

STATE OF ARIZONA

ANNUAL BUDGET

FY 1989

SUMMARY OF RECOMMENDATIONS

AND

ECONOMIC AND REVENUE FORECAST

JLBC

PREPARED BY THE STAFF

OF THE

JOINT LEGISLATIVE BUDGET COMMITTEE



STATE OF ARIZONA
Joint Legislative Budget Committee

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REPRESENTATIVE JOHN WETTAW
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THEODORE A. FERRIS
STAFF DIRECTOR

January 26, 1988

The Honorable Jack Taylor
Chairman
Joint Legislative Budget Committee
State of Arizona

The Honorable John Wettaw
Vice-Chairman
Joint Legislative Budget Committee
State of Arizona

Dear Senator Taylor and Representative Wettaw:

On behalf of the Staff of the Joint Legislative Budget Committee, it is my pleasure to transmit to you and the entire 38th legislature of the State of Arizona, our budget analysis and recommendations for Fiscal Year 1989, which begins on July 1 of this year.

Due to the unusual economic and budgetary circumstances surrounding the development of this budget over the past five months, our recommendations are contained in four books:

- (1) A Summary of Recommendations and Economic and Revenue Forecast;
- (2) An Analysis and Recommendations book, which contains detailed recommendations, by agency, and by program;
- (3) An Alternative Recommendations book, which contains specific, programmatic reductions totalling 8.5% of each agency's General Fund appropriation, as recommended in the Analysis and Recommendations book;
- (4) An appendix report entitled, Non-Appropriated Funds and Specific Funds Which Include Appropriated Dollars.

The Staff of the Joint Legislative Budget Committee looks forward to working with you, the Senate and House Appropriations Committees, and the entire 38th Arizona Legislature in developing the Appropriations Acts and related Appropriations Report for FY 1989.

Sincerely,

Theodore A. Ferris
Staff Director and
Legislative Budget Analyst

TAF:10

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INTRODUCTION

FY 1988 UPDATE

The Arizona State General Fund Budget will have to be reduced in mid-year, once again, to avert a projected \$109.5 million imbalance between estimated revenues and projected expenditures. This follows by a year, the First Special Session of 1987, during which a \$153 million deficit-reduction package was fashioned, to eliminate a JLBC-projected \$137 million deficit for FY 1987. While these imbalances were partially the result of overly-optimistic revenue forecasts, the much larger culprit in the current period, FY 1988, has been three unanticipated budgetary surprises:

- (1) On November 12, 1987, the Arizona Health Care Cost Containment System revealed an estimated \$46 million supplemental appropriation requirement;
- (2) Corporate Income Tax collections are lagging some \$56 million, or 59% behind prior year collections for the first six months of this fiscal year; the primary reason for this shortfall is an unprecedented increase in refunds of some \$35 million, or 121% as compared to the prior year; apparently, many major Arizona corporations over-paid their state income tax in FY 1986 and FY 1987 and are just now making adjustments in estimated taxes and/or filing amended returns; consequently, we have lowered the legislative staff estimate of corporate income tax by some \$50 million;
- (3) A lawsuit filed by the Pittsburgh-Midway Coal Co. over prior Use Tax payments may require a \$10 million refund this year; the State is currently appealing a lower court ruling.

These three adjustments alone account for \$106 million of the \$123 million downward revision in the projected year-end balance, as shown on Exhibit I.

As of this writing, the legislature is reviewing a number of options to balance this year's budget. The Governor has proposed a deficit reduction package totalling \$136 million to correct a deficit the Governor projects at \$121 million.

FY 1989 JLBC ANALYSIS AND RECOMMENDATIONS AND FY 1989 ALTERNATIVE RECOMMENDATIONS BOOK

As outlined in the "Methodology" section of each of the budget documents, the development of the legislative staff recommendations for FY 1989 was most unusual and, possibly, unprecedented.

Due to continued sluggish growth of state general fund revenues and extremely high growth in expenditure requirements for K-12 education and the Arizona Health Care Cost Containment System (AHCCCS), there is a huge imbalance between estimated revenues and the JLBC Staff recommended appropriations for FY 1989. This projected \$248 million deficit is shown in the third column on Exhibit II.

Consequently, in order to present a balanced budget recommendation, the legislative staff has prepared a second, Alternative Recommendations book. This book lists specific, programmatic reductions totalling 8.5% of each agency's recommended general fund appropriation, as contained in the main JLBC Staff Analysis and Recommendations - FY 1989 Budget. The impact of these alternatives on the year-end balance is shown in the fourth column of Exhibit II.

A summary of the relationship between the two books is shown below:

	(\$ millions)		
	FY 1989		
	<u>JLBC Staff Recommend.</u>	<u>Alternative Recommend.</u>	<u>Diff.</u>
● Operating Appropriations	\$2,922.8	\$2,672.7	\$(250.1)
● Capital Outlay Appropriations	13.3	13.3	-0-
● State Employee Compensation	25.0	5.4	(19.6)
● Other Considerations*	<u>(6.0)</u>	<u>14.0</u>	<u>20.0</u>
Sub-Total	\$2,955.1	\$2,705.4	\$(249.7)
● Estimated Revenues	<u>\$2,706.8</u>	<u>\$2,706.8</u>	<u>\$-0-</u>
Projected Balance (6-30-89)	<u>\$(248.3)</u>	<u>\$1.4</u>	<u>\$249.7</u>

*Represents the sum of additional state employee retirement contributions (to take from 4.75% to 5.09%), estimated supplementals, administrative adjustments, emergencies and transfers, and revertments.

These two budgets should set the stage for debating the alternatives, and the extremely difficult decisions which lay before the legislature in developing the annual state budget for FY 1989.

Exhibit I
FY 1988
CHANGES IN PROJECTED
GENERAL FUND REVENUES AND EXPENDITURES
(\$ MILLIONS)

PROJECTED YEAR-END BALANCE	\$13.6
<u>LESS:</u>	
● CORPORATE INCOME TAX REVISION	(50.0)
● A.H.C.C.C.S. SUPPLEMENTAL	(46.0)
● PITTSBURGH-MIDWAY COAL CO. LAWSUIT	<u>(10.0)</u>
SUB-TOTAL	\$(92.4)
<u>LESS:</u>	
● OTHER REVISIONS [\$ (9.6)m Revenue - \$7.5 Expenditures]	<u>(17.1)</u>
REVISED YEAR-END BALANCE	\$(109.5)

NOTE: JLBC Education model projects a \$26 million shortfall in FY 1988 between actual K-12 appropriations and formula requirements. If a supplemental were provided, the revised year-end balance would fall from a projected deficit of \$(109.5) million to \$(135.5) MILLION.

Exhibit II
STATE OF ARIZONA
GENERAL FUND
REVENUES AND EXPENDITURES
(Millions of Dollars)

	FY 1987 ACTUAL	FY 1988 ESTIMATE	FY 1989 JLBC REC	FY 1989 JLBC ALT
REVENUES:				
-BEGINNING BALANCE	(\$15.7)	\$19.2	\$0.0	\$0.0
-SALES AND USE TAX	1,199.6	1,250.6	1,330.0	1,330.0
-INCOME TAXES	835.5	868.8	942.0	942.0
-OTHER TAXES	282.4	295.0	304.0	304.0
-NON-TAX REVENUE	<u>104.8</u>	<u>120.4</u>	<u>130.8</u>	<u>130.8</u>
SUB-TOTAL - REVENUES	\$2,406.5	\$2,554.0	\$2,706.8	\$2,706.8
EXPENDITURES:				
-ACTUAL APPROPRIATIONS	\$2,396.8	\$2,628.0	\$2,968.1	\$2,698.4
-ESTIMATED SUPPLEMENTALS	16.6	55.0	5.0	10.0
-REVERTMENTS	(38.2)	(30.0)	(30.0)	(15.0)
-ADM. ADJUSTMENTS, EMERGENCIES & TRANSFERS	<u>12.1</u>	<u>10.5</u>	<u>12.0</u>	<u>12.0</u>
SUB-TOTAL - EXPENDITURES	\$2,387.3	\$2,663.5	\$2,955.1	\$2,705.4
ENDING BALANCE	\$19.2	(\$109.5)	(\$248.3)	\$1.4

NOTE: JLBC Education model projects a \$26 million shortfall in FY 1988 between actual K-12 appropriations and formula requirements. If a supplemental were provided, the revised year-end balance would fall from a projected deficit of \$(109.5) million to \$(135.5) million.

DESCRIPTION OF METHODOLOGY
EMPLOYED IN DEVELOPING JLBC STAFF RECOMMENDED
BUDGET FOR FY 1989

CURRENT SERVICES BUDGET

As a major step in developing the JLBC budget recommendation for FY 1989, a "Current Services Budget" (CSB) was prepared for each agency, department or budget category. A CSB represents a spending plan which would allow each agency, department, or budget area to provide or maintain a comparable set of services or level of real financial support as was provided in the previous fiscal period, subject to certain adjustments. Hence, a CSB allows the "current level of services" to be maintained in a subsequent fiscal period. A CSB serves two purposes:

- 1) It allows for an important early comparison of estimated FY 1989 revenues to estimated FY 1989 current services spending and, thereby, facilitates better planning and the establishment of realistic guidelines for JLBC staff and the legislature in developing a balanced budget for FY 1989;
- 2) It provides a "benchmark" against which to set targets for the establishment of priorities for both incremental and decremental changes to the budget.

A CSB begins with the current year's budget (FY 1988) and makes adjustments for:

- ° One-time appropriations (downward)
- ° Annualization of partial year funding (upward)
- ° General cost inflation (usually upward)
- ° Specific cost considerations (usually upward)
- ° Demographic changes such as population served, enrollments, etc. (up or down)
- ° Statutory programmatic requirements, including scheduled start-ups, decreases, increases, or elimination of programs (up or down)
- ° Vacancy Savings, based upon recent trend (downward)

The following economic factors were utilized by JLBC staff in projecting CSB requirements for FY 1989:

<u>Category</u>	<u>FY 1989 Increase</u>
◦ Food	4.5%
◦ Electricity	3.5%
◦ Natural Gas	1.5%
◦ Public Transportation	5.0%
◦ Mileage	7.1%
◦ Medical Services/Drugs	5.2%
◦ Postage	13.6%
◦ Providers	3.5%
◦ All Other	3.5%

Additionally, motor pool charges are projected to remain constant; motor fuel costs should remain constant, if not decline; and rent charged to agencies occupying state-owned space in the Capitol Mall is to increase from \$12.50 to \$13.50 per square foot.

The above adjustments were made uniformly throughout the various state agencies.

Once a CSB was calculated for each agency's operating budget, and other spending requirements were added in, it was determined that estimated general fund revenues were at a level some \$248 million, or 8.5% less than a "current services level."

In light of the reduction required to balance the Fiscal Year 1989 budget, and after consecutive budget deficits and mid-year appropriation reductions during the past two years, legislative staff believes that a "structural deficit" exists. A "structural deficit" is a condition wherein expenditures (no new programs) are increasing at a rate faster than the baseline revenues generated by the state's current tax structure.

ALTERNATIVE RECOMMENDATIONS BOOK

To present a balanced budget recommendation for the Fiscal Year 1989 budget, the Legislative Staff has developed a separate Alternative Recommendations book. These alternatives reduce the General Fund budget by 8.5% or \$250 million. This is an across-the-board reduction of all General Fund agencies, and not a single agency funded from the General Fund is exempt. The alternatives were designed to produce "hard", programmatic reductions, which would be of a permanent nature. In many cases, full-time equivalent positions, previously authorized by the Legislature, are being recommended for elimination. Although the Alternative Recommendations do not include increases in state taxes, those same alternatives do explore various means of raising local property tax support for K-12 basic education programs.

If the aforementioned "structural deficit" is to be eliminated, and additional state tax revenues are not raised, then Legislative Staff recommends a permanent downward correction of the General Fund expenditure growth path, to bring it in line with the trend growth of Arizona state tax collections. Otherwise, the legislature will be confronted with imbalances in most years, with the deficits being particularly large and difficult during economic recessions.

ANALYSIS OF THE GOVERNOR'S BUDGET RECOMMENDATIONS

Arizona Revised Statutes Section 41-1273(D) requires the Legislative Budget Analyst (JLBC) to . . . "prepare for distribution an analysis of the Governor's budget as soon after the budget is presented to the legislature as is possible. The analysis, among the other things, shall include recommendations of the budget analyst for revisions in expenditures." However, the Executive budget recommendations are presented at the summary level only in this book. Even though there has been extensive coordination with the Executive Budget Office since early last fall, the Executive Budget was received too late to be included in this document at the agency level. The budget recommended by the Executive is summarized at the agency level and reflects unspecified reductions of \$122 million. The combination of these two facts, unfortunately, precludes any meaningful analysis by the Legislative Staff.

Therefore, we have included a summary analysis of the Governor's budget recommendations later in this section (see page ix).

GENERAL FUND SUMMARY
JLBC STAFF RECOMMENDATION
AND
ALTERNATIVE REDUCTIONS

ECONOMIC/REVENUE FORECAST

- ° Sluggish growth continues through early 1989, when chance of a national economic recession looms large
- ° Revenue growth of 4.6% in FY 1988, and 6.8% growth in FY 1989 are the lowest "back-to-back" years of growth in modern times

MAIN BUDGET RECOMMENDATION

- ° Represents a "Current Services Budget" with minimal program changes
- ° Recommended appropriations exceed estimated revenues by \$248 million
- ° Increase of \$337 million, or 13% in total agency operating budgets is largely attributable to the Department of Education (K-12), at \$155 million, and AHCCCS, at \$96 million -- These two areas alone account for \$251 million, or 75% of the operating budget increase
- ° All other areas of the budget, exclusive of K-12 and AHCCCS, are up \$86 million, or 6%
- ° Recommended capital outlay appropriations of \$13.3 million are less than 1/2 of one percent of the total budget -- This amount would fund the building renewal formula, existing contracts, and critical fire-life-safety projects
- ° All new construction is assumed to be financed through lease-purchase
- ° State employee compensation package of \$25 million would provide a 1.5% general increase effective 7-1-88, and a merit pay pool equal to 1.5% of personal services, effective 1-1-89

ALTERNATIVE RECOMMENDATIONS

- ° Would reduce each agency's original JLBC recommended appropriation by 8.5% to save \$250 million
- ° Specific programmatic reductions of a "hard" nature (permanent) are recommended for each agency
- ° The largest dollar cuts by agency are: K-12 - \$103.7 million; Universities - \$38.7 million; Department of Economic Security - \$21.0 million; Corrections - \$20.1 million; and AHCCCS - \$20.0 million

SUMMARY
GOVERNOR'S PROPOSED FY 1989 BUDGET

OVERVIEW:

	(\$ MILLIONS) <u>FY 1988</u>	<u>FY 1989</u>	<u>89/88 % CHG.</u>
◦ ESTIMATED REVENUES*	\$2,523.0	\$2,721.5	7.9%
◦ RECOMMENDED OPERATING BUDGET	\$2,545.9**	\$2,609.3***	2.5%****
◦ RECOMMENDED CAPITAL OUTLAYS	\$(5.0)**	\$71.7	N/A

* Not including Beginning Balances

** After Governor's proposed cuts of \$136.4 million (\$96.4 million operating; \$40.0 million capital outlay)

*** Excludes Governor's proposed compensation package of \$23.9 million

**** Is only a 0.6% increase from original FY 1988 appropriations.

The Governor's Proposed General Fund budget is seriously unbalanced as submitted. Some \$122 million of budget cuts are unspecified. Another \$54.6 million of K-12 School Aid is missing according to the Basic State Aid formula. The homeowners' property tax rebate program (Additional State Aid) also appears underfunded. Unless these formulas are altered, this lack of funding could result in a local property tax increase of a like amount.

Most agencies would have their budgets cut below a "current services level" (continuation budget). Notable exceptions are the Governor's priority areas: The Departments of Administration, Commerce, and Tourism, and the Arizona Criminal Justice Commission, which oversees the new Anti-Drug program and the Drug Enforcement Account. This agency is slated for a \$7.5 million increase in general funds under the Governor's proposal.

Of the Governor's total FY 1989 budget, some \$75 million, is to repay cuts he has recommended in FY 1988 (\$35m for School Aid and \$40m for capital outlay).

REVENUES:

- Increase of \$198.5 million, or 7.9% in new General Fund revenue to a level of \$2,721.5 million in FY 1989.
- Included is a gain of \$12.8 million from proposed repeal of HURF transfer from motor vehicle license tax.

SUMMARY
GOVERNOR'S PROPOSED FY 1989 BUDGET
 (Continued)

EXPENDITURES:

- Recommended operating budget of \$2,712.3 million is \$213.9 million less than necessary to fund a "current services level" budget (continuation budget) according to JLBC Staff. However, this does not reflect the shortfall attributable to the Governor's \$103 million of unspecified cuts.
- The largest differences between the Governor's operating budget recommendation and current services level (CSL) are shown below:

<u>Category</u>	-----Difference-----	
	<u>Dollar</u>	<u>Percent</u>
◦ K-12	\$(146.1)*	(12.0)%
◦ A.H.C.C.C.S.	(22.8)	(9.7)
◦ Universities	(22.2)	(5.1)
◦ Corrections	(13.9)	(5.9)

- * Excludes \$35 million in Governor's recommendation which is to repay proposed deferral of like amount in FY 1988.
- The Governor's \$32.7 million capital outlay recommendation would start just three new buildings -- the Supreme Court Building, a replacement food service facility at ASDB-Tucson, and a Classroom/Lab Facility at ASU-West -- as well as to build a new parking garage on the Governmental Mall. The Governor once again disdains the use of lease-purchase financing to leverage scarce dollars.
- The Governor again proposes to not fully fund the approved Building Renewal Formula. If fully funded, this formula guarantees that adequate funds will be available to maintain state buildings over their respective useful lives.

DETAIL-BY-AGENCY

- Although the Legislature has appropriated in detailed line-item fashion for many agencies, and the individual agencies' requested are detailed, the Governor's budget provides only three lines of detail: personal services, employee related expenditures, and all other operating. Programmatic detail is missing for the 27 agencies where the legislature has appropriated by program. The JLBC Staff Recommendation, on the other hand, provides a detailed recommendation for each agency, and by program.

SUMMARY
GOVERNOR'S PROPOSED FY 1989 BUDGET
(Continued)

- ° The Governor's budget contains several components, which will be controversial and without which his budget would not be balanced:
 - ° One, he includes \$103 million of anticipated "Governor's Budget Reductions", yet supporting detail is not in his budget. Assuming the Universities, Community Colleges, and the Departments of Education, Corrections, and A.H.C.C.C.S. are spared further cuts, the \$103 million of further reductions would have to come from agencies totalling \$686 million, and the average cut would be 15%.
 - ° Second, he has shorted K-12 Basic State Aid by at least \$54.6 million, even after allowing for a \$76.5 million savings from his proposal to: (1) include Salt River Project values in the calculation of Basic State Aid, and (2) proposing that the "Base Level" of State Aid not be allowed to increase 3% according to the GNP Deflator as provided in law, but instead to keep it at the current level (\$2,168) as the legislature can do according to A.R.S. 15-901.
 - ° Third, the Department of Corrections includes an unspecified Director's discretionary reduction of \$19 million, which leaves it \$13.9 million, or 5.9% short of a current services level, according to JLBC Staff.
 - ° Fourth, the Governor's A.H.C.C.C.S. recommendation is \$22.8 million short of a current services level and includes recommendations that "notch-group" children aged 6-13 not be included (\$10.3 million) and a savings of \$9 million from assumed federal participation at a 60% rate in the funding of the cost of medical services for the state's MN/MI population.

COMPARISON OF
STATE SALARY PLAN RECOMMENDATIONS

	<u>GENERAL FUND</u>			<u>OTHER FUNDS</u>		
	<u>JLBC Staff</u>	<u>Executive Budget Office</u>	<u>Difference</u>	<u>JLBC Staff</u>	<u>Executive Budget Office</u>	<u>Difference</u>
<u>Wage Adjustments</u> ^{1/}						
Personal Services	\$11,190,000	\$ 1,830,800	\$ 9,359,200	\$ 1,486,200	\$ 500,000	\$ 986,200
Employee Related Exp.	1,566,600	274,600	1,292,000	208,100	75,000	133,100
Total - Wage Adjustments	<u>12,756,600</u>	<u>2,105,400</u>	<u>\$10,651,200</u>	<u>1,694,300</u>	<u>575,000</u>	<u>1,119,300</u>
<u>Performance Oriented Pay</u> ^{2/}						
Personal Services	5,595,000	11,620,000	(6,025,000)	743,100	1,530,000	(786,900)
Employee Related Exp.	783,300	1,743,000	(959,700)	104,000	229,500	(125,500)
Total - POPS	<u>6,378,300</u>	<u>13,363,000</u>	<u>(6,984,700)</u>	<u>847,100</u>	<u>1,759,500</u>	<u>(912,400)</u>
<u>Inequity Adjustments</u>	441,800	2,887,800	(2,446,000)	-0-	256,600	(256,600)
<u>Insurance Premium Increase</u>	5,428,400	5,500,000	(71,600)	714,400	720,000	(5,600)
TOTAL - GENERAL FUND	<u>\$25,005,100</u>	<u>\$23,856,200</u>	<u>\$ 1,148,900</u>	<u>\$ 3,255,800</u>	<u>\$3,311,100</u>	<u>\$ (55,300)</u>

The general inflation index indicates that the inflation level for fiscal 1989 will be an increase of approximately 3½ percent which is greater than the JLBC Staff recommendation of 1½ percent for wage adjustments and 1½ percent for performance pay.

The JLBC Staff "Alternative Book," however, recommends only the \$5,428,400 to cover increased costs of insurance premiums which results in an additional savings of \$19,576,700.

1/ The JLBC Staff recommended wage adjustments provide a 1½ percent across-the-board increase starting July 1, 1988. The Executive recommendation is a structure adjustment which provides a 5 percent increase at the maximum level and 2½ percent increase at the minimum level for each grade level and provides funding for only those employees at the minimum level.

2/ The JLBC Staff recommendation for POPS provides a 1½ percent increase to the Personal Services base starting January 1, 1989. The Executive recommendation provides increases granted as lump sums, with no increase to the employee base rate -- starting January 1, 1989.

JOINT LEGISLATIVE BUDGET COMMITTEE

The Joint Legislative Budget Committee was first established on April 25, 1966, pursuant to Laws 1966, Ch. 96. Thereafter, Laws 1979, Ch. 187 expanded and altered the Committee membership. The Committee members are:

Representative John Wettaw,
Chairman - 1987

Representative Carmen Cajero

Representative Bev Hermon

Representative Chris Herstam

Representative Leslie Whiting Johnson

Representative James Ratliff

Representative Betty Rockwell

Representative Polly Rosenbaum

Senator Jack Taylor
Chairman - 1988

Senator Jaime Gutierrez

Senator A. V. "Bill" Hardt

Senator Jeffrey Hill

Senator Peter Kay

Senator John Mawhinney

Senator Robert Usdane

Senator Pat Wright

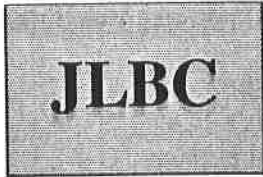
The primary powers and duties of the Joint Legislative Budget Committee relate to ascertaining facts and making recommendations to the legislature regarding all facets of the state budget, state revenues and expenditures, future fiscal needs, and the organization and functions of state government.

The Joint Legislative Budget Committee appoints a Staff Director and Chief Executive Officer who is responsible for providing staff support and sound technical analysis to the Committee. The objectives and major products of the staff of the Joint Legislative Budget Committee are:

- *Analysis and Recommendations for the Annual State Budget*, which are presented in January of each year;
- Technical, analytical, and preparatory support in the development of *appropriations bills* considered by the legislature;
- An annual *Appropriations Report*, which is published shortly after the budget is completed and provides detail on the budget along with a further explanation of legislative intent;
- Support to the *Joint Committee on Capital Review* with respect to all capital outlay issues including land acquisition, new construction, and building renewal projects.
- Preparation of *fiscal notes* or those bills considered by the legislature having a fiscal impact on the state or any of its political subdivisions;
- *Management and Fiscal Research Reports* related to state programs and state agency operations;
- Periodic *economic and state revenue forecasts*;
- Periodic *analysis of economic activity, state budget conditions*, and the relationship of one to the other.

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Theodore A. Ferris,
Staff Director



JOINT LEGISLATIVE BUDGET COMMITTEE
 REP. JOHN WETTAW, Chairman 1987
 SEN. JACK TAYLOR, Chairman 1988

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 & Committee Clerk**
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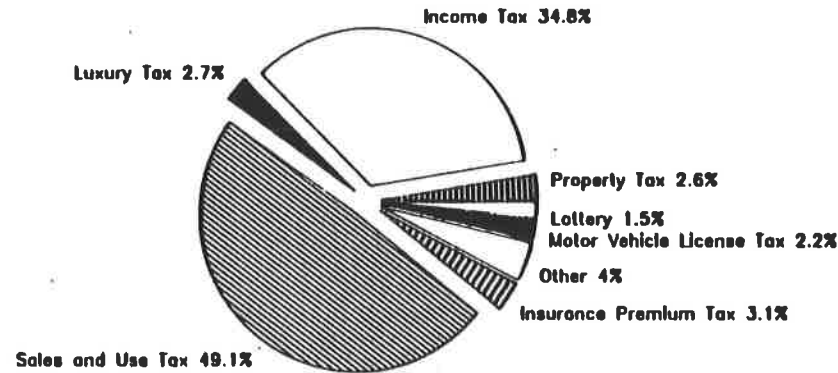
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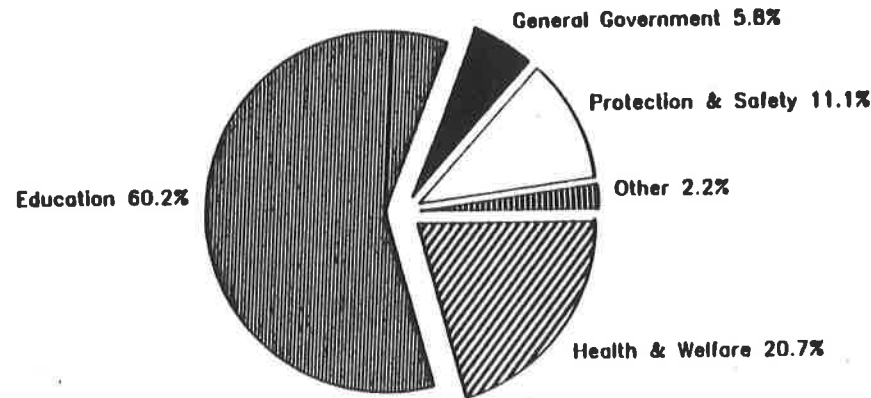
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 Date: 9/28/87

Chart A-1

SOURCES AND DISPOSITION OF GENERAL FUNDS FY 89 JLBC RECOMMENDATION



SOURCES OF GENERAL FUNDS



DISPOSITION OF GENERAL FUNDS

Table A-1

FY 1989
STATE WIDE SUMMARY
RECOMMENDED APPROPRIATIONS BY AGENCY

AGENCY	FUND SOURCE	FY 1988 ESTIMATE	FY 1989 RECOMMENDED	DOLLAR CHANGE	PERCENT CHANGE
<u>GENERAL GOVERNMENT</u>					
DEPT. OF ADMINISTRATION	GENERAL FUND	25,953,400	26,104,400	151,000	0.58
PERSONNEL BOARD	GENERAL FUND	214,700	215,500	800	0.37
ATTORNEY GENERAL	GENERAL FUND	16,970,700	17,767,300	796,600	4.69
COLISEUM/EXPOSITION CTR	OTHER FUNDS	9,527,300	9,468,400	(58,900)	(0.62)
ARIZONA JUDICIARY	GENERAL FUND	42,694,600	50,759,700	8,065,100	18.89
OFFICE OF THE GOVERNOR	GENERAL FUND	2,772,900	2,771,900	(1,000)	(0.04)
OFFICE/AFFIRMATIVE ACTION	GENERAL FUND	205,200	208,800	3,600	1.75
DEPARTMENT OF COMMERCE	GENERAL FUND	3,152,600	3,348,500	195,900	6.21
	OTHER FUNDS	48,000	54,000	6,000	12.50
	TOTAL	3,200,600	3,402,500	201,900	6.31
OFFICE OF TOURISM	GENERAL FUND	3,375,900	3,528,900	153,000	4.53
LAW ENF MERIT SYS CNCL	GENERAL FUND	43,400	49,400	6,000	13.82
LEGISLATURE	GENERAL FUND	22,993,100	25,010,500	2,017,400	8.77
STATE RETIREMENT SYSTEM	OTHER FUNDS	11,108,200	2,614,900	(8,493,300)	(76.46)

Table A-1
(Continued)

FY 1989
STATE WIDE SUMMARY
RECOMMENDED APPROPRIATIONS BY AGENCY

AGENCY	FUND SOURCE	FY 1988 ESTIMATE	FY 1989 RECOMMENDED	DOLLAR CHANGE	PERCENT CHANGE
DEPARTMENT OF REVENUE	GENERAL FUND	33,672,300	33,430,800	(241,500)	(0.72)
DEPT OF ST.-SECY OF STATE	GENERAL FUND	1,915,400	3,047,400	1,132,000	59.10
ST. BOARD OF TAX APPEALS	GENERAL FUND	412,400	458,100	45,700	11.08
STATE TREASURER	GENERAL FUND	3,217,200	3,220,400	3,200	0.10
AZ COMM ON UNFRM ST LAWS	GENERAL FUND	14,800	19,800	5,000	33.78
GENERAL GOVERNMENT	GENERAL FUND	157,608,600	169,941,400	12,332,800	7.82
	OTHER FUNDS	20,683,500	12,137,300	(8,546,200)	(41.32)
	TOTAL FUNDS	178,292,100	182,078,700	3,786,600	2.12
<u>HEALTH & WELFARE</u>					
GOV-AZ RANGERS' PENSIONS	GENERAL FUND	15,600	16,200	600	3.85
AZ CNCL FOR HEARING IMPRD	GENERAL FUND	123,800	124,600	800	0.65
DEPT OF ECONOMIC SECURITY	GENERAL FUND	233,053,200	247,216,700	14,163,500	6.08
	OTHER FUNDS	484,900	491,800	6,900	1.42
	TOTAL	233,538,100	247,708,500	14,170,400	6.07

Table A-1
(Continued)

FY 1989
STATE WIDE SUMMARY
RECOMMENDED APPROPRIATIONS BY AGENCY

AGENCY	FUND SOURCE	FY 1988 ESTIMATE	FY 1989 RECOMMENDED	DOLLAR CHANGE	PERCENT CHANGE
DEPT OF HEALTH SERVICES	GENERAL FUND	98,475,100	103,627,300	5,152,200	5.23
	OTHER FUNDS	2,237,100	2,237,100	0	0.00
	TOTAL	100,712,200	105,864,400	5,152,200	5.12
DEPT OF ENVIRON QUALITY	GENERAL FUND	15,766,500	16,035,000	268,500	1.70
AHCCCS	GENERAL FUND	140,010,300	235,763,200	95,752,900	68.39
	OTHER FUNDS	173,233,400	374,600,800	201,367,400	116.24
	TOTAL	313,243,700	610,364,000	297,120,300	94.85
AZ COMM ON INDIAN AFFAIRS	GENERAL FUND	165,400	162,900	(2,500)	(1.51)
PIONEERS' HOME	GENERAL FUND	2,676,100	2,649,300	(26,800)	(1.00)
VETERANS' SERVICES COMM	GENERAL FUND	722,300	695,400	(26,900)	(3.72)
	OTHER FUNDS	313,000	349,600	36,600	11.69
	TOTAL	1,035,300	1,045,000	9,700	0.94
HEALTH & WELFARE	GENERAL FUND	491,008,300	606,290,600	115,282,300	23.48
	OTHER FUNDS	176,268,400	377,679,300	201,410,900	114.26
	TOTAL	667,276,700	983,969,900	316,693,200	47.46

Table A-1
(Continued)

FY 1989
STATE WIDE SUMMARY
RECOMMENDED APPROPRIATIONS BY AGENCY

AGENCY	FUND SOURCE	FY 1988 ESTIMATE	FY 1989 RECOMMENDED	DOLLAR CHANGE	PERCENT CHANGE
<u>INSPECTION & REGULATION</u>					
DEPT OF WEIGHT/MEASURES	GENERAL FUND	1,554,200	1,600,700	46,500	2.99
BOARD OF ACCOUNTANCY	OTHER FUNDS	495,500	591,100	95,600	19.29
AG EMPL RELATIONS BD	GENERAL FUND	197,900	199,300	1,400	0.71
COMM OF AG & HORT	GENERAL FUND	6,032,800	6,074,000	41,200	0.68
	OTHER FUNDS	1,220,000	1,240,800	20,800	1.70
	TOTAL	7,252,800	7,314,800	62,000	0.85
BOXING COMMISSION	GENERAL FUND	36,800	39,500	2,700	7.34
	OTHER FUNDS	8,200	25,800	17,600	214.63
	TOTAL	45,000	65,300	20,300	45.11
RADIATION REGULATORY AGCY	GENERAL FUND	1,212,100	1,314,500	102,400	8.45
	OTHER FUNDS	83,300	95,900	12,600	15.13
	TOTAL	1,295,400	1,410,400	115,000	8.88
BANKING DEPARTMENT	GENERAL FUND	2,943,500	3,074,300	130,800	4.44
BOARD OF BARBER EXAM	OTHER FUNDS	121,000	129,300	8,300	6.86
CHIROPRACTIC EXAMINERS BD	OTHER FUNDS	155,200	174,300	19,100	12.31
REGISTRAR OF CONTRACTORS	GENERAL FUND	3,434,400	4,148,600	714,200	20.80

Table A-1
(Continued)

FY 1989
STATE WIDE SUMMARY
RECOMMENDED APPROPRIATIONS BY AGENCY

AGENCY	FUND SOURCE	FY 1988 ESTIMATE	FY 1989 RECOMMENDED	DOLLAR CHANGE	PERCENT CHANGE
CORPORATION COMMISSION	GENERAL FUND	4,934,500	5,174,100	239,600	4.86
	OTHER FUNDS	4,929,300	5,078,100	148,800	3.02
	TOTAL	9,863,800	10,252,200	388,400	3.94
RESID UTIL CONS OFFICE	OTHER FUNDS	834,100	907,600	73,500	8.81
BOARD OF COSMETOLOGY	OTHER FUNDS	456,900	554,000	97,100	21.25
DAIRY COMMISSIONER	GENERAL FUND	475,100	470,400	(4,700)	(0.99)
BOARD OF DENTAL EXAMINERS	OTHER FUNDS	371,600	395,700	24,100	6.49
DISPENSING OPTICIANS BD	OTHER FUNDS	51,100	52,800	1,700	3.33
EGG INSPECTION BOARD	OTHER FUNDS	177,900	180,200	2,300	1.29
FUNERAL DIR./EMBALMERS BD	OTHER FUNDS	133,100	138,500	5,400	4.06
INDUSTRIAL COMMISSION	OTHER FUNDS	9,657,200	10,404,700	747,500	7.74
OCCUP SFTY & HLTH REV BD	GENERAL FUND	7,100	3,300	(3,800)	(53.52)
NURS CARE INST ADMIN BD	OTHER FUNDS	46,100	58,600	12,500	27.11
DEPARTMENT OF INSURANCE	GENERAL FUND	2,256,100	2,070,800	(185,300)	(8.21)
DEPT OF LIQUOR LICENSES	GENERAL FUND	2,084,400	2,154,100	69,700	3.34

Table A-1
(Continued)

FY 1989
STATE WIDE SUMMARY
RECOMMENDED APPROPRIATIONS BY AGENCY

AGENCY	FUND SOURCE	FY 1988 ESTIMATE	FY 1989 RECOMMENDED	DOLLAR CHANGE	PERCENT CHANGE
LIVESTOCK BOARD	GENERAL FUND	3,804,300	3,880,000	75,700	1.99
BOARD OF MEDICAL EXAM	OTHER FUNDS	1,550,900	1,732,500	181,600	11.71
HOMEOPATHIC MED EXAM BD	OTHER FUNDS	8,100	8,900	800	9.88
STATE MINE INSPECTOR	GENERAL FUND	785,200	765,100	(20,100)	(2.56)
BUILDING AND FIRE SAFETY	GENERAL FUND	2,555,900	2,586,600	30,700	1.20
NATUROPATHIC PHYS EXAM BD	OTHER FUNDS	28,000	30,700	2,700	9.64
BOARD OF NURSING	OTHER FUNDS	837,800	848,700	10,900	1.30
BOARD OF OPTOMETRY	OTHER FUNDS	91,100	94,500	3,400	3.73
OSTEOPATHIC EXAM BD	OTHER FUNDS	184,100	197,900	13,800	7.50
BOARD OF PHARMACY	OTHER FUNDS	571,200	574,400	3,200	0.56
PHYSICAL THERAPY EXAM BD	OTHER FUNDS	63,700	62,400	(1,300)	(2.04)
PODIATRY EXAMINERS BOARD	OTHER FUNDS	37,700	40,700	3,000	7.96
PSYCHOLOGIST EXAMINERS BD	OTHER FUNDS	107,400	123,400	16,000	14.90
BD OF PRIV POSTSECOND ED	OTHER FUNDS	121,300	111,500	(9,800)	(8.08)

Table A-1
(Continued)

FY 1989
STATE WIDE SUMMARY
RECOMMENDED APPROPRIATIONS BY AGENCY

AGENCY	FUND SOURCE	FY 1988 ESTIMATE	FY 1989 RECOMMENDED	DOLLAR CHANGE	PERCENT CHANGE
DEPARTMENT OF RACING	GENERAL FUND	2,614,700	2,582,900	(31,800)	(1.22)
	OTHER FUNDS	289,000	294,400	5,400	1.87
	TOTAL	2,903,700	2,877,300	(26,400)	(0.91)
REAL ESTATE DEPARTMENT	GENERAL FUND	2,612,500	2,629,200	16,700	0.64
STRUCTURAL PEST CONTROL	OTHER FUNDS	406,000	399,000	(7,000)	(1.72)
BD OF TECH REGISTRATION	OTHER FUNDS	619,200	671,900	52,700	8.51
VETERINARY MED EXAM BD	OTHER FUNDS	106,100	131,100	25,000	23.56
INSPECTION & REGULATION	GENERAL FUND	37,541,500	38,767,400	1,225,900	3.27
	OTHER FUNDS	23,762,100	25,349,400	1,587,300	6.68
	TOTAL	61,303,600	64,116,800	2,813,200	4.59
<u>EDUCATION</u>					
BOARD OF REGENTS	GENERAL FUND	4,986,100	5,196,800	210,700	4.23
U. OF A. - MAIN CAMPUS	GENERAL FUND	173,729,800	179,519,200	5,789,400	3.33
	OTHER FUNDS	42,619,700	46,501,200	3,881,500	9.11
	TOTAL	216,349,500	226,020,400	9,670,900	4.47

Table A-1
(Continued)

FY 1989
STATE WIDE SUMMARY
RECOMMENDED APPROPRIATIONS BY AGENCY

AGENCY	FUND SOURCE	FY 1988 ESTIMATE	FY 1989 RECOMMENDED	DOLLAR CHANGE	PERCENT CHANGE
U. OF A. - COLL OF MED	GENERAL FUND	40,102,600	40,249,000	146,400	0.37
	OTHER FUNDS	1,615,300	1,826,100	210,800	13.05
	TOTAL	41,717,900	42,075,100	357,200	0.86
A.S.U. - MAIN CAMPUS	GENERAL FUND	153,362,800	160,984,900	7,622,100	4.97
	OTHER FUNDS	45,782,000	47,885,100	2,103,100	4.59
	TOTAL	199,144,800	208,870,000	9,725,200	4.88
A.S.U. - WEST	GENERAL FUND	7,463,700	10,730,700	3,267,000	43.77
	OTHER FUNDS	1,000,000	1,008,500	8,500	0.85
	TOTAL	8,463,700	11,739,200	3,275,500	38.70
NORTHERN AZ UNIVERSITY	GENERAL FUND	55,203,500	58,859,300	3,655,800	6.62
	OTHER FUNDS	11,699,800	12,600,000	900,200	7.69
	TOTAL	66,903,300	71,459,300	4,556,000	6.81
MED STUDENT LOANS BOARD	GENERAL FUND	75,000	10,000	(65,000)	(86.67)
BD OF DIR FOR COMM COLL	GENERAL FUND	68,520,100	74,770,500	6,250,400	9.12
DEPARTMENT OF EDUCATION	GENERAL FUND	1,059,827,200	1,215,000,900	155,173,700	14.64
SCH FOR THE DEAF & BLIND	GENERAL FUND	9,725,500	10,431,900	706,400	7.26
	OTHER FUNDS	3,496,400	3,470,700	(25,700)	(0.74)
	TOTAL	13,221,900	13,902,600	680,700	5.15
AZ COMMISSION ON THE ARTS	GENERAL FUND	1,327,600	1,357,200	29,600	2.23

Table A-1
(Continued)

FY 1989
STATE WIDE SUMMARY
RECOMMENDED APPROPRIATIONS BY AGENCY

AGENCY	FUND SOURCE	FY 1988 ESTIMATE	FY 1989 RECOMMENDED	DOLLAR CHANGE	PERCENT CHANGE
AZ HISTORICAL SOCIETY	GENERAL FUND	1,790,100	1,846,900	56,800	3.17
PRESCOTT HIST SOCIETY	GENERAL FUND	451,100	452,900	1,800	0.40
EDUCATION	GENERAL FUND	1,576,565,100	1,759,410,200	182,845,100	11.60
	OTHER FUNDS	106,213,200	113,291,600	7,078,400	6.66
	TOTAL	1,682,778,300	1,872,701,800	189,923,500	11.29
<u>PROTECTION & SAFETY</u>					
DEPARTMENT OF CORRECTIONS	GENERAL FUND	212,953,000	236,794,700	23,841,700	11.20
DEPT OF EMER & MIL AFFRS	GENERAL FUND	3,834,000	3,975,200	141,200	3.68
BD OF PARDONS AND PAROLES	GENERAL FUND	1,572,600	1,558,700	(13,900)	(0.88)
DEPT OF PUBLIC SAFETY	GENERAL FUND	78,454,100	80,138,800	1,684,700	2.15
	OTHER FUNDS	1,674,700	1,682,200	7,500	0.45
	TOTAL	80,128,800	81,821,000	1,692,200	2.11
AZ CRIMINAL JUSTICE COMM	OTHER FUNDS	7,273,300	258,700	(7,014,600)	(96.44)
PROTECTION & SAFETY	GENERAL FUND	296,813,700	322,467,400	25,653,700	8.64
	OTHER FUNDS	8,948,000	1,940,900	(7,007,100)	(78.31)
	TOTAL	305,761,700	324,408,300	18,646,600	6.10

Table A-1
(Continued)

FY 1989
STATE WIDE SUMMARY
RECOMMENDED APPROPRIATIONS BY AGENCY

AGENCY	FUND SOURCE	FY 1988 ESTIMATE	FY 1989 RECOMMENDED	DOLLAR CHANGE	PERCENT CHANGE
DEPT OF TRANSPORTATION	GENERAL FUND	85,300	82,200	(3,100)	(3.63)
	OTHER FUNDS	150,509,800	161,290,300	10,780,500	7.16
	TOTAL	150,595,100	161,372,500	10,777,400	7.16
<u>NATURAL RESOURCES</u>					
ARIZONA GEOLOGICAL SURVEY	GENERAL FUND	0	532,200	532,200	
GAME AND FISH DEPARTMENT	OTHER FUNDS	13,881,200	14,589,900	708,700	5.11
COMM ON AZ ENVIRONMENT	GENERAL FUND	125,800	127,800	2,000	1.59
STATE LAND DEPARTMENT	GENERAL FUND	7,830,000	7,386,100	(443,900)	(5.67)
DEPT OF MINERAL RESOURCES	GENERAL FUND	456,200	461,800	5,600	1.23
OIL AND GAS CONSERV COMM	GENERAL FUND	187,900	193,900	6,000	3.19
STATE PARKS BOARD	GENERAL FUND	5,411,500	5,622,400	210,900	3.90
	OTHER FUNDS	2,416,000	3,238,700	822,700	34.05
	TOTAL	7,827,500	8,861,100	1,033,600	13.20
DEPT OF WATER RESOURCES	GENERAL FUND	11,505,900	11,472,700	(33,200)	(0.29)

Table A-1
(Continued)

FY 1989
STATE WIDE SUMMARY
RECOMMENDED APPROPRIATIONS BY AGENCY

AGENCY	FUND SOURCE	FY 1988 ESTIMATE	FY 1989 RECOMMENDED	DOLLAR CHANGE	PERCENT CHANGE
NATURAL RESOURCES	GENERAL FUND	25,517,300	25,796,900	279,600	1.10
	OTHER FUNDS	16,297,200	17,828,600	1,531,400	9.40
	TOTAL	41,814,500	43,625,500	1,811,000	4.33
<u>STATE TOTAL</u>	GENERAL FUND	2,585,139,800	2,922,756,100	337,616,300	13.06
	OTHER FUNDS	502,682,200	709,517,400	206,835,200	41.15
	<u>TOTAL</u>	<u>3,087,822,000</u>	<u>3,632,273,500</u>	<u>544,451,500</u>	<u>17.63</u>

Chart A-2

FY 1989
GENERAL FUND
COMPOSITION OF OPERATING BUDGET INCREASE
JLBC STAFF RECOMMENDATION

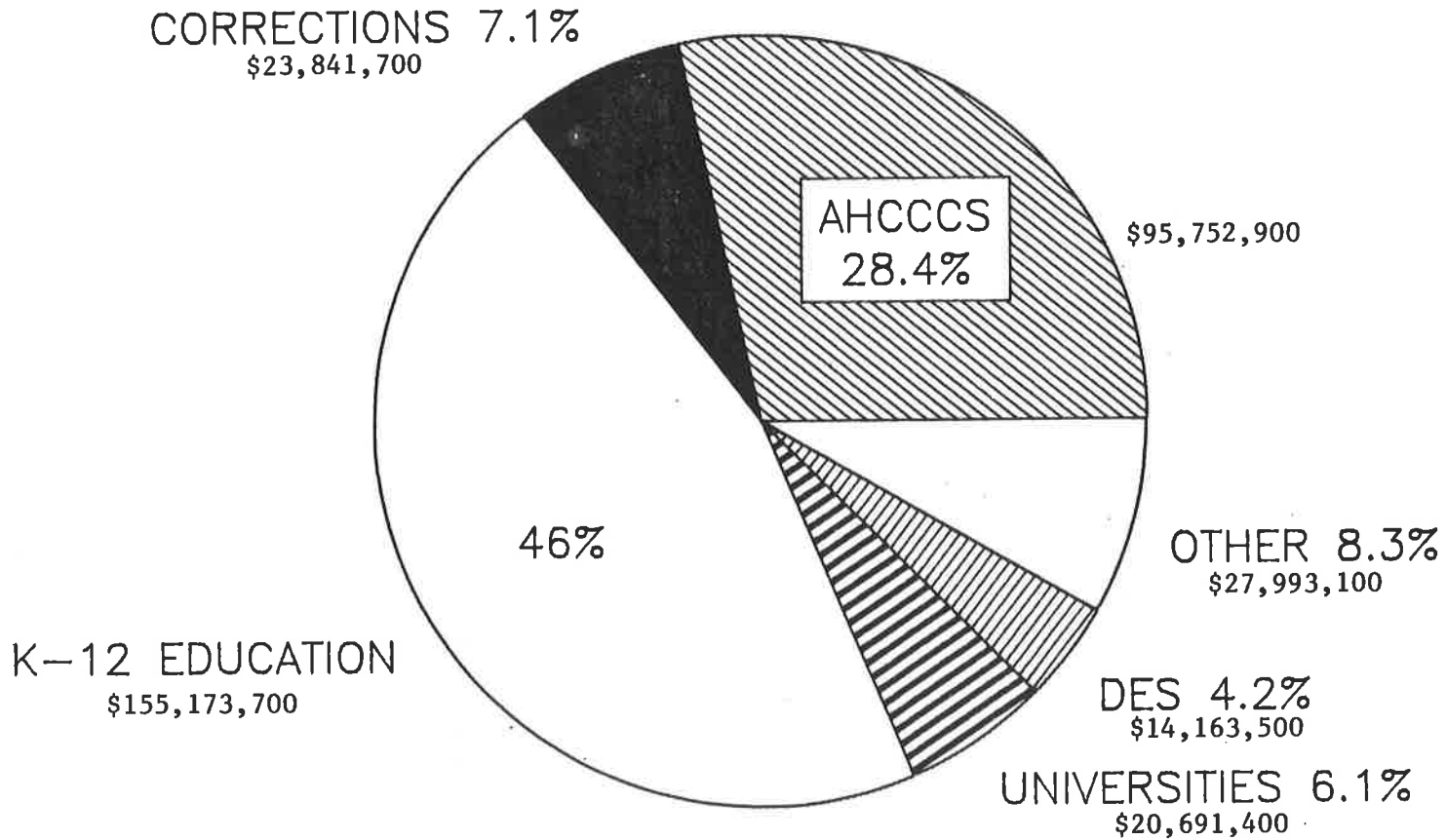


Table A-2

FY 1989
GENERAL FUND
JLBC RECOMMENDATION

AGENCY	FY 1987 ACTUAL	FY 1988 ESTIMATE	FY 1989 CSB I/D *	FY 1989 POLICY ISSUES	FY 1989 RECOMMENDATION
<u>GENERAL GOVERNMENT</u>					
DEPT. OF ADMINISTRATION	22,477,597	25,953,400	413,800	(262,800)	26,104,400
PERSONNEL BOARD	174,200	214,700	800	0	215,500
ATTORNEY GENERAL	16,126,300	16,970,700	388,700	407,900	17,767,300
ARIZONA JUDICIARY	32,909,248	42,694,600	8,007,900	57,200	50,759,700
OFFICE OF THE GOVERNOR	2,551,800	2,772,900	(1,000)	0	2,771,900
OFFICE/AFFIRMATIVE ACTION	168,900	205,200	3,600	0	208,800
DEPARTMENT OF COMMERCE	3,206,700	3,152,600	195,900	0	3,348,500
OFFICE OF TOURISM	3,154,200	3,375,900	153,000	0	3,528,900
LAW ENF MERIT SYS CNCL	44,000	43,400	6,000	0	49,400
LEGISLATURE	21,032,777	22,993,100	2,017,400	0	25,010,500
DEPARTMENT OF REVENUE	29,701,800	33,672,300	(252,300)	10,800	33,430,800
DEPT OF ST. -SECY OF STATE	2,543,815	1,915,400	1,132,000	0	3,047,400
ST. BOARD OF TAX APPEALS	366,700	412,400	24,700	21,000	458,100
STATE TREASURER	2,833,345	3,217,200	3,200	0	3,220,400
AZ COMM ON UNFRM ST LAWS	10,800	14,800	5,000	0	19,800
<u>GENERAL GOVERNMENT</u>	<u>137,302,182</u>	<u>157,608,600</u>	<u>12,098,700</u>	<u>234,100</u>	<u>169,941,400</u>

Table A-2
(Continued)
FY 1989
GENERAL FUND
JLBC RECOMMENDATION

AGENCY	FY 1987 ACTUAL	FY 1988 ESTIMATE	FY 1989 CSB I/D *	FY 1989 POLICY ISSUES	FY 1989 RECOMMENDATION
<u>HEALTH & WELFARE</u>					
GOV-AZ RANGERS' PENSIONS	14,400	15,600	600	0	16,200
AZ CNCL FOR HEARING IMPRD	111,600	123,800	800	0	124,600
DEPT OF ECONOMIC SECURITY	212,708,300	233,053,200	14,207,100	(43,600)	247,216,700
DEPT OF HEALTH SERVICES	88,706,400	98,475,100	4,449,900	702,300	103,627,300
DEPT OF ENVIRON QUALITY	7,608,700	15,766,500	222,500	36,000	16,035,000
AHCCCS	127,822,300	140,010,300	95,752,900	0	235,763,200
AZ COMM ON INDIAN AFFAIRS	143,500	165,400	(2,500)	0	162,900
PIONEERS' HOME	2,493,600	2,676,100	(26,800)	0	2,649,300
VETERANS' SERVICES COMM	785,000	722,300	(26,900)	0	695,400
<u>HEALTH & WELFARE</u>	<u>440,393,800</u>	<u>491,008,300</u>	<u>114,577,600</u>	<u>694,700</u>	<u>606,290,600</u>
<u>INSPECTION & REGULATION</u>					
DEPT OF WEIGHT/MEASURES	1,017,900	1,554,200	46,500	0	1,600,700
AG EMPL RELATIONS BD	148,000	197,900	1,400	0	199,300
COMM OF AG & HORT	5,467,400	6,032,800	41,200	0	6,074,000
BOXING COMMISSION	34,200	36,800	2,700	0	39,500
RADIATION REGULATORY AGCY	1,153,200	1,212,100	102,400	0	1,314,500
BANKING DEPARTMENT	2,234,800	2,943,500	130,800	0	3,074,300
REGISTRAR OF CONTRACTORS	2,355,000	3,434,400	161,800	552,400	4,148,600
CORPORATION COMMISSION	4,628,100	4,934,500	214,600	25,000	5,174,100
DAIRY COMMISSIONER	391,800	475,100	(4,700)	0	470,400
OCCUP SFTY & HLTH REV BD	6,400	7,100	(3,800)	0	3,300
DEPARTMENT OF INSURANCE	2,063,900	2,256,100	(187,700)	2,400	2,070,800

Table A-2
(Continued)
FY 1989
GENERAL FUND
JLBC RECOMMENDATION

AGENCY	FY 1987 ACTUAL	FY 1988 ESTIMATE	FY 1989 CSB I/D *	FY 1989 POLICY ISSUES	FY 1989 RECOMMENDATION
DEPT OF LIQUOR LICENSES	1,891,200	2,084,400	69,700	0	2,154,100
LIVESTOCK BOARD	3,508,661	3,804,300	75,700	0	3,880,000
STATE MINE INSPECTOR	692,000	785,200	(20,100)	0	765,100
BUILDING AND FIRE SAFETY	2,268,600	2,555,900	30,700	0	2,586,600
DEPARTMENT OF RACING	1,903,900	2,614,700	(31,800)	0	2,582,900
REAL ESTATE DEPARTMENT	2,235,100	2,612,500	16,700	0	2,629,200
<u>INSPECTION & REGULATION</u>	<u>32,000,161</u>	<u>37,541,500</u>	<u>646,100</u>	<u>579,800</u>	<u>38,767,400</u>
<u>EDUCATION</u>					
BOARD OF REGENTS	3,893,300	4,986,100	100,700	110,000	5,196,800
U. OF A. - MAIN CAMPUS	158,268,900	173,729,800	2,399,100	3,390,300	179,519,200
U. OF A. - COLL OF MED	35,871,600	40,102,600	(64,400)	210,800	40,249,000
A.S.U. - MAIN CAMPUS	138,772,000	153,362,800	4,043,600	3,578,500	160,984,900
A.S.U. - WEST	5,169,000	7,463,700	441,800	2,825,200	10,730,700
NORTHERN AZ UNIVERSITY	49,531,600	55,203,500	1,723,600	1,932,200	58,859,300
MED STUDENT LOANS BOARD	84,000	75,000	(15,000)	(50,000)	10,000
BD OF DIR FOR COMM COLL	63,302,400	68,520,100	23,752,100	(17,501,700)	74,770,500
DEPARTMENT OF EDUCATION	993,733,900	1,059,827,200	154,985,100	188,600	1,215,000,900
SCH FOR THE DEAF & BLIND	8,969,900	9,725,500	374,100	332,300	10,431,900
AZ COMMISSION ON THE ARTS	1,140,100	1,327,600	29,600	0	1,357,200
AZ HISTORICAL SOCIETY	1,646,500	1,790,100	56,800	0	1,846,900
PRESCOTT HIST SOCIETY	397,900	451,100	1,800	0	452,900
<u>EDUCATION</u>	<u>1,460,781,100</u>	<u>1,576,565,100</u>	<u>187,828,900</u>	<u>(4,983,800)</u>	<u>1,759,410,200</u>

Table A-2
(Continued)
FY 1989
GENERAL FUND
JLBC RECOMMENDATION

AGENCY	FY 1987 ACTUAL	FY 1988 ESTIMATE	FY 1989 CSB I/D *	FY 1989 POLICY ISSUES	FY 1989 RECOMMENDATION
<u>PROTECTION & SAFETY</u>					
DEPARTMENT OF CORRECTIONS	183,493,600	212,953,000	23,511,800	329,900	236,794,700
DEPT OF EMER & MIL AFFRS	3,432,200	3,834,000	141,200	0	3,975,200
BD OF PARDONS AND PAROLES	1,541,400	1,572,600	(13,900)	0	1,558,700
DEPT OF PUBLIC SAFETY	73,226,400	78,454,100	1,684,700	0	80,138,800
AZ CRIMINAL JUSTICE COMM	0		0	0	0
<u>PROTECTION & SAFETY</u>	<u>261,693,600</u>	<u>296,813,700</u>	<u>25,323,800</u>	<u>329,900</u>	<u>322,467,400</u>
<u>DEPT OF TRANSPORTATION</u>	<u>51,600</u>	<u>85,300</u>	<u>(3,100)</u>	<u>0</u>	<u>82,200</u>
<u>NATURAL RESOURCES</u>					
ARIZONA GEOLOGICAL SURVEY	0	0	532,200		532,200
COMM ON AZ ENVIRONMENT	110,800	125,800	2,000		127,800
STATE LAND DEPARTMENT	7,423,300	7,830,000	(37,500)	(406,400)	7,386,100
DEPT OF MINERAL RESOURCES	422,900	456,200	5,600		461,800
OIL AND GAS CONSERV COMM	164,700	187,900	6,000		193,900
STATE PARKS BOARD	4,799,200	5,411,500	210,900		5,622,400
DEPT OF WATER RESOURCES	10,106,400	11,505,900	(23,400)	(9,800)	11,472,700
<u>NATURAL RESOURCES</u>	<u>23,027,300</u>	<u>25,517,300</u>	<u>695,800</u>	<u>(416,200)</u>	<u>25,796,900</u>

Table A-2
 (Continued)
 FY 1989
 GENERAL FUND
 JLBC RECOMMENDATION

AGENCY	FY 1987 ACTUAL	FY 1988 ESTIMATE	FY 1989 CSB I/D *	FY 1989 POLICY ISSUES	FY 1989 RECOMMENDATION
STATE TOTAL	2,355,249,743	2,585,139,800	341,167,800	(3,561,500)	2,922,756,100

* "Current Services Budget" Increase/Decrease reflects the following factors:
 General Inflation of 3.5%; Specific Cost Inflation where appropriate; demographic changes;
 formula requirements; statutory changes; annualizing factor of prior year costs.

Table A-3

COMPARISON
EXECUTIVE AND JLBC RECOMMENDATIONS
GENERAL FUND - OPERATING BUDGETS - FY 1989

AGENCY	EXECUTIVE RECOM.	JLBC RECOM.	OVER (UNDER)	PERCENT OVER (UNDER)
<u>GENERAL GOVERNMENT</u>				
Department of Administration	26,612,200	26,104,400	(507,800)	-1.91%
Attorney General - Dept. of Law	16,166,000	17,767,300	1,601,300	9.91%
Department of Commerce	4,250,900	3,348,500	(902,400)	-21.23%
Office of the Governor	2,771,900	2,771,900	0	0.00%
Gov's Off. of Affirm Action	208,900	208,800	(100)	-0.05%
Judicial System	42,694,600	50,759,700	8,065,100	18.89%
Law Enforc. Merit Syst. Cncl.	44,100	49,400	5,300	12.02%
Legislature	22,993,100	25,010,500	2,017,400	8.77%
Personnel Board	213,900	215,500	1,600	0.75%
Department of Revenue	33,252,700	33,430,800	178,100	0.54%
Department of State	2,906,200	3,047,400	141,200	4.86%
State Bd. of Tax Appeals	394,700	458,100	63,400	16.06%
Office of Tourism	3,894,400	3,528,900	(365,500)	-9.39%
State Treasurer	3,245,200	3,220,400	(24,800)	-0.76%
Comm. on Uniform St. Laws	18,800	19,800	1,000	5.32%
<u>SUBTOTAL - GENERAL GOVERNMENT</u>	<u>159,667,600</u>	<u>169,941,400</u>	<u>10,273,800</u>	<u>6.43%</u>
<u>HEALTH AND WELFARE</u>				
Arizona Health Care Cost				
Containment System (AHCCGS)	212,938,300	235,763,200	22,824,900	10.72%
Arizona Pioneers' Home	2,881,700	2,649,300	(232,400)	-8.06%
Arizona Rangers' Pension	16,200	16,200	0	0.00%
Dept. of Economic Security	237,126,600	247,216,700	10,090,100	4.26%

Table A-3
(Continued)
COMPARISON
EXECUTIVE AND JLBC RECOMMENDATIONS
GENERAL FUND - OPERATING BUDGETS - FY 1989

AGENCY	EXECUTIVE RECOM.	JLBC RECOM.	OVER (UNDER)	PERCENT OVER (UNDER)
Dept. of Health Services	99,028,600	103,627,300	4,598,700	4.64%
Dept. of Environmental Quality	15,937,300	16,035,000	97,700	0.61%
Cncl. for the Hearing Impaired	124,100	124,600	500	0.40%
Comm. on Indian Affairs	156,000	162,900	6,900	4.42%
Veterans' Service Commission	694,400	695,400	1,000	0.14%
<u>SUBTOTAL - HEALTH & WELFARE</u>	<u>568,903,200</u>	<u>606,290,600</u>	<u>37,387,400</u>	<u>6.57%</u>
 <u>INSPECTION AND REGULATION</u>				
Agricultural Employ. Rel. Bd.	186,100	199,300	13,200	7.09%
Agri. & Hort. Commission	5,897,300	6,074,000	176,700	3.00%
Banking Department	2,878,500	3,074,300	195,800	6.80%
Boxing Commission	36,700	39,500	2,800	7.63%
Building and Fire Safety	2,549,100	2,586,600	37,500	1.47%
Registrar of Contractors	3,400,500	4,148,600	748,100	22.00%
Corporation Commission	4,767,000	5,174,100	407,100	8.54%
Dairy Commissioner	470,900	470,400	(500)	-0.11%
Department of Insurance	2,163,000	2,070,800	(92,200)	-4.26%
Dept. of Liquor Lic. & Contr.	2,050,800	2,154,100	103,300	5.04%
Livestock Board	3,749,600	3,880,000	130,400	3.48%
Mine Inspector	743,800	765,100	21,300	2.86%
OSHA Review Board	3,300	3,300	0	0.00%
Department of Racing	2,332,600	2,582,900	250,300	10.73%
Radiation Regulatory Agency	1,188,900	1,314,500	125,600	10.56%
Real Estate Department	2,604,400	2,629,200	24,800	0.95%

Table A-3
(Continued)
COMPARISON
EXECUTIVE AND JLBC RECOMMENDATIONS
GENERAL FUND - OPERATING BUDGETS - FY 1989

AGENCY	EXECUTIVE RECOM.	JLBC RECOM.	OVER (UNDER)	PERCENT OVER (UNDER)
Weights and Measures	1,634,100	1,600,700	(33,400)	-2.04%
<u>SUBTOTAL-INSP. & REGULATION</u>	<u>36,656,600</u>	<u>38,767,400</u>	<u>2,110,800</u>	<u>5.76%</u>
<u>EDUCATION</u>				
Commission on the Arts	1,338,000	1,357,200	19,200	1.43%
Arizona Historical Society	1,835,800	1,846,900	11,100	0.60%
Community Colleges Board	70,785,000	74,770,500	3,985,500	5.63%
Deaf and Blind School	9,914,200	10,431,900	517,700	5.22%
Bd. of Medical Student Loans	60,000	10,000	(50,000)	-83.33%
Prescott Historical Society	451,100	452,900	1,800	0.40%
Board of Regents	4,898,700	5,196,800	298,100	6.09%
ASU - Main Campus	148,916,300	160,984,900	12,068,600	8.10%
ASU - West Campus	7,338,500	10,730,700	3,392,200	46.22%
Northern Arizona University	54,014,900	58,859,300	4,844,400	8.97%
U of A - Main Campus	166,407,300	179,519,200	13,111,900	7.88%
U of A - College of Medicine	39,571,000	40,249,000	678,000	1.71%
Department of Education	1,103,711,700	1,215,000,900	111,289,200	10.08%
<u>SUBTOTAL - EDUCATION</u>	<u>1,609,242,500</u>	<u>1,759,410,200</u>	<u>150,167,700</u>	<u>9.33%</u>
<u>PROTECTION AND SAFETY</u>				
Department of Corrections	222,540,200	236,794,700	14,254,500	6.41%
Dept. of Emr. Svcs. & Mil Aff.	3,878,500	3,975,200	96,700	2.49%

Table A-3
(Continued)
COMPARISON
EXECUTIVE AND JLBC RECOMMENDATIONS
GENERAL FUND - OPERATING BUDGETS - FY 1989

AGENCY	EXECUTIVE RECOM.	JLBC RECOM.	OVER (UNDER)	PERCENT OVER (UNDER)
Bd. of Pardons & Paroles	1,417,500	1,558,700	141,200	9.96%
Department of Public Safety	77,342,500	80,138,800	2,796,300	3.62%
Criminal Justice Commission	7,500,000	0	(7,500,000)	-100.00%
<u>SUBTOTAL - PROTECTION & SAFETY</u>	<u>312,678,700</u>	<u>322,467,400</u>	<u>9,788,700</u>	<u>3.13%</u>
<u>DEPARTMENT OF TRANSPORTATION</u>	<u>81,400</u>	<u>82,200</u>	<u>800</u>	<u>0.98%</u>
<u>NATURAL RESOURCES</u>				
Comm. on the Ariz. Environment	112,700	127,800	15,100	13.40%
Geological Survey	608,800	532,200	(76,600)	-12.58%
Land Department	7,202,300	7,386,100	183,800	2.55%
Dept. of Mines & Mineral Res.	452,000	461,800	9,800	2.17%
Oil & Gas Conserv. Comm.	189,100	193,900	4,800	2.54%
Parks Board	5,436,400	5,622,400	186,000	3.42%
Water Resources	11,030,100	11,472,700	442,600	4.01%
<u>SUBTOTAL - NAT'L RESOURCE</u>	<u>25,031,400</u>	<u>25,796,900</u>	<u>765,500</u>	<u>3.06%</u>
<u>TOTAL GENERAL FUND OPERATING BUDGETS</u>	<u>2,712,261,400</u>	<u>2,922,756,100</u>	<u>210,494,700</u>	<u>7.76%</u>

Table A-3
(Continued)
COMPARISON
EXECUTIVE AND JLBC RECOMMENDATIONS
GENERAL FUND - OPERATING BUDGETS - FY 1989

AGENCY	EXECUTIVE RECOM.	JLBC RECOM.	OVER (UNDER)	PERCENT OVER (UNDER)
FY 1989 Empl. Pay Package	23,856,200	25,005,100	1,148,900	4.82%
Capital Outlay Recommendations	31,729,100	13,284,700	(18,444,400)	-58.13%
Drug Elimination Initiative	3,000,000		(3,000,000)	-100.00%
Governor's K-3 Initiative	1,500,000		(1,500,000)	-100.00%
Retire.(Inc.from 4.75 to 5.09%)		7,000,000	7,000,000	
<u>SUBTOTAL - FY 1989 BUDGET</u>	<u>2,772,346,700</u>	<u>2,968,045,900</u>	<u>195,699,200</u>	<u>7.06%</u>
Governor's Reduction Plan	(102,966,300)		102,966,300	
<u>TOTAL FY 1989 GENERAL FUND BUDGET</u>	<u>2,669,380,400</u>	<u>2,968,045,900</u>	<u>298,665,500</u>	<u>11.19%</u>

* Capital Outlay Recommendations by the JLBC include \$2,000,000 appropriated in 1987 Session.
\$2,000,000 appropriated in 1987 Session.

Note: Although comparisons have been made in this table to the Governor's budget recommendation, they are of little value given the fact that some \$122 million of additional budget cuts are unspecified in the Governor's plan. This includes the "Governor's Reduction Plan" for \$103.0 million as shown above, and a \$19 million lump-sum reduction recommended by the Governor for the Department of Corrections. As of this writing JLBC Staff has no indication from the Executive Budget Office as to where these cuts will be shown.

Table A-4

FY 1989
LEGISLATIVE STAFF RECOMMENDATION
FULL TIME EQUIVALENT POSITIONS

AGENCY	1988 ESTIMATE	1989 RECOMMENDED	DIFFERENCE	PERCENT CHANGE
<u>GENERAL GOVERNMENT</u>				
DEPT. OF ADMINISTRATION	539.75	522.25	(17.50)	
PERSONNEL BOARD	3.00	3.00		
ATTORNEY GENERAL	310.00	312.00	2.00	
COLISEUM/EXPOSITION CTR	254.00	254.00		
ARIZONA JUDICIARY	315.80	316.80	1.00	
OFFICE OF THE GOVERNOR	0.00	0.00		
OFFICE/AFFIRMATIVE ACTION	5.00	5.00		
DEPARTMENT OF COMMERCE	42.00	42.00		
OFFICE OF TOURISM	15.00	15.00		
LAW ENF MERIT SYS CNCL	1.00	1.00		
LEGISLATURE	280.00	280.00		
STATE RETIREMENT SYSTEM	57.00	59.00	2.00	
DEPARTMENT OF REVENUE	922.00	922.00		
DEPT OF ST.-SECY OF STATE	30.00	30.00		
ST. BOARD OF TAX APPEALS	7.50	7.50		
STATE TREASURER	28.00	28.00		
AZ COMM ON UNFRM ST LAWS	0.00	0.00		
<u>GENERAL GOVERNMENT</u>	<u>2,810.05</u>	<u>2,797.55</u>	<u>(12.50)</u>	<u>-0.44%</u>

Table A-4
(Continued)
FY 1989

LEGISLATIVE STAFF RECOMMENDATION
FULL TIME EQUIVALENT POSITIONS

AGENCY	1988 ESTIMATE	1989 RECOMMENDED	DIFFERENCE	PERCENT CHANGE
<u>HEALTH & WELFARE</u>				
GOV-AZ RANGERS' PENSIONS	0.00	0.00		
AZ CNCL FOR HEARING IMPRD	3.00	3.00		
DEPT OF ECONOMIC SECURITY	2,664.30	2,557.60	(106.70)	
DEPT OF HEALTH SERVICES	1,454.50	1,482.50	28.00	
DEPT OF ENVIRON QUALITY	255.00	256.00	1.00	
AHCCCS	464.50	638.25	173.75	
AZ COMM ON INDIAN AFFAIRS	4.00	4.00		
PIONEERS' HOME	110.00	110.00		
VETERANS' SERVICES COMM	32.00	33.00	1.00	
<u>HEALTH & WELFARE</u>	<u>4,987.30</u>	<u>5,084.35</u>	<u>97.05</u>	<u>1.95%</u>
<u>INSPECTION & REGULATION</u>				
DEPT OF WEIGHT/MEASURES	36.00	36.00		
BOARD OF ACCOUNTANCY	8.00	9.00	1.00	
AG EMPL RELATIONS BD	4.00	4.00		
COMM OF AG & HORT	204.50	200.50	(4.00)	
BOXING COMMISSION	1.00	1.50	0.50	
RADIATION REGULATORY AGCY	29.00	28.00	(1.00)	
BANKING DEPARTMENT	79.00	79.00		
BOARD OF BARBER EXAM	3.00	3.00		
CHIROPRACTIC EXAMINERS BD	3.00	3.50	0.50	
REGISTRAR OF CONTRACTORS	99.00	110.00	11.00	
CORPORATION COMMISSION	219.00	219.00		

Table A-4
(Continued)
FY 1989

LEGISLATIVE STAFF RECOMMENDATION
FULL TIME EQUIVALENT POSITIONS

AGENCY	1988 ESTIMATE	1989 RECOMMENDED	DIFFERENCE	PERCENT CHANGE
RESID UTIL CONS OFFICE	10.00	11.75	1.75	
BOARD OF COSMETOLOGY	14.50	15.50	1.00	
DAIRY COMMISSIONER	8.00	8.00		
BOARD OF DENTAL EXAMINERS	7.00	7.00		
DISPENSING OPTICIANS BD	0.80	0.80		
EGG INSPECTION BOARD	5.00	5.00		
FUNERAL DIR./EMBALMERS BD	1.50	1.50		
INDUSTRIAL COMMISSION	218.00	240.00	22.00	
OCCUP SFTY & HLTH REV BD	0.00	0.00		
NURS CARE INST ADMIN BD	0.50	0.70	0.20	
DEPARTMENT OF INSURANCE	61.00	61.00		
DEPT OF LIQUOR LICENSES	60.50	60.50		
LIVESTOCK BOARD	108.20	108.20		
BOARD OF MEDICAL EXAM	30.00	31.00	1.00	
HOMEOPATHIC MED EXAM BD	0.00	0.00		
STATE MINE INSPECTOR	16.00	16.00		
BUILDING AND FIRE SAFETY	68.00	68.00		
NATUROPATHIC PHYS EXAM BD	0.00	0.00		
BOARD OF NURSING	19.20	20.20	1.00	
BOARD OF OPTOMETRY	1.50	1.50		
OSTEOPATHIC EXAM BD	4.50	4.50		
BOARD OF PHARMACY	11.00	11.00		
PHYSICAL THERAPY EXAM BD	1.00	1.00		
PODIATRY EXAMINERS BOARD	0.00	0.00		
PSYCHOLOGIST EXAMINERS BD	1.00	1.00		
BD OF PRIV POSTSECOND ED	3.00	3.00		
DEPARTMENT OF RACING	68.70	67.70	(1.00)	
REAL ESTATE DEPARTMENT	73.00	73.00		
STRUCTURAL PEST CONTROL	12.00	12.00		

Table A-4
(Continued)
FY 1989

LEGISLATIVE STAFF RECOMMENDATION
FULL TIME EQUIVALENT POSITIONS

AGENCY	1988 ESTIMATE	1989 RECOMMENDED	DIFFERENCE	PERCENT CHANGE
BD OF TECH REGISTRATION	14.00	15.00	1.00	
VETERINARY MED EXAM BD	1.50	2.00	0.50	
<u>INSPECTION & REGULATION</u>	<u>1,504.90</u>	<u>1,540.35</u>	<u>35.45</u>	<u>2.36%</u>
<u>EDUCATION</u>				
BOARD OF REGENTS	34.75	39.75	5.00	
U. OF A. - MAIN CAMPUS	4,868.20	4,995.74	127.54	
U. OF A. - COLL OF MED	582.70	588.70	6.00	
A.S.U. - MAIN CAMPUS	4,471.40	4,596.40	125.00	
A.S.U. - WEST	217.90	255.90	38.00	
NORTHERN AZ UNIVERSITY	1,530.00	1,587.00	57.00	
MED STUDENT LOANS BOARD	0.00	0.00		
BD OF DIR FOR COMM COLL	8.00	9.00	1.00	
DEPARTMENT OF EDUCATION	179.80	180.80	1.00	
SCH FOR THE DEAF & BLIND	427.40	427.40		
AZ COMMISSION ON THE ARTS	11.50	11.50		
AZ HISTORICAL SOCIETY	46.30	46.30		
PRESCOTT HIST SOCIETY	14.50	14.50		
<u>EDUCATION</u>	<u>12,392.45</u>	<u>12,752.99</u>	<u>360.54</u>	<u>2.91%</u>
<u>PROTECTION & SAFETY</u>				
DEPARTMENT OF CORRECTIONS	5,634.70	6,003.20	368.50	
DEPT OF EMER & MIL AFFRS	62.00	62.00		

Table A-4
(Continued)
FY 1989

LEGISLATIVE STAFF RECOMMENDATION
FULL TIME EQUIVALENT POSITIONS

AGENCY	1988 ESTIMATE	1989 RECOMMENDED	DIFFERENCE	PERCENT CHANGE
BD OF PARDONS AND PAROLES	40.00	40.00		
DEPT OF PUBLIC SAFETY	1,620.00	1,624.00	4.00	
AZ CRIMINAL JUSTICE COMM	4.00	4.00		
<u>PROTECTION & SAFETY</u>	<u>7,360.70</u>	<u>7,733.20</u>	<u>372.50</u>	<u>5.06%</u>
<u>DEPT OF TRANSPORTATION</u>	<u>3,068.00</u>	<u>3,181.50</u>	<u>113.50</u>	<u>3.70%</u>
<u>NATURAL RESOURCES</u>				
ARIZONA GEOLOGICAL SURVEY	0.00	14.25	14.25	
GAME AND FISH DEPARTMENT	268.00	272.00	4.00	
COMM ON AZ ENVIRONMENT	3.00	3.00		
STATE LAND DEPARTMENT	155.00	155.00		
DEPT OF MINERAL RESOURCES	11.50	11.50		
OIL AND GAS CONSERV COMM	4.00	4.00		
STATE PARKS BOARD	153.85	153.85		
DEPT OF WATER RESOURCES	223.20	237.20	14.00	
<u>NATURAL RESOURCES</u>	<u>818.55</u>	<u>850.80</u>	<u>32.25</u>	<u>3.94%</u>
<u>STATE TOTAL</u>	<u>32,941.95</u>	<u>33,940.74</u>	<u>998.79</u>	<u>3.03%</u>

Table A-5

FY 1989
 LEGISLATIVE STAFF RECOMMENDATIONS
 CAPITAL OUTLAY
 ALL FUNDS

GENERAL FUND

Building Renewal Formula.....	\$10,375,400
Arizona School for Deaf & Blind.....	866,700
Prescott Historical Society.....	32,600
Arizona Historical Society.....	<u>10,000</u>
TOTAL	\$11,284,700

CAPITAL OUTLAY STABILIZATION ACCOUNT

Building Renewal Formula.....	\$ 6,004,000
Department of Administration.....	<u>3,106,600</u>
TOTAL	\$ 9,110,600

OTHER FUNDS

Building Renewal Formula.....	\$ 1,377,000
Department of Corrections.....	23,000,000
Department of Transportation.....	<u>4,271,750</u>
TOTAL	\$28,648,750

TOTAL CAPITAL OUTLAY RECOMMENDATION..... \$49,044,050

Chart A-3

CAPITAL OUTLAY'S DWINDLING SHARE OF GENERAL FUND APPROPRIATIONS

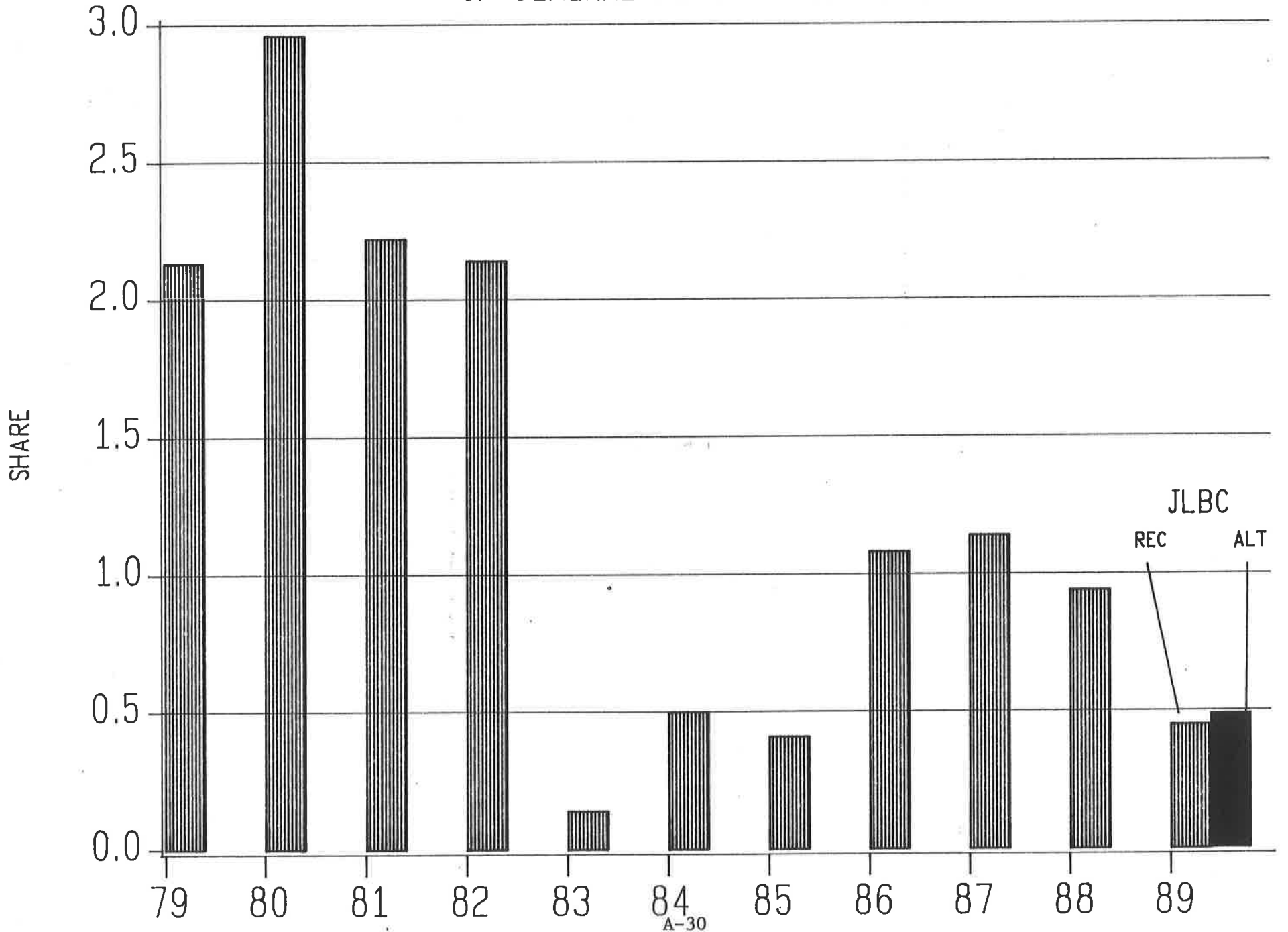


Chart B-1

FY 1989
GENERAL FUND
COMPOSITION OF ALTERNATIVE \$250 MILLION REDUCTION*

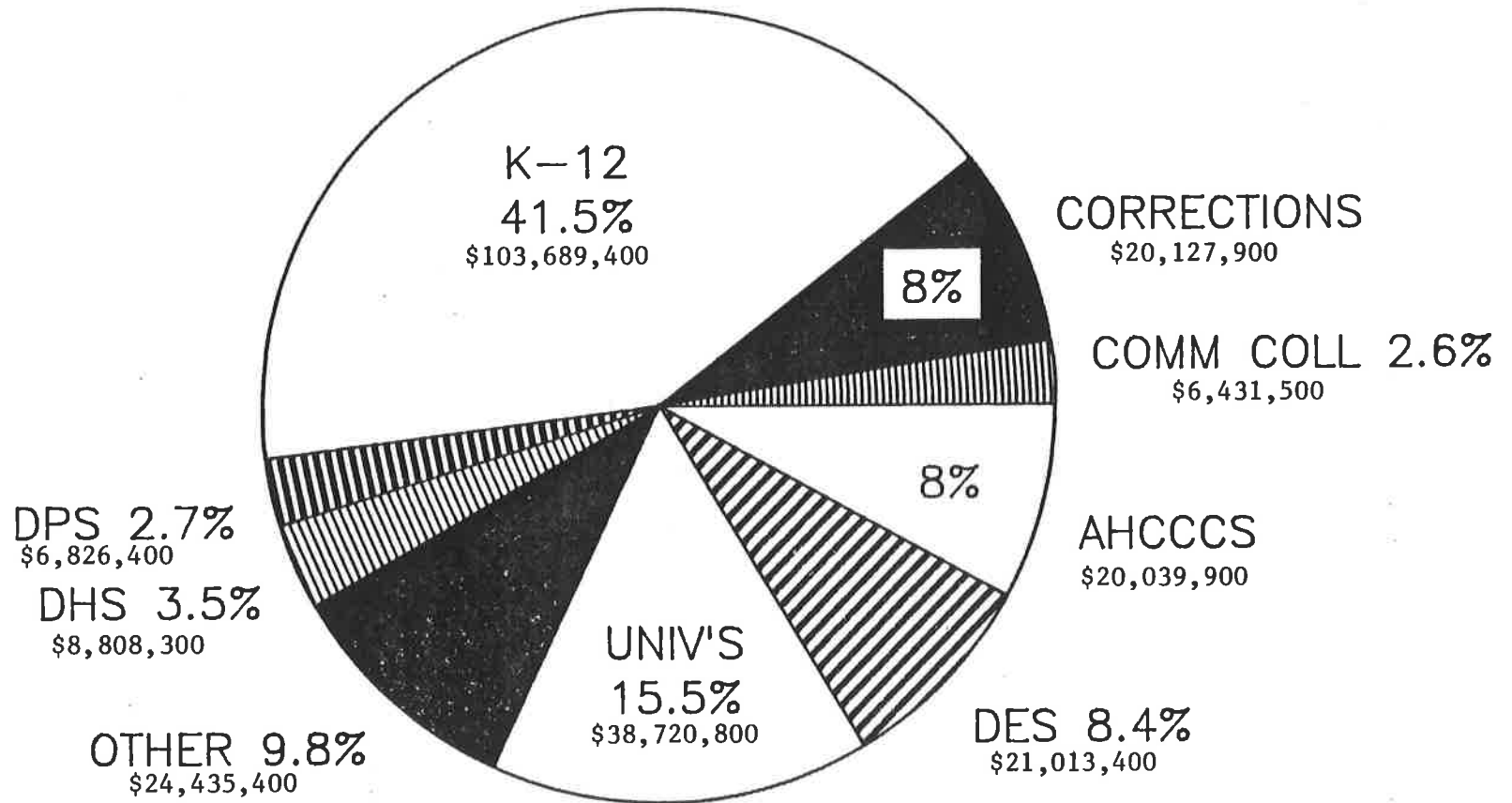


Table B-1
 FY 1989
 GENERAL FUND
 ALTERNATIVE BUDGET RECOMMENDATION

AGENCY	FY 1989				PERCENT OF FY 1988
	FY 1988 ESTIMATE	JLBC RECOMMENDATION	JLBC REDUCTION	JLBC ALT RECOMMENDATION	
<u>GENERAL GOVERNMENT</u>					
DEPT. OF ADMINISTRATION	25,953,400	26,104,400	2,218,900	23,885,500	92.03
PERSONNEL BOARD	214,700	215,500	18,300	197,200	91.85
ATTORNEY GENERAL	16,970,700	17,767,300	1,511,400	16,255,900	95.79
ARIZONA JUDICIARY	42,694,600	50,759,700	4,314,600	46,445,100	108.78
OFFICE OF THE GOVERNOR	2,772,900	2,771,900	0	2,771,900	99.96
OFFICE/AFFIRMATIVE ACTION	205,200	208,800	27,000	181,800	88.60
DEPARTMENT OF COMMERCE	3,152,600	3,348,500	284,600	3,063,900	97.19
OFFICE OF TOURISM	3,375,900	3,528,900	300,000	3,228,900	95.65
LAW ENF MERIT SYS CNCL	43,400	49,400	4,200	45,200	104.15
LEGISLATURE	22,993,100	25,010,500	1,190,300	23,820,200	103.60
DEPARTMENT OF REVENUE	33,672,300	33,430,800	5,024,600	28,406,200	84.36
DEPT OF ST.-SECY OF STATE	1,915,400	3,047,400	259,000	2,788,400	145.58
ST. BOARD OF TAX APPEALS	412,400	458,100	38,900	419,200	101.65
STATE TREASURER	3,217,200	3,220,400	273,700	2,946,700	91.59
AZ COMM ON UNFRM ST LAWS	14,800	19,800	1,700	18,100	122.30
<u>GENERAL GOVERNMENT</u>	<u>157,608,600</u>	<u>169,941,400</u>	<u>15,467,200</u>	<u>154,474,200</u>	<u>98.01</u>

Table B-1
(Continued)
FY 1989
GENERAL FUND
ALTERNATIVE BUDGET RECOMMENDATION

AGENCY	FY 1989				PERCENT OF FY 1988
	FY 1988 ESTIMATE	JLBC RECOMMENDATION	JLBC REDUCTION	JLBC ALT RECOMMENDATION	
<u>HEALTH & WELFARE</u>					
GOV-AZ RANGERS' PENSIONS	15,600	16,200	1,400	14,800	94.87
AZ CNCL FOR HEARING IMPRD	123,800	124,600	10,600	114,000	92.08
DEPT OF ECONOMIC SECURITY	233,053,200	247,216,700	21,013,400	226,203,300	97.06
DEPT OF HEALTH SERVICES	98,475,100	103,627,300	8,808,300	94,819,000	96.29
DEPT OF ENVIRON QUALITY	15,766,500	16,035,000	1,363,000	14,672,000	93.06
AHCCCS	140,010,300	235,763,200	20,039,900	215,723,300	154.08
AZ COMM ON INDIAN AFFAIRS	165,400	162,900	13,800	149,100	90.15
PIONEERS' HOME	2,676,100	2,649,300	225,200	2,424,100	90.58
VETERANS' SERVICES COMM	722,300	695,400	59,100	636,300	88.09
<u>HEALTH & WELFARE</u>	<u>491,008,300</u>	<u>606,290,600</u>	<u>51,534,700</u>	<u>554,755,900</u>	<u>112.98</u>
<u>INSPECTION & REGULATION</u>					
DEPT OF WEIGHT/MEASURES	1,554,200	1,600,700	250,000	1,350,700	86.91
AG EMPL RELATIONS BD	197,900	199,300	16,900	182,400	92.17
COMM OF AG & HORT	6,032,800	6,074,000	516,500	5,557,500	92.12
BOXING COMMISSION	36,800	39,500	3,400	36,100	98.10
RADIATION REGULATORY AGCY	1,212,100	1,314,500	111,700	1,202,800	99.23
BANKING DEPARTMENT	2,943,500	3,074,300	261,300	2,813,000	95.57
REGISTRAR OF CONTRACTORS	3,434,400	4,148,600	352,600	3,796,000	110.53
CORPORATION COMMISSION	4,934,500	5,174,100	439,800	4,734,300	95.94
DAIRY COMMISSIONER	475,100	470,400	40,000	430,400	90.59
OCCUP SFTY & HLTH REV BD	7,100	3,300	300	3,000	42.25

Table B-1
(Continued)
FY 1989
GENERAL FUND
ALTERNATIVE BUDGET RECOMMENDATION

AGENCY	FY 1989				PERCENT OF FY 1988
	FY 1988 ESTIMATE	JLBC RECOMMENDATION	JLBC REDUCTION	JLBC ALT RECOMMENDATION	
DEPARTMENT OF INSURANCE	2,256,100	2,070,800	177,000	1,893,800	83.94
DEPT OF LIQUOR LICENSES	2,084,400	2,154,100	183,200	1,970,900	94.55
LIVESTOCK BOARD	3,804,300	3,880,000	329,800	3,550,200	93.32
STATE MINE INSPECTOR	785,200	765,100	65,000	700,100	89.16
BUILDING AND FIRE SAFETY	2,555,900	2,586,600	219,900	2,366,700	92.60
DEPARTMENT OF RACING	2,614,700	2,582,900	219,500	2,363,400	90.39
REAL ESTATE DEPARTMENT	2,612,500	2,629,200	223,500	2,405,700	92.08
<u>INSPECTION & REGULATION</u>	<u>37,541,500</u>	<u>38,767,400</u>	<u>3,410,400</u>	<u>35,357,000</u>	<u>94.18</u>
<u>EDUCATION</u>					
BOARD OF REGENTS	4,986,100	5,196,800	441,700	4,755,100	95.37
U. OF A. - MAIN CAMPUS	173,729,800	179,519,200	15,259,100	164,260,100	94.55
U. OF A. - COLL OF MED	40,102,600	40,249,000	3,421,200	36,827,800	91.83
A.S.U. - MAIN CAMPUS	153,362,800	160,984,900	13,683,700	147,301,200	96.05
A.S.U. - WEST	7,463,700	10,730,700	912,100	9,818,600	131.55
NORTHERN AZ UNIVERSITY	55,203,500	58,859,300	5,003,000	53,856,300	97.56
MED STUDENT LOANS BOARD	75,000	10,000	800	9,200	12.27
BD OF DIR FOR COMM COLL	68,520,100	74,770,500	6,431,500	68,339,000	99.74
DEPARTMENT OF EDUCATION	1,059,827,200	1,215,000,900	103,689,400	1,111,311,500	104.86
SCH FOR THE DEAF & BLIND	9,725,500	10,431,900	886,900	9,545,000	98.14
AZ COMMISSION ON THE ARTS	1,327,600	1,357,200	115,400	1,241,800	93.54
AZ HISTORICAL SOCIETY	1,790,100	1,846,900	157,000	1,689,900	94.40
PRESCOTT HIST SOCIETY	451,100	452,900	38,500	414,400	91.86
<u>EDUCATION</u>	<u>1,576,565,100</u>	<u>1,759,410,200</u>	<u>150,040,300</u>	<u>1,609,369,900</u>	<u>102.08</u>

Table B-1
(Continued)
FY 1989
GENERAL FUND
ALTERNATIVE BUDGET RECOMMENDATION

AGENCY	FY 1989				PERCENT OF FY 1988
	FY 1988 ESTIMATE	JLBC RECOMMENDATION	JLBC REDUCTION	JLBC ALT RECOMMENDATION	
<u>PROTECTION & SAFETY</u>					
DEPARTMENT OF CORRECTIONS	212,953,000	236,794,700	20,127,900	216,666,800	101.74
DEPT OF EMER & MIL AFFRS	3,834,000	3,975,200	337,900	3,637,300	94.87
BD OF PARDONS AND PAROLES	1,572,600	1,558,700	148,400	1,410,300	89.68
DEPT OF PUBLIC SAFETY	78,454,100	80,138,800	6,826,400	73,312,400	93.45
AZ CRIMINAL JUSTICE COMM	0	0	0	0	
<u>PROTECTION & SAFETY</u>	<u>296,813,700</u>	<u>322,467,400</u>	<u>27,440,600</u>	<u>295,026,800</u>	<u>99.40</u>
<u>DEPT OF TRANSPORTATION</u>	<u>85,300</u>	<u>82,200</u>	<u>7,000</u>	<u>75,200</u>	<u>88.16</u>
<u>NATURAL RESOURCES</u>					
ARIZONA GEOLOGICAL SURVEY	0	532,200	45,200	487,000	
COMM ON AZ ENVIRONMENT	125,800	127,800	10,900	116,900	92.93
STATE LAND DEPARTMENT	7,830,000	7,386,100	627,800	6,758,300	86.31
DEPT OF MINERAL RESOURCES	456,200	461,800	39,300	422,500	92.61
OIL AND GAS CONSERV COMM	187,900	193,900	16,500	177,400	94.41
STATE PARKS BOARD	5,411,500	5,622,400	477,900	5,144,500	95.07
DEPT OF WATER RESOURCES	11,505,900	11,472,700	975,200	10,497,500	91.24
<u>NATURAL RESOURCES</u>	<u>25,517,300</u>	<u>25,796,900</u>	<u>2,192,800</u>	<u>23,604,100</u>	<u>92.50</u>
<u>STATE TOTAL</u>	<u>2,585,139,800</u>	<u>2,922,756,100</u>	<u>250,093,000</u>	<u>2,672,663,100</u>	<u>103.39</u>

Table B-2

COMPARISON
EXECUTIVE AND JLBC ALTERNATIVE RECOMMENDATIONS
GENERAL FUND - OPERATING BUDGETS - FY 1989

AGENCY	EXECUTIVE RECOM.	JLBC ALT REC	OVER (UNDER)	PERCENT OVER (UNDER)
<u>GENERAL GOVERNMENT</u>				
Department of Administration	26,612,200	23,885,500	(2,726,700)	-10.25%
Attorney General - Dept. of Law	16,166,000	16,255,900	89,900	0.56%
Department of Commerce	4,250,900	3,063,900	(1,187,000)	-27.92%
Office of the Governor	2,771,900	2,771,900	0	0.00%
Gov's Off. of Affirm Action	208,900	181,800	(27,100)	-12.97%
Judicial System	42,694,600	46,445,100	3,750,500	8.78%
Law Enforc. Merit Syst. Cncl.	44,100	45,200	1,100	2.49%
Legislature	22,993,100	23,820,200	827,100	3.60%
Personnel Board	213,900	197,200	(16,700)	-7.81%
Department of Revenue	33,252,700	28,406,200	(4,846,500)	-14.57%
Department of State	2,906,200	2,788,400	(117,800)	-4.05%
State Bd. of Tax Appeals	394,700	419,200	24,500	6.21%
Office of Tourism	3,894,400	3,228,900	(665,500)	-17.09%
State Treasurer	3,245,200	2,946,700	(298,500)	-9.20%
Comm. on Uniform St. Laws	18,800	18,100	(700)	-3.72%
<u>SUBTOTAL - GENERAL GOVERNMENT</u>	<u>159,667,600</u>	<u>154,474,200</u>	<u>(5,193,400)</u>	<u>-3.25%</u>
<u>HEALTH AND WELFARE</u>				
Arizona Health Care Cost				
Containment System (AHCCGS)	212,938,300	215,723,300	2,785,000	1.31%
Arizona Pioneers' Home	2,881,700	2,424,100	(457,600)	-15.88%
Arizona Rangers' Pension	16,200	14,800	(1,400)	-8.64%

Table B-2
(Continued)
COMPARISON
EXECUTIVE AND JLBC ALTERNATIVE RECOMMENDATIONS
GENERAL FUND - OPERATING BUDGETS - FY 1989

AGENCY	EXECUTIVE RECOM.	JLBC ALT REC	OVER (UNDER)	PERCENT OVER (UNDER)
Dept. of Economic Security	237,126,600	226,203,300	(10,923,300)	-4.61%
Dept. of Health Services	99,028,600	94,819,000	(4,209,600)	-4.25%
Dept. of Environmental Quality	15,937,300	14,672,000	(1,265,300)	-7.94%
Cncl. for the Hearing Impaired	124,100	114,000	(10,100)	-8.14%
Comm. on Indian Affairs	156,000	149,100	(6,900)	-4.42%
Veterans' Service Commission	694,400	636,300	(58,100)	-8.37%
<u>SUBTOTAL - HEALTH & WELFARE</u>	<u>568,903,200</u>	<u>554,755,900</u>	<u>(14,147,300)</u>	<u>-2.49%</u>
 <u>INSPECTION AND REGULATION</u>				
Agricultural Employ. Rel. Bd.	186,100	182,400	(3,700)	-1.99%
Agri. & Hort. Commission	5,897,300	5,557,500	(339,800)	-5.76%
Banking Department	2,878,500	2,813,000	(65,500)	-2.28%
Boxing Commission	36,700	36,100	(600)	-1.63%
Building and Fire Safety	2,549,100	2,366,700	(182,400)	-7.16%
Registrar of Contractors	3,400,500	3,796,000	395,500	11.63%
Corporation Commission	4,767,000	4,734,300	(32,700)	-0.69%
Dairy Commissioner	470,900	430,400	(40,500)	-8.60%
Department of Insurance	2,163,000	1,893,800	(269,200)	-12.45%
Dept. of Liquor Lic. & Contr.	2,050,800	1,970,900	(79,900)	-3.90%
Livestock Board	3,749,600	3,550,200	(199,400)	-5.32%
Mine Inspector	743,800	700,100	(43,700)	-5.88%
OSHA Review Board	3,300	3,000	(300)	-9.09%
Department of Racing	2,332,600	2,363,400	30,800	1.32%
Radiation Regulatory Agency	1,188,900	1,202,800	13,900	1.17%

Table B-2
(Continued)
COMPARISON
EXECUTIVE AND JLBC ALTERNATIVE RECOMMENDATIONS
GENERAL FUND - OPERATING BUDGETS - FY 1989

AGENCY	EXECUTIVE RECOM.	JLBC ALT REC	OVER (UNDER)	PERCENT OVER (UNDER)
Real Estate Department	2,604,400	2,405,700	(198,700)	-7.63%
Weights and Measures	1,634,100	1,350,700	(283,400)	-17.34%
<u>SUBTOTAL-INSP. & REGULATION</u>	<u>36,656,600</u>	<u>35,357,000</u>	<u>(1,299,600)</u>	<u>-3.55%</u>
 <u>EDUCATION</u>				
Commission on the Arts	1,338,000	1,241,800	(96,200)	-7.19%
Arizona Historical Society	1,835,800	1,689,900	(145,900)	-7.95%
Community Colleges Board	70,785,000	68,339,000	(2,446,000)	-3.46%
Deaf and Blind School	9,914,200	9,545,000	(369,200)	-3.72%
Bd. of Medical Student Loans	60,000	9,200	(50,800)	-84.67%
Prescott Historical Society	451,100	414,400	(36,700)	-8.14%
Board of Regents	4,898,700	4,755,100	(143,600)	-2.93%
ASU - Main Campus	148,916,300	147,301,200	(1,615,100)	-1.08%
ASU - West Campus	7,338,500	9,818,600	2,480,100	33.80%
Northern Arizona University	54,014,900	53,856,300	(158,600)	-0.29%
U of A - Main Campus	166,407,300	164,260,100	(2,147,200)	-1.29%
U of A - College of Medicine	39,571,000	36,827,800	(2,743,200)	-6.93%
Department of Education	1,103,711,700	1,111,311,500	7,599,800	0.69%
<u>SUBTOTAL - EDUCATION</u>	<u>1,609,242,500</u>	<u>1,609,369,900</u>	<u>127,400</u>	<u>0.01%</u>

Table B-2
(Continued)
COMPARISON

EXECUTIVE AND JLBC ALTERNATIVE RECOMMENDATIONS
GENERAL FUND - OPERATING BUDGETS - FY 1989

AGENCY	EXECUTIVE RECOM.	JLBC ALT REC	OVER (UNDER)	PERCENT OVER (UNDER)
<u>PROTECTION AND SAFETY</u>				
Department of Corrections	222,540,200	216,666,800	(5,873,400)	-2.64%
Dept. of Emr. Svcs. & Mil Aff.	3,878,500	3,637,300	(241,200)	-6.22%
Bd. of Pardons & Paroles	1,417,500	1,410,300	(7,200)	-0.51%
Department of Public Safety	77,342,500	73,312,400	(4,030,100)	-5.21%
Criminal Justice Commission	7,500,000	0	(7,500,000)	-100.00%
<u>SUBTOTAL - PROTECTION & SAFETY</u>	<u>312,678,700</u>	<u>295,026,800</u>	<u>(17,651,900)</u>	<u>-5.65%</u>
<u>DEPARTMENT OF TRANSPORTATION</u>	<u>81,400</u>	<u>75,200</u>	<u>(6,200)</u>	<u>-7.62%</u>
<u>NATURAL RESOURCES</u>				
Comm. on the Ariz. Environment	112,700	116,900	4,200	3.73%
Geological Survey	608,800	487,000	(121,800)	-20.01%
Land Department	7,202,300	6,758,300	(444,000)	-6.16%
Dept. of Mines & Mineral Res.	452,000	422,500	(29,500)	-6.53%
Oil & Gas Conserv. Comm.	189,100	177,400	(11,700)	-6.19%
Parks Board	5,436,400	5,144,500	(291,900)	-5.37%
Water Resources	11,030,100	10,497,500	(532,600)	-4.83%
<u>SUBTOTAL - NAT'L RESOURCE</u>	<u>25,031,400</u>	<u>23,604,100</u>	<u>(1,427,300)</u>	<u>-5.70%</u>

Table B-2
(Continued)
COMPARISON

EXECUTIVE AND JLBC ALTERNATIVE RECOMMENDATIONS
GENERAL FUND - OPERATING BUDGETS - FY 1989

AGENCY	EXECUTIVE RECOM.	JLBC ALT REC	OVER (UNDER)	PERCENT OVER (UNDER)
TOTAL GENERAL FUND OPERATING BUDGET	2,712,261,400	2,672,663,100	(39,598,300)	-1.46%
FY 1989 Empl. Pay Package	23,856,200	5,428,300	(18,427,900)	-77.25%
Capital Outlay Recommendations	31,729,100	13,284,700 *	(18,444,400)	-58.13%
Drug Elimination Initiative	3,000,000		(3,000,000)	-100.00%
Governor's K-3 Initiative	1,500,000		(1,500,000)	-100.00%
Retire. (Inc. from 4.75 to 5.09%)		7,000,000	7,000,000	
<u>SUBTOTAL - FY 1989 BUDGET</u>	<u>2,772,346,700</u>	<u>2,698,376,100</u>	<u>(73,970,600)</u>	<u>-2.67%</u>
Governor's Reduction Plan	(102,966,300)		102,966,300	
TOTAL FY 1989 GENERAL FUND BUDGET	2,669,380,400	2,698,376,100	28,995,700	1.09%

* Capital Outlay Recommendations by the JLBC include \$2,000,000 appropriated in 1987 Session.

Note: Although comparisons have been made in this table to the Governor's budget recommendation, they are of little value given the fact that some \$122 million of additional budget cuts are unspecified in the Governor's plan. This includes the "Governor's Reduction Plan" for \$103.0 million as shown above, and a \$19 million lump-sum reduction recommended by the Governor for the Department of Corrections. As of this writing JLBC Staff has no indication from the Executive Budget Office as to where these cuts will be shown.

Table B-3

FY 1989

LEGISLATIVE STAFF ALTERNATIVE RECOMMENDATION
FULL TIME EQUIVALENT POSITIONS

AGENCY	1988 ESTIMATE	1989 RECOMMENDED	FTE ALT RDT	1989 ALT REC	PERCENT 1988
<u>GENERAL GOVERNMENT</u>					
DEPT. OF ADMINISTRATION	539.75	522.25	45.00	477.25	
PERSONNEL BOARD	3.00	3.00		3.00	
ATTORNEY GENERAL	310.00	312.00	30.00	282.00	
COLISEUM/EXPOSITION CTR	254.00	254.00		254.00	
ARIZONA JUDICIARY	315.80	316.80	0.25	316.55	
OFFICE OF THE GOVERNOR	0.00	0.00		0.00	
OFFICE/AFFIRMATIVE ACTION	5.00	5.00	1.00	4.00	
DEPARTMENT OF COMMERCE	42.00	42.00		42.00	
OFFICE OF TOURISM	15.00	15.00		15.00	
LAW ENF MERIT SYS CNCL	1.00	1.00		1.00	
LEGISLATURE	280.00	280.00	17.00	263.00	
STATE RETIREMENT SYSTEM	57.00	59.00		59.00	
DEPARTMENT OF REVENUE	922.00	922.00	184.00	738.00	
DEPT OF ST. -SECY OF STATE	30.00	30.00		30.00	
ST. BOARD OF TAX APPEALS	7.50	7.50	0.50	7.00	
STATE TREASURER	28.00	28.00	3.00	25.00	
AZ COMM ON UNFRM ST LAWS	0.00	0.00		0.00	
<u>GENERAL GOVERNMENT</u>	<u>2,810.05</u>	<u>2,797.55</u>	<u>280.75</u>	<u>2,516.80</u>	<u>89.96%</u>

Table B-3
(Continued)
FY 1989

LEGISLATIVE STAFF ALTERNATIVE RECOMMENDATION
FULL TIME EQUIVALENT POSITIONS

AGENCY	1988 ESTIMATE	1989 RECOMMENDED	FTE ALT RDT	1989 ALT REC	PERCENT 1988
<u>HEALTH & WELFARE</u>					
GOV-AZ RANGERS' PENSIONS	0.00	0.00		0.00	
AZ CNCL FOR HEARING IMPRD	3.00	3.00	0.25	2.75	
DEPT OF ECONOMIC SECURITY	2,664.30	2,557.60	38.10	2,519.50	
DEPT OF HEALTH SERVICES	1,454.50	1,482.50	43.00	1,439.50	
DEPT OF ENVIRON QUALITY	255.00	256.00	36.00	220.00	
AHCCCS	464.50	638.25		638.25	
AZ COMM ON INDIAN AFFAIRS	4.00	4.00	0.50	3.50	
PIONEERS' HOME	110.00	110.00	11.05	98.95	
VETERANS' SERVICES COMM	32.00	33.00	2.00	31.00	
<u>HEALTH & WELFARE</u>	<u>4,987.30</u>	<u>5,084.35</u>	<u>130.90</u>	<u>4,953.45</u>	<u>97.43%</u>
<u>INSPECTION & REGULATION</u>					
DEPT OF WEIGHT/MEASURES	36.00	36.00		36.00	
BOARD OF ACCOUNTANCY	8.00	9.00		9.00	
AG EMPL RELATIONS BD	4.00	4.00		4.00	
COMM OF AG & HORT	204.50	200.50	15.00	185.50	
BOXING COMMISSION	1.00	1.50		1.50	
RADIATION REGULATORY AGCY	29.00	28.00	3.00	25.00	
BANKING DEPARTMENT	79.00	79.00	4.00	75.00	
BOARD OF BARBER EXAM	3.00	3.00		3.00	
CHIROPRACTIC EXAMINERS BD	3.00	3.50		3.50	
REGISTRAR OF CONTRACTORS	99.00	110.00	8.00	102.00	
CORPORATION COMMISSION	219.00	219.00	9.00	210.00	

Table B-3
(Continued)
FY 1989

LEGISLATIVE STAFF ALTERNATIVE RECOMMENDATION
FULL TIME EQUIVALENT POSITIONS

AGENCY	1988 ESTIMATE	1989 RECOMMENDED	FTE ALT RDT	1989 ALT REC	PERCENT 1988
RESID UTIL CONS OFFICE	10.00	11.75		11.75	
BOARD OF COSMETOLOGY	14.50	15.50		15.50	
DAIRY COMMISSIONER	8.00	8.00	0.50	7.50	
BOARD OF DENTAL EXAMINERS	7.00	7.00		7.00	
DISPENSING OPTICIANS BD	0.80	0.80		0.80	
EGG INSPECTION BOARD	5.00	5.00		5.00	
FUNERAL DIR./EMBALMERS BD	1.50	1.50		1.50	
INDUSTRIAL COMMISSION	218.00	240.00		240.00	
OCCUP SFTY & HLTH REV BD	0.00	0.00		0.00	
NURS CARE INST ADMIN BD	0.50	0.70		0.70	
DEPARTMENT OF INSURANCE	61.00	61.00	6.00	55.00	
DEPT OF LIQUOR LICENSES	60.50	60.50	4.00	56.50	
LIVESTOCK BOARD	108.20	108.20	7.25	100.95	
BOARD OF MEDICAL EXAM	30.00	31.00		31.00	
HOMEOPATHIC MED EXAM BD	0.00	0.00		0.00	
STATE MINE INSPECTOR	16.00	16.00	1.00	15.00	
BUILDING AND FIRE SAFETY	68.00	68.00	5.00	63.00	
NATUROPATHIC PHYS EXAM BD	0.00	0.00		0.00	
BOARD OF NURSING	19.20	20.20		20.20	
BOARD OF OPTOMETRY	1.50	1.50		1.50	
OSTEOPATHIC EXAM BD	4.50	4.50		4.50	
BOARD OF PHARMACY	11.00	11.00		11.00	
PHYSICAL THERAPY EXAM BD	1.00	1.00		1.00	
PODIATRY EXAMINERS BOARD	0.00	0.00		0.00	
PSYCHOLOGIST EXAMINERS BD	1.00	1.00		1.00	
BD OF PRIV POSTSECOND ED	3.00	3.00		3.00	
DEPARTMENT OF RACING	68.70	67.70	3.80	63.90	
REAL ESTATE DEPARTMENT	73.00	73.00	5.00	68.00	
STRUCTURAL PEST CONTROL	12.00	12.00		12.00	

Table B-3
(Continued)
FY 1989

LEGISLATIVE STAFF ALTERNATIVE RECOMMENDATION
FULL TIME EQUIVALENT POSITIONS

AGENCY	1988 ESTIMATE	1989 RECOMMENDED	FTE ALT RDT	1989 ALT REC	PERCENT 1988
BD OF TECH REGISTRATION	14.00	15.00		15.00	
VETERINARY MED EXAM BD	1.50	2.00		2.00	
<u>INSPECTION & REGULATION</u>	<u>1,504.90</u>	<u>1,540.35</u>	<u>71.55</u>	<u>1,468.80</u>	<u>95.35%</u>
<u>EDUCATION</u>					
BOARD OF REGENTS	34.75	39.75		39.75	
U. OF A. - MAIN CAMPUS	4,868.20	4,995.74	295.90	4,699.84	
U. OF A. - COLL OF MED	582.70	588.70	53.00	535.70	
A.S.U. - MAIN CAMPUS	4,471.40	4,596.40	272.00	4,324.40	
A.S.U. - WEST	217.90	255.90	13.00	242.90	
NORTHERN AZ UNIVERSITY	1,530.00	1,587.00	106.00	1,481.00	
MED STUDENT LOANS BOARD	0.00	0.00		0.00	
BD OF DIR FOR COMM COLL	8.00	9.00		9.00	
DEPARTMENT OF EDUCATION	179.80	180.80	2.00	178.80	
SCH FOR THE DEAF & BLIND	427.40	427.40	19.00	408.40	
AZ COMMISSION ON THE ARTS	11.50	11.50	0.00	11.50	
AZ HISTORICAL SOCIETY	46.30	46.30	2.80	43.50	
PRESCOTT HIST SOCIETY	14.50	14.50	1.50	13.00	
<u>EDUCATION</u>	<u>12,392.45</u>	<u>12,752.99</u>	<u>765.20</u>	<u>11,987.79</u>	<u>94.00%</u>
<u>PROTECTION & SAFETY</u>					
DEPARTMENT OF CORRECTIONS	5,634.70	6,003.20	413.00	5,590.20	
DEPT OF EMER & MIL AFFRS	62.00	62.00	6.00	56.00	

Table B-3
(Continued)
FY 1989

LEGISLATIVE STAFF ALTERNATIVE RECOMMENDATION
FULL TIME EQUIVALENT POSITIONS

AGENCY	1988 ESTIMATE	1989 RECOMMENDED	FTE ALT RDT	1989 ALT REC	PERCENT 1988
BD OF PARDONS AND PAROLES	40.00	40.00	3.00	37.00	
DEPT OF PUBLIC SAFETY	1,620.00	1,624.00	115.50	1,508.50	
AZ CRIMINAL JUSTICE COMM	4.00	4.00		4.00	
<u>PROTECTION & SAFETY</u>	<u>7,360.70</u>	<u>7,733.20</u>	<u>537.50</u>	<u>7,195.70</u>	<u>93.05%</u>
<u>DEPT OF TRANSPORTATION</u>	<u>3,068.00</u>	<u>3,181.50</u>		<u>3,181.50</u>	<u>100.00%</u>
<u>NATURAL RESOURCES</u>					
ARIZONA GEOLOGICAL SURVEY	0.00	14.25	2.60	11.65	
GAME AND FISH DEPARTMENT	268.00	272.00		272.00	
COMM ON AZ ENVIRONMENT	3.00	3.00		3.00	
STATE LAND DEPARTMENT	155.00	155.00	7.00	148.00	
DEPT OF MINERAL RESOURCES	11.50	11.50	1.00	10.50	
OIL AND GAS CONSERV COMM	4.00	4.00		4.00	
STATE PARKS BOARD	153.85	153.85	6.35	147.50	
DEPT OF WATER RESOURCES	223.20	237.20	10.00	227.20	
<u>NATURAL RESOURCES</u>	<u>818.55</u>	<u>850.80</u>	<u>26.95</u>	<u>823.85</u>	<u>96.83%</u>
<u>STATE TOTAL</u>	<u>32,941.95</u>	<u>33,940.74</u>	<u>1,812.85</u>	<u>32,127.89</u>	<u>94.66%</u>

THE U.S. ECONOMY

In 1987, the performance of the U.S. economy approached its long-run average growth rate. In real (inflation-adjusted) terms, the U.S. economy grew by 2.8 percent in 1987, slightly less than the 3.0 percent average long-run rate of growth.* In 1986 it grew by 2.9 percent and in 1985 it grew by 3.0 percent. Although the economy has not experienced robust growth in the past three years, it has nevertheless been consistent and non-inflationary. The reasons for the economy's modest performance in 1987 are, however, examined below. In addition, the short term and long term outlook for the U.S. economy is presented. This is followed by a brief discussion of the forecasting risks which might disrupt the economic outlook.

I. 1987 IN REVIEW

The performance of the U.S. economy in 1987 was marked by periods of above average and below average growth. Table 1 illustrates the principal components of GNP in each quarter of 1987 with annual averages provided in the last column. Table 2 shows quarterly rates of growth of real GNP and its components in 1987. Also shown is JLBC's prior year forecast of economic growth in 1987. Given the forecast for the fourth quarter of 1987, JLBC's prior year forecast slightly underestimated real GNP growth in 1987. It now appears that real GNP growth will total 2.8 percent as compared to the JLBC forecast of 2.7 percent.

Consumer spending deteriorated throughout much of 1987, increasing by only \$47.2 billion, or 1.9 percent. Whereas tax-law changes and auto financing incentives stimulated spending in 1986, slow real wage growth and rising household debt constrained spending in 1987. In addition, low household saving and the stock market collapse forced consumers to be more cautious. Table 8 illustrates the dropoff in consumer spending that occurred in 1987. Government spending, illustrated in Table 9, increased by 2.2 percent, or \$16.6 billion in 1987. Most of this increase, however, was attributable to state and local government spending. Federal government spending increased by only \$3.3 billion in 1987.

Investment spending also contributed to economic growth in 1987. Business fixed investment on new machinery and equipment increased in 1987 because of increased factory utilization rates and improved profit margins. Business inventory investment also increased in response to stronger foreign demand for U.S. manufactured goods. Residential investment, however, was off in 1987. Higher interest rates and tax-law changes probably accounted for the stagnation in the housing industry. Table 10 illustrates investment spending over the past ten years.

*1987 is based upon a preliminary estimate of GNP in the fourth quarter of 1987.

I. 1987 IN REVIEW
(Continued)

Table 1

GNP - 1987
(SAAR, Billions of 1982 Dollars)

	JLBC Forecast ^{1/} 1987					Actual 1987
		Q1	Q2	Q3	Q4	
Real GNP	3,775.2	3,772.2	3,795.3	3,835.9	3,864.1	3,816.9
Consumption	2,475.4	2,475.9	2,487.5	2,520.7	2,506.7	2,497.7
Nonresidential Investment	457.3	426.0	437.9	463.8	473.3	450.2
Residential Investment	199.1	198.2	196.8	193.5	192.9	195.4
Inventory Investment	18.9	47.6	39.0	24.6	29.3	35.1
Government	759.5	759.6	766.7	771.7	786.5	771.1
Net Exports	(135.1)	(135.2)	(132.7)	(138.4)	(124.5)	(132.7)

Table 2

GNP - 1987
Annual Rates of Change

	JLBC Forecast ^{1/} 1987					Actual 1987
		Q1	Q2	Q3	Q4	
Real GNP	2.7	4.4	2.5	4.3	3.0	2.8
Consumption		(0.7)	1.9	5.4	(2.2)	1.9
Nonresidential Investment		(14.6)	11.7	25.8	8.4	1.5
Residential Investment		(7.7)	(2.8)	(6.5)	(1.2)	(0.5)
Government		(6.2)	3.8	2.6	7.9	2.2
Exports		10.2	17.9	23.7	8.0	12.3
Imports		(5.2)	11.1	22.4	(3.8)	6.4

^{1/} Forecast dated December, 1987.

I. 1987 IN REVIEW (Continued)

Finally, the trade deficit improved in 1987 and thereby contributed to economic growth. Table 6 illustrates the U.S. trade deficit and movements in the dollar exchange rate index since 1978. The trade deficit appears to have peaked in mid-1986 as a result of continuing declines in the value of the dollar. In 1987 the trade deficit narrowed by about \$13 billion, from \$145 billion to \$133 billion. While imports rose 6.4 percent in 1987, exports grew 12.3 percent (see Table 2). Export growth has been most pronounced in industrial commodities and selected equipment. Import growth, on the other hand, has primarily been confined to oil products and capital goods.

1987 was also a good year in terms of industrial production, employment and inflation. Industrial production rose 3.6 percent in 1987 as exports of manufactured goods accelerated. Moreover, as a result of increased production levels, the civilian unemployment rate dropped to 6.2 percent. Tables 11 and 12 illustrate the U.S. unemployment rate and the Federal Reserve Board's index of industrial production respectively.

The rate of inflation picked up slightly in 1987. However, consumer prices still rose a modest 3.6 percent, as measured by the Consumer Price Index. The GNP Deflator, which measures both producer and consumer prices, rose an even smaller 3.0 percent in 1987. Interest rates, on the other hand, began to increase partly in response to higher prices and partly because of credit tightening by the Federal Reserve. Restrictive monetary policy (which increases interest rates) was necessary in order to continue to attract foreign capital to finance the budget deficit.

In summary, 1987 was another year of modest economic growth. Although consumer spending deteriorated, the trade deficit declined as the dollar fell. Improved trading conditions also produced significant increases in industrial production and, consequently, employment levels. The rate of inflation remained subdued and interest rates rose modestly.

II. ECONOMIC OUTLOOK

In 1988 the U.S. economy is expected to continue to grow slowly. However, the collapse of the stock market on October 19th has increased the chances of recession in 1988 and 1989 because it adversely affects consumer spending and business investment spending.

Tables 3 and 4 compare two economic forecasts for 1988 and 1989. Both Wharton Econometrics and the University of Michigan's Research Seminar on Quantitative Economics (RSQE) expect the economy to grow at approximately the same rate in 1988. However, they disagree over the sources of growth. Wharton expects business investment on new plant and equipment to accelerate as exports of manufactured goods increases. The University of Michigan, however, expects the trade deficit to shrink much more dramatically because of strong export growth and declining imports. Nevertheless, they do not foresee a significant increase in business investment as a result of growing exports.

The forecasts for 1989 differ more dramatically. Wharton expects another year of sluggish economic growth because of stagnant consumer spending and declining housing activity. Slow income growth and rising mortgage rates account for this scenario. They also expect the trade deficit to improve only marginally.

RSQE, on the other hand, expects the trade deficit to be almost eradicated by the end of 1989. Hence, they foresee a much more vibrant economy in 1989. They also expect stronger inventory growth and an increase in housing activity. Consequently, they are projecting that interest rates will drop slightly in 1989, whereas Wharton expects a slight increase in interest rates in 1989.

Table 5 presents forecasts of other key economic variables. In general, the rate of unemployment is expected to drift lower in 1988 and then increase in 1989 and 1990 (see Table 11). Estimates of the civilian unemployment rate in 1988 range from 6.1 percent to 6.2 percent. The rate of inflation, measured by the GNP implicit price deflator, is forecast to increase between 3.4 and 3.6 percent in 1988 and 3.9 and 5.1 percent in 1989 (see Table 15). Finally, interest rates are expected to increase modestly in 1988 and 1989; although the University of Michigan does not expect any increase. Wharton projects that the three month treasury bill rate will rise from 5.8 percent in 1987 to 7.5 percent in 1989 (see Table 13). RSQE estimates that the three month treasury bill rate will remain at approximately 5.7 percent in 1988 and 1989.

In summary, the U.S economy appears to be headed for another year of modest growth in 1988. Consumer spending is expected to remain stagnant because of accumulating household debts and slow income growth. Moreover, the stock market collapse will adversely affect consumer and business spending, although the magnitude of its impact is uncertain. Investment spending on new plant and equipment may increase modestly because of growing exports. Government spending is not expected to change much because of efforts to cut the budget deficit. And finally, the trade deficit is forecast to shrink as a result of the dollar's fall.

While 1989 is highly uncertain, economic growth is expected to remain modest. However, a rapidly declining trade deficit could generate robust growth. Conversely, sluggish domestic spending could severely limit economic growth. Unemployment, inflation and interest rates are expected to increase slightly.

II. ECONOMIC OUTLOOK
(Continued)

Table 3
Economic Forecasts
(Billions of 1982 Dollars)

	Wharton ^{1/}		RSQE ^{2/}	
	1988	1989	1988	1989
Real GNP	3,905.6	3,994.5	3,902.6	4,027.6
Consumption	2,546.9	2,600.5	2,541.5	2,588.7
Nonresidential Investment	485.0	512.8	454.1	465.8
Residential Investment	187.8	181.0	192.1	201.3
Inventory Change	19.4	10.2	24.5	35.2
Government Spending	774.7	782.4	766.2	769.3
Federal	329.6	329.3	-	-
State and Local	445.1	453.2	-	-
Net Exports	(108.2)	(92.4)	(75.8)	(32.6)
Exports	464.4	491.9	464.7	497.1
Imports	572.6	584.2	540.5	529.7

Table 4
Percent Change in Economic Forecasts

	Wharton ^{1/}		RSQE ^{2/}	
	1988	1989	1988	1989
Real GNP	2.3	2.3	2.4	3.2
Consumption	2.0	2.1	1.8	1.9
Nonresidential Investment	7.7	5.7	2.0	2.6
Residential Investment	(3.9)	(3.6)	(1.5)	4.8
Government Spending	0.5	1.0	(0.2)	0.4
Federal	(1.8)	(0.1)	-	-
State and Local	2.3	1.8	-	-
Net Exports	-	-	-	-
Exports	9.6	5.9	9.9	7.0
Imports	2.9	2.0	(2.3)	(2.0)

^{1/} Wharton Econometrics, December 23, 1987.

^{2/} University of Michigan, RSQE, December 15, 1987.

II. ECONOMIC OUTLOOK
(Continued)

Table 5
Key Economic Variables

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Real GNP (% Change)			
Wharton/JLBC <u>1/</u>	2.8	2.3	2.3
RSQE <u>2/</u>	2.7	2.4	3.2
Blue Chip <u>3/</u>	-	2.2	2.1
GNP Implicit Price Deflator (% Change)			
Wharton/JLBC <u>1/</u>	3.0	3.5	3.9
RSQE	2.9	3.4	5.1
Blue Chip	-	3.6	4.2
3-Month Treasury Bill Rate (%)			
Wharton/JLBC <u>1/</u>	5.8	6.2	7.5
RSQE	5.8	5.7	5.7
Blue Chip	-	6.0	6.5
Civilian Unemployment Rate (%)			
Wharton/JLBC <u>1/</u>	6.2	6.1	6.2
RSQE	6.2	6.1	5.8
Blue Chip	-	6.2	6.3
Money Supply - M ₂ (% Change)			
Wharton/JLBC <u>1/</u>	6.6	6.9	6.9
RSQE	4.4	5.1	7.3
Blue Chip	-	-	-
Fed Deficit (Fiscal Year - \$ Billions)			
Wharton/JLBC <u>1/</u>	153.0	178.0	180.4
RSQE	158.9	165.3	141.6

1/ JLBC's economic forecast is consistent with Wharton Econometrics' Baseline Forecast of December, 1987.

2/ University of Michigan, RSQE, December, 1987.

3/ Consensus forecasts of Blue Chip Economic Indicators, January, 1988.

III. FORECAST RISKS

The economic outlook for 1988 and 1989 is predicated upon various forecasting assumptions which might increase the likelihood of recession in those years if they prove to be incorrect. The three assumptions that pose the greatest threat to the forecast are:

- The impact of the stock market collapse on consumer confidence and spending.
- The impact of dollar depreciation on the rate of inflation and long-term interest rates.
- The magnitude and impact of budget-balancing measures imposed by the new administration in 1989.

In the near term, the impact the stock market collapse and continued instability will have on consumer confidence and spending is undoubtedly the most important, and uncertain risk confronting the outlook. Wharton's baseline forecast of real GNP growth of 2.3 percent in 1988 and 2.3 percent in 1989 assumes that consumer spending will decrease by \$25 billion and business investment spending will decrease by \$10 billion as a result of the stock market crash. If spending shrinks further than expected, particularly in the first quarter of 1988, then the chances of recession in 1988 become more likely.

The probability of a recession in 1988 could also be increased if the value of the dollar falls precipitously. Wharton's baseline forecast assumes that the dollar will fall an additional 11 percent in the next two years. A declining dollar pushes up the price of imported goods because they are denominated in foreign currencies. Import-driven inflation also puts additional pressure on long-term interest rates, especially if foreign lenders begin to withdraw from the capital markets. As a result, higher interest rates constrain both consumer and business spending.

In addition, stronger export growth, resulting from a falling dollar, may generate additional inflationary pressures because of bottlenecks in raw materials markets and labor markets. Cost-push inflation of this type may force the Federal Reserve to adopt a more restrictive monetary policy, thereby driving interest rates higher still.

Last, the structural budget deficit confronting the federal government is likely to lead to deficit-reducing measures which enhance the probability of a recession in 1989 or 1990. It is expected that the new administration will "bite the bullet" immediately after the election; and sizable cuts in federal spending and/or tax increases will reduce both consumer and business spending. If real interest rates remain high, this combination of factors could easily produce a national recession.

Although consumer spending, inflation and the trade deficit pose the greatest threat to the forecast, it is possible that economic growth may surpass our forecast because of those factors. Consumer spending may exceed expectations if the rate on inflation remains subdued. In particular, if OPEC fails to reach an agreement to reduce production levels, then the rate of inflation may be less than forecast. This effectively increases income levels and thereby spending.

III. FORECAST RISKS (Continued)

In addition, the trade deficit may improve more rapidly than expected. Given that the value of the dollar has a lagged effect on exports and imports, recent devaluations of the dollar may be sufficient to stimulate exports and reduce imports to acceptable levels. Thus, economic growth may accelerate as the trade deficit shrinks more than expected.

In summary, the U.S. economy is expected to grow slowly in both 1988 and 1989. The recent stock market crash, however, injected additional uncertainty into the forecast. A considerable drop in consumer spending in the first quarter of 1988 could be an early indication of a 1988 recession. Moreover, a precipitous fall in the value of the dollar, in early 1988, could also jeopardize the economic outlook. This would generate additional inflationary pressures, and lead to higher interest rates. In 1989, budget-cutting efforts by the federal government may sufficiently squeeze consumer spending and business spending that it would trigger a national recession.

There is also the possibility that economic growth may surpass our forecast. Consumer spending may accelerate if the rate of inflation remains under control and interest rates do not rise. Also, recent dollar devaluations may cause the trade deficit to decline more rapidly than expected. Therefore, further cuts in the value of the dollar may not be necessary.

TABLE 6
 U.S. NET EXPORTS AND
 DOLLAR EXCHANGE RATE INDEX

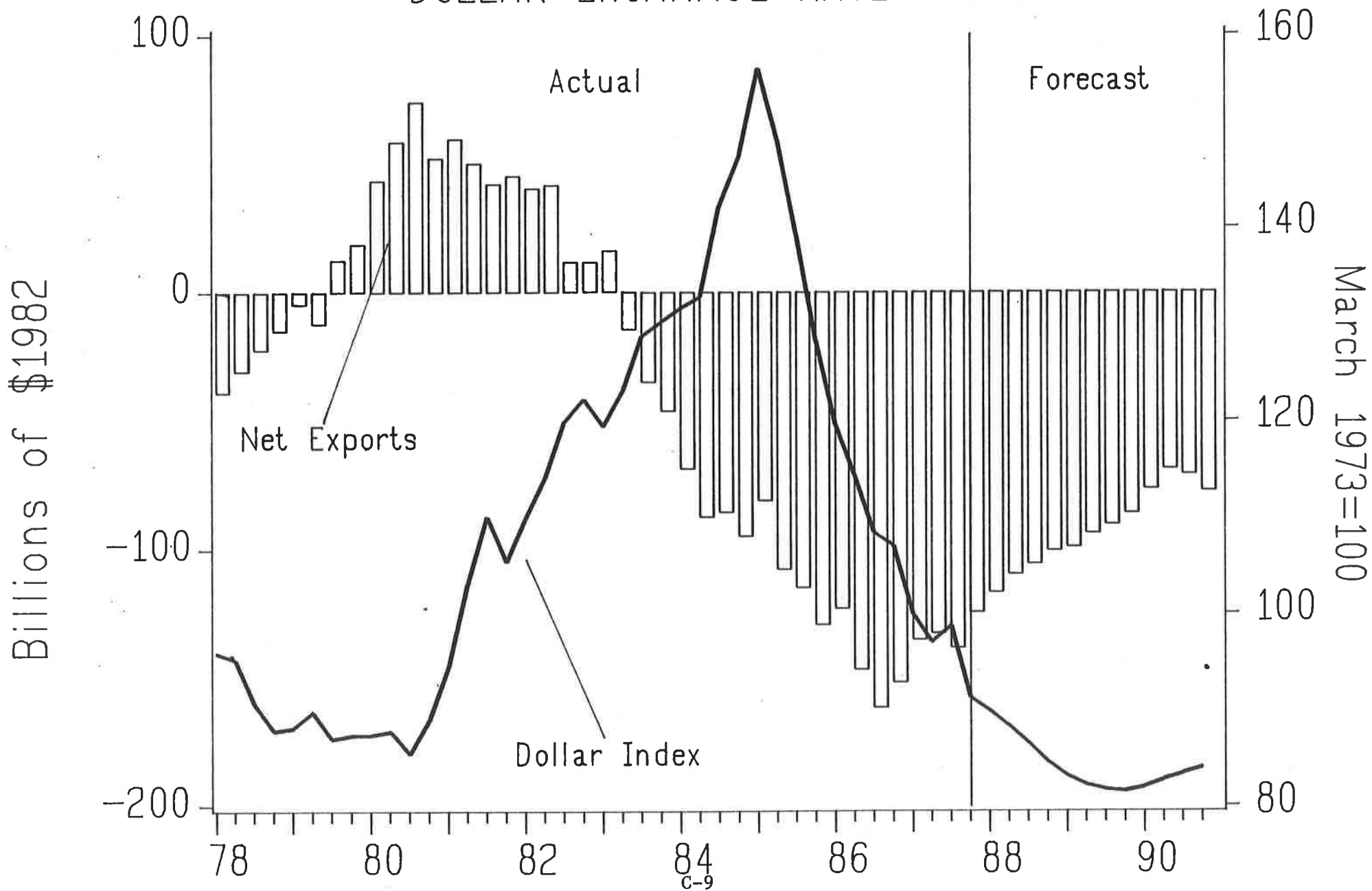


TABLE 7
U.S. Real GNP

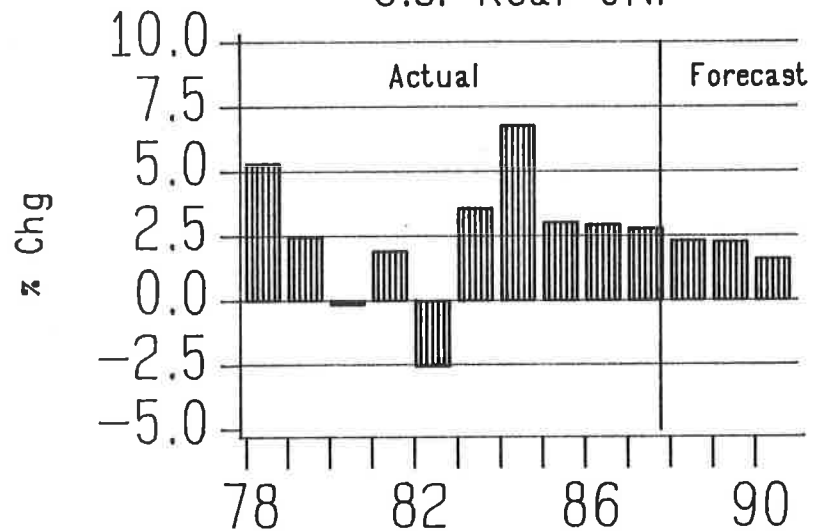


TABLE 8
Consumption Spending

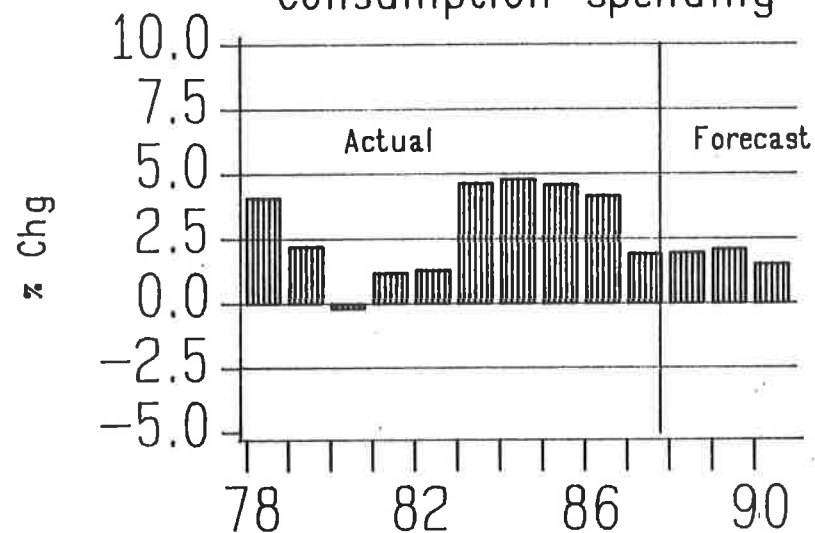


TABLE 9
Government Spending

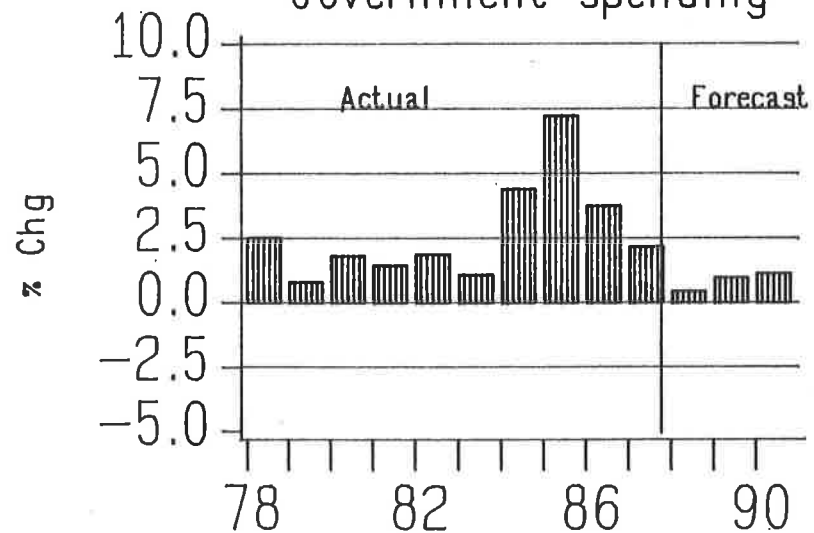


TABLE 10
Investment Spending

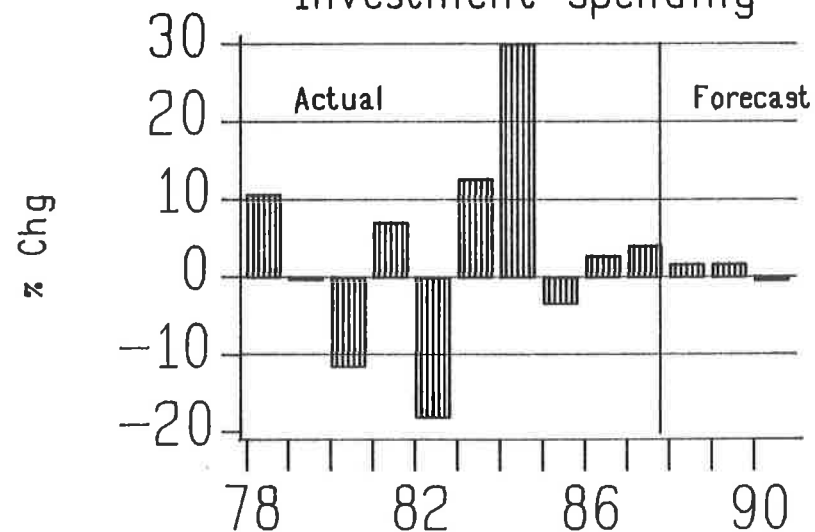


TABLE 11

U.S. Unemployment Rate

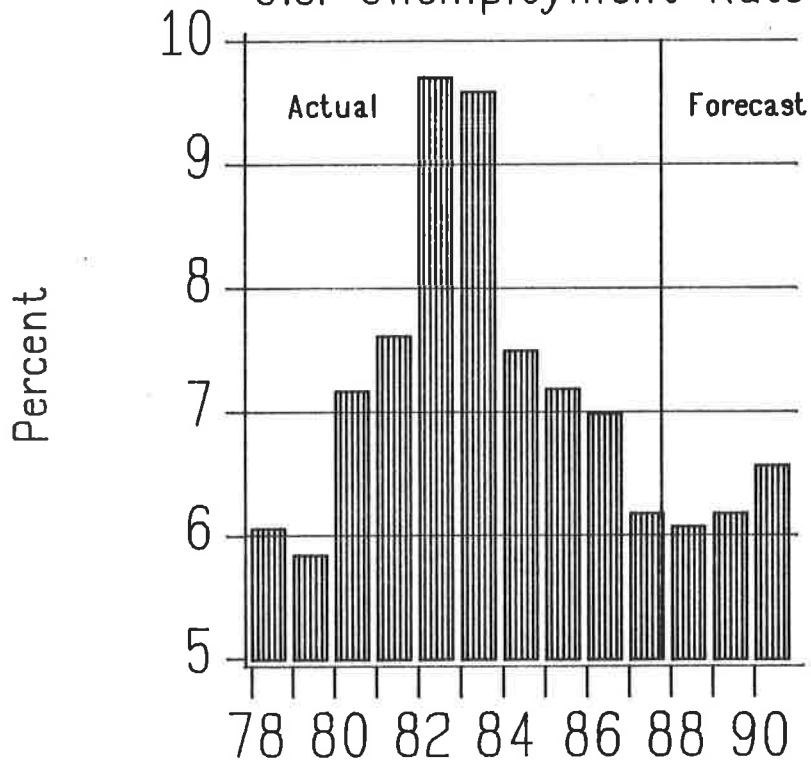


TABLE 12

FEDERAL RESERVE BOARD INDUSTRIAL PRODUCTION INDEX

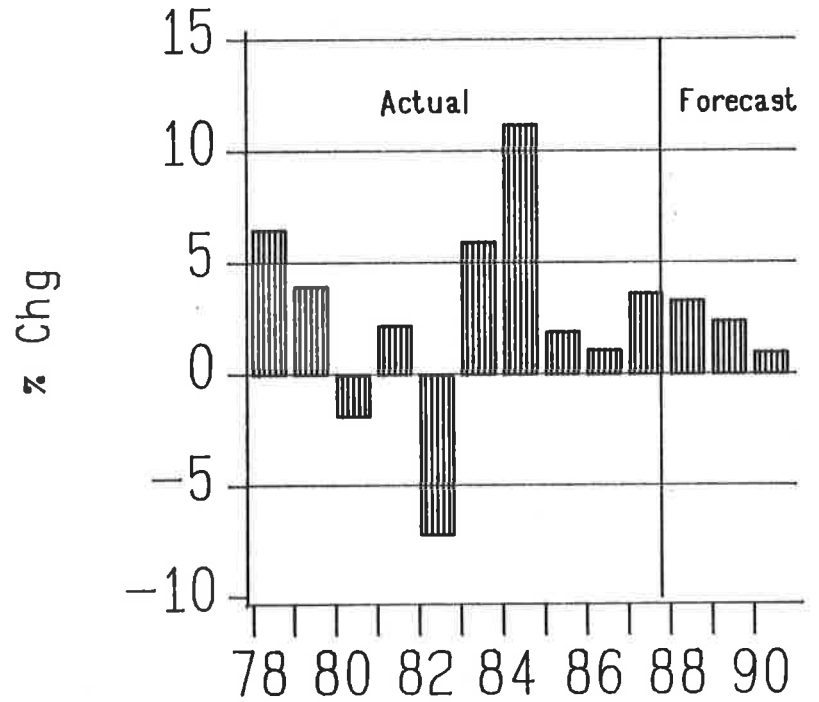


TABLE 13
INTEREST RATES

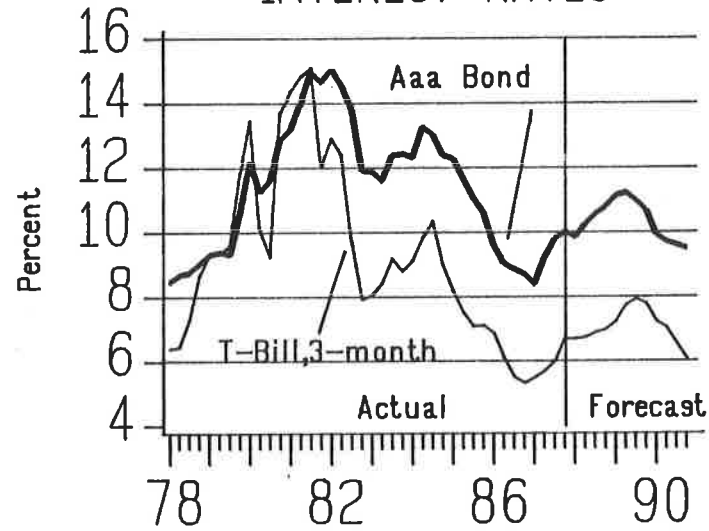


TABLE 14
Consumer Price Index

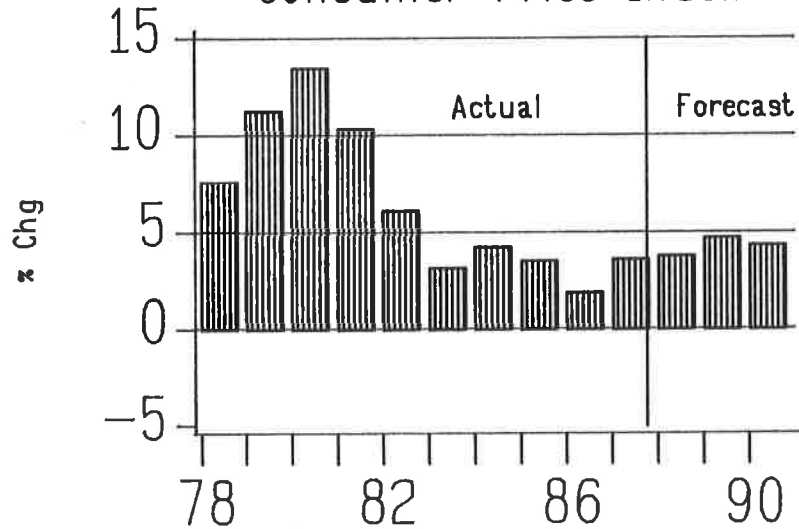
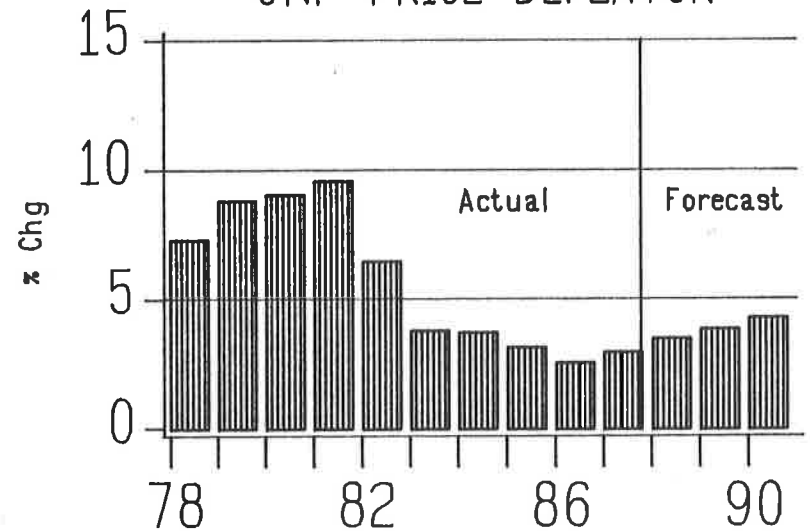


TABLE 15
GNP PRICE DEFLATOR



THE ARIZONA ECONOMY

THE OUTLOOK ONE YEAR AGO

Our outlook for FY 1988 has not changed significantly since January 1987. In general, FY 1988 was expected to be a year of declining growth in most sectors. This is still our expectation, although the decline in growth may be slightly more than previously anticipated. Arizona personal income, perhaps the best overall measure of the state of the Arizona economy was forecasted to increase by 7.4 percent. Our new forecast is slightly lower at 7.0 percent.

In terms of employment, our forecast for total wage and salary employment in FY 1988 is now 2.7 percent as compared to the year ago forecasted increase of 4.4 percent. Of particular interest to Arizona is the forecast for the "high-tech" industry (computer, semiconductor and electronic manufacturers). One year ago, we expected that in FY 1988 this industry would end its decline and resume its upward growth. We believe that this has happened although it is not evident in the employment figures and it is likely that this is the result of improvements in productivity.

Retail Sales for FY 1988 were expected to increase by 7.5 percent one year ago. Our new forecast is for growth of only 6.3 percent.

Other indicators of interest include population which for FY 1988, was expected to increase by 2.8 percent and is now expected to increase by 2.7 percent. The unemployment rate was expected to be 6.6 percent one year ago and is now expected to be somewhat lower at 5.9 percent.

Exhibit I

KEY ARIZONA ECONOMIC INDICATORS
YEAR-AGO FORECAST VS CURRENT FORECAST

	<u>FORECAST FY 1988</u>	
	<u>YEAR-AGO</u>	<u>CURRENT</u>
Personal Income - Current Dollars	7.4%	7.0%
- Constant Dollars	3.3%	3.7%
Retail Sales	7.5%	6.3%
Population	2.8%	2.7%
Wage and Salary Employment	4.4%	2.7%
Unemployment Rate	6.6%	5.9%

THE ARIZONA ECONOMY
(Continued)

THE CURRENT FORECAST

Arizona's economy continued to lose momentum as calendar 1987 drew to a close. Exhibit II, ARIZONA WAGE AND SALARY EMPLOYMENT compares job growth in December 1987 with that of one year earlier in December 1986. We estimate that as of December 1987, the important goods producing^{1/} sector showed a decline of 4.1 percent from December 1986. On the other hand, service providing^{2/} jobs, while more robust than goods producing, declined from year-over-year growth of 6.7 percent at the end of 1986 to year-over-year growth of 3.5 percent at the end of 1987.

Although the Outlook for Arizona remains positive, we anticipate a further slowing of growth in the latter part of FY 1989 with a recession in mid-1989 a likely occurrence.

Mining, which at one time employed over 27,000 persons, was down to 10,100 in December 1986. The December 1986 figure represented a decline of 12.9 percent from the previous December. The price of copper has soared during the latter part of calendar 1987, but employment in the Mining sector has shown only slight improvement. In FY 1988, we expect Mining employment to show an average increase of 2.8 percent, with an increase of 5.6 percent to come in FY 1989.

Construction employment reached its peak during mid-1986 and has been declining to its present recessionary state since that time. Arizona has two major areas of overbuilding, offices and apartments. We expect the Construction industry to remain depressed throughout calendar 1988 and bottom out early in calendar 1989.

The Service-Providing sector accounts for approximately three-quarters of the employment in Arizona. This area has been a source of strength, but growth has been declining. In December 1986, growth over December 1985 was 6.7 percent, down from 7.1 percent the December before. In December 1987, it appears that the growth will be down to 3.5 percent. We do, however expect growth to increase over the next six months, with an average of 4.2 percent for FY 1988 and 4.6 for FY 1989.

Exhibits III and IV summarize the Staff view of significant positive and negative factors for fiscal year 1988 and 1989. We believe we have seen the long awaited end of the decline in the computer and semiconductor industries and we anticipate that it will begin to be reflected in increased employment growth. The end of the recession in the Arizona construction industry is expected to come early in calendar 1989 and the industry should start making some contribution to the growth of the Arizona economy.

^{1/} Manufacturing, construction, mining

^{2/} Transportation, communications, public utilities, trade, finance, insurance, real estate, services, government

THE ARIZONA ECONOMY
(Continued)

THE CURRENT FORECAST

Exhibit V shows the Staff forecast for five key Arizona variables. We expect growth in Arizona personal income to be at 7.0 percent for FY 1988 and 7.3 percent for FY 1989 in current dollar terms, but to decline in real terms in FY 1989 to 3.5 percent from 3.7 percent in FY 1988.

Growth in retail sales is expected to be essentially constant throughout the forecast period.

Population growth is forecast to decline from 3.7 percent in FY 1987 to 2.7 percent in FY 1988 to 2.5 percent in FY 1989.

Exhibit VI ARIZONA WAGE AND SALARY EMPLOYMENT, PERCENT GROWTH OVER PRIOR YEAR shows anticipated employment growth in each sector for FY 1988 and 1989 together with estimated actual growth in FY 1987.

Chart I is a bar chart which compares growth rates for current and constant dollar Arizona personal income for FY 1974 through FY 1989.

Chart II is a bar chart which compares growth rates for U.S. and Arizona nominal personal income for FY 1974 through FY 1989.

Chart III is a bar chart which compares growth rates for U.S. and Arizona real personal income for FY 1974 through FY 1989.

Chart IV is a line graph which compares U.S. and Arizona unemployment rates for 1974 through 1989.

ARIZONA WAGE AND SALARY EMPLOYMENT

	Estimated ¹ December 1986		Estimated ¹ December 1987	
	<u>Employment</u>	<u>% Change²</u>	<u>Employment</u>	<u>% Change²</u>
<u>Goods Producing</u>				
Manufacturing	188,700	2.7%	189,000	0.2%
Mining	10,100	(12.9)	10,600	5.0
Construction	<u>107,200</u>	(6.5)	<u>94,000</u>	(12.3)
Total Goods Producing	<u>306,000</u>	(1.3)	<u>293,600</u>	(4.1)
<u>Service Providing</u>				
Transp., Communication, etc.	69,800	8.6	72,300	3.6
Trade	341,000	4.6	349,400	2.5
Finance, Insurance, etc.	92,200	8.6	94,000	2.0
Services	343,900	10.5	358,300	4.2
Government	<u>238,700</u>	3.6	<u>249,700</u>	4.6
Total Service Providing	<u>1,085,600</u>	6.7	<u>1,123,700</u>	3.5
<u>Total Wage and Salary Employment</u>	<u>1,391,600</u>	<u>4.9%</u>	<u>1,417,300</u>	<u>1.8%</u>
Memo: Certain Manufacturing Sectors				
Machinery	65,400	(1.4)%	65,100	(0.5)%
Aircraft and Missiles	27,600	9.5	26,700	(3.3)

¹ Employment numbers for 1986 and 1987 will be rebenchmarked early in 1988. Employment numbers for 1987 will be rebenchmarked again early in 1989. Amounts shown include an estimate of the effect of rebenchmarking.

² Percentage change column shows change from corresponding month in prior year.

ARIZONA OUTLOOK - FY 1988

FY 1988 Summary: The Arizona economy reflects the slow growth of the national economy and the effect of our huge trade imbalance. Arizona growth has been negatively affected by a depressed Construction industry. There has been no evidence that the October stock market decline has significantly affected the Arizona economy.

FY 1988

Positive Factors	Negative Factors
1) Resumption of growth in the computer and semi-conductor industries	1) Continued decline in employment in defense related industries
2) Continued strong highway construction activity	2) Resumption of growth in inflation - but still far below historic highs
3) Increased competitiveness of Arizona industries due to declining value of U.S. dollar	3) Continued decline in construction employment resulting from low activity in most areas of construction
4) More foreign and American tourists due to declining value of U.S. dollar	4) Although business conditions in the computer and semi-conductor industries have improved, this improvement has not yet resulted in significant employment gains
5) Resurgence of the price of copper	5) Resurgence of the price of copper has not as yet been reflected in employment gains
	6) Weakness in goods-producing sectors affects service-producing sectors

ARIZONA OUTLOOK - FY 1989

FY 1989 Summary: The Arizona economy should reflect the modest growth of the national economy (Manufacturing to rebound). We expect the economy will continue to be negatively impacted by the depressed construction industry.

FY 1989

Positive Factors	Negative Factors
1) Continuation of growth in the computer and semi-conductor industries	1) Continued decline in employment in defense related industries
2) Construction industry will bottom out early in calendar 1989 and begin modest improvement	2) Continued increases in inflation, but below 5 percent
3) Continued increase in competitiveness of Arizona industries due to decreased value of the U.S. dollar	3) Construction industry will be depressed through much of FY 1989
4) More foreign and American tourists due to decreased value of the U.S. dollar	4) A national recession is a reasonable possibility at any time during our forecast period (See U.S. Outlook - Forecast Risks Section)
5) Increased production of copper to meet demand	

KEY ARIZONA ECONOMIC INDICATORS

	Actual FY 1987	Forecast	
		FY 1988	FY 1989
Personal Income - Current Dollars ¹	7.5	7.0	7.3
- Constant Dollars ¹	4.6	3.7	3.5
Retail Sales ^{1 2}	3.9	6.3	6.4
Population ^{1 3}	3.7	2.7	2.5
Wage and Salary Employment	4.0	2.7	3.9
Unemployment Rate	7.0	5.9	6.1

¹ Rates of Change.

² As defined by Arizona Department of Revenue.

³ Population at the close of the fiscal year.

ARIZONA WAGE AND SALARY EMPLOYMENT
PERCENT GROWTH OVER PRIOR YEAR
(BASED ON AVERAGE EMPLOYMENT)

	Estimated	Forecast	
	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
<u>Goods Producing</u>			
Manufacturing	2.0%	2.5%	2.8%
Mining	(11.6)	2.8	5.6
Construction	(6.9)	(12.1)	(2.8)
Total Goods Producing	(1.8)	(2.6)	1.2
<u>Service Providing</u>			
Transportation, Communication and Public Utilities	7.4	4.9	4.9
Trade	4.4	3.2	4.0
Finance, Insurance, Real Estate	7.2	3.0	3.7
Services	7.3	6.1	6.8
Government	4.2	3.2	2.4
Total Service Providing	5.7	4.2	4.6
<u>Total Wage and Salary Employment</u>	<u>4.0%</u>	<u>2.7%</u>	<u>3.9%</u>

ARIZONA PERSONAL INCOME CURRENT AND CONSTANT DOLLAR GROWTH RATES

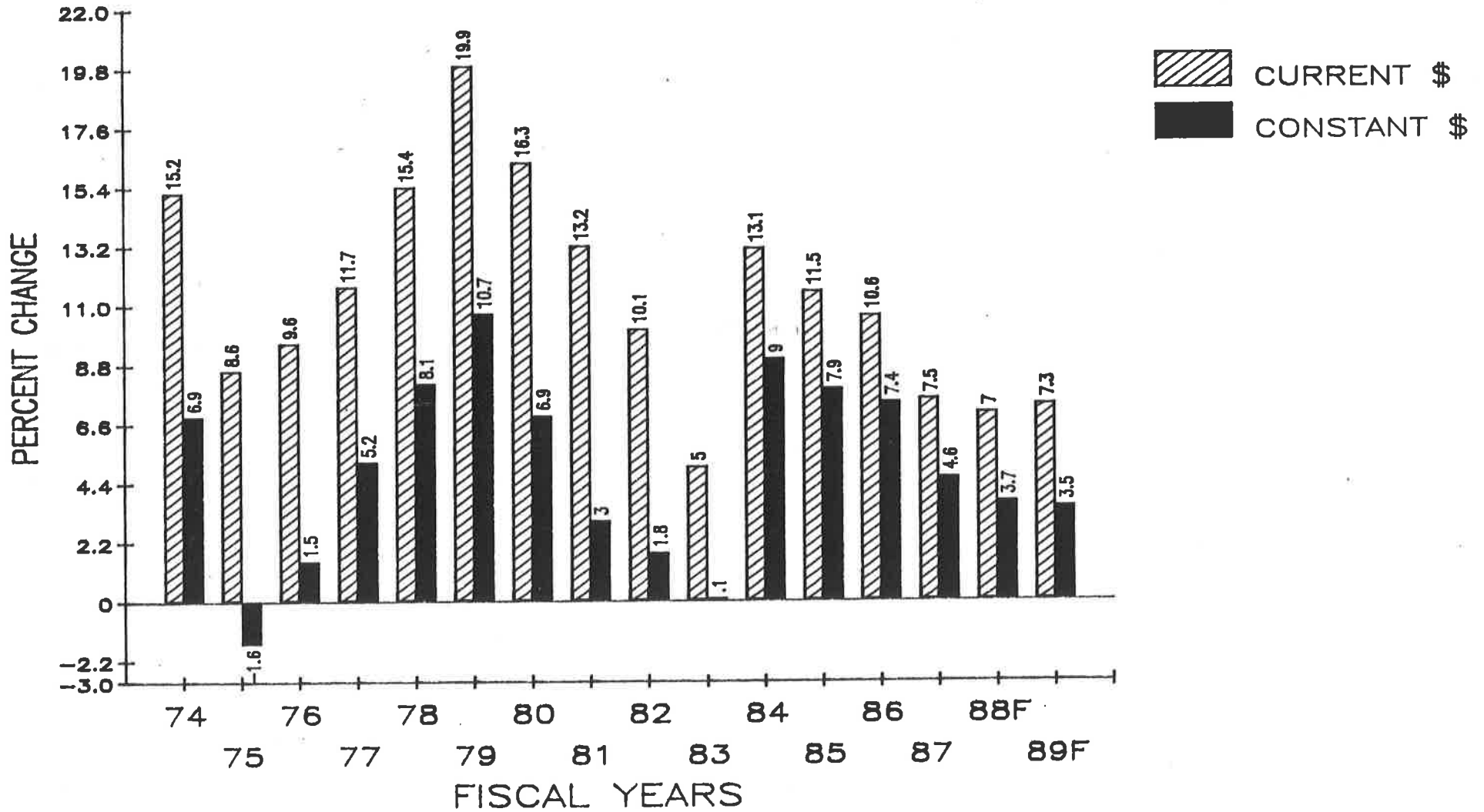
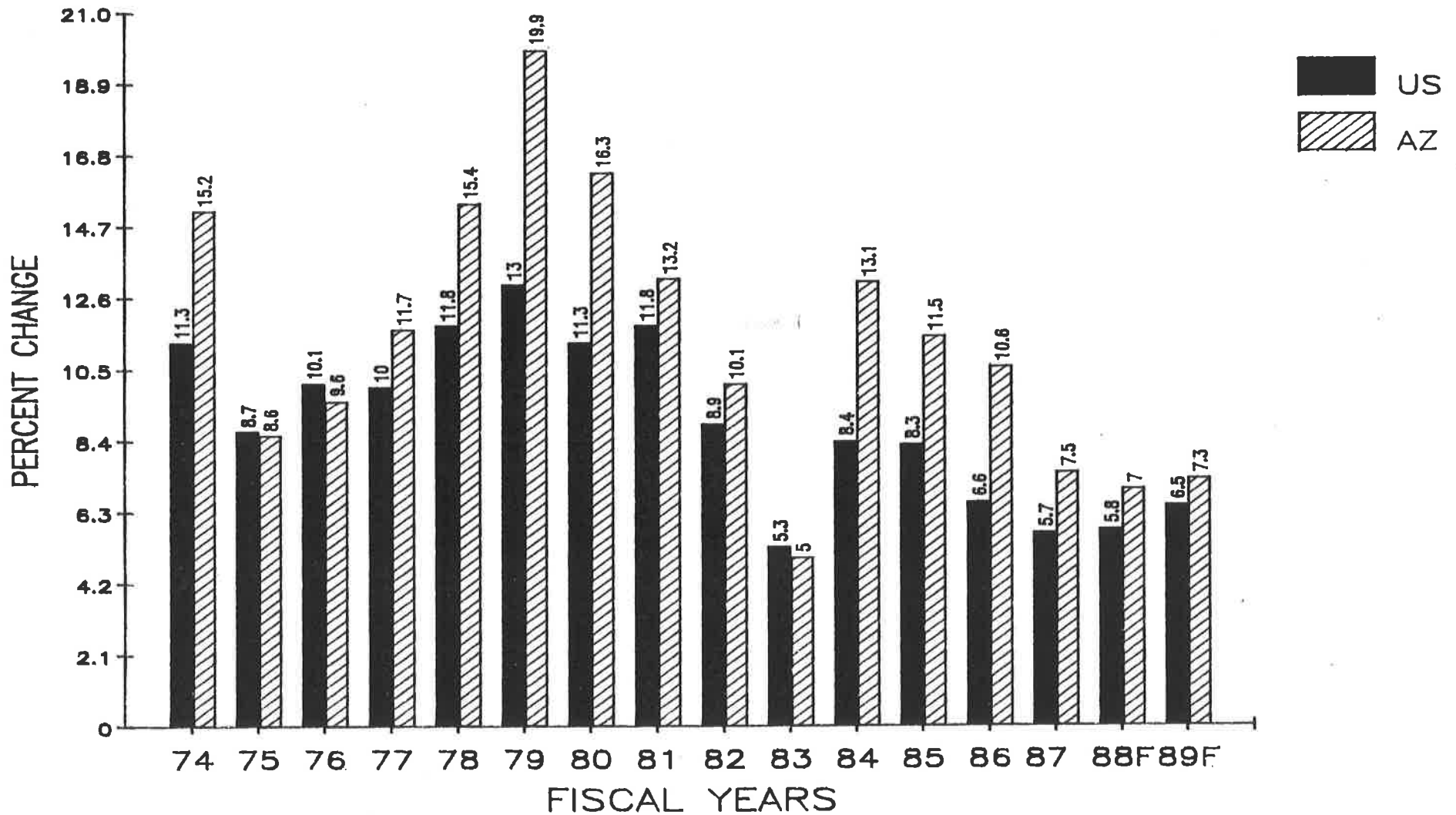
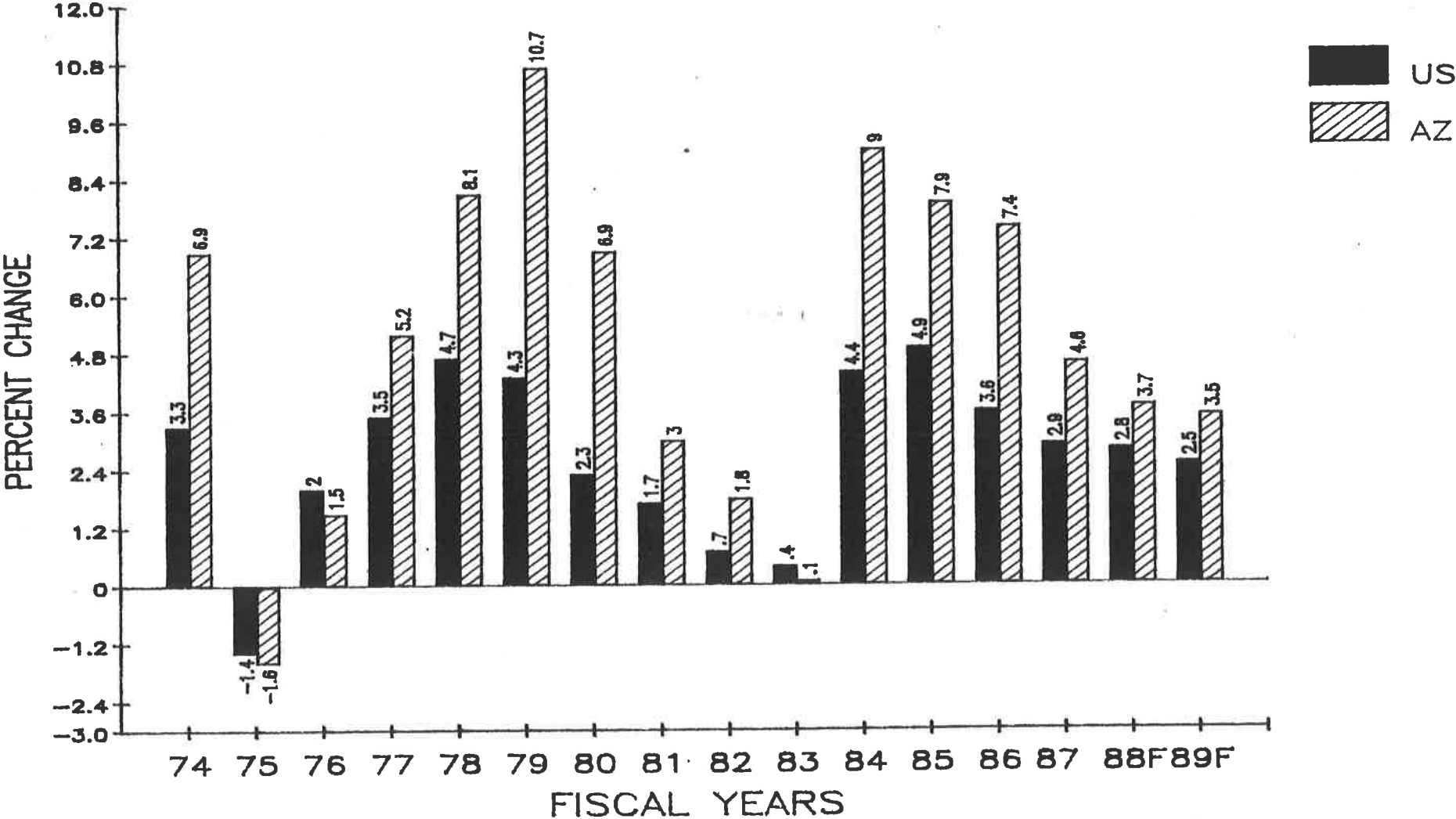


CHART II

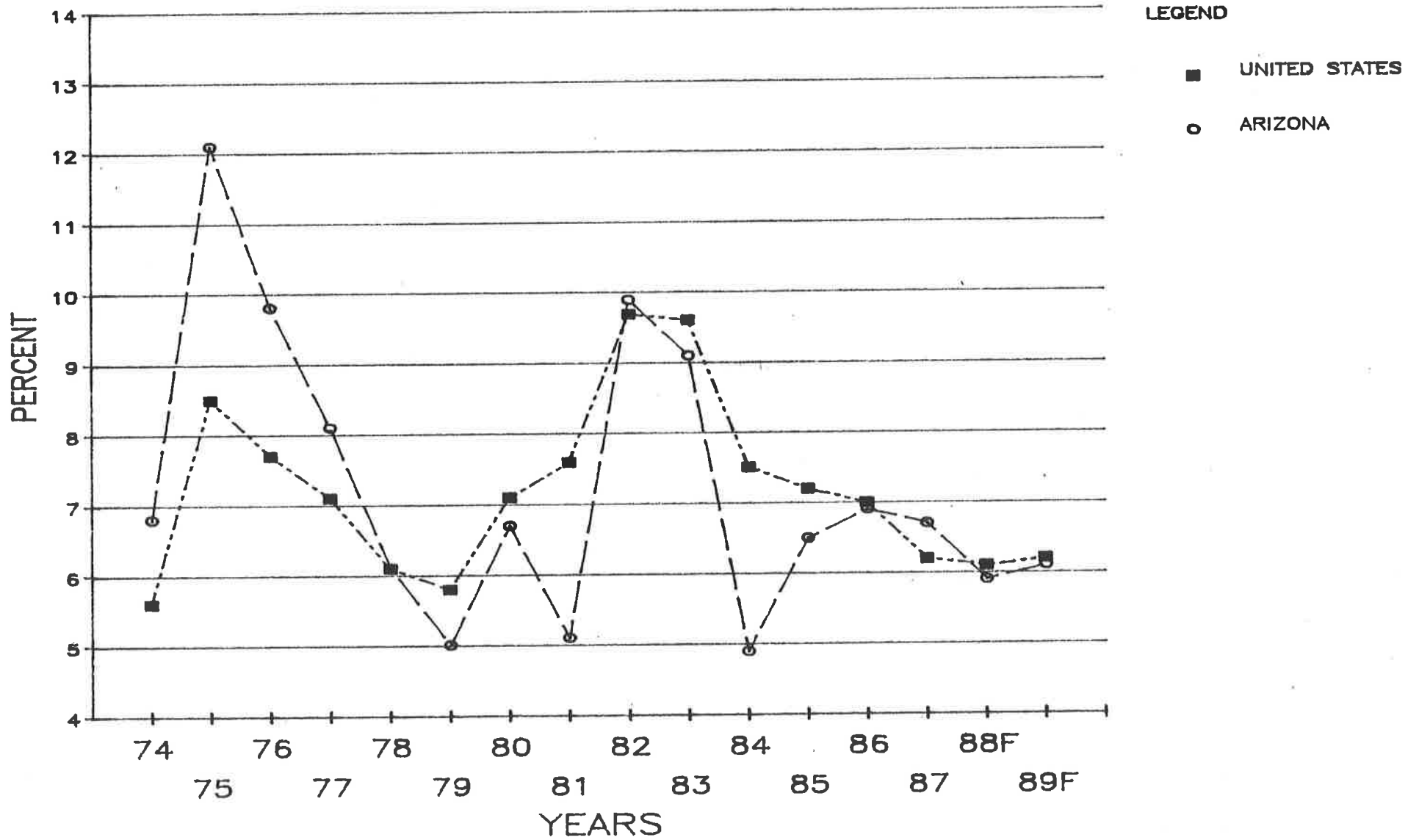
US AND ARIZONA NOMINAL PERSONAL INCOME GROWTH RATES



US AND ARIZONA REAL PERSONAL INCOME GROWTH RATES



UNEMPLOYMENT RATES UNITED STATES and ARIZONA



GENERAL FUND REVENUE

FY 1988 DEVELOPMENTS

Our revised forecast for FY 1988 projects a New Revenue shortfall of \$72.4 million. As can be seen on Exhibit I, the major problem has been the Corporation Income Tax, where extremely large and unanticipated refunds have substantially reduced net collections. For the six months year-to-date, Corporation Income Tax refunds have aggregated \$64.3 million, an increase of 121.1 percent over the same period last year. Furthermore, an entirely unanticipated lawsuit will likely result in the loss of \$10 million. The New Revenue shortfall in all other areas netted out to \$11.1 million, or a mere one-half of one percent.

FY 1988 AND FY 1889 FORECAST

Our forecast reflects the slowing of revenue collections experienced in recent years with total New Revenue forecast to increase only 4.6 percent in FY 1988. Total New Revenue growth in FY 1989 is anticipated to be essentially the same as experienced in FY 1986 and FY 1987 at 6.8 percent.

The Sales and Use Tax category is forecast to increase by 4.3 percent in FY 1988 and by 6.3 percent in FY 1989. These increases are misleading because FY 1988 has been reduced due to the prospective loss of \$10.0 million as the result of a taxpayer suit. Adjusted for this reduction, the increase would be 5.1 percent in FY 1988 and 5.5 percent in FY 1989. With the construction industry currently in recession, we expect Contracting Tax collections to decline in FY 1988 with a further decline in FY 1989.

Income Tax Collections will show an increase of 4.0 percent in FY 1988 and 8.4 percent in FY 1989. These numbers are distorted by the massive decline in the Corporate Income Tax in FY 1988 of 24.9 percent and an increase of 17.7 percent in FY 1989. The Individual Income Tax is expected to increase 11.7 percent in FY 1988 and 7.1 percent in FY 1989. Urban Revenue Sharing is forecast to increase by 5.2 percent in FY 1988 and by 10.2 percent in FY 1989.

In this connection it should be noted that, with the Corporate Income Tax receipts and the aforementioned lawsuit "netted-out," all other General Fund Revenue is forecasted to increase by only \$135.5 million, or 5.7 percent in FY 1989.

Property Taxes show growth rates of 12.0 percent in FY 1988 and 7.1 percent in FY 1989. FY 1988 reflects a large increase because a major segment of Palo Verde came on stream.

Growth in Insurance Premium Tax is forecasted at 10.4 percent in FY 1988 and 8.5 percent in FY 1989. Significant amounts have been deducted from the forecast in both years due to large Guaranty Fund assessments.

Growth in the Motor Vehicle License Tax is expected to be slow, reflecting slow new car sales.

GENERAL FUND REVENUE
(Continued)

FY 1988 AND FY 1989 FORECAST

With respect to non-tax revenues, growth in interest collections is primarily a function of higher interest rates. Lottery collections are forecast to increase 62.5 percent in FY 1988 and 19.4 percent in FY 1989. The large increase in FY 1988 is due to larger revenue growth and to the fact that 100 percent of incremental profits now go to the General Fund. Lottery revenues are now distributed to (1) Local Transportation Assistance Fund (\$23 million) (2) County Assistance Fund (\$7.65 million) and (3) General Fund. Amounts going to the first two categories are fixed with the General Fund receiving the entire remaining distribution.

The following exhibits and charts follow this narrative:

Exhibit II, STATEMENT OF PROJECTED NEW REVENUE, LEGISLATIVE STAFF ESTIMATE has been discussed previously in some detail. Essentially, the exhibit compares each of the three years shown with the preceding year.

Exhibit III, STATEMENT OF PROJECTED NEW REVENUE, COMPARISON OF EXECUTIVE AND LEGISLATIVE STAFF ESTIMATES shows that the Legislative Staff forecast for FY 1988 exceeds that of the Executive by \$11.8 million, with the difference being primarily in Other Non-Tax Revenues. Although there are individual difference, the FY 1989 forecasts are very similar with the major, and offsetting, differences being in Sales and Use Taxes and Income Taxes. When the Governor's proposed elimination of the HURF transfer is included, however, the Executive forecast exceeds that of the Legislative Staff by \$14.7 million.

Chart I shows, in graphic form, the percent growth in FY 1989 over FY 1988 for significant categories of General Fund revenue based on Legislative Staff estimates.

Chart II shows, for FY 1989, major categories of General Fund revenue as a percent of total New Revenue.

Chart III shows, for 14 years, dollars of General Fund New Revenue as a bar chart and percent change as a line graph. In terms of percent change, Arizona has had strong years and also some years which exhibited lower growth. It should be noted that the Fiscal Years 1979 through 1982 were years when the CPI showed at or near double digit inflation. The Legislative Staff estimate shows below average growth in FY 1988 and FY 1989 and is consistent with our current and forecasted low inflation economic environment.

(Amounts in Millions)

Exhibit I

NEW REVENUE FORECAST^{1/}
FY 1988

	<u>Original Forecast</u>	<u>Current Forecast</u>	<u>Difference</u>
Forecast - New Revenue	\$2,607.2	\$2,534.8	\$(72.4)
Add: Prospective Loss: Pittsburg - Midway Coal Company Suit	-	10.0	10.0
Less: Corporate Income Tax	<u>200.8</u>	<u>149.5</u>	<u>51.3</u>
Adjusted Forecast - New Revenue ^{2/}	<u>\$2,406.4</u>	<u>\$2,395.3</u>	<u>\$(11.1)</u>

Percent Shortfall - Adjusted Original Forecast
vs Adjusted Current Forecast

(0.5)%

^{1/} New Revenue includes all General Fund revenue except the beginning balance.

^{2/} Adjusted to show the relationship of the current forecast to the original forecast with Corporation Income Tax eliminated from both forecasts. Since the prospective loss from the Pittsburg-Midway Coal Company suit was not known at the time of the original forecast, it has been added back to the current forecast.

STATE OF ARIZONA
GENERAL FUND
STATEMENT OF PROJECTED NEW REVENUE
LEGISLATIVE STAFF ESTIMATE
(Thousands)

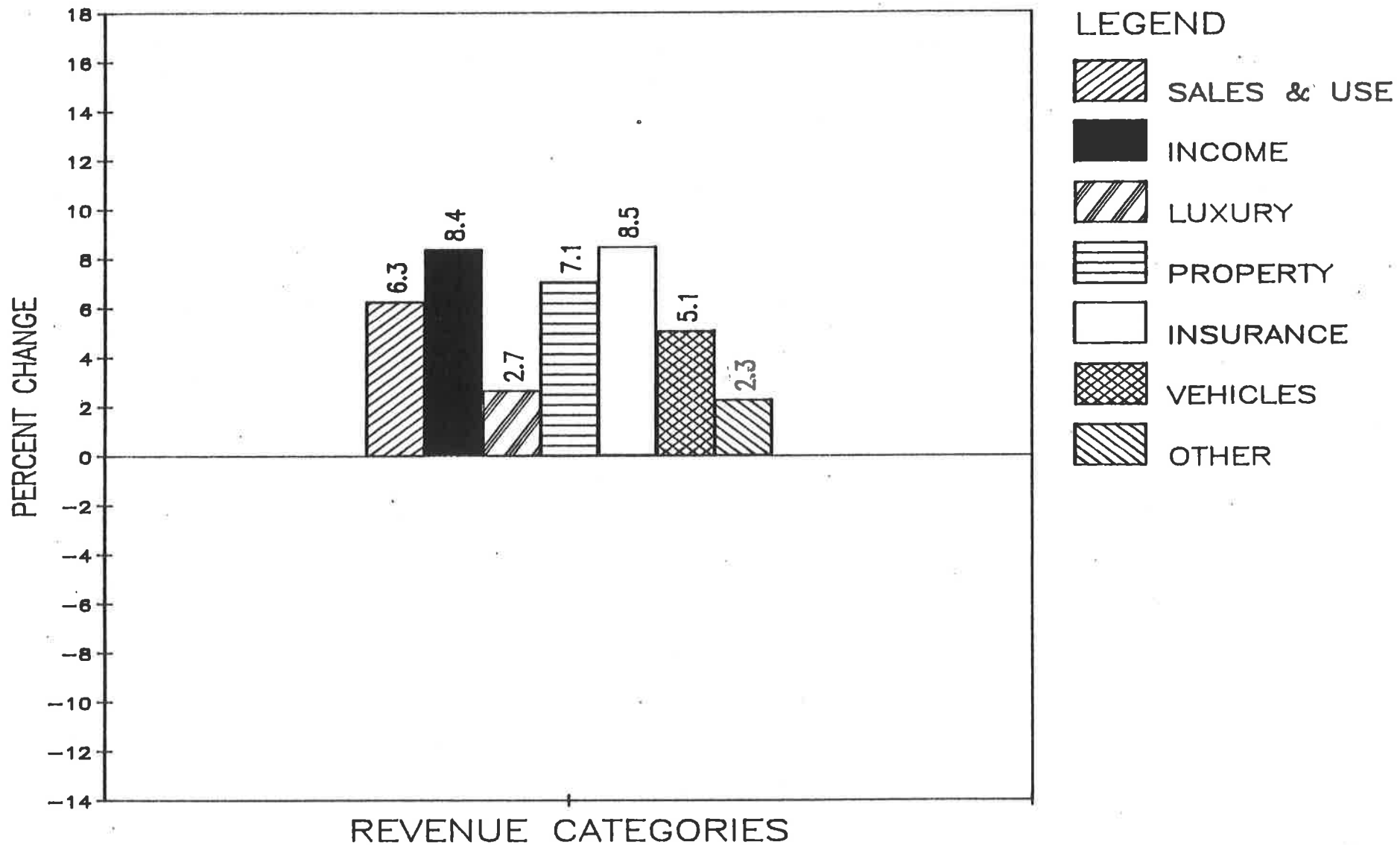
	<u>Actual FY 1987</u>		<u>Forecast FY 1988</u>		<u>Forecast FY 1989</u>	
	<u>Amount</u>	<u>% Change</u>	<u>Amount</u>	<u>% Change</u>	<u>Amount</u>	<u>% Change</u>
<u>Taxes</u>						
Sales and Use	\$1,199,559.8	4.3%	\$1,250,600.0	4.3%	\$1,330,000.0	6.3%
Income	835,501.0	8.3	868,846.5	4.0	942,045.0	8.4
Property	59,285.3	6.3	66,400.0	12.0	71,100.0	7.1
Luxury	69,568.7	0.1	71,400.0	2.6	73,300.0	2.7
Insurance Premium	70,475.5	16.2	77,800.0	10.4	84,400.0	8.5
Motor Vehicle License - Regular	55,094.9	(3.7)	57,300.0	4.0	60,200.0	5.1
- HURF Transfer	(10,204.9)	80.8	(12,421.6)	21.7	(12,800.0)	3.0
Pari Mutuel	6,717.9	(17.5)	6,000.0	(10.7)	6,600.0	10.0
Estate	25,692.9	95.1	24,000.0	(6.6)	18,800.0	(21.7)
Other Taxes	5,827.0	23.5	4,500.0	(22.8)	2,410.0	(46.4)
Sub-Total - Taxes	<u>2,317,518.1</u>	<u>6.1</u>	<u>2,414,424.9</u>	<u>4.2</u>	<u>2,576,055.0</u>	<u>6.7</u>
<u>Other Non-Tax Revenues</u>						
Lottery	20,000.0	42.9	32,500.0	62.5	38,800.0	19.4
Licenses, Fees, and Permits	30,633.3	18.9	37,360.0	22.0	40,840.0	9.3
Interest	20,401.3	(2.8)	21,200.0	3.9	23,800.0	12.3
Sales and Services	7,505.9	7.2	7,643.0	1.8	7,840.0	2.6
Miscellaneous, Transfers, Reimbursements	26,257.1	23.4	21,700.0	(17.4)	19,500.0	(10.1)
Sub-Total - Other Non-Tax Revenues	<u>104,797.6</u>	<u>17.7</u>	<u>120,403.0</u>	<u>14.9</u>	<u>130,780.0</u>	<u>8.6</u>
<u>Total New Revenue</u>	<u>\$2,422,315.7</u>	<u>6.5%</u>	<u>\$2,534,827.9</u>	<u>4.6%</u>	<u>\$2,706,835.0</u>	<u>6.8%</u>

STATE OF ARIZONA
GENERAL FUND
STATEMENT OF PROJECTED NEW REVENUES
COMPARISON OF EXECUTIVE AND LEGISLATIVE STAFF ESTIMATES
(Thousands)

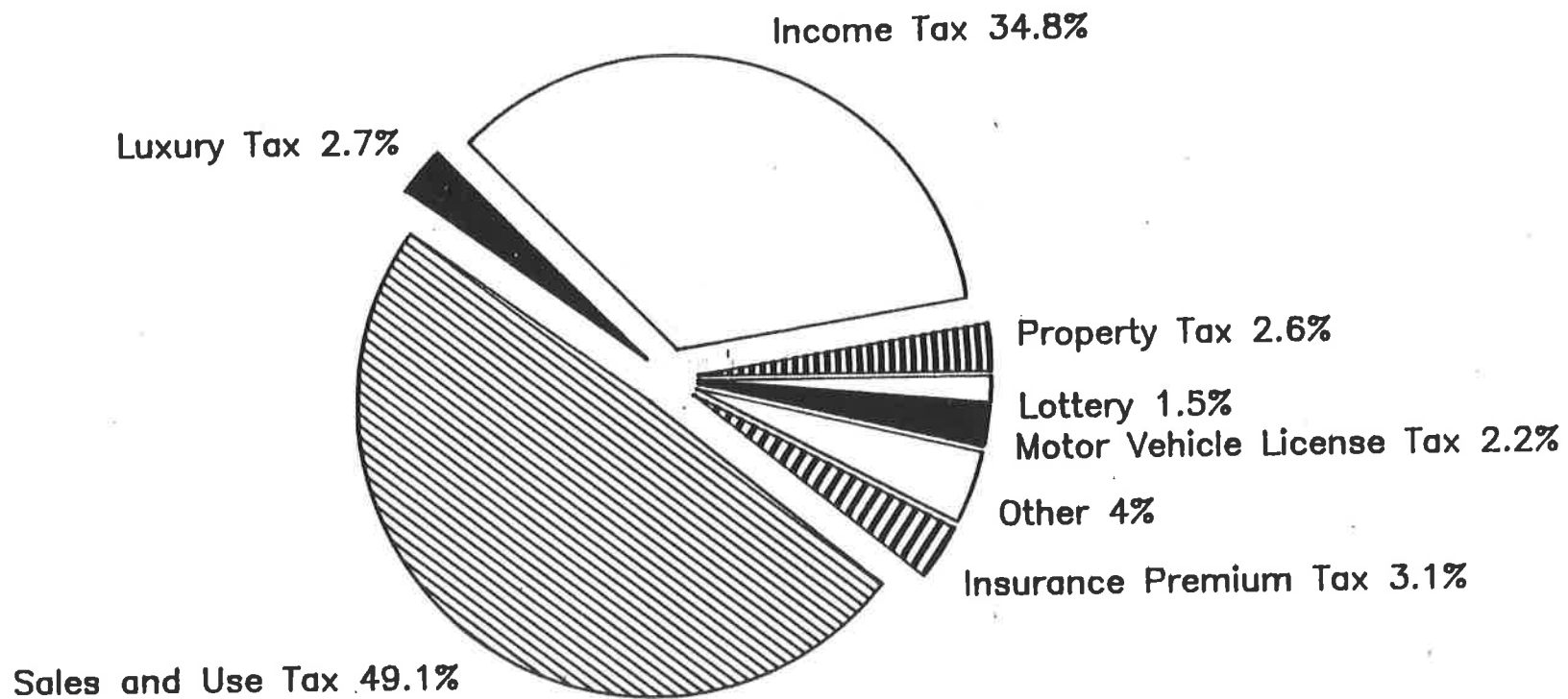
	FY 1988			FY 1989		
	Executive Estimate	Leg. Staff Estimate	Difference	Executive Estimate	Leg. Staff Estimate	Difference
Taxes						
Sales and Use	\$1,255,700.0	\$1,250,600.0	\$ (5,100.0)	\$1,345,500.0	\$1,330,000.0	\$(15,500.0)
Income	866,800.0	868,846.5	2,046.5	926,400.0	942,045.0	15,645.0
Property	67,000.0	66,400.0	(600.0)	73,000.0	71,100.0	(1,900.0)
Luxury	71,300.0	71,400.0	100.0	73,300.0	73,300.0	0.0
Insurance Premium	77,900.0	77,800.0	(100.0)	85,600.0	84,400.0	(1,200.0)
Motor Vehicle License - Regular	57,221.6	57,300.0	78.4	61,930.0	60,200.0	(1,730.0)
- HURF Transfer	(12,421.6)	(12,421.6)	0.0	(12,800.0)	(12,800.0)	0.0
Pari Mutuel	6,100.0	6,000.0	(100.0)	7,070.0	6,600.0	(470.0)
Estate	22,000.0	24,000.0	2,000.0	22,000.0	18,800.0	(3,200.0)
Other Taxes	4,240.0	4,500.0	260.0	4,190.0	2,410.0	(1,780.0)
Sub-Total - Taxes	<u>2,415,840.0</u>	<u>2,414,424.9</u>	<u>(1,415.1)</u>	<u>2,586,190.0</u>	<u>2,576,055.0</u>	<u>(10,135.0)</u>
Other Non-Tax Revenues						
Lottery	25,000.0	32,500.0	7,500.0	31,000.0	38,800.0	7,800.0
Licenses, Fees and Permits	34,700.0	37,360.0	2,660.0	37,100.0	40,840.0	3,740.0
Interest	21,800.0	21,200.0	(600.0)	24,000.0	23,800.0	(200.0)
Sales and Services	9,500.0	7,643.0	(1,857.0)	10,250.0	7,840.0	(2,410.0)
Miscellaneous, Transfers, Reimbursements	16,200.0	21,700.0	5,500.0	20,200.0	19,500.0	(700.0)
Sub-Total - Other Non-Tax Revenues	<u>107,200.0</u>	<u>120,403.0</u>	<u>13,203.0</u>	<u>122,550.0</u>	<u>130,780.0</u>	<u>8,230.0</u>
Total New Revenue - Before Proposed Elimination of HURF Transfer	<u>2,523,040.0</u>	<u>2,534,827.9</u>	<u>11,787.9</u>	<u>2,708,740.0</u>	<u>2,706,835.0</u>	<u>(1,905.0)</u>
Proposed Elimination of HURF Transfer	-	-	-	<u>12,800.0</u>	-	<u>(12,800.0)</u>
Total New Revenue - After Proposed Elimination of HURF Transfer	<u>\$2,523,040.0</u>	<u>\$2,534,827.9</u>	<u>\$11,787.9</u>	<u>\$2,721,540.0</u>	<u>\$2,706,835.0</u>	<u>\$(14,705.0)</u>

FY 1989 GENERAL FUND NEW REVENUE

PERCENT CHANGE FROM PRIOR YEAR
Legislative Staff Estimate



General Fund New Revenue Sources as a Percent of Total Legislative Staff Estimate



FY 1989

CHART III

GENERAL FUND NEW REVENUE

