSF Transactions</u>				
Beginning BSF Balance	250,062.8	454,101.7	456,736.9	459,786.9
BSF Formula Recommendation	145,576.6	112,163.1	177,424.5	114,496.9
<u>Actual Transfer In</u>				
Actual Appropriation – L'12, Ch. 294 <sup>2/</sup>	200,000.0	0.0	0.0	0.0
<u>Actual Transfer Out</u>				
Transfer of BSF Interest Income – L'13, 1 <sup>st</sup> SS, Ch. 9 <sup>3/</sup>	0.0	(2,000.0)	0.0	0.0
Transfer of BSF Interest Income – L'14, Ch. 9 <sup>4/</sup>	<u>0.0</u>	<u>0.0</u>	<u>(1,000.0)</u>	<u>0.0</u>
SUBTOTAL	0.0	(2,000.0)	(1,000.0)	0.0
Balance	450,062.8	452,101.7	455,736.9	459,786.9
Interest Earnings & Equity Gains/Losses <sup>5/</sup>	4,038.9	4,635.2	4,050.0	4,160.0
<b>Ending BSF Balance</b>	<b>\$ 454,101.7</b>	<b>\$ 456,736.9</b>	<b>\$ 459,786.9</b>	<b>\$ 463,946.9</b>
<b>Percent of Revenues</b>	<b>5.0%</b>	<b>5.5%</b>	<b>5.4%</b>	<b>5.3%</b>

<sup>1/</sup> BSF history prior to FY 2013 can be found on the JLBC website.

<sup>2/</sup> 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.

<sup>3/</sup> Laws 2013, 1<sup>st</sup> Special Session, Chapter 9 authorized a total transfer of \$2.0 million in BSF interest earnings in FY 2014. Of this amount, \$1.0 million was appropriated for deposit in the Arts Fund administered by the Arizona Commission on the Arts and \$1.0 million to the State Parks Revenue Fund administered by the Arizona State Parks Board.

<sup>4/</sup> Laws 2014, Chapter 9 appropriates \$1.0 million from BSF interest earnings to the Arizona Commission on the Arts for FY 2015.

<sup>5/</sup> Estimated interest earnings for FY 2015 and FY 2016 was provided by the State Treasurer's Office.

result in a BSF balance that would exceed the 7% cap in FY 2015 by \$33.7 million. The FY 2015 budget enacted in April 2014 did not include any deposit into the BSF.

Laws 2014, Chapter 9 deposited \$1.0 million in interest earnings from the BSF to the Arizona Commission on the Arts in FY 2015.

#### FY 2016

If no deposits or withdrawals are authorized by the Legislature for FY 2015 and FY 2016, the BSF will have an estimated ending balance of \$463.9 million in FY 2016. The maximum BSF balance (under the 7% statutory cap) for FY 2016 is estimated to be \$614.2 million.

EBR currently projects that Arizona real adjusted personal income will grow by 1.39% in CY 2015. Since this is 1.30% above the estimated trend growth rate of 0.09%, the formula is projected to recommend a BSF deposit of \$114.5 million in FY 2016.

#### **STATUTORY CHANGES**

The Baseline would, as session law, continue to withstand the requirements for any deposit to or withdrawals from the Budget Stabilization Fund.

***CONSOLIDATED RETIREMENT REPORT***

# Consolidated Retirement Report

FY 2015  
ESTIMATE

<b>Retirement System</b>	
<b>Arizona State Retirement System</b>	<b>279,331,100</b>
General Fund	68,506,100
All Other Funds	210,825,000
<b>Corrections Officer Retirement Plan</b>	<b>55,651,400</b>
General Fund	54,940,700
All Other Funds	710,700
<b>Elected Officials' Retirement Plan</b>	<b>8,065,000</b>
General Fund	7,955,100
All Other Funds	109,900
<b>Public Safety Personnel Retirement System</b>	<b>66,297,000</b>
General Fund	16,274,200
All Other Funds	50,022,800
<b>University Optional Retirement Plan</b>	<b>48,920,100</b>
General Fund	18,486,000
All Other Funds	30,434,100
<b>RETIREMENT BUDGET TOTAL</b>	<b>458,264,600</b>

## FUND SOURCES

General Fund	166,162,100
All Other Funds	292,102,500
<b>TOTAL - ALL SOURCES</b>	<b>458,264,600</b>

**DESCRIPTION** — The Consolidated Retirement Report (CRR) reviews various components of the state's retirement systems, including the state cost, contribution rates, and other related policy and legal issues.

### Background

Most public employers in Arizona use 2 retirement systems: the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS).

- ASRS provides retirement, survivors, health, and disability benefits to employees of most public employers, including public schools, most local and county governments, and the State of Arizona.
- PSPRS provides similar benefits to public employees who work in a public safety capacity, such as law enforcement officials and firefighters.
- In addition, PSPRS staff administers the Corrections Officer Retirement Plan (CORP) and the Elected Officials' Retirement Plan (EORP), which provide the same benefits as PSPRS to specified populations at the state and local levels. The EORP is now closed to new enrollees. Elected officials who are elected after January 1, 2014, will be enrolled in the Elected Officials' Defined Contribution Retirement System (EODC System).

Some university employees are eligible to choose between ASRS or the Arizona University System Optional Retirement Plan (UORP). Unlike ASRS, UORP is a defined contribution plan where the employee and employer each contribute 7% of gross earnings, which is

then invested by the employee. The retirement benefits depend on the performance of those chosen investments.

The General Fund cost associated with the retirement systems in FY 2015 is \$166.2 million and the Total State Funds cost is \$458.3 million.

The employer contribution rate for the retirement systems may change each year depending on the latest actuarial valuation. Based on projected employer contribution rates, the fiscal impact of FY 2016 changes would be as follows (*See Table 1*):

- ASRS - A General Fund decrease of \$(768,000) and a Total State Funds decrease of \$(3.1) million as a result of a lower FY 2016 ASRS contribution rate.
- PSPRS - A General Fund increase of either \$938,000 or \$4.4 million and Total State Funds increase of either \$3.8 million or \$18.0 million, depending on whether a phased-in or full employer contribution rate is used.
- CORP - A General Fund increase of either \$2.1 million or \$15.7 million and Total State Funds increase of either \$2.1 million or \$15.9 million, depending on whether a phased-in or full employer contribution rate is used.

- EORP - Because EORP's contribution rates are fixed in statute, there would not be an automatic FY 2016 cost increase. However, if the Legislature modifies current contribution rates to address increased liabilities associated with the Arizona Supreme Court ruling in *Fields v. Elected Officials' Retirement Plan*, then there would be a General Fund increase of \$1.4 million and Total State Funds increase of \$1.5 million. This estimate assumes that only the statutory fixed contribution rate to EORP is increased in response to the most recent EORP actuarial valuation.

In summary, there are at least 2 budget scenarios if the Legislature chooses to fund the employer contribution rate changes:

Scenario 1: Includes ASRS contribution rate changes, phases in employer contribution rate changes for PSPRS and CORP, and does not change EORP employer contribution rates. This option would increase General Fund costs by \$2.3 million and Total State Funds costs by \$2.8 million.

Scenario 2: Includes ASRS contribution rate changes, raises employer contribution rates for PSPRS and CORP to the full actuarial rate, and raises the EORP employer contribution rate to address the *Fields* ruling. This option would increase General Fund costs by \$20.7 million and Total State Funds costs by \$32.2 million.

The Baseline does not include additional agency funding for any of these contribution changes.

The following sections discuss FY 2016 contribution rates for the state's retirement systems and the fiscal impacts associated with those rates. Other policy and legal issues are discussed at the end of the CRR.

### ASRS

The General Fund cost associated with ASRS in FY 2015 is \$68.5 million and the Total State Funds cost is \$279.3 million.

At its December 2015 meeting, the ASRS Board of Trustees reduced the system's employer contribution rate by (0.13)%, from 11.60% in FY 2015 to 11.47% in FY 2016, which will reduce the General Fund cost by \$(768,000) and the total state cost by \$(3.1) million in FY 2016. ASRS states that contribution rates fell primarily because excess investment returns contributed to further improvement of the system's funded status from 76% to 77%. Other key factors include the growth in aggregate payroll (which provides additional funding to amortize the existing unfunded liability) and a reduction in future pension costs due to changes in pension benefits. Additionally, ASRS was unaffected by the court decision in *Fields v. Elected Officials' Retirement Plan*, which is the primary driver behind the contribution rate increases in PSPRS and CORP. (See Table 3 for reasons behind

*contribution rate changes and Fields v. Elected Officials' Retirement Plan section for more information on the case.)*

	FY 2016 (Scenario 1)	FY 2016 (Scenario 2)
<i>Arizona State Retirement System</i>		
General Fund	\$ (767,700)	\$ (767,700)
All Other Funds	(2,362,700)	(2,362,700)
<b>Subtotal</b>	<b>\$ (3,130,400)</b>	<b>\$ (3,130,400)</b>
<i>Public Safety Personnel Ret. System 1/</i>		
General Fund	938,000	4,368,000
All Other Funds	2,886,000	13,620,200
<b>Subtotal</b>	<b>\$ 3,824,000</b>	<b>\$ 17,988,200</b>
<i>Corrections Officer Ret. Plan 1/</i>		
General Fund	2,105,800	15,664,600
All Other Funds	36,900	219,800
<b>Subtotal</b>	<b>\$ 2,142,700</b>	<b>\$ 15,884,400</b>
<i>Elected Officials' Retirement Plan 2/</i>		
General Fund	-	1,446,100
All Other Funds	-	53,800
<b>Subtotal</b>	<b>\$ -</b>	<b>\$ 1,499,900</b>
<b>Total</b>		
General Fund	2,276,100	20,711,000
All Other Funds	560,200	11,531,100
<b>Grand Total</b>	<b>\$ 2,836,300</b>	<b>\$ 32,242,100</b>

1/ Only addresses the *Fields* ruling on restoring current retiree PBI.  
2/ There are 4 options to resolve increased EORP liabilities based on the outcome of the *Fields* and *Hall* cases. This option is the direct state cost associated with the existing *Fields* ruling.

### PSPRS and CORP

The General Fund cost associated with PSPRS in FY 2015 is \$16.3 million and the Total State Funds cost is \$66.3 million. In addition, the General Fund cost associated with CORP is \$54.9 million in FY 2015 and the Total State Funds cost is \$55.7 million.

As a result of the court decision in *Fields v. Elected Officials' Retirement Plan* that overturned portions of the 2011 pension changes (Laws 2011, Chapter 357), the projected FY 2016 employer contribution rates for PSPRS and CORP will increase significantly. The Permanent Benefit Increase (PBI) reinstated by *Fields* is responsible for 7.17% of the total 8.83% increase in PSPRS. CORP also experienced similar effects.

To diminish the immediate fiscal impact of the projected contribution rate increases in PSPRS and CORP, the PSPRS Board of Trustees has adopted a policy allowing employers to choose to pay the full contribution amount calculated by plan actuaries (which includes the immediate impact of the *Fields* ruling) or a reduced rate (phased-in rate) that gradually increases to the actuarial rate by FY 2018.

Both PSPRS and CORP consist of numerous subgroups, each with their own contribution rate. (See Table 5 for contribution rates by subgroup.) In FY 2015, the aggregate PSPRS employer contribution rate is 32.54%. In FY 2016, that rate would be 34.67% with the phased-in option or 41.37% with the full rate option. CORP has similar options. The phased-in policy does not evenly split contribution rate increases over the next several fiscal years. For example, the PSPRS policy would allow the Arizona Department of Corrections to increase its contribution rate by 0.54%, approximately 1/8<sup>th</sup> of the 4.07% increase recommended by plan actuaries.

The FY 2016 increase in the aggregate employer contribution rate for PSPRS would be either 2.13% or 8.83%, depending on whether a phased-in or full contribution rate is selected. The General Fund cost increase resulting from these rate changes is \$938,000 with the phase-in (\$3.8 million Total State Funds) or \$4.4 million with the full rate (\$18.0 million Total State Funds).

The FY 2016 increase in the aggregate employer contribution rate for CORP would be either 0.58% or 3.75%, depending on whether a phased-in or full contribution rate is selected. The General Fund cost increase resulting from these rate changes is \$2.1 million with the phase-in (\$2.1 million Total State Funds) or \$15.7 million with the full rate (\$15.9 million Total State Funds).

(See Table 1 for the state costs of contribution rate increases, Table 2 for the full contribution rates by system, Table 3 for reasons for change in the contribution rates by system, and Table 4 for phased-in contribution rates by system.)

### **EORP and EODC**

The General Fund cost associated with EORP and EODC in FY 2015 is \$8.0 million and the Total State Funds cost is \$8.1 million. These amounts exclude court fees used to offset the cost of the system.

As part of closing EORP and establishing EODC, A.R.S. § 38-810 established a fixed employer contribution rate of 23.5% for members of both systems, effective January 1, 2014. The employer contribution rate for EORP members goes entirely to the EORP Fund whereas only 17.5% of the EODC employer contribution rate goes to the EORP Fund. The remaining 6% of the EODC contribution rate is deposited into the individual employees' retirement investment account.

The \$8.0 million General Fund cost consists of both employer contribution rates and an annual General Fund deposit. The fixed 23.5% EORP and EODC employer contributions to the EORP Fund are scheduled to continue until FY 2044. The \$5 million annual General Fund deposit into the EORP Fund is scheduled to continue until FY 2043.

These current contributions and deposit amounts do not account for the increase in EORP's total actuarial liability following the outcome of *Fields*. EORP actuaries provided several options listed below that increase the employer contribution rates for both EORP and EODC to address the unfunded liability in EORP.

### **EORP Funding Options**

Plan actuaries estimate that given current funding levels, the closed EORP will only have sufficient monies to pay member benefits for the next 22 years. In order to extend this period and ensure payment of all benefits, the plan actuaries provide 4 possible 30-year funding options for EORP. Option A only addresses the *Fields* ruling while the other options include potential impacts of the *Hall* case. (See *Other Litigation for more information on the Hall case.*)

- Option A: Increase the employer contribution rate to 35.0%. Under this option, the pre-Chapter 357 PBI is restored for current retirees only (to comply with the *Fields* ruling). This option is projected to cost the General Fund \$1.4 million (\$1.5 million Total State Funds) in FY 2016. However, if the state were to pay the resulting contribution on behalf of local governments, the General Fund and Total State Funds increase would instead be \$13.5 million.
- Option B: Increase the employer contribution rate to 36.5%. Under this option, the pre-Chapter 357 PBI is restored for current retirees, plus the additional employee contributions of 6% of pay are refunded and eliminated for current members (i.e., EORP returns to the lower pre-Chapter 357 fixed 7% employee rate instead of the current 13%). This option is projected to cost the General Fund \$1.6 million (\$1.7 million Total State Funds) in FY 2016.
- Option C: Increase the employer contribution rate to 41.5%. Under this option, the pre-Chapter 357 PBI is restored for current and future retirees. This option is projected to cost the General Fund and Total State Funds \$2.3 million in FY 2016.
- Option D: Increase the employer contribution rate to 43.0%. Under this option, the pre-Chapter 357 PBI is restored for current and future retirees, plus the additional employee contributions of 6% of pay are refunded and eliminated for current members (i.e., EORP returns to the lower pre-Chapter 357 fixed 7% employee rate instead of the current 13%). Option D represents a ruling against the state in both the *Fields* and *Hall* cases. This option is projected to cost the General Fund and Total State Funds \$2.5 million in FY 2016.

### **UORP**

The General Fund cost associated with UORP in FY 2015 is \$18.5 million and the Total State Funds cost is \$48.9 million.

Eligible university employees and their employers each contribute 7% of the employee's gross earnings, which is then invested by the employee. These contribution rates are fixed in statute and are not projected to change in FY 2016.

#### ***Fields v. Elected Officials' Retirement Plan***

Laws 2011, Chapter 357 made numerous changes to the Arizona Public Retirement System (including EORP). Among these changes were reducing PBIs and increasing employee contribution rates.

The Arizona Supreme Court, however, ruled in *Fields v. Elected Officials' Retirement Plan* that the reduction of PBIs for current retirees violated Article 29 of the Arizona Constitution, which specifies that "public retirement system benefits shall not be diminished or impaired." This ruling also applied to PSPRS and CORP retirees.

At this time, PSPRS staff has not provided information on the increase in Unfunded Actuarially Accrued Liabilities (UAAL) for systems managed by PSPRS as a result of the *Fields* ruling. The increased liabilities in PSPRS and CORP would be paid off over a fixed period of 22 years through an increase in employer contribution rates. When the EORP was closed, the fixed General Fund deposit and contribution rate assumed unfunded liabilities would be paid off by 2044.

#### ***Permanent Benefit Increases***

PBIs are increases to a retiree's base benefit. They are dependent on pension performance and a number of other factors. PBIs are not tied to a cost of living index.

The *Fields* ruling reinstated the pre-Chapter 357 PBI mechanism, which requires that whenever the annual investment earnings from the fund exceed 9.0%, then half of those annual excess earnings are transferred to a PBI reserve account. The ruling applied to any individuals retiring prior to the enactment of Chapter 357. This transfer is not affected by the system's overall funded status.

PSPRS actuaries then determine the present value of the reserve account and the immediate monthly benefit increase the account balance can fund. The annual PBI is then provided in that amount up to a 4% increase. If after a 4% increase monies remain in the reserve account, then those monies would be available for the following year's PBI calculation.

Chapter 357 modifies the PBI structure for PSPRS, CORP, and EORP. To the extent allowed by previous court rulings, this law allows for a PBI only if the fund has annual investment earnings in excess of 10.5% and the overall funded status is at least 60%. The amount of the PBI would be between 2% and 4%, depending on the funded status of the plan. Chapter 357 limits the PBI to the amount of earnings in the fund that exceed 10.5%.

Any excess earning amount that was not used for a PBI in a given year would revert back to the fund balance instead of remaining in a separate account.

#### ***Other Litigation***

In addition to *Fields*, there is other ongoing litigation challenging provisions of Chapter 357, which may result in more costs to non-ASRS pension systems. Among other issues, the plaintiffs in *Hall vs. The Elected Officials' Retirement Plan* are litigating the increased contribution rates for members who were active prior to the enactment of Chapter 357. Chapter 357 raised the contribution rates for active members of CORP, EORP, and PSPRS. In EORP (the defendant in the *Hall* case), the contribution rate gradually increased each year from 7% in FY 2011 to 13% in FY 2015. The pre-Chapter 357 employee contribution rates (7%) were fixed in statute. The plaintiffs argued that those statutory rates reflected a contractual agreement that could not be modified without employee consent.

Because the *Fields* decision regarding PBIs only applies to current retirees, the plaintiffs in *Hall*, who are current employees, are also challenging the Chapter 357 PBI structure. The plaintiffs argue that as active members of EORP prior to the enactment of Chapter 357, their benefits may not be "diminished or impaired." If the plaintiffs prevail in *Hall*, the additional fiscal impact of the court case would be lower in today's dollars than *Fields*, mainly because the ruling would reinstate PBIs for some active members who will not retire for many years. PSPRS staff reports that if EORP loses the *Hall* case, then the case would likely apply to all PSPRS systems (PSPRS/CORP/EORP). However, at this time, PSPRS staff has not provided information on the increase in UAAL for systems managed by PSPRS that would result from an adverse ruling in the *Hall* case. An adverse ruling would result in an increase in the employer contribution rate in the fiscal year following the court decision.

In July 2013, the Maricopa County Superior Court ruled that Chapter 357 applies only to members of EORP who joined the system after the enactment of Chapter 357 and that the PBI changes cannot be applied to active members hired before Chapter 357. The ruling was stayed pending the outcome of related pension litigation, including *Fields*. The plaintiffs are now requesting a summary judgment in their favor as a result of *Fields*. If appellate courts uphold this ruling, then more active members in other systems (PSPRS and CORP) may also not be subject to Chapter 357.

#### ***Enrollment and Funded Status***

As of June 30, 2014, there were 599,370 active, retired, and Deferred Retirement Option Plan (DROP) members enrolled. Most employees (91%) are enrolled in ASRS. (See Table 6 for more information.)

Table 6 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 6 reflects current market values for assets and not the actuarial value. The funded status, or the amount of actuarial assets relative to the amount liabilities, of each plan is:

- 76.9% for ASRS;
- 57.3% for CORP;
- 49.2% for PSPRS; and
- 39.4% for EORP.

#### Long-Term Contribution Rate Estimates

The FY 2015 Budget Procedures Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 14) requires PSPRS to annually report on estimated contribution rates for the next 10 fiscal years. These estimates are required to include both aggregate rates for PSPRS and CORP, in addition to rates for each state employer group within those systems. (See Table 7 for more information.)

#### STATUTORY CHANGES

The Baseline would:

- As permanent law, require annual budget requests for all departments to specify the amount of FTE Positions and Personal Services by retirement system and fund source.
- As permanent law, require JLBC Staff to report on an annual retirement expenses budget, delineating the state's spending for the employer contribution. Departments would be required to submit the necessary information to the Joint Legislative Budget Committee.

Not included in previous Baseline books, the CRR is an initial effort of the JLBC Staff to fulfill the provisions of the proposed statutory reporting requirement.

Retirement costs are currently funded within department operating budgets or line items. They are not separately delineated. The CRR would aggregate retirement costs for each department by system and fund source, which is why the Baseline proposes another statutory provision that requires departments to include this information in their annual budget requests.

**Table 2**

**Arizona Public Retirement System Contribution Rate Data  
(Full Rate)**

<b>Contribution Rates <sup>1/2/3/</sup></b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>ASRS</b>	<b>23.20%</b>	<b>22.94%</b>	<b>22.70%</b>	<b>22.38%</b>
Employer	11.60%	11.47%	11.35%	11.19%
Employee	11.60%	11.47%	11.35%	11.19%
<b>CORP</b>	<b>22.86%</b>	<b>26.61%</b>	<b>26.98%</b>	<b>26.92%</b>
Employer	14.46%	18.21%	18.58%	18.52%
Employee	8.40%	8.40%	8.40%	8.40%
<b>EORP</b>	<b>36.50%</b>	<b>36.50%</b>	<b>36.50%</b>	<b>36.50%</b>
Employer <sup>4/</sup>	23.50%	23.50%	23.50%	23.50%
Employee	13.00%	13.00%	13.00%	13.00%
<b>EODC <sup>5/</sup></b>	<b>14.00%</b>	<b>14.00%</b>	<b>14.00%</b>	<b>14.00%</b>
Employer	6.00%	6.00%	6.00%	6.00%
Employee	8.00%	8.00%	8.00%	8.00%
<b>UORP <sup>6/</sup></b>	<b>14.00%</b>	<b>14.00%</b>	<b>14.00%</b>	<b>14.00%</b>
Employer	7.00%	7.00%	7.00%	7.00%
Employee	7.00%	7.00%	7.00%	7.00%
<b>PSPRS</b>	<b>43.59%</b>	<b>53.02%</b>	<b>53.76%</b>	<b>53.66%</b>
Employer	32.54%	41.37%	42.11%	42.01%
Employee	11.05%	11.65%	11.65%	11.65%

<sup>1/</sup> Represents aggregate information for PSPRS and CORP. These 2 systems consist of separate employer groups. Each group has its own actuarial status. As a result, the contribution rates may vary for each employer group.

<sup>2/</sup> Each year's rate is based on the valuation data from 2 years' prior.

<sup>3/</sup> See Table 4 for phased-in contribution rates.

<sup>4/</sup> Laws 2011, Chapter 357 established a fixed employer contribution rate of 23.5% that began January 1, 2014. The ruling in *Fields v. Elected Officials' Retirement Plan* increased the plan's total actuarial liability. In order to ensure payment of all benefits, this contribution rate may need to be revised.

<sup>5/</sup> Laws 2013, Chapter 217 requires a total employer contribution rate for EODC system members of 23.5% that began January 1, 2014. Of that amount, 6% is retained by the defined contribution system as an employer contribution to the member account and the remaining 17.5% is paid to the EORP Fund.

<sup>6/</sup> A.R.S. § 15-1628 fixes the employer and employee contribution rates at 7%.



**Table 3**

<b>Reasons for Change in the Employer Contribution Rate <sup>1/</sup></b>			
	<b>ASRS</b>	<b>PSPRS</b>	<b>CORP</b>
FY 2015 Contribution Rate	11.60%	32.54%	14.46%
Permanent Benefit Increase Effect	0.00%	7.17%	3.47%
Asset (Gain)/Loss	(0.13)%	1.30%	0.62%
Other	0.00%	0.36%	(0.34)%
FY 2016 Contribution Rate	<b>11.47%</b>	<b>41.37%</b>	<b>18.21%</b>
<b>Net Change</b>	<b>(0.13)%</b>	<b>8.83%</b>	<b>3.75%</b>

<sup>1/</sup> Represents aggregate information for PSPRS and CORP. These 2 systems consist of separate employer groups. Each group has its own actuarial status. As a result, the contribution rates may vary for each employer group.

**Table 4**

<b>Arizona Public Retirement System Contribution Rate Data (Phased-In Rate)</b>				
<b>Contribution Rates <sup>1/2/3/</sup></b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>PSPRS</b>	<b>43.59%</b>	<b>46.32%</b>	<b>50.22%</b>	<b>54.26%</b>
<i>Employer</i>	32.54%	34.67%	38.57%	42.61%
<i>Employee</i>	11.05%	11.65%	11.65%	11.65%
<b>CORP</b>	<b>22.87%</b>	<b>23.45%</b>	<b>25.17%</b>	<b>26.83%</b>
<i>Employer</i>	14.46%	15.04%	16.76%	18.42%
<i>Employee</i>	8.41%	8.41%	8.41%	8.41%

<sup>1/</sup> Represents aggregate information for PSPRS and CORP. These 2 systems consist of separate employer groups. Each group has its own actuarial status. As a result, the contribution rates may vary for each employer group.

<sup>2/</sup> Each year's rate is based on the valuation data from 2 years prior.

<sup>3/</sup> See *Table 2* for full contribution rates.

**Table 5****Retirement Rates**

<b>Retirement System</b>	<b>Employer</b>		<b>Employee</b>	
		<b>FY 2016</b>	<b>FY 2016</b>	
	<b>FY 2015</b>	<b>(Full Rate)</b>	<b>(Phased-In Rate)</b>	<b>FY 2016 <sup>1/</sup></b>
<i>Arizona State Retirement System</i>	11.60	11.47	N/A	11.47
<i>Corrections Officer Ret. Plan</i>				
Corrections Officer - ADC	14.47	18.54	15.01	8.41
Corrections Officer - DJC	17.00	22.95	17.89	8.41
DPS Dispatchers <sup>2/</sup>	13.92	17.62	15.11	7.96
Probation Officers	16.20	19.95	17.14	8.41
<i>Elected Officials Retirement Plan <sup>3/</sup></i>	23.50	23.50	N/A	13.00
<i>University Optional Ret. Plan</i>	7.00	7.00	N/A	7.00
<i>Public Safety Personnel Ret. System</i>				
Liquor License Investigators	51.10	69.19	56.59	11.65
Department of Public Safety <sup>4/</sup>	62.81	81.00	67.20	6.65
Northern Arizona University Police	38.79	48.83	41.00	11.65
University of Arizona Police	27.79	33.86	29.28	11.65
Arizona State University Police	29.75	35.31	30.66	11.65
Game and Fish Department	66.78	88.56	72.33	11.65
Attorney General Investigators	105.19	70.46	70.46	11.65
DEMA Firefighters	23.39	31.34	25.14	11.65
Parks Police	32.90	42.85	34.10	11.65

<sup>1/</sup> The Corrections Officer Retirement Plan, Elected Officials' Retirement Plan, and the University Optional Retirement Plan employee contributions are unchanged from FY 2015. Arizona State Retirement System employee rates decreased from 11.60% and the Public Safety Personnel Retirement Plan employee rates increased from 11.05% (6.05% for DPS).

<sup>2/</sup> Dispatchers hired after November 24, 2009 are ASRS members.

<sup>3/</sup> The state's employer rate shown reflects rate after being lowered as a result of the deposit of a \$5.0 million General Fund subsidy and certain court fees.

<sup>4/</sup> The displayed rates reflect that 5% of the DPS member contribution is paid by the state.

Arizona Public Retirement System Valuation Data											
Membership	ASRS			PSPRS			CORP			EORP	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	
Active (working and contributing)	202,693	203,201	18,436	18,526	14,580	14,595	839	843			
State Active Members	25,267	26,457	1,270	1,348	8,786	8,699	117	114			
Other Active Members <sup>1/</sup>	177,426	176,744	17,166	17,178	5,794	5,896	722	729			
Inactive	213,058	215,325	1,442	1,563	1,463	1,687	160	149			
Retired Members and Survivor Beneficiaries	120,875	126,255	10,159	10,524	3,810	4,090	1057	1053			
DROP	N/A	N/A	1,482	1,559	N/A	N/A	N/A	N/A			
<b>Total</b>	<b>536,626</b>	<b>544,781</b>	<b>31,519</b>	<b>32,172</b>	<b>19,853</b>	<b>20,372</b>	<b>2,056</b>	<b>2,045</b>			
<b>Funding Status (dollar values in millions) <sup>2/</sup></b>											
Market Value of Assets	\$30,299	\$35,159	\$5,306	\$5,936	\$1,331	\$1,497	\$293	\$314			
Total Actuarial Liability	\$41,397	\$42,826	\$10,544	\$12,233	\$2,237	\$2,638	\$621	\$796			
Unfunded Actuarial Liability <sup>3/</sup>	\$9,961	\$9,904	\$4,359	\$6,214	\$677	\$1,126	\$270	\$483			
Funded Status	75.9%	76.9%	58.7%	49.2%	69.7%	57.3%	56.5%	39.4%			

<sup>1/</sup> Includes city, county, political subdivision, higher education and other education active members.

<sup>2/</sup> Represents aggregate information for PSPRS and CORP. These 2 systems consist of separate employer groups. Each group has its own actuarial status. As a result, the funded status may vary for each employer group.

<sup>3/</sup> Calculated on actuarial, not market, value of assets.

**Arizona Public Retirement System Contribution Rate Historical and Trend Data (Full Rate)**

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
<b>ASRS</b>																
Employer	9.00%	9.60%	10.74%	11.14%	11.54%	11.60%	11.47%	11.35%	11.19%	11.12%	11.05%	10.44%	9.89%	9.55%	9.15%	9.06%
Employee	9.00%	9.60%	10.74%	11.14%	11.54%	11.60%	11.47%	11.35%	11.19%	11.12%	11.05%	10.44%	9.89%	9.55%	9.15%	9.06%
<b>Total</b>	<b>18.00%</b>	<b>19.20%</b>	<b>21.48%</b>	<b>22.28%</b>	<b>23.08%</b>	<b>23.20%</b>	<b>22.94%</b>	<b>22.70%</b>	<b>22.38%</b>	<b>22.24%</b>	<b>22.09%</b>	<b>20.87%</b>	<b>19.78%</b>	<b>19.10%</b>	<b>18.29%</b>	<b>18.12%</b>
<b>PSPRS</b>																
Employer <sup>1/</sup>	20.77%	20.89%	22.68%	27.18%	30.44%	32.54%	41.08%	41.86%	41.77%	41.70%	41.80%	41.54%	41.33%	41.25%	41.13%	40.98%
Employee	7.65%	7.65%	8.65%	9.55%	10.35%	11.05%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%	11.65%
<b>Total</b>	<b>28.42%</b>	<b>28.54%</b>	<b>31.33%</b>	<b>36.73%</b>	<b>40.79%</b>	<b>43.59%</b>	<b>52.73%</b>	<b>53.51%</b>	<b>53.42%</b>	<b>53.35%</b>	<b>53.45%</b>	<b>53.19%</b>	<b>52.98%</b>	<b>52.90%</b>	<b>52.78%</b>	<b>52.63%</b>
<b>CORP</b>																
Employer <sup>1/</sup>	7.49%	8.57%	9.50%	11.31%	13.68%	14.46%	17.99%	18.16%	17.92%	17.73%	17.65%	17.41%	17.20%	17.08%	16.97%	16.87%
Employee	8.40%	8.40%	8.40%	8.40%	8.40%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%
<b>Total</b>	<b>15.89%</b>	<b>16.97%</b>	<b>17.90%</b>	<b>19.71%</b>	<b>22.08%</b>	<b>22.87%</b>	<b>26.40%</b>	<b>26.57%</b>	<b>26.33%</b>	<b>26.14%</b>	<b>26.06%</b>	<b>25.82%</b>	<b>25.61%</b>	<b>25.49%</b>	<b>25.38%</b>	<b>25.28%</b>
<b>EORP</b>																
Employer	14.25%	17.42%	17.96%	20.87%	23.50%	23.50%	23.50%	23.50%	23.50%	23.50%	23.50%	23.50%	23.50%	23.50%	23.50%	23.50%
Employee	7.00%	7.00%	11.50%	11.50%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
<b>Total</b>	<b>21.25%</b>	<b>24.42%</b>	<b>29.46%</b>	<b>32.37%</b>	<b>36.50%</b>	<b>36.50%</b>	<b>36.50%</b>	<b>36.50%</b>	<b>36.50%</b>	<b>36.50%</b>	<b>36.50%</b>	<b>36.50%</b>	<b>36.50%</b>	<b>36.50%</b>	<b>36.50%</b>	<b>36.50%</b>

<sup>1/</sup> The employer contribution rate displayed for years FY 2016 through FY 2025 excludes the contribution rate associated with retiree health in PSPRS and CORP. This amount, however, is expected to be minimal in each year (approximately 0.25%).

Table 7

***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 2018, as shown in *Table 2*. Based on the assumptions described below, the Baseline ending shortfall is estimated to be \$(690) million in FY 2017 and \$(581) million in FY 2018. These estimates exclude the potential impact of the K-12 inflation case. If the state is required to reset the Basic State Aid amount at the level sought by the plaintiffs, the ending shortfalls would increase to \$(1.03) billion in FY 2017 and \$(928) million in FY 2018. These increased estimates exclude the impact of making back payments as also sought by the plaintiffs.

These estimates exclude the Budget Stabilization Fund (BSF) monies. The BSF is estimated to have a fund balance of approximately \$464 million by the end of FY 2016.

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 2016 through FY 2018 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 2016 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 3.3% in FY 2016, 4.4% in FY 2017, and 5.1% in FY 2018. *Table 1* includes the individual forecast components in FY 2017 and FY 2018. 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 2017, these adjustments are projected to reduce revenue by \$(78) million relative to FY 2016. There would be a further reduction of \$(77) million in FY 2018 relative to FY 2017. The details of the tax reductions are in *Table 6* of the *General Fund Revenue* section.

Due to the impact of declining levels of the beginning balance, General Fund revenues are projected to decline

from FY 2015 to FY 2016, then grow modestly through FY 2018. The projected level of General Fund revenue would decrease from \$9.21 billion in FY 2015 to \$8.77 billion in FY 2016, then increase to \$9.09 billion in FY 2017 and \$9.51 billion in FY 2018. The Baseline does not provide a beginning balance in FY 2016 through FY 2018. 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>
<b><u>FY 2017</u></b>					
Sales Tax	5.0%	3.3%	5.8%	4.8%	4.7%
Individual					
Income Tax	5.0%	3.0%	5.0%	5.9%	4.8%
Corporate					
Income Tax	5.1%	(8.8)%	(0.2)%	3.5%	<u>0.2%</u>
Wgt Avg					4.4%
<b><u>FY 2018</u></b>					
Sales Tax	5.2%	5.4%	6.6%	5.0%	5.6%
Individual					
Income Tax	5.1%	4.7%	6.0%	5.9%	5.4%
Corporate					
Income Tax	7.3%	(11.7)%	(7.2)%	4.5%	<u>(0.9)%</u>
Wgt Avg					5.1%

### 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 \$337 million in FY 2017 (3.6%) above FY 2016 and \$303 million in FY 2018 (3.1%) above FY 2017.

These spending adjustments include normal caseload growth in caseload-driven agencies such as the Arizona Department of Education (ADE) and AHCCCS.

Overall spending would be \$9.78 billion in FY 2017 and \$10.09 billion in FY 2018. (*See Table 3 for the projected spending levels of major agencies under this scenario.*)

These figures exclude any potential spending that might be required under the K-12 inflation litigation.

In addition, the long term estimates assume the continued annual suspension of over \$375 million of funding formula requirements that are permanently authorized in law and the continued non-funding of \$155 million in non-statutory funding formulas for building renewal. (*See Table 4.*)

Table 2

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

	<b>FY 2015 Adjusted</b>	<b>FY 2016 Baseline</b>	<b>FY 2017 Baseline</b>	<b>FY 2018 Baseline</b>
<b>REVENUES</b>				
Ongoing Revenues	\$9,185,619,500	\$9,485,611,700	\$9,793,222,200	\$10,208,715,000
Previously Enacted Changes		(105,700,000)	(78,300,000)	(76,900,000)
Urban Revenue Sharing	(608,935,700)	(605,634,300)	(621,469,700)	(626,088,400)
Net On-going Revenues	\$8,576,683,800	\$8,774,277,400	\$9,093,452,500	\$9,505,726,600
One-time Financing Sources				
Balance Forward	\$577,399,200			
Previously Enacted Changes		(6,100,000)		
Fund Transfers	53,900,000			
Subtotal One-time Revenues	\$631,299,200	(\$6,100,000)	\$0	\$0
<b>Total Revenues</b>	\$9,207,983,000	\$8,768,177,400	\$9,093,452,500	\$9,505,726,600
<b>EXPENDITURES</b>				
Operating Budget Appropriations	\$9,321,780,500	\$9,471,552,000	\$9,823,919,500	\$10,127,159,300
Supplementals	(6,996,800)			
Administrative Adjustments	80,000,000	60,000,000	60,000,000	60,000,000
Revertments	(80,000,000)	(85,000,000)	(100,000,000)	(100,000,000)
Subtotal Ongoing Expenditures	\$9,314,783,700	\$9,446,552,000	\$9,783,919,500	\$10,087,159,300
One-time Expenditures				
Capital Outlay	\$41,631,100			
Subtotal One-time Expenditures	\$41,631,100	\$0	\$0	\$0
<b>Total Expenditures</b>	\$9,356,414,800	\$9,446,552,000	\$9,783,919,500	\$10,087,159,300
<b>Ending Balance 2/</b>	(\$148,431,800)	(\$678,374,600)	(\$690,467,000)	(\$581,432,700)
<i>Structural Balance 3/</i>	(\$738,099,900)	(\$672,274,600)	(\$690,467,000)	(\$581,432,700)
<b>K-12 Litigation (Reset Only)</b>	<b>332,032,000</b>	<b>336,680,400</b>	<b>341,393,900</b>	<b>346,173,400</b>
<b>Ending Balance (w/ K-12 Litigation) 4/</b>	(\$480,463,800)	(\$1,015,055,000)	(\$1,031,860,900)	(\$927,606,100)
<i>Structural Balance (w/ K-12 Litigation) 3/</i>	(\$1,070,131,900)	(\$1,008,955,000)	(\$1,031,860,900)	(\$927,606,100)

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

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

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

4/ Expenditures include the impact of the Maricopa County Superior Court ruling in the K-12 litigation which would require the state to “reset” the per pupil amount prospectively to adjust for foregone inflation in prior years. Expenditures do not include “back payments” for K-12 inflation payments which did not occur in prior years, as the Superior Court has not issued a ruling on this matter. Ending balance estimates do not include any Budget Stabilization Fund balance.

Table 3

**BASELINE SPENDING ESTIMATES BY MAJOR BUDGET UNITS**

	<b>FY 2015 Adjusted</b>	<b>FY 2016 \$ Above FY 15</b>	<b>FY 2016 Baseline</b>	<b>FY 2017 \$ Above FY 16</b>	<b>FY 2017 Baseline</b>	<b>FY 2018 \$ Above FY 17</b>	<b>FY 2018 Baseline</b>
<b>EXPENDITURES</b>							
Operating Budget							
-- Department of Administration	\$11,193,000		\$11,193,000		\$11,193,000		\$11,193,000
-- ADOA - Automation Projects Fund	35,500,000	(19,198,000)	16,302,000	(4,202,000)	12,100,000		12,100,000
-- ADOA - Dept. of Child Safety	25,000,000	(25,000,000)					
-- AHCCCS	1,274,403,200	(2,074,500)	1,272,328,700	66,891,100	1,339,219,800	75,411,300	1,414,631,100
-- Attorney General	23,465,100	(1,000,000)	22,465,100		22,465,100		22,465,100
-- Department of Child Safety	361,005,400	(9,872,800)	351,132,600	(8,408,200)	342,724,400		342,724,400
-- Commerce Authority	31,800,000	(300,000)	31,500,000		31,500,000		31,500,000
-- Community Colleges	71,906,400	(1,271,800)	70,634,600	535,200	71,169,800	869,400	72,039,200
-- Department of Corrections	996,845,600	7,541,200	1,004,386,800		1,004,386,800		1,004,386,800
-- County Funding	7,650,500	(500,000)	7,150,500		7,150,500		7,150,500
-- Department of Economic Security	479,290,300	22,328,000	501,618,300	28,555,800	530,174,100	30,735,600	560,909,700
-- Department of Education	3,808,392,700	181,166,200	3,989,558,900	209,525,100	4,199,084,000	163,605,200	4,362,689,200
-- Department of Environmental Quality	7,000,000		7,000,000		7,000,000		7,000,000
-- Department of Health Services	613,362,100	8,911,400	622,273,500	25,784,500	648,058,000	31,033,400	679,091,400
-- Judiciary	110,495,600	(500,000)	109,995,600		109,995,600		109,995,600
-- Department of Juvenile Corrections	44,165,900		44,165,900		44,165,900		44,165,900
-- State Land Department	12,509,800	64,200	12,574,000		12,574,000		12,574,000
-- Department of Public Safety	89,324,900	(750,000)	88,574,900	30,000,000	118,574,900		118,574,900
-- Public Safety Personnel Retirement System	6,000,000		6,000,000		6,000,000		6,000,000
-- Department of Revenue	48,139,400		48,139,400		48,139,400		48,139,400
-- School Facilities Board	189,358,400	2,141,300	191,499,700	(378,400)	191,121,300	(761,600)	190,359,700
-- Office of Tourism	9,103,700	(2,000,000)	7,103,700		7,103,700		7,103,700
-- Universities	768,421,900	(2,521,200)	765,900,700	3,854,500	769,755,200	3,698,800	773,454,000
-- Department of Water Resources	13,330,300		13,330,300		13,330,300		13,330,300
-- All Other Budgets	169,543,600	(7,383,400)	162,160,200	207,100	162,367,300	(3,400,000)	158,967,300
-- Civic Center Payment	20,449,000		20,449,000		20,449,000	2,050,000	22,499,000
-- Rio Nuevo Distribution	10,000,000		10,000,000		10,000,000		10,000,000
-- Asset Sale/Lease-Back Debt Service	84,123,700	(9,100)	84,114,600	2,800	84,117,400	(2,300)	84,115,100
Total - Operating Budget	\$9,321,780,500	149,771,500	\$9,471,552,000	352,367,500	\$9,823,919,500	303,239,800	\$10,127,159,300
-- FY 2015 Supplementals	(6,996,800)	6,996,800					
-- Capital Outlay	41,631,100	(41,631,100)					
-- Administrative Adjustments	80,000,000	(20,000,000)	60,000,000		60,000,000		60,000,000
-- Revertments	(80,000,000)	(5,000,000)	(85,000,000)	(15,000,000)	(100,000,000)		(100,000,000)
Total Spending	\$9,356,414,800	90,137,200	\$9,446,552,000	337,367,500	\$9,783,919,500	303,239,800	\$10,087,159,300

**Table 4**

**FY 2016 FUNDING FORMULA SUSPENSIONS I/**

	<b>FY 2016 Formula Requirement</b>
<b><u>Statutory</u></b>	
Community Colleges - STEM and Workforce Programs State Aid Suspension	\$ 13,063,400 <u>2/</u>
Department of Education - District Additional Assistance	238,985,500 <u>3/</u>
Department of Education - Charter School Additional Assistance	15,656,000
Department of Education - Large JTEDs at 95.5%	1,747,400 <u>4/</u>
Department of Environmental Quality - WQARF	8,000,000
Department of Health Services - Restoration to Competency (RTC)	900,000 <u>5/</u>
Department of Health Services - Sexually Violent Persons (SVP)	3,021,400 <u>6/</u>
Department of Public Safety - Highway User Revenue Fund (HURF)	79,255,000 <u>7/</u>
Universities - Financial Aid Trust	<u>14,669,600</u>
 Total - FY 2016 Statutory Funding Formula Suspensions	 \$ 375,298,300
 <b><u>Non-Statutory</u></b>	
Department of Administration - Building Renewal	\$ 27,080,400
Department of Corrections - Building Renewal	12,121,000
Universities - Building Renewal	<u>115,892,800</u>
 Total - FY 2016 Non-Statutory Funding Formula Suspensions	 \$ 155,094,200

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

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

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

4/ Estimate based on FY 2015 data. Affects only Maricopa and Pima County JTEDs.

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

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

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



***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 2016 budget.

### FY 2016 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 2015 budget suspended biennial budgeting and permitted all agencies to only submit a FY 2016 budget request, the Baseline includes only FY 2016 funding for all budget units. The Baseline also includes supplemental FY 2015 funding for selected budget units. All FY 2016 changes are referenced to the original FY 2015 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 2014 Actual* - This dollar amount represents the FY 2014 expenditures as reported by the agency. The amount may include administrative adjustments, or payments for obligations incurred in FY 2013 but for which the state was not billed until FY 2014.
- *FY 2015 Estimate* - This dollar amount represents the FY 2015 appropriations as of the end of the 52<sup>nd</sup> Legislature, 2<sup>nd</sup> Special Session.

- *FY 2016 Baseline* - This dollar amount represents the FY 2016 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 2016.

**ERE Rates** - This category typically represents changes in the state’s cost of employee benefits. The rates have been held constant from FY 2015 to FY 2016 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 2016 Baseline is the same as in FY 2015. Total FY 2016 medical and dental insurance costs are estimated to be approximately \$823.6 million in total funds, a combination of estimated ongoing FY 2015 costs of \$781.5 million plus \$42.1 million of new FY 2016 costs, reflecting 5.4% medical expenditure growth. The Baseline assumes that this 5.4% increase will be funded by drawdowns of the Health Insurance Trust Fund balance. After the 5.4% adjustment, the FY 2016 ending balance is estimated at \$338.6 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* - \$18.00 per employee per year, a decrease of \$(5.40) from the \$23.40 rate assumed in the FY 2015 budget and effective through December 31, 2014. The new rate negotiated by ADOA will go into effect on January 1, 2015. The Baseline does not adjust funding for this change.

*Unemployment Insurance* - 0.10% of Personal Services for each agency, a decrease of (0.05)% from the 0.15% rate assumed in the FY 2015 budget. The rate was lowered by ADOA to 0.10% on July 1, 2014. The Baseline does not adjust funding for this change.

*Personnel Division Pro Rata* - 0.86% of Personal Services for each agency in the State Personnel System, unchanged from the FY 2015 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)

*Information Technology Planning* - 0.20% of Personal Services for each agency, unchanged from the FY 2015 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 2015 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, unchanged from the FY 2015 amount. (*Please see the Attorney General narrative for details.*)

*Workers' Compensation* - The rates calculated by ADOA vary by individual agency and have changed from the FY 2015 workers' compensation rates. ADOA estimates the average statewide rate would decrease from 1.00% in FY 2015 to 0.79% in FY 2016. The Baseline does not adjust agency budgets for this change.

*Federal Insurance Contributions Act (FICA)* - Social Security employer taxes are paid at a rate of 6.20% up to \$118,500 of an employee's salary beginning January 1, 2014, an increase from the current maximum of \$117,000; the rate is unchanged from FY 2015. 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 2015. 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 2016 rates as determined by the state's retirement systems have changed from the FY 2015 rates. The total contribution from ASRS employees and employers combined will decrease from 22.96% in FY 2015 to 22.70% in FY 2016, excluding disability insurance. Employee contribution rates for the Elected Officials Retirement Plan and the Public Safety Personnel Retirement Plan also changed pursuant to changes set in statute.

*Please see the Consolidated Retirement Report for more details on retirement contribution rates, enrollment and funded status, and litigation impacts.*

*Disability Insurance* - For Arizona State Retirement Systems (ASRS) employees, the employer pays 0.12% of Personal Services for disability insurance, unchanged from the FY 2015 rate of 0.12%. The employee rate will also remain at 0.12%.

For non-ASRS employees the rate is 0.25% of Personal Services, unchanged from the FY 2015 rate.

**Risk Management** - Individual agency budgets' Other Operating Expenditures include funding for Risk Management charges billed by ADOA. The billings vary by individual agency and have changed from the budgeted FY 2015 rates. The rate changes would reduce total revenue into the Risk Management Fund statewide from all fund sources by \$(179,400). The Baseline does not adjust agency budgets for this rate change. The JLBC Staff will further explore whether individual agency appropriations should be adjusted for the changes in Risk Management charges.

**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 2015. These rates are based upon usable square feet. The Baseline assumes no changes to these rates for FY 2016.

*Please see the Capital Outlay - ADOA Building System narrative for more details.*

The Baseline does not address increases in rent for privately-owned space.

<b>Full-Time Equivalent (FTE) Positions</b>
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Each agency section in this book includes the proposed FY 2016 ceiling of Full-Time Equivalent (FTE) Positions for the agency, along with the FTE Position ceiling for FY 2014 and FY 2015. 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 2016.*

**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 2015 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 2016 for submission to the JLBC Director by October 1, 2016. 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, 2015 on the number of filled, appropriated and non-appropriated FTE Positions by fund source as of September 1, 2015.

*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 2015 General Fund ending balance by September 15, 2015. The JLBC Staff shall report to JLBC by October 15, 2015 as to whether FY 2016'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. *(Please see the Long-Term General Fund Estimates section for details on the FY 2016 - FY 2018 revenue and expenditure estimates.)*

*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 2016 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 require that all agencies only submit annual budgets for FY 2017.

## Other Issues for Legislative Consideration

This section may also include other information of general interest, including FY 2015 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 \$80,000,000 in FY 2015 for FY 2014 expenditures. Agencies are permitted to make administrative adjustments for expenditures obligated in FY 2014 but for which the state was unbilled until FY 2015. An agency's administrative adjustments cannot exceed its prior year revertment, or unused appropriation authority. The \$80,000,000 is an increase of \$28,519,300 from the originally-budgeted FY 2015 total. The FY 2015 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 59% of FY 2014 revertments, within 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 2015 figure, the Baseline assumes a FY 2016 administrative adjustment total of \$60,000,000, a decrease of \$(20,000,000) from the revised FY 2015 total. The FY 2016 amount reflects 75% of prior-year revertments *(see Revertments discussion below)*.

*Revertments* - The Baseline assumes that state agencies will revert \$(80,000,000) of FY 2015 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 2016. This amount is a decrease of revertments of \$36,000,000 from the originally-budgeted FY 2015 total of \$(116,000,000). The revised FY 2015 amount reflects 0.9% of total spending, reflecting a moderate level of revertments in caseload-driven agencies after taking into account a recommended ex-appropriation of \$(33,232,900) from the AHCCCS budget in FY 2015.

In addition to the FY 2015 estimate, the Baseline also assumes a FY 2016 revertment total of \$(85,000,000), an increase of \$(5,000,000) from the FY 2015 total. This amount is about 0.9% of total spending, a percentage reflecting revertment percentages in years with anticipated budgeted shortfalls.

***JLBC STAFF  
AND  
AGENCY DIRECTORY LISTINGS***

**DIRECTORY OF JLBC ANALYSTS  
AND AGENCY/DEPARTMENT HEADS  
(As of January 13, 2015)**

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Accountancy, Arizona State Board of	Steve Grunig	Monica Petersen [Executive Director]	602-364-0870
Acupuncture Board of Examiners	Steve Grunig	Pete Gonzalez [Director]	602-542-3095
Administration, Arizona Department of	Rebecca Perrera	Kathy Peckardt [Interim Director]	602-542-1500
Administrative Hearings, Office of	Bob Hull	Cliff J. Vanell [Director]	602-542-9830
African-American Affairs, Arizona Commission of	Rebecca Perrera	--	--
Agriculture, Arizona Department of	Henry Furtick	Jack Peterson [Director]	602-542-4373
Arizona Health Care Cost Containment System	Andrew Smith	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 Mark Brnovich [Attorney General]	602-542-5025
Auditor General	Steve Grunig	Debra K. Davenport [Auditor General]	602-553-0333
Automobile Theft Authority	Eric Billings	Frederick Zumbo [Executive Director]	602-364-2888
Barbers, Board of	Steve Grunig	Sam LaBarbera [Executive Director]	602-542-4498
Behavioral Health Examiners, Board of	Steve Grunig	Tobi Zavala [Interim Executive Director]	602-542-1884
Charter Schools, State Board for	Rebecca Perrera	DeAnna Rowe [Executive Director]	602-364-3080
Child Safety, Department of	Ben Beutler	Charles Flanagan [Director]	602-542-5844
Chiropractic Examiners, State Board of	Steve Grunig	Pamela Paschal [Executive Director]	602-864-5088
Citizens Clean Elections Commission	Krista MacGahan	Thomas M. Collins [Executive Director]	602-364-3477
Commerce Authority, Arizona	Eric Billings	Sandra Watson [President and CEO]	602-845-1252
Community Colleges, Arizona	Tom Ritland	--	--
Constable Ethics Standards and Training Board	Steve Grunig	Ron Myers [Chairman]	602-252-6563
Contractors, Registrar of	Bob Hull	Bill Mundell [Director]	602-771-6700
Corporation Commission	Jeremy Gunderson	Honorable Susan Bitter Smith [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 Peter Eckerstrom [Chief Judge]	520-628-6950
Criminal Justice Commission, Arizona	Krista MacGahan	John Blackburn, Jr. [Executive Director]	602-364-1146
Deaf and the Blind, Arizona State Schools for the	Tom Ritland	Marv Lamer [Interim Superintendent]	520-770-3704
Deaf and the Hard of Hearing, Commission for the	Rebecca Perrera	Sherri L. Collins [Executive Director]	602-542-3383
Dental Examiners, State Board of	Bob Hull	Elaine Hugunin [Executive Director]	602-542-4451
Early Childhood Development and Health Board, Arizona	Ben Beutler	Sam Leyvas [Executive Director]	602-771-5100
Economic Security, Department of	Tom Ritland	Jim Hillyard [Acting Director]	602-542-5678
Education, Department of	Steve Schimpp	Honorable Diane Douglas [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	Josh Hope	Henry Darwin [Director]	602-771-2204
Equal Opportunity, Governor's Office of	Bob Hull	Carolyn Pitre Wright [Director]	602-542-1337
Equalization, State Board of	Jeremy Gunderson	George R. Shook [Interim Chairman]	602-364-1611
Executive Clemency, Board of	Krista MacGahan	Ellen Kirschbaum [Chairman]	602-542-5656
Exposition and State Fair Board, Arizona	Steve Grunig	Don West [Executive Director]	602-252-6771
Financial Institutions, Department of	Jeremy Gunderson	Lauren W. Kingry [Superintendent]	602-771-2800
Fire, Building and Life Safety, Department of	Henry Furtick	Gene Palma [Director]	602-364-1003
Forester, State	Krista MacGahan	Scott Hunt [State Forester]	602-771-1400
Funeral Directors & Embalmers, State Board of	Steve Grunig	Rodolfo R. Thomas [Executive Director]	602-542-8152
Game and Fish Department, Arizona	Krista MacGahan	Larry Voyles [Director]	602-942-3000
Gaming, Department of	Henry Furtick	Daniel Bergin [Interim 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 Doug Ducey [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	Will Humble [Director]	602-542-1025
Historical Society, Arizona	Josh Hope	Anne I. Woosley [Executive Director]	520-628-5774
Historical Society of Arizona, Prescott	Josh Hope	Fred Veil [Executive Director]	928-445-3122
Homeland Security, Arizona Department of	Krista MacGahan	Gilbert M. Orrantia [Director]	602-542-7013



<u>AGENCY/DEPT./BUDGET AREA</u>	<u>ILBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Homeopathic and Integrated Medicine Examiners, Board of House of Representatives Housing, Arizona Department of Independent Redistricting Commission Indian Affairs, Arizona Commission of	Steve Grunig Bob Hull Henry Furtick Krista MacGahan Bob Hull	Christine Springer [Executive Director] Honorable David Gowan [Speaker of the House] Michael Trailor [Director] Ray Bladine [Executive Director] Kristine FireThunder [Executive Director]	602-542-3095 602-926-3312 602-771-1000 602-542-5221 602-542-4421
Industrial Commission of Arizona Insurance, Department of Joint Legislative Budget Committee Juvenile Corrections, Department of Land Department, State	Bob Hull Jeremy Gunderson Bob Hull Eric Billings Henry Furtick	Laura L. McGrory [Director] Germaine Marks [Director] Richard Stavneak [Director] Dona Marie Markley [Assistant Director] Vanessa Hickman [Land Commissioner]	602-542-4411 602-364-3471 602-926-5491 602-364-4051 602-542-4631
Legislative Council Liquor Licenses & Control, Department of Lottery Commission, Arizona State Massage Therapy, Board of Medical Board, Arizona	Bob Hull Jeremy Gunderson Jon Stall Steve Grunig Andrew Smith	Mike E. Braun [Executive Director] Alan Everett [Director] Jeff Hatch-Miller [Executive Director] Kathleen Phillips [Executive Director] C. Lloyd Vest, II [Executive Director]	602-926-4236 602-542-9020 480-921-4505 602-542-8804 480-551-2791
Mine Inspector, State Naturopathic Physicians Medical Board Navigable Stream Adjudication Commission, Arizona Northern Arizona University Nursing, State Board of	Krista MacGahan Steve Grunig Henry Furtick Art Smith Bob Hull	Honorable Joe Hart [State Mine Inspector] Gail Anthony [Director] George Mehnert [Executive Director] Rita Cheng, Ph.D. [President] Jo Elizabeth Ridenour [Executive Director]	602-542-5971 602-542-8242 602-542-9214 928-523-3232 602-771-7800
Nursing Care Institution Administrators & Assisted Living Facility Managers, Board of Examiners of Occupational Safety & Health Review Board Occupational Therapy Examiners, Board of Opticians, State Board of Dispensing Optometry, State Board of	Steve Grunig Bob Hull Steve Grunig Steve Grunig Steve Grunig	Allen Imig [Executive Director] Gary Lasham [Chairman] J. Randy Frost [Executive Director] Lori D. Scott [Executive Director] Margaret Whelan [Executive Director]	602-542-8156 602-542-4411 602-589-8352 602-542-8158 602-542-8155
Osteopathic Examiners, Arizona Board of Parents Commission on Drug Education and Prevention, AZ Parks Board, Arizona State Personnel Board, State Pest Management, Office of	Jeremy Gunderson Bob Hull Art Smith Bob Hull Henry Furtick	Jenna Jones [Executive Director] Tammy Paz-Combs [Interim Director] Bryan Martyn [Executive Director] Laurie Barcelona [Executive Director] Jack Peterson [Acting Director]	480-657-7703 602-542-4043 602-542-4174 602-542-3888 602-255-3664
Pharmacy, Arizona State Board of Physical Therapy, Board of Pioneers' Home, Arizona Podiatry Examiners, State Board of Postsecondary Education, Commission for	Henry Furtick Steve Grunig Rebecca Perrera Steve Grunig Rebecca Perrera	Hal Wand [Executive Director] Charles Brown [Executive Director] Ted Ihrman [Superintendent] Sarah Penttinen [Executive Director] April L. Osborn [Executive Director]	602-771-2740 602-542-8157 928-445-2181 602-542-8151 602-258-2435
Power Authority, Arizona Private Postsecondary Education, State Board for Psychologist Examiners, State Board of Public Safety, Department of Public Safety Personnel Retirement System	Krista MacGahan Rebecca Perrera Steve Grunig Eric Billings Matt Gress	Michael A. Gazda [Acting Executive Director] Teri R. Stanfill [Executive Director] Cindy Olvey [Director] Robert Halliday [Director] Jared Smout [Acting Administrator]	602-368-4265 602-542-2399 602-542-8162 602-223-2464 602-255-5575
Racing, Arizona Department of Radiation Regulatory Agency Real Estate Department, State Regents, Arizona Board of Residential Utility Consumer Office	Henry Furtick Henry Furtick Steve Grunig Micaela Larkin Jeremy Gunderson	Rudy Casillas [Acting Director] Aubrey V. Godwin [Director] Judy Lowe [Commissioner] Eileen Klein [President] Patrick Quinn [Director]	602-364-1730 602-255-4845 602-771-7799 602-229-2500 602-364-4835
Respiratory Care Examiners, Board of Retirement System, Arizona State Revenue, Department of School Facilities Board Secretary of State, Department of State	Steve Grunig Matt Gress Jeremy Gunderson Josh Hope Krista MacGahan	Jack Confer [Director] Paul Matson [Director] David Raber [Director] Dean Gray [Executive Director] Honorable Michele Reagan [Secretary of State]	602-542-5995 602-240-2000 602-716-6090 602-542-6143 602-542-4285
Senate State Boards' Office Superior Court Supreme Court Tax Appeals, State Board of	Bob Hull Steve Grunig Eric Billings Eric Billings Jeremy Gunderson	Honorable Andy Biggs [President of the Senate] Megan Darian [Office Manager] David K. Byers [Director] Scott Bales [Chief Justice] Karen Rice-Brogdon [Chairperson]	602-926-4371 602-542-3095 602-452-3301 602-452-3534 602-364-1102
Technical Registration, State Board of Tourism, Office of Transportation, Department of Treasurer, State Uniform State Laws, Commission on	Henry Furtick Henry Furtick Ben Beutler Eric Billings Krista MacGahan	Melissa Cornelius [Executive Director] Sherry Henry [Director] John Halikowski [Director] Honorable Jeff DeWit [State Treasurer] Timothy Berg [Commissioner]	602-364-4930 602-364-3717 602-712-7227 602-604-7800 602-916-5151

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>ILBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
University of Arizona	Micaela Larkin	Ann Weaver Hart, Ph.D. [President]	520-621-5511
Veterans' Services, Department of	Rebecca Perrera	Robert Barnes [Interim Director]	602-255-3373
Veterinary Medical Examining Board, Arizona State	Steve Grunig	Victoria Whitmore [Executive Director]	602-542-8150
Water Infrastructure Finance Authority	Josh Hope	Sandy Sutton [Executive Director]	602-364-1310
Water Resources, Department of	Krista MacGahan	Michael J. Lacey [Director]	602-771-8426
Weights & Measures, Department of	Henry Furtick	Shawn Marquez [Acting Director]	602-771-4929
<u>OTHER ASSIGNMENTS</u>			
Capital Review	Jack Brown		
Economic & Revenue Forecast	Tim Everill		
	Hans Olofsson		
	Jack Brown		
	Ben Beutler		
	Jeremy Gunderson		
	Andrew Smith		
	Jon Stall		
Federal/Non-Appropriated Funds	Stefan Shepherd		
Fiscal Note Manager	Stefan Shepherd		

[ ] Denotes Title for Information Purposes

**STAFF OF THE  
JOINT LEGISLATIVE BUDGET COMMITTEE**

- Director..... Richard Stavneak
- Office Manager..... Linda Monsanto
- Deputy Directors ..... Steve Schimpp  
..... Stefan Shepherd
- Assistant Director ..... Jack Brown
- Principal Economist..... Tim Everill
- Chief Economist ..... Hans Olofsson
- Principal Fiscal Analysts ..... Eric Billings  
..... Bob Hull  
..... Andrew Smith  
..... Art Smith
- Senior Fiscal Analysts ..... Ben Beutler  
..... Steve Grunig  
..... Jon Stall
- Fiscal Analysts ..... Henry Furtick  
..... Matt Gress  
..... Jeremy Gunderson  
..... Josh Hope  
..... Micaela Larkin  
..... Krista MacGahan  
..... Rebecca Perrera  
..... Tom Ritland
- Administrative Assistant/JLBC & JCCR Clerk..... Kristy Paddock