

ANNUAL BUDGET
FY 1995
ANALYSIS AND RECOMMENDATIONS



Prepared By:
THE STAFF OF THE
JOINT LEGISLATIVE BUDGET COMMITTEE
STATE OF ARIZONA
JANUARY 12, 1994

ALPHABETICAL INDEX OF STATE AGENCIES
WITH DEPARTMENT NUMBER REFERENCE

<u>Dept.</u> <u>No.</u>		<u>Page</u> <u>No.</u>	<u>Dept.</u> <u>No.</u>		<u>Page</u> <u>No.</u>	<u>Dept.</u> <u>No.</u>		<u>Page</u> <u>No.</u>
0352	*Accountancy, State Board of	IR-118	0366	*Funeral Dir. & Emb., St. Bd. of . . .	IR-118	0384	*Pharmacy, AZ State Board of	IR-118
0101	Administration, Department of	GG-1	0720	Game and Fish Department, AZ	NR-3	0386	*Physical Therapy Exam., Board of . . .	IR-118
	Capital Budget	CB-11		Capital Budget	CB-17	0260	Pioneers' Home, Arizona	HW-135
0302	Agricultural Employment Rel. Bd.	IR-1	0730	Geological Survey, Arizona	NR-13		Capital Budget	CB-21
0304	Agriculture, AZ Department of	IR-4	0125	Governor - Office of the	GG-88	0388	*Podiatry Examiners, St. Board of . . .	IR-118
0201	AHCCCS	HW-1	0127	Gov's Ofc. of Strat. Plng. & Budgt . . .	GG-90	0390	*Priv. Postsecondary Ed., St.Bd. of . . .	IR-118
0119	Appel. & Trl Crt Appt, Comm on.	GG-84	0235	Health Services, Department of	HW-93	0392	*Psychologist Exam., St. Bd. of	IR-118
0353	*Appraisal, State Board of	IR-118		Capital Budget	CB-18	0580	Public Safety, Department of	PS-38
0434	Arizona State University-Main	ED-68	0244	Hearing Impaired, AZ Cncl for the . . .	HW-131		Capital Budget	CB-22
0438	Arizona State University-West	ED-72	0422	Historical Society, Arizona	ED-56	0342	Racing, Arizona Department of	IR-85
0402	Arts, AZ Commission on the	ED-1		Capital Budget	CB-19	0344	Radiation Regulatory Agency	IR-97
0105	Attorney General - Dept. of Law	GG-35	0424	Historical Society of AZ, Prescott . . .	ED-59	0265	Rangers' Pensions, Arizona	HW-137
0150	Auditor General	GG-104	0368	*Homeopathic Med. Exam., Bd. of . . .	IR-118	0346	Real Estate Department, State	IR-106
0308	Banking Department, State	IR-21	0150	House of Representatives	GG-96	0430	Regents, Arizona Board of	ED-64
0354	*Barbers, Board of	IR-118	0250	Indian Affairs, AZ Commission of . . .	HW-133		Capital Budget	CB-25
0355	*Behavioral Health Exam., Bd. of	IR-118	0324	Industrial Commission of AZ	IR-54	0348	Residential Util. Consumer Office . . .	IR-109
0356	Boxing Commission, AZ State	IR-25	0328	Insurance, Department of	IR-72	0393	*Respiratory Care Exam., Bd. of	IR-118
0310	Building & Fire Safety, Dept. of	IR-28	0150	Jt. Legislative Budget Committee	GG-101	0177	Retirement System, Arizona St.	GG-118
0358	*Chiropractic Examiners, St. Bd. of . . .	IR-118	0118	Judicial Conduct, Comm. on	GG-81	0179	Revenue, Department of	GG-121
0110	Coliseum & Expo. Center Bd, AZ	GG-50	0740	Land Department, State	NR-15	0180	Secretary of State - Dept. of State . . .	GG-140
0113	Commerce, Department of	GG-53	0130	Law Enforce. Merit Sys. Council	GG-92	0150	Senate	GG-94
0408	Community Coll., St.Bd. of Dir. for . . .	ED-4	0150	Legislative Council	GG-98	0394	*Structural Pest Control Comm	IR-118
0314	Contractors, Registrar of	IR-31	0150	Lib., Arch. & Pub. Rec., Dept of	GG-108	0117	Superior Court	GG-75
0316	Corporation Commission	IR-36	0332	Liquor Licenses & Ctrl., Dept. of	IR-76	0115	Supreme Court	GG-58
0520	Corrections, State Department of	PS-1	0160	Lottery Commission, AZ State	GG-111	0188	Tax Appeals, State Board of	GG-143
	Capital Budget	CB-14		Capital Budget	CB-20	0396	*Technical Registration, St. Bd. of . . .	IR-118
0360	*Cosmetology, Board of	IR-118	0370	*Medical Examiners, Board of	IR-118	0191	Tourism, Office of	GG-150
0116	Court of Appeals, Div. I	GG-71	0426	Medical Students Loans, Board of	ED-61	0610	Transportation, Department of	TR-1
0116	Court of Appeals, Div. II	GG-73	0338	Mine Inspector, State	IR-80		Capital Budget	CB-26
0530	Criminal Justice Commission, AZ	PS-23	0750	Mines & Mineral Res., Dept. of	NR-19	0192	Treasurer, State	GG-154
0414	Deaf & Blind, AZ St. Sch. for the	ED-11	0372	*Naturopathic Phys. Bd. of Ex., St. . . .	IR-118	0196	Uniform State Laws, Comm. on	GG-157
	Capital Budget	CB-23	0440	Northern Arizona University	ED-75	0450	University of AZ - Main Campus	ED-79
0362	*Dental Examiners, State Board of	IR-118	0374	*Nursing, State Board of	IR-118	0455	University of AZ - Health Science Ctr . . .	ED-83
0209	Economic Security, Department of	HW-35	0376	*Nursing Care Inst. Admin., Bd. of . . .	IR-118	0271	Veterans' Service Commission, AZ	HW-138
	Capital Budget	CB-16	0340	Occup. Sfty. & Hlth. Review Bd	IR-83	0398	*Veterinary Med. Exam. Bd., AZ St . . .	IR-118
0418	Education, Department of	ED-31	0377	*Occup. Therapy Exam., Bd. of	IR-118	0790	Water Resources, Department of	NR-26
0550	Emer. & Military Affairs, Dept of	PS-26	0378	*Opticians, St. Board of Dispensing . . .	IR-118	0350	Weights and Measures, Dept. of	IR-112
0705	Environment, Comm. on the AZ	NR-1	0380	*Optometry, State Board of	IR-118	0525	Youth Trtmt & Rehab., Dept. of	PS-49
0215	Environmental Quality, Dept. of	HW-85	0382	*Osteopathic Examiners, AZ Bd. of . . .	IR-118		Capital Budget	CB-24
0128	Equal Opportunity, Gov's Ofc. of	GG-86	0770	Parks Board, AZ State	NR-21			
0570	Executive Clemency, Board of	PS-35	0165	Personnel Board	GG-116			

*FY 1995 budget already approved. See page IR-118 for technical adjustments.

This document is designed to be used in conjunction with the Summary of Recommendations and Economic and Revenue Forecast.

Information presented in the Summary volume has not been repeated in this document.

SENATE APPROPRIATIONS COMMITTEE
CAROL SPRINGER - Chairman
Subcommittee Assignments - 41st Legislature

<u>CRIMINAL JUSTICE</u>	<u>HEALTH/WELFARE</u>	<u>GENERAL GOVERNMENT</u>	<u>EDUCATION</u>
TURNER, Chairman Members: Noland, Hardt, Kennedy, Springer	HUPPENTHAL, Chairman Members: Day, Alston, Springer	CHESLEY, Chairman Members: Wettaw, Furman, Soltero, Springer	HERMON, Chairman Members: Salmon, Arzberger, Springer
*Accountancy, Bd. of AGRICULTURE, DEPT. OF ATTORNEY GENERAL Boxing Commission *Chiropractic Exam. Bd. Corporation Commission CORRECTIONS, DEPT. OF COURTS Appellate/Trial Court Court of Appeals Jud. Conduct, Comm. on Superior Courts Supreme Court Criminal Justice Comm. Executive Clemency, Board of Law Enforce. Merit Syst. Liquor Licenses & Control *Pharmacy Board PUBLIC SAFETY, DEPT. OF Radiation Reg. Agency Residential Util. Cnsmr Ofc. *Structural Pest Control Bd. *Technical Registration, Bd of YOUTH TRTMNT & REHAB., DEPT OF	Agricultural Employment Relations Bd. AHCCCS *Behav. Hlth. Exm., Bd. of Bldg. & Fire Sfty. Coliseum & Expo. Ctr. Contractors, Registrar of *Dental Exam. Bd. ECONOMIC SECURITY, DEPT. OF Emer. & Mil. Affrs, Dept. of Environment, Comm. on AZ. ENVIRONMENTAL QUAL., DEPT OF Game & Fish Department HEALTH SERVICES, DEPT. OF Hearing Impaired, Council Indian Affairs, Comm. of Industrial Commission Occup. Sfty & Hlth Rev. Bd. *Occup. Therapy Ex., Bd. of Pioneers' Home Rangers' Pension Tax Appeals Board Weights & Measures, Dept. of	ADMINISTRATION, DEPT. OF *DOA - Central Board Svcs. ^{1/} *Appraisal, St. Bd. of Auditor General Banking Department *Barber Exam. Bd. Commerce, Dept. of *Cosmetology, Bd. of Equal Opportunity, Gov's. Ofc. of Governor, Office of the Gov's Ofc. of Strat. Plng & Budtg Insurance, Dept. of Joint Legislative Bud. Cmte. Legislative Council Library, Archives & Pub. Rec Lottery Commission *Medical Exam., Bd. of *Osteopathic Exam. Bd. Personnel Board Racing, Dept. of Real Estate Department Retirement System REVENUE, DEPT. OF Secretary of State Senate/House Tourism, Office of TRANSPORTATION, DEPT. OF Treasurer Uniform State Laws, Comm. on Veterans' Services Comm.	Arts, Comm. on the COMMUNITY COLLEGES DEAF & BLIND, SCHOOL FOR EDUCATION, DEPT. OF (K-12) Geological Survey Historical Society, AZ Historical Society, Prescott Land Department Medical Student Loans Bd. Mine Inspector Mines & Mineral Res., Dept. *Nursing Board Parks Board *Private Postsecond. Ed. *Respiratory Care Exam. Bd. UNIVERSITIES ASU ASU-West NAU Regents, Bd. of U of A U of A/Medical College WATER RESOURCES, DEPT. OF
* FY 1995 budget already appropriated during 1st Regular Session.			

^{1/} Board of Funeral Directors & Embalmers, Homeopathic Medical Examiners Board, Naturopathic Physicians Examiners Board, Nursing Care Institution Administrators Board, Dispensing Opticians Board, Board of Optometry, Physical Therapy Examiners Board, Board of Podiatry Examiners, Board of Psychologist Examiners, Veterinary Medical Examining Board.

HOUSE APPROPRIATIONS COMMITTEE
 ROBERT "BOB" BURNS - Chairman
 Subcommittee Assignments - 41st Legislature

<u>CRIMINAL JUSTICE</u>	<u>HEALTH/WELFARE</u>	<u>GENERAL GOVERNMENT</u>	<u>EDUCATION</u>
KEEGAN, Chairman Members: Verkamp, Eden, Burns	EDENS, Chairman Members: Hershberger, Rosenbaum, Horton, Burns	GROSCOST, Chairman Members: Patterson, Cummiskey, Hubbard, Burns	GRAHAM, Chairman Members: Johnson, Smith, McLendon, Cajero, Burns
*Accountancy, Bd. of AGRICULTURE, DEPT. OF ATTORNEY GENERAL Boxing Commission *Chiropractic Exam. Bd. Corporation Commission CORRECTIONS, DEPT. OF COURTS Appellate/Trial Court Court of Appeals Jud. Conduct, Comm. on Superior Courts Supreme Court Criminal Justice Comm. Executive Clemency, Board of Law Enforce. Merit Syst. Liquor Licenses & Control *Pharmacy Board PUBLIC SAFETY, DEPT. OF Radiation Reg. Agency Residential Util. Cnsmr. Ofc. *Structural Pest Control Bd. *Technical Registration, Bd of YOUTH TRTMNT & REHAB., DEPT. OF	Agricultural Employment Relations Bd. AHCCCS *Behav. Hlth. Exm., Bd. of Bldg. & Fire Sfty. Coliseum & Expo. Ctr. Contractors, Registrar of *Dental Exam. Bd. ECONOMIC SECURITY, DEPT. OF Emer. & Mil. Affrs, Dept. of Environment, Comm. on AZ. ENVIRONMENTAL QUAL., DEPT OF Game & Fish Department HEALTH SERVICES, DEPT. OF Hearing Impaired, Council Indian Affairs, Comm. of Industrial Commission Occup. Sfty & Hlth Rev. Bd. *Occup. Therapy Ex., Bd. of Pioneers' Home Rangers' Pension Tax Appeals Board Weights & Measures, Dept. of	ADMINISTRATION, DEPT. OF *DOA - Central Board Svcs. ^{1/} *Appraisal, St. Bd. of Auditor General Banking Department *Barber Exam. Bd. Commerce, Dept. of *Cosmetology, Bd. of Equal Opportunity, Gov's Ofc. of Governor, Office of the Gov's Ofc. of Strat. Plng & Budtg Insurance, Dept. of Joint Legislative Bud. Cmte. Legislative Council Library, Archives & Pub. Rec Lottery Commission *Medical Exam., Bd. of *Osteopathic Exam. Bd. Personnel Board Racing, Dept. of Real Estate Department Retirement System REVENUE, DEPT. OF Secretary of State Senate/House Tourism, Office of TRANSPORTATION, DEPT. OF Treasurer Uniform State Laws, Comm. on Veterans' Services Comm.	Arts, Comm. on the COMMUNITY COLLEGES DEAF & BLIND, SCHOOL FOR EDUCATION, DEPT. OF (K-12) Geological Survey Historical Society, AZ Historical Society, Prescott Land Department Medical Student Loans Bd. Mine Inspector Mines & Mineral Res., Dept. *Nursing Board Parks Board *Private Postsecond. Ed. *Respiratory Care Exam. Bd. UNIVERSITIES ASU ASU-West NAU Regents, Bd. of U of A U of A/Medical College WATER RESOURCES, DEPT. OF

* FY 1995 budget already appropriated during 1st Regular Session.

^{1/} Board of Funeral Directors & Embalmers, Homeopathic Medical Examiners Board, Naturopathic Physicians Examiners Board, Nursing Care Institution Administrators Board, Dispensing Opticians Board, Board of Optometry, Physical Therapy Examiners Board, Board of Podiatry Examiners, Board of Psychologist Examiners, Veterinary Medical Examining Board.

**DIRECTORY OF JLBC ANALYSTS
AND AGENCY/DEPARTMENT HEADS**

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Accountancy, State Board of Administration, Department of Agricultural Employment Relations Board Agriculture, Arizona Department of Arizona Health Care Cost Containment System	Gita Reddy Lynne Smith Karen Bock Karen Bock Monty Headley	Ruth R. Lee Elliott Hibbs Michelle Gamez Keith Kelly Mabel Chen, M.D.	255-3648 542-1500 542-1164 542-0998 234-3655
Appellate & Trial Court Appointments, Comm. on Appraisal, State Board of Arizona State University	Marge Cawley Rachelle Child John Lee (1) Bruce Groll (2) Gita Reddy Lorenzo Martinez	Honorable Stanley D. Feldman Shirley Berry Lattie Coor Shelley Cohn Honorable Grant Woods	542-4532 542-1539 965-5606 255-5882 542-4266
Arts, Arizona Commission on the Attorney General - Department of Law	Dick Morris Rachelle Child Rachelle Child Lynne Smith Phil Case	Douglas R. Norton Richard Houseworth Mario Herrera David Oake John Montano	553-0333 255-4421 542-2701 542-1882 542-1417
Auditor General Banking Department, State Barbers, Board of Behavioral Health Examiners, Board of Boxing Commission, Arizona State	Gita Reddy Gita Reddy Phil Case Mark Siegarth Bruce Groll	Eric Borg Elaine Le Tarte Gary D. Montgomery Sara Goertzen Don Puyear, Ph.D.	255-4072 255-1444 252-6771 280-1306 255-4037
Building & Fire Safety, Department of Chiropractic Examiners, State Board of Coliseum & Exposition Center Board, Arizona Commerce, Department of Community Colleges, State Board of Directors for	Gita Reddy Rachelle Child Dick Morris (1) Lorenzo Martinez (2) Rachelle Child Marge Cawley	Michael P. Goldwater Honorable Marcia Weeks Samuel A. Lewis Sue Sansom Honorable Thomas Kleinschmidt	542-1525 542-4140 542-5497 542-5301 542-1478
Contractors, Registrar of Corporation Commission Corrections, State Department of	Gita Reddy Rachelle Child Dick Morris (1) Lorenzo Martinez (2) Rachelle Child Marge Cawley	Honorable William Druke Rex Holgerson Ralph Bartley Mark K. Steinberg Linda Blessing	628-6945 542-1928 628-5261 255-3696 542-5678
Cosmetology, Board of Court of Appeals, Division I	Marge Cawley Lorenzo Martinez Michelle Fusak Gita Reddy Marge Cawley Mark Siegarth	Honorable C. Diane Bishop Donald Owens Charlene Ledet	542-4361 267-2710 542-2102
Court of Appeals, Division II Criminal Justice Commission, Arizona Deaf and the Blind, Arizona State School for the Dental Examiners, State Board of Economic Security, Department of	Michelle Fusak Lorenzo Martinez Karen Bock		
Education, Department of Emergency and Military Affairs, Department of Environment, Commission on the Arizona			

AGENCY/DEPT./BUDGET AREA

Environmental Quality, Department of

Equal Opportunity, Governor's Office of
Executive Clemency, Board of
Funeral Directors & Embalmers, State Board of
Game and Fish Department, ArizonaGeological Survey, Arizona
Governor - Office of the
Governor's Office of Strategic Planning & Budgeting
Health Services, Department of

Hearing Impaired, Arizona Council for the

Historical Society, Arizona
Historical Society of Arizona, Prescott
Homeopathic Medical Examiners, Board of
House of Representatives
Indian Affairs, Arizona Commission ofIndustrial Commission of Arizona
Insurance, Department of
Joint Legislative Budget Committee
Judicial Conduct, Commission on
Land Department, StateLaw Enforcement Merit System Council
Legislative Council
Library, Archives and Public Records, Dept. of
Liquor Licenses & Control, Department of
Lottery Commission, Arizona StateMedical Examiners, Board of
Medical Student Loans, Board of
Mine Inspector, State
Mines & Mineral Resources, Department of
Naturopathic Physicians Board of Medical Examiners

Northern Arizona University

Nursing, State Board of
Nursing Care Institution Administrators & Adult Care
Home Managers, Bd. of Examiners of
Occupational Safety & Health Review Board
Occupational Therapy Exam., Board of**JLBC ANALYST**Karen Bock (1)
Renee Bahl (2)
Rachelle Child
Lorenzo Martinez
Lynne Smith
Monty HeadleyRenee Bahl
Dick Morris
Dick Morris
Michael Bradley (1)
Gita Reddy (2)
Gita ReddyRenee Bahl
Renee Bahl
Lynne Smith
Dick Morris
Gita ReddyGita Reddy
Lynne Smith
Dick Morris
Marge Cawley
Gita ReddyGary Thompson
Dick Morris
Renee Bahl
Rachelle Child
Phil CaseGita Reddy
Bruce Groll
Renee Bahl
Renee Bahl
Lynne SmithJohn Lee (1)
Bruce Groll (2)
Gita Reddy
Lynne SmithGita Reddy
Lorenzo Martinez**AGENCY/DEPARTMENT HEADS**

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Jean Ellzey
Duane SchroufeLarry D. Fellows
Honorable Fife Symington
Peter Burns
Jack Dillenberg

Stuart Brackney

Michael F. Weber
Mac R. Harris
Gladys McGarey
Honorable Mark W. Killian
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Ted Ferris
Honorable Bernardo P. Velasco
M. J. HassellJerry Spencer
Mike Braun
Arlene Bansal
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542-4331
542-5381
542-1025

542-3323

628-5774
445-3122
542-3095
542-5729
542-3123542-4411
912-8456
542-5491
542-5200
542-4621223-2286
542-4236
542-4035
542-5141
921-4514255-3751
626-6216
542-5971
255-3791
542-3095

523-3232

255-5092
542-3095864-0893
542-6784

AGENCY/DEPT./BUDGET AREA

Opticians, State Board of Dispensing
 Optometry, State Board of
 Osteopathic Examiners, Arizona Board of
 Parks Board, Arizona State
 Personnel Board

Pharmacy, Arizona State Board of
 Physical Therapy Examiners, Board of
 Pioneers' Home, Arizona
 Podiatry Examiners, State Board of
 Private Postsecondary Education, State Board of

Psychologist Examiners, State Board of
 Public Safety, Department of
 Racing, Arizona Department of
 Radiation Regulatory Agency
 Rangers' Pensions, Arizona

Real Estate Department, State
 Regents, Arizona Board of
 Residential Utility Consumer Office
 Respiratory Care Examiners, Board of
 Retirement System, Arizona State

Revenue, Department of
 Secretary of State - Department of State
 Senate
 Structural Pest Control Commission
 Superior Court

Supreme Court
 Tax Appeals, State Board of

Technical Registration, State Board of
 Tourism, Office of
 Transportation, Department of

Treasurer, State
 Uniform State Laws, Commission on
 University of Arizona

Veterans' Service Commission, Arizona
 Veterinary Medical Examining Board, Arizona State

Water Resources, Department of
 Weights & Measures, Department of

JLBC ANALYST

Lynne Smith
 Lynne Smith
 Gita Reddy
 Monty Headley
 Lynne Smith

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 Marge Cawley
 Lynne Smith
 Bruce Groll

Lynne Smith
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 John Lee
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 Rachelle Child

Bob Hull
 Gita Reddy
 Dick Morris
 Gita Reddy
 Marge Cawley

Marge Cawley
 Rachelle Child

Gita Reddy
 Phil Case
 Bob Hull

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 Lynne Smith

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 Robert J. Miller
 Ken Travous
 Judy Henkel

Llyn Lloyd
 Patricia Plack
 Doris Marlowe
 Linda Wells
 Dona Markley

Maxine McCarthy
 F. J. "Rick" Ayars
 James Higginbottom
 Aubrey V. Godwin
 See Governor's Office

Jerry Holt
 Frank Besnette
 Ron Mathis
 Ann Marie Toashner
 LeRoy Gilbertson

Harold Scott
 Honorable Richard D. Mahoney
 Honorable John Greene
 Jack Root
 Dave Byers

Honorable Stanley G. Feldman
 Donald Joseph (Division I)
 Stephen P. Linzer (Division II)
 Ronald Dalrymple
 Greg Gilstrap
 Larry S. Bonine

Honorable Tony West
 James M. Bush
 Manuel Pacheco

Norman O. Gallion
 Louise Battaglia

Rita Pearson
 John Hays

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 255-1747
 542-4174
 542-3888

255-5125
 542-3095
 445-2181
 542-3095
 542-5709

542-3018
 223-2359
 542-5151
 255-4845
 542-4331

468-1414
 229-2500
 542-3733
 542-5995
 240-2000

542-3572
 542-4285
 542-4233
 255-3664
 542-9301

542-4532
 542-7070
 542-3288
 255-4053
 542-4764
 255-7226

542-1463
 257-5767
 621-5511

255-3373
 542-3095

542-1540
 255-5211

AGENCY/DEPT./BUDGET AREA

Youth Treatment & Rehabilitation, Department of

OTHER ASSIGNMENTS

Capital Review

Data Processing

Economic & Revenue Forecast

Federal Funds

Fiscal Note Manager

Higher Education Research

JLBC ANALYST

Karen Bock

Phil Case

Gary Thompson

Hank Reardon

Kent Ennis

Frank Chow

Dennis Doby

Justin Garosi

Richard Stavneak

Richard Stavneak

John Lee

Bob Hull

Bruce Groll

AGENCY/DEPARTMENT HEADS

Eugene R. Moore

TELEPHONE

NUMBER

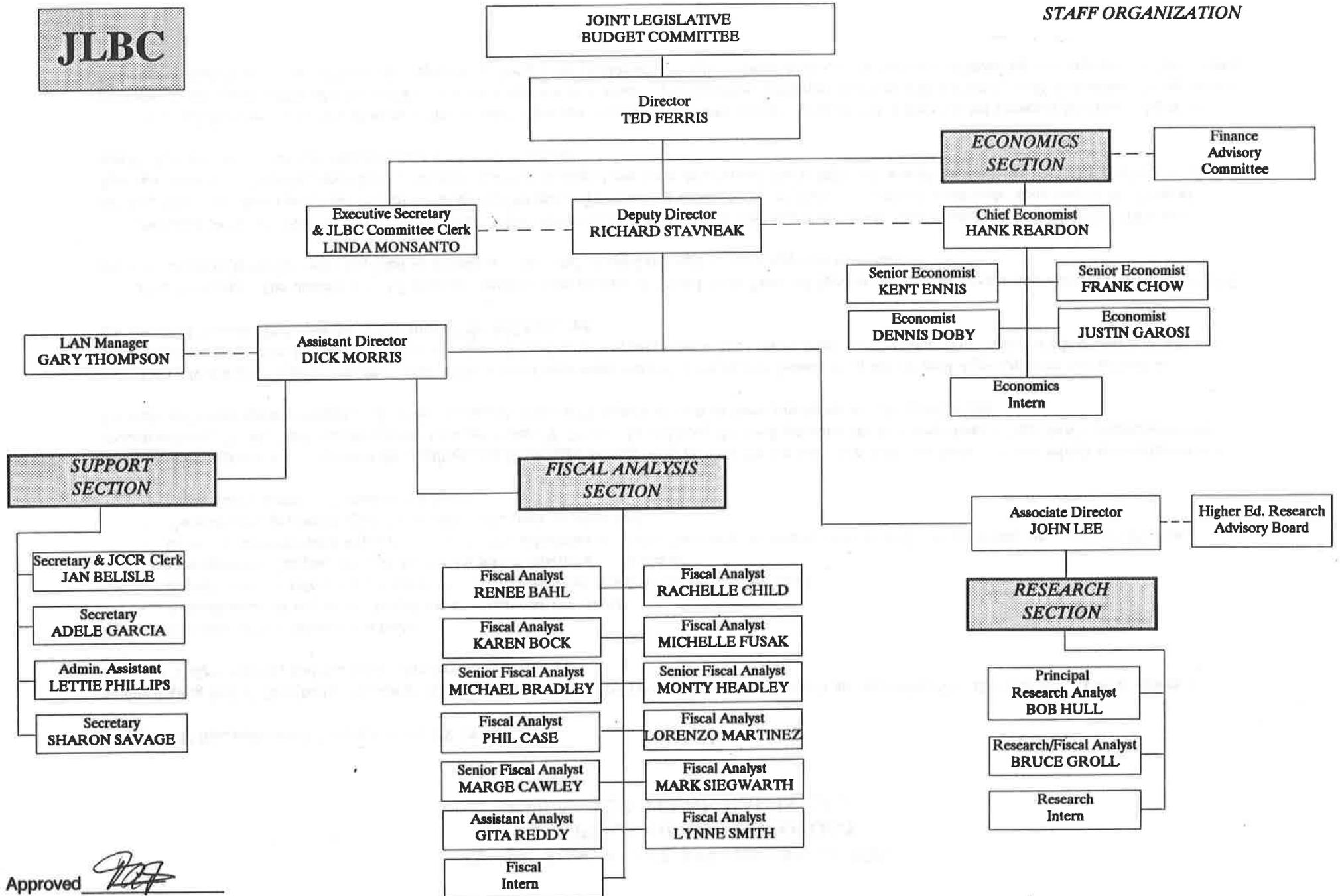
542-3987

- (1) Lead Assignment
(2) Secondary Assignment

1/10/94



STAFF ORGANIZATION



Approved 
Date: 1/5/94

FY 1995 JLBC STAFF RECOMMENDATION DESCRIPTION OF METHODOLOGY AND MAJOR TECHNICAL ISSUES

JLBC Staff Recommended Changes from FY 1994

In developing its FY 1995 budget recommendation, the JLBC Staff has reviewed the current year's appropriation (FY 1994) as well as each agency's FY 1995 budget request, and has made adjustments for:

- One-time appropriations (decrease)
- Annualization of any items funded for a partial year (increase)
- Specific cost considerations, such as the cost of employee benefits (increase or decrease)
- Demographic changes, such as population served (increase or decrease)
- Statutory programmatic requirements, including scheduled start-ups, decreases, increases, or elimination of programs (increases or decreases)
- Vacancy savings, based upon recent trends (increase or decrease)
- Other policy issues (increases or decreases)

The individual agency descriptions in the Analysis and Recommendations book provide further narrative detail on these changes, which are explained in a section entitled, "JLBC Staff Recommended Changes from FY 1994." In addition, the book provides the line item detail of the Staff's recommendations for each individual agency budget. The major technical issues with regard to each of these line items are described below.

FY 1994 Adjusted Appropriations - This dollar amount represents the FY 1994 appropriations from the General Appropriation Act as well as appropriations from other legislation. We have adjusted the General Appropriation Act estimates for the distribution of technical adjustments, which were not allocated to individual agencies at the time of the bill's passage.

FTE Positions - The number of FTE positions reflects both personnel funded from Personal Services as well as special line items. The FY 1994 FTE position estimates have also been adjusted to include any new staff funded through separate appropriation bills.

Personal Services - Pay Adjustment - The JLBC Staff recommends a \$30 million state employee compensation package for FY 1995. This new funding, however, does not appear in individual agency budgets. The funding would be appropriated as a government-wide lump sum in the General Appropriation Act. Once the specifics of the compensation package have been determined, the JLBC Staff would determine the allocation of the lump sum and the Department of Administration would allocate the monies.

Personal Services - Vacancy Savings - This amount represents a reduction in anticipation of an agency's unexpended Personal Services. Agencies typically do not spend 100% of Personal Services for a number of reasons. For example, employee turnover will normally result in positions being vacant for some period of time. In addition, the departure of long term employees will often result in savings as they are replaced by less-experienced, lower-paid personnel.

For FY 1995, the JLBC Staff has generally recommended the application of standard vacancy rates, which vary with the size of the agency. The standard vacancy rates are:

<u>Authorized FTE Positions</u>	<u>Vacancy Factor</u>
0-25	0.0%
26-50	1.0%
51-100	1.5%
101-250	2.0%
251 and over	3.0%

The vacancy savings will be found under the heading "Personal Services/ERE adjustments" in the individual agency narratives.

Employee Related Expenditures (ERE) - This category represents the state cost of employee benefits. The ERE calculations have been based upon the following assumptions. The Executive concurs with these assumptions unless otherwise noted.

Disability Insurance: 0.53% of Personal Services for non-State Retirement System employees. The cost of disability insurance for State Retirement System employees is incorporated in the overall retirement contribution rate (See Below).

Federal Insurance Contributions Act (FICA) - As required by federal law, a) Social Security taxes were applied at a rate of 6.2% up to \$60,000 of an employee's salary and b) Medicare taxes were applied at a rate of 1.45% on the full level of an employee's salary. The Executive recommendation applies the 7.65% rate only to salaries up to \$60,000.

Health and Dental Insurance - Each individual agency budget includes funding for the employer share of health insurance costs. With the exception of the Universities, the Department of Administration subsequently transfers health insurance appropriations from the individual agencies to the Health Insurance Trust Fund. The JLBC Staff recommendation is based upon each individual agency's actual average cost per employee in FY 1994 for health and dental insurance. This average cost was typically higher than the FY 1994 budgeted amount, as one-time surpluses in the Health Insurance Trust Fund were used to finance health insurance in FY 1994. As a result, the FY 1995 recommendation restores funding to each individual agency budget to fully fund the current cost of health insurance as the individual agency budgets simply repeat the FY 1994 funding for health insurance. As part of its overall state employee compensation package of \$30 million, the Staff also recommends new funding for health insurance cost increases in FY 1995. This new FY 1995 funding, however, would be appropriated as a lump sum in the General Appropriation Act and subsequently distributed to individual agency budgets.

Life Insurance - \$13 per employee per year.

Personnel Division - 0.85% of Personal Services. The Department of Administration's Personnel Division budget is funded from an assessment on the payroll of all state agencies. Laws 1991, Chapter 265, requires this pro rata share to increase from 0.70% in FY 1992 in increments of 0.05% each year until reaching 1.0% in FY 1998.

Retirement - The rates as a percent of Personal Services are as follows for the different retirement systems:

<u>Retirement System</u>	<u>JLBC Rate</u>
State Retirement	3.75
Correctional Officers - DOC	5.70
Correctional Officers - DYTR	4.50
Elected Officials	5.30
Dept. of Public Safety	3.04*
NAU Police	4.66
U of A Police	1.76
ASU Police	7.22
Game and Fish	18.64
DEMA Firefighters	3.88
Attorney General Investigators	8.11

*Plus 5% member contributions paid by employer

Unemployment Insurance - 0.30% of Personal Services.

Workers' Compensation - The rates vary by individual agency.

Other Operating Expenditures

Inflation - The JLBC Staff recommends no adjustment for inflation. The Executive also recommends no inflation adjustment.

Rent - The JLBC Staff recommendation includes rent for all agencies occupying space in buildings located on the Governmental Mall in Phoenix and in the 2 large state-owned buildings in Tucson. The funding will be transferred to the Capital Outlay Stabilization Fund and used to finance the Department of Administration Utilities appropriation, facilities management activities, and a portion of the DOA Building Renewal appropriation. In addition to providing a dedicated source of revenue for costs associated with operating these buildings, charging agencies for their office space is intended to increase legislative oversight of state-owned space by requiring them to be budgeted for this space prior to absorbing added square footage. The JLBC Staff recommends the following rent items:

State-owned Space: In both General Fund and non-General Fund agencies, the Staff recommends charging \$11.00 per square foot for office space and \$4.50 per square foot for storage space.

Lease-Purchase Buildings: Full funding is included in budgets for all agencies housed in buildings being acquired by lease-purchase, including buildings acquired as part of the state's RTC/Distressed Property program.

Operations and Maintenance (O&M) Charges: New this year, the JLBC Staff recommends funding an operations and maintenance charge of \$4.75 per square foot in each agency occupying an RTC/Distressed Property acquisition. This charge would include standard levels for utilities, janitorial, maintenance, landscaping, minor repairs and pest control. While the O&M charge would be appropriated to individual agencies, the funding would be transferred to the Department of Administration, which would be responsible for providing the service, either directly or under contract.

Risk Management - Individual agency budgets include the FY 1995 risk management rates billed by the Department of Administration Risk Management Division (DOA). These rates are estimated to result in total revenues of \$41.5 million, of which \$21.5 million is from the General Fund and \$20 million from Other Appropriated and Non-Appropriated funds. As a result of a favorable loss history, the premium level of \$41.5 million represents a \$10 million decline from the prior year level. Individual agency risk management charges, therefore, generally decline in each agency. Individual agency charges, however, also depend on the particular actuarial experience of that agency.

In addition, the JLBC Staff recommends a further one-time \$20 million reduction in rates to reduce the surplus in the Risk Management Fund that has occurred as a result of the recent favorable loss experience. The General Fund share of the savings is \$10 million. Prior to enactment of the FY 1995 budget, the Staff recommends reviewing the estimate of year-to-date actuarial losses and updating the reduction figure as appropriate. To facilitate this mid-session adjustment, this reduction has not yet been allocated to individual agency budgets. These savings would subsequently be allocated to individual agencies, and those amounts would be detailed in the JLBC Staff Appropriations Report.

JLBC Staff Recommended Format

New this year, the Analysis and Recommendation book will include the JLBC Staff's recommendation for individual agency budget formats. The format governs how an agency's appropriation will appear in the General Appropriation Act. The most common budget formats are as follows:

- Lump Sum*
- Modified Lump Sum*
- Detailed Line Item*

These formats can either be applied agencywide or to each particular budget program.

A less detailed format will provide an agency with more discretion in implementing the budget at the expense of legislative oversight for that agency. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funds to a purpose different from that originally intended by the Legislature.

For example:

Lump Sum - The appropriation consists of a single dollar amount, thereby allowing the agency to shift funds among line items and programs without further legislative review. In the General Appropriations Bill, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Lump Sum appropriation	\$100,000

Within this format, the subcommittee and the committee will need to determine whether special line items (funds generally granted to entities or individuals outside of state government) will be included in the Lump Sum or listed separately.

Modified Lump Sum - The appropriation consists of at least three lines, Personal Services, Employee Related Expenditures and All Other Operating Expenditures. Any special line items would be listed separately. Under this format, an agency must seek approval of the Joint Legislative Budget Committee before moving any funds into or out of the Personal Services and ERE line items (A.R.S. § 35-173(c)). In the General Appropriations Bill, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Personal Services	\$ 60,000
Employee Related Expenditures	15,000
All Other Operating Expenditures	<u>25,000</u>
Total - Agency X	\$100,000

Detailed Line Item - The appropriation consists of each line item listed in the Analysis and Recommendations book, including Professional and Outside Services, Travel, Other Operating Expenditures and Equipment. While the same rules govern Personal Services/ERE transfers as noted in the Modified Lump Sum description, the detailed line item appropriation requires the agency to seek Department of Administration approval before transferring monies between any other line items. This format is used in circumstances when the Legislature has particular concern over an agency's operation. In the General Appropriations Bill, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Personal Services	\$ 60,000
Employee Related Expenditures	15,000
Professional and Outside Services	3,000
Travel - In State	7,500
Travel - Out of State	2,500
Other Operating Expenditures	10,000
Equipment	<u>2,000</u>
Total - Agency X	\$100,000

JLBC Staff Recommended Footnotes

New this year, the Analysis and Recommendation book will include the JLBC Staff's recommendation for footnotes. These narrative statements in the General Appropriation Act establish conditions for expenditures, reporting requirements and legislative intent. A footnote, however, cannot be used to modify an existing program's authorizing law.

We have classified footnotes into one of the following categories:

- Standard Footnotes (Footnotes that have appeared in at least 2 consecutive General Appropriation Acts)*
- Continuation of New FY 1994 Footnotes*
- Modification of New FY 1994 or Standard Footnotes*
- New FY 1995 Footnotes*
- Deletion of New FY 1994 or Standard Footnotes*

If being revised or deleted, the footnote language is typically followed by an italicized explanation of the change.

Other Issues for Legislative Consideration

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 other things, shall include recommendations of the budget analyst for revisions in expenditures."

We have highlighted in our analysis the differences between the JLBC Staff and the Executive recommendation for each agency. Any policy issues recommended by the Governor and not addressed under the "JLBC Staff Recommended Changes from FY 1994" section are addressed under the heading "Other Issues for Legislative Consideration."

Auditor General Performance Audit

The narrative section of the Analysis and Recommendations book also addresses recommendations from the Auditor General's Performance Audits, published in calendar 1993, that have a fiscal impact. The calendar year 1993 audits include:

- Department of Administration - Personnel Division
- Department of Administration - Building and Planning Services Section and Construction Services Section
- Department of Commerce
- Board of Dental Examiners
- Department of Economic Security - Division of Developmental Disabilities
- Department of Economic Security - Division of Benefits and Medical Eligibility
- Department of Environmental Quality - Management Functions
- Department of Environmental Quality - Office of Water Quality
- Department of Environmental Quality - Office of Waste Programs

The narrative explains whether the Auditor General findings have been incorporated into the JLBC Staff recommendation.

**GENERAL GOVERNMENT
(GG)**

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Administration
Agency Summary

JLBC ANALYST: Smith
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL ^{1/}	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	793.3	810.0	808.5	802.9	887.5	
BY PROGRAM/ORGANIZATION						
Administration	1,783,500	1,925,100	1,960,600	2,991,700	2,010,100	
Finance	10,120,100	12,711,300	13,228,100	13,320,400	12,722,000	
General Services	12,934,200	13,879,500	13,693,200	13,095,900	13,031,500	
Information Services	16,258,900	17,314,400	17,637,000	15,832,600	15,802,400	
Capitol Police	1,183,100	1,183,600	1,260,100	1,291,100	1,291,500	
Risk Management	31,934,800	66,337,200	44,508,400	43,213,500	42,932,100	
Workers' Compensation	14,882,600	15,997,700	17,273,200	17,229,400	17,204,700	
Personnel	4,964,300	5,558,200	5,556,500	6,187,900	5,429,700	
AGENCY TOTAL	94,061,500	134,907,000	115,117,100	113,162,500	110,424,000	
OPERATING BUDGET						
Personal Services	17,822,500	19,906,200	21,111,200	20,875,900	20,094,300	
Employee Related Expenditures	4,184,700	4,551,500	5,318,800	5,131,600	4,935,200	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Administration
Agency Summary

JLBC ANALYST: Smith
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL ^{1/}	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Professional/Outside Services	1,953,600	2,388,100	2,895,800	2,131,500	1,920,000	
Travel - In State	140,600	177,100	196,500	199,900	178,000	
Travel - Out of State	30,100	36,200	45,400	45,400	37,200	
Other Operating Expenditures	11,131,600	11,360,100	11,426,400	4,919,000	8,294,500	
Equipment	830,300	226,900	156,600	160,600	2,477,200	
All Other Operating Subtotal	14,086,200	14,188,400	14,720,700	7,456,400	12,906,900	
OPERATING SUBTOTAL	36,093,400	38,646,100	41,150,700	33,463,900	37,936,400	
SPECIAL LINE ITEMS						
ENSCO COP	3,782,800	4,582,600	4,582,900	4,582,900	4,582,900	
Statewide Accounting System	1,152,600	0	0	0	0	
Utilities	6,122,100	5,985,000	5,985,000	5,985,000	5,985,000	
Workers' Comp Losses	12,667,700	13,140,000	14,676,000	14,676,000	14,676,000	
Claim Management Fees	1,127,000	506,600	0	0	0	
Premium Tax	485,500	725,000	725,000	725,000	725,000	
Liability & Property Losses	21,703,500	54,862,000	30,454,000	30,454,000	30,454,000	
Hearing Office	35,700	35,700	35,700	35,700	35,700	
Attorney General Defense-RM	4,136,600	4,163,800	5,426,100	4,190,800	4,192,500	
Insurance Premiums	3,346,800	4,828,500	5,877,500	5,877,500	5,877,500	
Loss Control Grants	490,400	250,000	500,000	500,000	250,000	
Univ Student Health Work Program	94,200	159,500	160,000	160,000	159,500	
Transfers Out: Loss Control	0	100,000	150,000	150,000	150,000	
Attorney General Defense-WC	0	60,000	120,000	110,800	114,300	
SLIAG	158,600	305,900	0	0	105,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Administration
Agency Summary

JLBC ANALYST: Smith
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL ^{1/}	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Governor's Regulatory Review Comm	0	102,700	103,900	102,300	104,400	
Lease-Purchase Rent	512,500	427,000	427,900	427,900	429,400	
COSF Rent	748,800	748,800	816,900	901,800	903,100	
GAAP	545,100	620,000	0	0	623,500	
Special Recruitment	36,200	43,500	43,500	43,500	43,500	
Relocation	0	120,000	234,900	235,600	160,000	
Water Rights Settlement	500,000	0	0	0	0	
Garnishment	0	99,600	0	0	0	
Personnel Automation Proj	0	175,000	175,000	175,000	175,000	
Cost Recovery/Cash Mgmt	47,500	128,300	0	0	129,800	
Reloc/Non-West Tower	166,800	0	0	0	0	
Automation Capital Equipment	0	0	0	2,335,500	0	
Software License and Maintenance	0	0	0	2,226,300	0	
Maintenance and Repair	0	0	0	1,147,100	0	
Constitutional Defense Council	0	0	0	1,000,000	0	
Classification Pilot	0	0	0	700,000	0	
Tucson State Office Bldg	107,700	107,900	131,800	131,800	131,800	
Sun State Savings Building	0	1,088,600	445,400	0	0	
AFIS II	0	2,894,900	2,894,900	2,824,100	2,478,900	
Special Item Subtotal	57,968,100	96,260,900	73,966,400	79,698,600	72,487,600	
AGENCY TOTAL	94,061,500	134,907,000	115,117,100	113,162,500	110,424,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Administration
Agency Summary

JLBC ANALYST: Smith
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL ^{1/}	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	20,894,200	24,825,600	25,223,100	25,926,800	23,897,700	
Other Funds	59,130,300	110,081,400	89,894,000	87,235,700	86,526,300	
Other Non-Appropriated Funds	236,778,700	211,985,100	218,760,600	--	218,760,600	
AGENCY TOTAL - ALL SOURCES	316,803,200	346,892,100	333,877,700	113,162,500	329,184,600	

^{1/} For comparability, the line items in the FY 1993 Actual column include \$14,037,000 expended from the Automation Fund, which was nonappropriated until FY 1994.

Agency Description - Provides general support services to state agencies, including accounting and financial services, personnel, building and grounds maintenance, purchasing, risk management, automated technology planning and operation, and telecommunications.

The JLBC Staff recommends a total appropriation of \$110,424,000 -- a net decrease of \$(24,483,000), or (18.1)%, from the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$23,897,700 -- a net decrease of \$(927,900), or (3.7)%, from the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$86,526,300 -- a net decrease of \$(23,555,100), or 21.4%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **FTE Positions** \$ -0- OF
The recommended number of FTE positions includes 87 positions for the Office of the Attorney General, funded in the special lines entitled "Attorney General Defense - Risk Management" and "Attorney General Defense - Workers' Compensation." In FY 1994, these positions were funded in the Department of Administration (DOA) appropriation but the number of positions was not specified. The Executive recommendation funds the same number of Attorney General positions as the JLBC Staff recommendation, but does not include the FTE positions.
- **Personal Services/ERE Adjustments** 71,100 GF
23,600 OF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

• ERE Rate Changes	172,100 GF 197,000 OF
• Rent	154,300 GF 46,000 OF
• Lease-Purchase Payments	26,300 GF (150,900) OF
• Risk Management Charges	73,200 GF 58,700 OF
• Data Center Charges	(896,200) GF (140,800) OF
• Automated System Improvements	737,300 GF
• SLIAG	(200,100) GF
• Sun State Savings Building	(1,088,600) GF
• Information Services Division Reduction	(1,466,200) OF
• Liability and Property Losses	(24,408,000) OF
• Insurance Premiums	1,049,000 OF
• Workers' Compensation Losses	1,536,000 OF
• All Other Changes	22,700 GF (299,500) OF

JLBC Staff Recommended Format -- Operating Lump Sum With Special Line Items By Program. *(In the FY 1994 budget, the Department of Administration has a Lump Sum by Fund format. Given the department's reluctance to implement legislative intent with regard to a reduction in General Services positions, the JLBC Staff recommends a budget format by program to better track FTE Position utilization.)*

Other Issues for Legislative Consideration

- **Constitutional Defense Council**
The Executive recommendation includes \$1,000,000 GF in the DOA budget for this issue. The JLBC Staff addresses this issue in its set aside for other bills, separate from the DOA budget, as the Legislature may not agree with locating this activity in an executive department.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Administration
 PROGRAM: Administration

JLBC ANALYST: Smith
 OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	34.0	40.5	38.0	38.0	38.0	
OPERATING BUDGET						
Personal Services	1,076,200	1,112,500	1,148,500	1,137,000	1,140,100	
Employee Related Expenditures	233,900	251,300	279,700	255,700	264,700	
Professional/Outside Services	28,700	0	0	0	0	
Travel - In State	4,700	2,600	2,600	2,600	2,600	
Travel - Out of State	1,500	1,700	1,700	1,700	1,700	
Other Operating Expenditures	330,200	382,000	388,500	456,700	460,900	
Equipment	72,600	36,600	0	0	0	
All Other Operating Subtotal	437,700	422,900	392,800	461,000	465,200	
OPERATING SUBTOTAL	1,747,800	1,786,700	1,821,000	1,853,700	1,870,000	
SPECIAL LINE ITEMS						
Hearing Office	35,700	35,700	35,700	35,700	35,700	
Governor's Regulatory Review Comm	0	102,700	103,900	102,300	104,400	
Constitutional Defense Council	0	0	0	1,000,000	0	
Special Item Subtotal	35,700	138,400	139,600	1,138,000	140,100	
PROGRAM TOTAL	1,783,500	1,925,100	1,960,600	2,991,700	2,010,100	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Administration
PROGRAM: Administration

JLBC ANALYST: Smith
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	1,783,500	1,925,100	1,960,600	2,991,700	2,010,100	
Other Non-Appropriated Funds	133,100	1,070,400	493,600	--	493,600	
PROGRAM TOTAL - ALL SOURCES	1,916,600	2,995,500	2,454,200	2,991,700	2,503,700	

Program Description - Administration includes the Director's Office and the Management Services Division, which includes internal department analysis, purchasing, accounting, and budgeting. This cost center was previously within Central Operations.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$2,010,100 -- a net increase of \$85,000, or 4.4%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments**
Includes a new vacancy factor of 1%, which is the standard rate applied to agencies with this number of FTE positions. The FY 1994 vacancy factor was 3.5%. The Executive recommends a vacancy factor of 1%.

\$ 34,100 GF
- **ERE Rate Changes**

6,900 GF
- **FTE Adjustments**
Includes a reduction of (2.5) FTE positions, to reflect agency reorganization. The Executive concurs with the Staff recommendation.

-0- GF
- **Other Operating Expenditures**
Includes a one-time expenditure of \$5,700 for replacement chairs and file cabinets. The recommended amount also includes an increase of \$73,200 for increased risk management charges. The Executive recommendation includes an increase of \$74,700.

78,900 GF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Equipment** (36,600) GF
Reflects a one-time adjustment for equipment purchased in FY 1994. The Executive concurs with the JLBC Staff recommendation.
- **Governor's Regulatory Review Commission** 1,700 GF
Reflects ERE rate changes.

JLBC Staff Recommended Format -- Operating Lump Sum With Special Line Items by Program

Other Issues for Legislative Consideration

- **Constitutional Defense Council**
The Executive recommendation includes \$1,000,000 (GF) in the Department of Administration (DOA) budget for this issue. The JLBC Staff addresses this issue in its set aside for other bills, separate from the DOA budget, as the Legislature may not agree with locating this activity in an executive department.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Administration
PROGRAM: Finance

JLBC ANALYST: Smith
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscoy
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	96.0	96.2	96.2	110.2	107.2	
OPERATING BUDGET						
Personal Services	1,648,300	1,872,800	2,603,400	2,945,300	2,224,800	
Employee Related Expenditures	397,600	437,500	661,600	712,800	536,000	
Professional/Outside Services	111,500	27,000	544,200	143,200	42,000	
Travel - In State	1,300	1,000	22,000	26,400	3,400	
Travel - Out of State	2,200	4,500	12,700	13,700	5,500	
Other Operating Expenditures	378,200	415,300	503,700	543,400	469,400	
Equipment	25,400	38,200	26,100	67,100	55,700	
All Other Operating Subtotal	518,600	486,000	1,108,700	793,800	576,000	
OPERATING SUBTOTAL	2,564,500	2,796,300	4,373,700	4,451,900	3,336,800	
SPECIAL LINE ITEMS						
ENSCO COP	3,782,800	4,582,600	4,582,900	4,582,900	4,582,900	
Statewide Accounting System	1,152,600	0	0	0	0	
SLIAG	158,600	305,900	0	0	105,800	
Lease-Purchase Rent	512,500	427,000	427,900	427,900	429,400	
COSF Rent	748,800	748,800	816,900	901,800	903,100	
GAAP	545,100	620,000	0	0	623,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Administration
PROGRAM: Finance

JLBC ANALYST: Smith
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Water Rights Settlement	500,000	0	0	0	0	
Garnishment	0	99,600	0	0	0	
Cost Recovery/Cash Mgmt	47,500	128,300	0	0	129,800	
Tucson State Office Bldg	107,700	107,900	131,800	131,800	131,800	
AFIS II	0	2,894,900	2,894,900	2,824,100	2,478,900	
Special Item Subtotal	7,555,600	9,915,000	8,854,400	8,868,500	9,385,200	
PROGRAM TOTAL	10,120,100	12,711,300	13,228,100	13,320,400	12,722,000	
BY FUND SOURCE						
General Fund	10,120,100	12,361,300	12,878,100	13,320,400	12,372,000	
Other Funds	0	350,000	350,000	0	350,000	
Other Non-Appropriated Funds	14,069,900	57,300	57,300	--	57,300	
PROGRAM TOTAL - ALL SOURCES	24,190,000	12,768,600	13,285,400	13,320,400	12,779,300	

Program Description - The Finance Division maintains the state's financial records, provides accounting services to state agencies, oversees state agency compliance with financial requirements and appropriation authority, and operates the State Procurement Office. This cost center includes the AFIS II special line, which previously was in the Central Operations cost center.

The JLBC Staff recommends a total appropriation of \$12,722,000 -- a net increase of \$10,700, or 0.1%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$12,372,000 -- a net increase of \$10,700, or 0.1%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$350,000 -- a net increase of \$0, or 0%, to the FY 1994 appropriation.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ 4,500 GF
Includes a new vacancy factor of 1.5%, which is the standard rate applied to agencies with this number of FTE positions. The FY 1994 vacancy factor was 2.5%. The Executive recommends a vacancy factor of 1.5%.

- **ERE Rate Changes** 13,600 GF

- **Equipment** (12,100) GF
Includes a total of \$26,100 for replacement equipment as follows: \$10,000 for warrant storage cabinets, \$12,100 for a copy machine, and \$4,000 for a laser copier. The recommended amount also includes a one-time adjustment of \$(38,200) for equipment purchased in FY 1994. The Executive concurs with the JLBC Staff recommendation.

- **AFIS II Fixed Assets System** 325,900 GF
Includes increases of 1 FTE position, \$25,200 in Personal Services, \$6,300 in Employee Related Expenditures, \$10,000 in Professional and Outside Services, \$2,900 in Other Operating Expenditures, \$3,300 in Equipment, and \$278,200 in AFIS II operating costs to develop an automated fixed asset tracking system. Of these costs, \$10,000 in Professional and Outside Services, \$1,400 in Other Operating Expenditures, \$3,300 in Equipment, and \$128,600 in AFIS II operating costs are for one-time development costs.

The Auditor General, in statewide management letters and in a 1993 Performance Audit of the Building and Planning Services section and the Construction Services section, has recommended centralization and improved tracking of the state's fixed assets. This would correct a lack of information and control over fixed assets, which has resulted in qualified audit opinions on the reasonableness of the state's reported fixed assets and in non-compliance statements in connection with the Comprehensive Annual Financial Report. The Executive recommendation includes increases of 1 FTE position and \$330,300.

- **Automated Systems Security** 283,200 GF
Includes increases of 6 FTE positions, \$169,100 in Personal Services, \$40,500 in Employee Related Expenditures, \$5,000 in Professional and Outside Services, \$400 in Travel - In State, \$22,400 in Other Operating Expenditures, \$13,300 in Equipment, and \$32,500 in AFIS II operating costs to establish an automated system security team. Of these amounts, \$13,400 in Other Operating Expenditures and \$13,300 in Equipment are for one-time start up costs.

These increases will enable the department to assure the integrity and confidentiality of the state's automated financial records kept on AFIS II, HRMS, and BITS. This will involve establishing and maintaining security protocols both within the Department of Administration and for other state agencies, as well as monitoring, investigating, and reporting on security breaches or anomalies. The Executive recommends increases of 6 FTE positions and \$291,200.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Automated Systems - Continuing Customer Education** 128,200 GF
 Includes increases of 3 FTE positions, \$84,200 in Personal Services, \$20,200 in Employee Related Expenditures, \$2,000 in Travel - In State, \$1,000 in Travel - Out of State, \$11,100 in Other Operating Expenditures, and \$9,700 in Equipment to establish an automated system training program. Of these amounts, \$6,600 in Other Operating Expenditures and \$9,700 in Equipment are for one-time start up costs.

These increases will provide a continuing statewide training program on use of the state's automated financial systems. This will help assure the adequacy of information entered into the systems and improve the ability of agencies to effectively use the systems. The Executive recommends increases of 6 FTE positions and \$247,400.
- **Annualize Bus Card Plus** 41,100 GF
 Includes 1 FTE position, \$28,200 in Personal Services, \$6,700 in Employee Related Expenditures, \$2,900 in Other Operating Expenditures, and \$3,300 in Equipment to continue implementation of a Bus Card Plus program, as mandated by Laws 1993, Chapter 1, 6th Special Session. The Executive recommends increases of 1 FTE position and \$41,600. For additional information, refer to the Employee Bus Subsidy bullet under Other Issues For Legislative Consideration.
- **ENSCO COP** 300 GF
 Includes an increase of \$300 for lease-purchase payments for the ENSCO site. The Executive concurs with the JLBC Staff recommendation.
- **Lease-Purchase Rent** 2,400 GF
 Includes an increase of \$2,400 for a portion of the lease-purchase payments on the 16th Avenue Parking Garage, the former Compensation Fund Building, and the Sun State Savings Building. The Executive recommends an increase of \$900.
- **Tucson State Office Building** 23,900 GF
 Includes an increase of \$23,900 for lease-purchase payments for offices located at 400 W. Congress in Tucson. The Executive concurs with the JLBC Staff recommendation.
- **COSF Rent** 154,300 GF
 Includes an increase of \$154,300 for rent of state-owned space, to be paid into the Capital Outlay Stabilization Fund. This increase reflects full funding of space occupied by the department. The Executive recommends an increase of \$153,000.
- **GAAP** 3,500 GF
 Reflects ERE rate changes. The Executive concurs with the JLBC Staff recommendation but moves GAAP above the line.
- **SLIAG** (200,100) GF
 Reflects ERE rate changes of \$2,400. The recommended amount includes a decrease of \$(202,500) to provide partial year funding of 6 FTE positions and administrative costs for close out of the federal State Legalization Impact Assistance Grants (SLIAG) program, which ends in FY 1995. All SLIAG costs are reimbursed by the federal government.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The Executive recommendation includes a decrease of \$(53,800) and moves SLIAG above the line. As SLIAG responsibilities are phased out, the Executive recommends the re-allocating the appropriation to perform AFIS II audit/federal compliance, funds monitoring and reconciliation, and agency assistance/special reports.

- **Cost Recovery/Cash Management** 1,500 GF
Reflects ERE rate changes. The Executive concurs with the JLBC Staff recommendation but moves Cost Recovery/Cash Management above the line.

- **AFIS II** (726,700) GF
Includes \$1,818,200 from the General Fund, which reflects a one-time adjustment of \$(375,000) to eliminate FY 1994 funding for development of the Advanced Purchasing and Inventory Control System (ADPICS) (a purchasing component of AFIS II), an increase of \$302,000 in computer operations charges for the first year of ADPICS operations, and a decrease of \$(653,700) in AFIS II computer operations costs due to reduced Data Center charges. The JLBC Staff also recommends continuation of \$350,000 from the Automation Fund for AFIS II.

The Executive recommends a one-time decrease of \$(375,000) for the FY 1994 development of ADPICS and an increase of \$335,000 for ADPICS operations. The Executive also recommends elimination of the \$(350,000) in Automation Fund expenditures for AFIS II.

- **Garnishment** (32,800) GF
Reflects an increase of \$1,700 for ERE rate changes. The recommended amount also includes one-time adjustments of \$(28,500) in Other Operating Expenditures and \$(6,000) in Equipment to eliminate FY 1994 start-up costs. The remaining \$66,800 and 2 FTE positions are moved into the department's operating expenditures for FY 1995 as \$40,700 in Personal Services, \$11,300 in Employee Related Expenditures, and \$14,800 in Other Operating Expenditures. The Executive concurs with the JLBC Staff recommendation.

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Program

JLBC Staff Recommended Footnotes

Standard Footnotes

- Included in the lump sum appropriation is \$129,800 and 3 FTE positions to establish an indirect cost recovery and cash management program. The Department of Administration shall report quarterly to the Director of the Joint Legislative Budget Committee as to the effectiveness of the indirect cost recovery and cash management program. The reports shall identify potential or pending sources of federal reimbursement for indirect costs as well as amounts actually collected.

- In accordance with A.R.S. § 35-142.01: (a) The Department of Economic Security shall remit to the Department of Administration any monies received as reimbursement from the federal government or any other source for the operation of the Department of Economic Security West Building and (b) the Department of Administration shall deposit such monies to the General Fund. The Department of Administration, with the cooperation of the Department of Economic Security, shall submit an annual report to the Director of the Joint Legislative Budget Committee regarding the amount of federal reimbursement received by the General Fund for the cost of operating the DES West Building.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Modification of New FY 1994 Footnotes

- The department shall submit quarterly reports to the Director of the Joint Legislative Budget Committee regarding the cost and development of AFIS II, including the distribution of costs among funds. Pursuant to Section 102 of the General Appropriation Act, the department may collect an amount not to exceed \$762,600 from other funding sources, excluding federal funds, to recover pro rata costs of operating AFIS II. All AFIS II operating costs below \$3,241,500 shall be equally distributed among all funding sources, including the General Fund. *(The modification eliminates outdated references.)*

Other Issues for Legislative Consideration

- **Employee Bus Subsidy**
The department requests \$539,000 to implement a bus fare subsidy for non-university Maricopa County employees, effective September 1, 1994. (Full year subsidy costs are estimated at \$718,600.) This program is intended to reduce pollution in Maricopa County, in compliance with federal Environmental Protection Agency air quality standards. The bus subsidy would work in conjunction with the Bus Card Plus program enacted in the 1993 Special Session on air quality. (Refer to the Annualize Bus Card Plus bullet above.) Employees using a state-issued Bus Card would pay 50% of each fare through a pay check deduction. The state would pay the remaining 50%. Reimbursement of public transportation costs for state employees was authorized by the 1987 Omnibus Air Quality act (A.R.S. § 41-786) but has not been funded. The Executive recommendation does not include an increase for bus subsidies.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Administration
 PROGRAM: General Services

JLBC ANALYST: Smith
 OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	221.5	218.5	219.5	216.5	219.5	
OPERATING BUDGET						
Personal Services	4,010,500	4,223,300	4,431,400	4,320,800	4,277,500	
Employee Related Expenditures	1,268,800	1,082,100	1,251,400	1,203,900	1,180,200	
Professional/Outside Services	44,500	25,100	25,100	25,100	25,100	
Travel - In State	73,800	89,600	87,000	87,000	88,100	
Travel - Out of State	3,800	1,000	1,000	1,000	1,000	
Other Operating Expenditures	1,188,000	1,231,100	1,191,500	1,197,000	1,275,600	
Equipment	55,900	33,700	40,500	40,500	39,000	
All Other Operating Subtotal	1,366,000	1,380,500	1,345,100	1,350,600	1,428,800	
OPERATING SUBTOTAL	6,645,300	6,685,900	7,027,900	6,875,300	6,886,500	
SPECIAL LINE ITEMS						
Utilities	6,122,100	5,985,000	5,985,000	5,985,000	5,985,000	
Relocation	0	120,000	234,900	235,600	160,000	
Reloc/Non-West Tower	166,800	0	0	0	0	
Sun State Savings Building	0	1,088,600	445,400	0	0	
Special Item Subtotal	6,288,900	7,193,600	6,665,300	6,220,600	6,145,000	
PROGRAM TOTAL	12,934,200	13,879,500	13,693,200	13,095,900	13,031,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Administration
PROGRAM: General Services

JLBC ANALYST: Smith
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	5,585,600	6,782,800	6,468,800	5,872,200	5,836,300	
Other Funds	7,348,600	7,096,700	7,224,400	7,223,700	7,195,200	
Other Non-Appropriated Funds	9,460,600	10,195,600	10,956,300	--	10,956,300	
PROGRAM TOTAL - ALL SOURCES	22,394,800	24,075,100	24,649,500	13,095,900	23,987,800	

Program Description - General Services is comprised of Tenant Services, Building and Planning Services, and Construction Services. Tenant Services manages Department of Administration (DOA) owned buildings in the Capitol Mall, provides maintenance and janitorial services, and operates the state motor pool, surplus property yard, print shop, and interagency mail service. The former Facilities Management section has been reorganized as Building and Planning Services and Construction Services. These sections plan and manage the design and construction of state prisons and office buildings, review all state construction projects, inspect the condition of non-university buildings at least once every 3 years, and develop an annual Capital Improvement Plan.

The JLBC Staff recommends a total appropriation of \$13,031,500 -- a net decrease of \$(848,000), or (6.1)%, from the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$5,863,500 -- a net decrease of \$(946,500), or (14)%, from the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$7,195,200 -- a net increase of \$98,500, or 1.4%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ 5,900 GF
Maintains a GF vacancy factor of 4.9% and an OF vacancy factor of 0%. The Executive recommends a GF vacancy factor of 2% and an OF vacancy factor of 0%.
- ERE Rate Changes 85,800 GF
2,000 OF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

• **FTE Positions - Core Staff**

45,000 OF

Realigns FTE positions for Building and Construction Services as follows:

	<u>FY 1994</u>	<u>FY 1995</u>	<u>Change</u>
<u>COSF</u>			
FTE Positions	12.5	14.5	2.0
Personal Services	\$480,900	\$526,000	\$45,100
Employee Related Expenditures	<u>100,000</u>	<u>111,900</u>	<u>11,900</u>
Total	\$580,900	\$637,900	\$57,000
 <u>Corrections Fund</u>			
FTE Positions	8.5*	6.5	(2.0)
Personal Services	\$196,900	\$186,300	\$(10,600)
Employee Related Expenditures	<u>41,000</u>	<u>33,800</u>	<u>(7,200)</u>
Total	\$237,900	\$220,100	\$(17,800)

* The 8.5 Corrections Fund positions were funded for 9 months in FY 1994.

This would continue a core staff of 21 FTE positions to serve as construction management staff for all capital projects. Two positions would be transferred from the Corrections Fund to the Capital Outlay Stabilization Fund (COSF) to better reflect current activities.

The Executive recommends a core staff of 19 FTE positions and funds 6.5 FTE positions and an associated \$230,400 in costs from COSF rather than from the Corrections Fund. The Executive recommends that the positions for Building Renewal be charged to the Building Renewal appropriation rather than as core staff, and therefore does not include these 2 positions in the DOA operating budget.

• **FTE Positions - Tenant Services**

(27,100) GF

Adds 1 FTE Warehouse Worker position and associated increases of \$14,500 in Personal Services and \$4,900 in Employee Related Expenditures. The recommended amount also includes a reduction of \$(18,700) in Other Operating Expenditures due to savings generated by the new position. The Executive concurs with the JLBC Staff recommendation, but in order to reduce the department's vacancy rate, does not recommend increasing the number of appropriated FTE positions.

The recommended amount also includes a decrease of \$(27,800) due to reduced maintenance contract requirements enabled by energy efficiency improvements made by the department. The Executive recommendation includes this change, but instead of eliminating the amount, reallocates \$27,300 to fund an additional Refrigeration Mechanic position. In order to reduce the vacancy rate, the Executive does not recommend increasing the number of appropriated FTE positions.

• **Travel - In State**

(1,500) GF

Includes a decrease to reflect actual travel expenditures. The Executive does not recommend an adjustment.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Other Operating Expenditures 79,700 GF
5,500 OF
 Reflects an increase of \$78,700 in risk management charges and \$6,500 in non-capitalized equipment. The Executive recommends an increase of \$500 in risk management charges.
- Equipment (700) GF
6,000 OF
 Includes increases of \$33,000 GF and \$6,000 OF for replacement equipment as follows: \$6,000 OF for 3 computers, \$25,000 GF for a dump truck, and \$8,000 GF for a generator for the Estrella Point ENSCO facility. The recommended amount also includes a reduction of \$(33,700) GF for equipment purchased in FY 1994. The Executive recommends increases of \$33,000 GF and \$7,500 OF for this replacement equipment and a reduction of \$(33,700) GF for equipment purchased in FY 1994.
- Relocation 40,000 OF
 Includes an increase of \$40,000 for costs associated with planned relocations of agencies within the Capitol Mall and Tucson. The Executive recommends an increase of \$86,400 for costs associated with relocating state agencies and an increase of 1 limited FTE position and \$29,400 to coordinate the planned relocations.
- Sun State Savings Building (1,088,600) GF
 Reflects transfer of funding for lease-purchase and operating costs of the Sun State Savings Building to the budgets of the occupants (the Auditor General and the Departments of Banking, Insurance, and Real Estate). This facility was acquired as part of the RTC/Distressed Property Program, and funding was included in DOA's FY 1994 appropriation as a transition measure during agency relocation. This decrease does not reflect the addition of \$1,500 to the Lease-Purchase Rent line in the Finance cost center for DOA-occupied space in the Sun State Savings Building, required for building management. The Executive concurs with the JLBC Staff recommendation.

JLBC Staff Recommended Format -- Operating Lump Sum With Special Line Items By Program

JLBC Staff Recommended Footnotes

Standard Footnotes

- The appropriation for relocation is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.

New FY 1995 Footnotes

- It is the intent of the Legislature that the \$255,600 appropriated from the Corrections Fund be expended solely for construction projects conducted for the benefit of the Department of Corrections. *(This footnote is designed to ensure that Corrections Fund monies do not subsidize other state building projects.)*

Deletion of New FY 1994 Footnotes

- The Department of Administration shall prepare for occupancy by July 1, 1993 all buildings acquired as part of the RTC/Distressed Property program. If agencies that are scheduled to occupy these buildings are unable to relocate because the buildings are not ready for occupancy, the Department of Administration shall pay prorated occupancy costs for agencies private lease space during the period of the fiscal year that these agencies are unable to relocate. *(This footnote is no longer recommended as funding for the Sun State Savings Building will not be required in the DOA budget in FY 1995. Refer to the Sun State Savings Building bullet above.)*

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- The \$1,088,600 appropriated for the Sun States Savings Building is intended to provide full funding for this building when combined with collections into the Special Services Fund for building occupancy. The Department of Administration shall pay all occupancy costs for the Auditor General and the Departments of Banking, Real Estate and Insurance for FY 1993-1994. *(This footnote is no longer recommended as funding for the Sun State Savings Building will not be required in the DOA budget in FY 1995. Refer to the Sun State Savings Building bullet above.)*

Other Issues for Legislative Consideration

- Auditor General's Performance Audit

In October 1993, the Auditor General released a performance audit on the Building and Planning Services Section and the Construction Services Section of DOA. The Auditor General reports that numerous problems, "including overloaded electrical systems, structurally unsafe cooling systems, leaking roofs, and insufficient fire-safety systems... stem from the deferral of building renewal projects." The Auditor General recommends that the state's building renewal formula should be as fully funded as possible. Refer to the Capital Outlay recommendation for additional information.

The Auditor General also recommends that DOA improve its tracking of information on the DOA building system, to enable better decisions on the management of these buildings. The JLBC Staff and the Executive recommend funding of a Fixed Asset Inventory system to address this and related problems. Refer to the Finance cost center for additional information.

- Staffing From Capital Projects

Based upon a JLBC Staff recommendation, the Legislature reduced Facilities Management FTE positions from 34 to 12.5. (Facilities Management has been reorganized as the Building and Planning Services and the Construction Services sections within the General Services Division.) The position reduction was based on a decline in the number of major building products. The remaining 12.5 positions represented a "core" staff to supervise construction projects; manage building renewal funds; maintain an inventory of major infrastructure; and coordinate state leases, agency relocation, and remodeling. The JLBC Staff further proposed that any incremental construction management personnel be hired as new projects were approved. The JLBC Staff suggested that these personnel be paid from project funding, either as state employees or by contract with construction management firms. For example, the Legislature supplemented the 12.5 FTE position core staff with 8.5 positions funded from the Corrections Fund to staff new prison construction.

The legislatively enacted position reductions were never implemented by DOA. Instead, the positions have been funded from capital project appropriations. For example, DOA funded several positions from Corrections Fund prison capital appropriations, over and above the 8.5 appropriated Corrections Fund positions. Therefore, the JLBC Staff recommends that language be inserted into the FY 1995 Capital Outlay bill to disallow payment of Personal Services and Employee Related Expenditures from capital appropriations. Capital appropriations are not intended to fund regular operating positions.

This prohibition is intended to require DOA to implement the FY 1993 position reduction. These reductions were made based on a reduced number of major building projects—a situation which is still applicable in FY 1995. Recent construction associated with RTC/distressed properties and new lease-purchases will be completed in FY 1994. The JLBC Staff will continue to analyze the new FY 1995 workload and necessity for additional positions, if any. As capital project funding is appropriated, any required FTE positions could be added to the department's operating budget through a special line item appropriation for limited positions.

The agency requests and the Executive recommends that additional limited FTE positions for construction projects be funded as needed from capital appropriations.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Administration
 PROGRAM: Information Services

JLBC ANALYST: Smith
 OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL ^{1/}	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	214.3	213.3	213.3	194.3	194.3	
OPERATING BUDGET						
Personal Services	5,470,300	6,386,200	6,538,800	6,201,200	6,189,500	
Employee Related Expenditures	1,206,900	1,396,700	1,566,700	1,396,900	1,397,900	
Professional/Outside Services	1,050,000	1,376,900	1,376,900	1,063,600	1,044,100	
Travel - In State	11,400	11,400	11,400	11,400	11,400	
Travel - Out of State	12,300	13,500	13,500	13,500	13,500	
Other Operating Expenditures	7,927,800	8,092,700	8,092,700	1,437,100	4,810,500	
Equipment	580,200	37,000	37,000	0	2,335,500	
All Other Operating Subtotal	9,581,700	9,531,500	9,531,500	2,525,600	8,215,000	
OPERATING SUBTOTAL	16,258,900	17,314,400	17,637,000	10,123,700	15,802,400	
SPECIAL LINE ITEMS						
Automation Capital Equipment	0	0	0	2,335,500	0	
Software License and Maintenance	0	0	0	2,226,300	0	
Maintenance and Repair	0	0	0	1,147,100	0	
Special Item Subtotal	0	0	0	5,708,900	0	
PROGRAM TOTAL	16,258,900	17,314,400	17,637,000	15,832,600	15,802,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Administration
 PROGRAM: Information Services

JLBC ANALYST: Smith
 OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL ^{1/}	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	2,221,900	2,572,800	2,655,500	2,451,400	2,387,800	_____
Other Funds	0	14,741,600	14,981,500	13,381,200	13,414,600	_____
Other Non-Appropriated Funds	29,665,800	20,223,800	19,747,400	--	19,747,400	_____
PROGRAM TOTAL - ALL SOURCES	31,887,700	37,538,200	37,384,400	15,832,600	35,549,800	_____

^{1/} For comparability, the line items in the FY 1993 Actual column include \$14,037,000 expended from the Automation Fund, which was nonappropriated until FY 1994.

Program Description - *The Information Services Division operates the DOA Data Center, which provides centralized computer services and automation planning for state agencies. The division also provides statewide emergency telecommunications services and state agency telecommunications services. The General Fund portion of this division operates the Arizona Financial Information System (AFIS II), the Human Resource Management System (HRMS), and the Budget Information Tracking System (BITS).*

The JLBC Staff recommends a total appropriation of \$15,802,400 -- a net decrease of \$(1,512,000), or (8.7)%, from the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$2,387,800 -- a net decrease of \$(185,000), or (7.2)%, from the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$13,414,600 -- a net decrease of \$(1,327,000), or (9)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (1,700) GF
36,800 OF
 Maintains a GF vacancy factor of 3.5% and includes a new OF vacancy factor of 1.5%. The FY 1994 OF vacancy factor was 2%. The Executive recommends a GF vacancy factor of 1% and OF vacancy factor of 2%.

- ERE Rate Changes (13,800) GF
93,300 OF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Professional and Outside Services** (169,500) GF
Includes \$729,100, which is a reduction of \$(169,500), for Data Center charges paid by the Information Services Division. The recommended amount represents full funding of computer operations after an expected reduction in Data Center charges. The Executive recommendation includes a decrease of \$(150,000) to return funding to the FY 1993 actual expenditure amount.
- **Other Operating Expenditures** 46,100 OF
Includes increases of \$2,100 for lease-purchase payments on the former Compensation Fund Building, \$22,600 for rent of state-owned space, and \$21,400 for risk management charges. The Executive concurs with the JLBC Staff recommendation.
- **Equipment** (37,000) OF
Reflects a one-time adjustment for equipment purchased in FY 1994.
- **Division Reduction** (1,466,200) OF
Reflects reductions recommended by the Executive and agreed to by the agency. The JLBC Staff concurs with this change as follows:
 - a reduction of (19) FTE positions and associated reductions of \$(224,600) in Personal Services and \$(85,500) in Employee Related Expenditures to bring the division's positions to the minimum required number. The OF portion of this division was first appropriated in FY 1994, with the number of positions equal to the total number of positions authorized for the formerly nonappropriated Automation Fund. The reduction eliminates positions which are vacant or unnecessary to FY 1995 operations;
 - a reduction of \$(163,300) in Professional and Outside Services as follows: a decrease of \$(156,000) for disaster recovery, a decrease of \$(11,800) for training, and miscellaneous increases of \$4,500;
 - a reduction of \$(992,800) in the maintenance/repair contracts, purchase, and lease-purchase of automation capital equipment and software licenses. The Executive recommends transferring the remaining dollars for these activities into 3 new Special Line Items. The JLBC Staff recommends retaining these activities within All Other Operating Expenditures.

JLBC Staff Recommended Format -- Operating Lump Sum With Special Line Items By Program

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Administration
 PROGRAM: Capitol Police

JLBC ANALYST: Smith
 OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	50.0	50.0	50.0	50.0	50.0	
OPERATING BUDGET						
Personal Services	856,900	877,000	910,100	901,000	898,700	
Employee Related Expenditures	214,200	198,100	241,500	281,600	284,300	
Professional/Outside Services	400	9,900	9,900	9,900	9,900	
Travel - In State	29,300	37,100	37,100	37,100	37,100	
Travel - Out of State	700	0	0	0	0	
Other Operating Expenditures	78,400	61,500	61,500	61,500	61,500	
Equipment	3,200	0	0	0	0	
All Other Operating Subtotal	112,000	108,500	108,500	108,500	108,500	
PROGRAM TOTAL	1,183,100	1,183,600	1,260,100	1,291,100	1,291,500	
BY FUND SOURCE						
General Fund	1,183,100	1,183,600	1,260,100	1,291,100	1,291,500	
PROGRAM TOTAL - ALL SOURCES	1,183,100	1,183,600	1,260,100	1,291,100	1,291,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Administration
PROGRAM: Capitol Police

Program Description - *The Capitol Police Department provides police officers and security aids for protection of the Phoenix and Tucson capitol complex areas. This cost center was previously within Central Operations.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$1,291,500 -- a net increase of \$107,900, or 9.1%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$28,300 GF
Includes a new vacancy factor of 1%, which is the standard rate applied to agencies with this number of FTE positions. The FY 1994 vacancy factor was 3.5%. The Executive concurs.

- **ERE Rate Changes** 79,600 GF

JLBC Staff Recommended Format -- Operating Lump Sum With Special Line Items by Program

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Administration
PROGRAM: Risk Management

JLBC ANALYST: Smith
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	56.0	56.0	56.0	56.0	141.0	
OPERATING BUDGET						
Personal Services	1,449,200	1,550,300	1,587,900	1,550,300	1,542,400	
Employee Related Expenditures	330,900	341,900	385,200	374,900	364,800	
Professional/Outside Services	206,400	310,000	310,000	285,000	275,900	
Travel - In State	4,100	20,100	20,100	20,100	20,100	
Travel - Out of State	5,700	10,000	10,000	10,000	10,000	
Other Operating Expenditures	370,500	396,600	391,200	404,500	404,500	
Equipment	34,100	4,000	46,400	46,400	40,400	
All Other Operating Subtotal	620,800	740,700	777,700	766,000	750,900	
OPERATING SUBTOTAL	2,400,900	2,632,900	2,750,800	2,691,200	2,658,100	
SPECIAL LINE ITEMS						
Liability & Property Losses	21,703,500	54,862,000	30,454,000	30,454,000	30,454,000	
Attorney General Defense-RM	4,136,600	4,163,800	5,426,100	4,190,800	4,192,500	
Insurance Premiums	3,203,400	4,428,500	5,377,500	5,377,500	5,377,500	
Loss Control Grants	490,400	250,000	500,000	500,000	250,000	
Special Item Subtotal	29,533,900	63,704,300	41,757,600	40,522,300	40,274,000	
PROGRAM TOTAL	31,934,800	66,337,200	44,508,400	43,213,500	42,932,100	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Administration
PROGRAM: Risk Management

JLBC ANALYST: Smith
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	31,934,800	66,337,200	44,508,400	43,213,500	42,932,100	
PROGRAM TOTAL - ALL SOURCES	31,934,800	66,337,200	44,508,400	43,213,500	42,932,100	

Program Description - *The Risk Management Division acts as the state's insurance agent, which includes making liability payments and developing and administering loss control programs. With the exception of certain limited areas of coverage, the state is self-insured, paying its own losses and liabilities.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$42,932,100 -- a net decrease of \$(23,405,100), or (35.3)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **FTE Positions** \$ -0- OF
 The recommended number of FTE positions includes 85 positions for the Office of the Attorney General, funded in the special line entitled "Attorney General Defense - Risk Management." In FY 1994, these positions were funded in the Department of Administration (DOA) appropriation, but the number of positions was not specified. The Executive recommendation funds the same number of Attorney General positions as the JLBC Staff recommendation, but does not include the FTE positions.
- **Personal Services/ERE Adjustments** (14,600) OF
 Maintains a vacancy factor of 1.5%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 2.4%.
- **ERE Rate Changes** 29,600 OF
- **Professional and Outside Services** (34,100) OF
 Includes \$85,900, which is a reduction of \$(34,100), for Data Center charges. The recommended amount represents full funding of computer operations after an expected reduction in Data Center charges. The Executive recommends a reduction of \$(25,000).

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Other Operating Expenditures 7,900 OF
Includes an increase of \$13,300 for risk management charges and miscellaneous decreases of \$(5,400). The Executive concurs with the JLBC Staff recommendation.

- Equipment 36,400 OF
Includes an increase of \$40,400 as follows: \$24,000 for 12 computers, \$3,000 for 2 laser printers, and \$13,400 for 1 copier. The recommended amount also reflects a one-time adjustment of \$(46,400) for equipment purchased in FY 1994. The Executive concurs with the JLBC Staff recommendation but includes \$46,400 for the specified equipment.

- Insurance Premiums 949,000 OF
Reflects increased cost for private insurance policies, purchased for specific property and liability exposures where the department deems it more cost effective to cede risk to an outside insurer. The Executive concurs with the JLBC Staff recommendation.

- Liability and Property Losses (24,408,000) OF
Reflects decreased expected costs for self-insured risk management losses and for expenditures related to settling these losses, based on the annual actuarial study conducted for the state. The Executive concurs with the JLBC Staff recommendation.

- Attorney General Defense - Risk Management 28,700 OF
Includes an increase of \$79,800 for ERE rate changes and a decrease of \$(51,100) for equipment purchased in FY 1994. The Executive recommends an increase of \$78,100 for ERE rate changes and the adjustment of \$(51,100) for equipment.

JLBC Staff Recommended Format -- Operating Lump Sum With Special Line Items By Program. *(The special lines for this cost center are recommended as follows: 1) Attorney General Defense - Risk Management and 2) Special Line Item Lump Sum, to include all other lines listed.)*

JLBC Staff Recommended Footnotes

New FY 1995 Footnotes

- Of the 141 FTE positions appropriated with associated funding from the Risk Management Fund, 85 FTE positions are appropriated for the Attorney General Defense program. *(Previously, the number of Attorney General Defense positions funded through the DOA's appropriation was not specified but determined by agreement between the 2 departments.)*

Other Issues for Legislative Consideration

- Loss Control Grants
The Executive recommendation includes an increase of \$250,000 to return funding for Loss Control Grants to the FY 1993 level.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Administration
 PROGRAM: Workers' Compensation

JLBC ANALYST: Smith
 OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	4.0	16.0	16.0	16.0	18.0	
OPERATING BUDGET						
Personal Services	84,200	339,100	400,600	399,600	400,600	
Employee Related Expenditures	19,900	85,400	111,000	100,800	101,000	
Professional/Outside Services	224,500	319,400	309,900	284,900	256,000	
Travel - In State	500	3,900	4,900	3,900	3,900	
Travel - Out of State	500	1,000	2,000	1,000	1,000	
Other Operating Expenditures	29,700	85,200	112,300	115,900	115,900	
Equipment	5,500	72,600	1,500	1,500	1,500	
All Other Operating Subtotal	260,700	482,100	430,600	407,200	378,300	
OPERATING SUBTOTAL	364,800	906,600	942,200	907,600	879,900	
SPECIAL LINE ITEMS						
Workers' Comp Losses	12,667,700	13,140,000	14,676,000	14,676,000	14,676,000	
Claim Management Fees	1,127,000	506,600	0	0	0	
Premium Tax	485,500	725,000	725,000	725,000	725,000	
Insurance Premiums	143,400	400,000	500,000	500,000	500,000	
Univ Student Health Work Program	94,200	159,500	160,000	160,000	159,500	
Transfers Out: Loss Control	0	100,000	150,000	150,000	150,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Administration
 PROGRAM: Workers' Compensation

JLBC ANALYST: Smith
 OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Attorney General Defense-WC	0	60,000	120,000	110,800	114,300	
Special Item Subtotal	14,517,800	15,091,100	16,331,000	16,321,800	16,324,800	
PROGRAM TOTAL	14,882,600	15,997,700	17,273,200	17,229,400	17,204,700	
BY FUND SOURCE						
Other Funds	14,882,600	15,997,700	17,273,200	17,229,400	17,204,700	
PROGRAM TOTAL - ALL SOURCES	14,882,600	15,997,700	17,273,200	17,229,400	17,204,700	

Program Description - *The Workers' Compensation section of the Risk Management Division makes workers' compensation payments to state employees and former state employees who are injured in the course of performing their job. Also, the section conducts workplace safety seminars and provides loss control grants to prevent workplace injuries. The state is self-insured, paying its own workers' compensation liabilities.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$17,204,700 -- a net increase of \$1,207,000, or 7.5%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **FTE Positions** \$ -0- OF
 The recommended number of FTE positions includes 2 positions for the Office of the Attorney General, funded in the special line entitled "Attorney General Defense - Workers' Compensation." In FY 1994, these positions were funded in the Department of Administration (DOA) appropriation, but the number of positions was not specified. The Executive recommendation funds the same number of Attorney General positions as the JLBC Staff recommendation, but does not include the FTE positions.

- **Personal Services/ERE Adjustments** -0- OF
 Maintains a vacancy factor of 0%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 0%.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **ERE Rate Changes**
7,200 OF
- **Workers' Compensation Positions**
Includes increases of \$61,500 in Personal Services and \$8,400 in Employee Related Expenditures to annualize 12 FTE positions added in order to bring the Workers' Compensation claims management function in-house. The positions and associated funding were appropriated for 9 months in FY 1994. The recommended amount also includes a one-time reduction of \$(506,600) to eliminate outside claim management fees. Prior to FY 1994, the claims management program was administered by the State Compensation Fund for an annual fee of \$1,250,000 in FY 1993 and partial year fee of \$506,600 in FY 1994. The Executive recommends increases of \$60,500 in Personal Services and \$16,900 in Employee Related Expenditures, along with a decrease of \$(506,600) in claim management fees.
(436,700) OF
- **Professional and Outside Services**
Includes \$135,700, which is a reduction of \$(53,900), for Data Center charges. The recommended amount represents full funding of computer operations after an expected reduction in Data Center charges. The recommended amount also includes a reduction of \$(9,500) for actuarial costs. The Executive recommends reductions of \$(25,000) for data center charges and \$(9,500) for actuarial costs.
(63,400) OF
- **Other Operating Expenditures**
Includes an increase of \$30,000 for rent of an additional 2,546 square feet of state-owned space built to house the Workers' Compensation program. (In FY 1994, \$250,000 was appropriated for this building addition.) The recommended amount also includes an increase of \$7,000 for risk management charges. The Executive concurs with the JLBC Staff recommendation.
30,700 OF
- **Equipment**
Includes an increase of \$1,500 for a laser printer. The recommended amount also reflects a one-time adjustment of \$(72,600) for equipment purchased in FY 1994. The Executive concurs with the JLBC Staff recommendation.
(71,100) OF
- **Insurance Premiums**
Reflects the increased cost for private insurance policies purchased for specific exposures, where the department deems it more cost effective to cede risk to an outside insurer. The Executive concurs with the JLBC Staff recommendation.
100,000 OF
- **Workers' Compensation Losses**
Reflects increased expected costs for self-insured workers' compensation losses and for expenditures related to settling these losses, based on the annual actuarial study conducted for the state. The Executive concurs with the JLBC Staff recommendation.
1,536,000 OF
- **Transfers Out: Loss Control**
Includes an increase in the amount transferred to the Risk Management Fund for cost avoidance programs associated with workers' compensation. The Executive concurs with the JLBC Staff recommendation.
50,000 OF
- **Attorney General Defense - Workers' Compensation**
Reflects an ERE rate change of \$2,900. The recommended amount also includes the following increases to annualize 2 FTE positions added in FY 1994: \$43,000 in Personal Services, \$5,900 in Employee Related Expenditures, and \$2,500 in Other Operating Expenditures. The Executive recommends an increase of \$50,800.
54,300 OF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Format -- Operating Lump Sum With Special Line Items By Program. *(The special lines for this cost center are recommended as follows: 1) Attorney General Defense - Workers' Compensation and 2) Special Line Item Lump Sum, to include all other lines listed.)*

JLBC Staff Recommended Footnotes

New FY 1995 Footnotes

- Of the 18 FTE positions appropriated with associated funding from the Workers' Compensation Fund, 2 FTE positions are appropriated for the Attorney General Defense program. *(Previously, the number of Attorney General Defense positions funded through DOA's appropriation was not specified but determined by agreement between the 2 departments.)*

Other Issues for Legislative Consideration

- **University Student Health Work Program**
The Executive recommendation includes an increase of \$500 for the University Student Health Work Program.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Administration
 PROGRAM: Personnel

JLBC ANALYST: Smith
 OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	117.5	119.5	119.5	121.9	119.5	
OPERATING BUDGET						
Personal Services	3,226,900	3,545,000	3,490,500	3,420,700	3,420,700	
Employee Related Expenditures	512,500	758,500	821,700	805,000	806,300	
Professional/Outside Services	287,600	319,800	319,800	319,800	267,000	
Travel - In State	15,500	11,400	11,400	11,400	11,400	
Travel - Out of State	3,400	4,500	4,500	4,500	4,500	
Other Operating Expenditures	828,800	695,700	685,000	702,900	696,200	
Equipment	53,400	4,800	5,100	5,100	5,100	
All Other Operating Subtotal	1,188,700	1,036,200	1,025,800	1,043,700	984,200	
OPERATING SUBTOTAL	4,928,100	5,339,700	5,338,000	5,269,400	5,211,200	
SPECIAL LINE ITEMS						
Special Recruitment	36,200	43,500	43,500	43,500	43,500	
Personnel Automation Proj	0	175,000	175,000	175,000	175,000	
Classification Pilot	0	0	0	700,000	0	
Special Item Subtotal	36,200	218,500	218,500	918,500	218,500	
PROGRAM TOTAL	4,964,300	5,558,200	5,556,500	6,187,900	5,429,700	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Administration
PROGRAM: Personnel

JLBC ANALYST: Smith
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Grosco
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	4,964,300	5,558,200	5,556,500	6,187,900	5,429,700	
Other Non-Appropriated Funds	183,449,300	180,438,000	187,506,000	--	187,506,000	
PROGRAM TOTAL - ALL SOURCES	188,413,600	185,996,200	193,062,500	6,187,900	192,935,700	

Program Description - *The Personnel Division serves as the state personnel office, providing recruitment and evaluation services, assisting state agencies with hiring and personnel issues, and administering the state's health insurance plans. The division is funded through a pro rata charge to state agency payrolls.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$5,429,700 -- a net decrease of \$(128,500), or (2.3)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ 1,400 OF
Maintains a vacancy factor of 2%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 2%.
- **ERE Rate Changes** 64,900 OF
- **Personal Services/ERE Base Adjustment** (142,800) OF
Adjusts the salary base to reflect full funding of the division's current positions. The Executive concurs.
- **Professional and Outside Services** (52,800) OF
Includes \$227,200, which is a reduction of \$(52,800) for Data Center charges. The recommended amount represents full funding of computer operations after an expected reduction in Data Center charges. The Executive recommendation does not include this decrease.
- **Other Operating Expenditures** 500 OF
Includes increases of \$500 for lease-purchase payments for the Tucson State Office Building, \$17,800 for risk management charges, and \$2,100 for non-capitalized equipment. The recommended amount also includes decreases of \$(6,600) for rent of state-owned space and a one-time adjustment of \$(13,300) for non-capitalized equipment purchased in FY 1994. The Executive concurs with the JLBC Staff recommendation except in rent, for which the Executive recommends an increase of \$100.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

300 OF

- **Equipment**

Includes an increase of \$5,100 for replacement of a copier machine and a one-time adjustment of \$(4,800) for equipment purchased in FY 1994. The Executive concurs with the JLBC Staff recommendation.

JLBC Staff Recommended Format -- Operating Lump Sum With Special Line Items By Program

Other Issues for Legislative Consideration

- **Performance Audit**

In October 1993, the Office of the Auditor General released a performance audit of the DOA - Personnel Division, concluding "...the characterization 'triumph of technique over purpose' is clearly applicable to the Arizona personnel system... In the most important service areas—hiring, classification, compensation, and benefits—Arizona's current personnel system does not respond to its user's needs. Personnel should reshape its organization to prioritize service to agencies and move away from viewing its mission as rule enforcement."

"While DOA is considering significant changes to the classification system, their efforts may be premature. Making significant and costly changes to the classification system may not be needed to ensure its effectiveness [*emphasis added*]. Preliminary reports from DOA's consultant indicate that a new job evaluation methodology is needed to reduce the number of classifications and eliminate the 'subjectiveness' of the current methodology. However,...the number of classifications could be reduced using the current methodology." The report also states that the Oliver point factor methodology recommended by consultants... "is susceptible to similar criticisms of subjectiveness." The Auditor General's report concludes that DOA should evaluate the National Academy of Public Administration (NAPA) classification model. "The NAPA model supports a flatter organization, values generalists and the knowledge and skills of workers, allows greater job mobility, and encourages employee development."

"DOA has basically halted any efforts to maintain the current classification system, based on the perception that the Legislature will not fund the salary adjustments associated with reviews. Before attempting to modify the system, DOA should assess what changes will be most effective. Any future systems will also become outdated if they are not maintained. Before DOA can embark on any effort to revamp and upgrade the classification system, legislative involvement and support will be an important step."

The Auditor General recommends that DOA develop a plan to establish the future purpose and direction of the state's classification system, to include classification goals, most appropriate framework and method of job evaluation, and approach to obtain legislative support for the need to maintain and enhance the classification system before adopting a new classification system.

The JLBC Staff supports the Auditor General's recommendation and does not currently recommend funding pilot programs in FY 1995. Before a pilot program is funded, DOA should develop a comprehensive plan based on input from the Legislature, state agencies, and employees.

The Executive recommends 2.4 FTE positions and \$1,586,300 for a three-year Classification Pilot Performance Appraisal System Program as follows: \$300,000 in FY 1994, \$700,000 in FY 1995, and \$586,300 in FY 1996. The Executive endorses a Coopers and Lybrand recommendation for an updated (Oliver) point system to replace the current system.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Attorney General - Department of Law
Agency Summary

JLBC ANALYST: Martinez
OSPB ANALYST: Marsio

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	365.0	365.0	372.0	377.0	367.0	
BY PROGRAM/ORGANIZATION						
Administration	4,262,300	4,438,500	4,968,800	6,795,600	5,094,200	
Civil	6,440,800	8,061,600	8,781,300	8,323,300	8,112,000	
Human Services	1,362,900	1,372,800	1,791,000	1,379,700	1,433,700	
Criminal	8,185,600	8,684,500	9,226,800	8,685,300	8,530,100	
AGENCY TOTAL	20,251,600	22,557,400	24,767,900	25,183,900	23,170,000	
OPERATING BUDGET						
Personal Services	12,804,900	12,804,900	13,722,900	12,907,300	12,853,500	
Employee Related Expenditures	2,284,700	2,408,100	3,044,600	2,565,100	2,565,500	
Professional/Outside Services	167,500	167,500	189,800	167,500	167,500	
Travel - In State	209,000	93,100	96,600	93,100	93,100	
Travel - Out of State	39,900	39,900	40,200	39,900	39,900	
Other Operating Expenditures	2,681,900	3,076,600	3,470,800	3,117,100	3,331,000	
Equipment	70,100	0	355,600	0	0	
All Other Operating Subtotal	3,168,400	3,377,100	4,153,000	3,417,600	3,631,500	
OPERATING SUBTOTAL	18,258,000	18,590,100	20,920,500	18,890,000	19,050,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Attorney General - Department of Law
Agency Summary

JLBC ANALYST: Martinez
OSPB ANALYST: Marsio

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
SPECIAL LINE ITEMS						
Lump Sum Appropriation	0	0	0	1,556,900	0	
Grand Jury	98,500	150,000	150,000	150,000	150,000	
Victims Rights Implementation	1,037,900	1,500,700	1,500,700	1,501,100	1,500,700	
Centex-Rodgers	238,500	0	0	0	0	
Property Tax Appeals	146,900	0	0	0	0	
Collection Enforcement	471,800	2,196,700	2,196,700	2,201,200	2,196,700	
Rent - 1400 W. Washington	0	119,900	0	884,700	272,100	
Special Item Subtotal	1,993,600	3,967,300	3,847,400	6,293,900	4,119,500	
AGENCY TOTAL	20,251,600	22,557,400	24,767,900	25,183,900	23,170,000	
BY FUND SOURCE						
General Fund	18,503,400	18,860,000	21,070,500	21,481,600	19,472,600	
Other Funds	1,748,200	3,697,400	3,697,400	3,702,300	3,697,400	
Federal Funds	3,235,700	3,286,800	3,036,000	--	3,036,000	
Other Non-Appropriated Funds	19,718,400	21,690,700	21,777,000	--	21,777,000	
AGENCY TOTAL - ALL SOURCES	43,205,700	47,534,900	49,580,900	25,183,900	47,983,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Attorney General - Department of Law
 PROGRAM: Agency Summary

Agency Description - *The Attorney General is an elected constitutional officer. The department consists of the Administration Division, the Civil Division, the Human Services Division, and the Criminal Division. These divisions are responsible, respectively, for department organization and policy direction, legal services and representation to departments and agencies of the state, consumer advocacy and civil rights enforcement, and criminal investigation and prosecution.*

The JLBC Staff recommends a total appropriation of \$23,170,000 -- a net increase of \$612,600, or 2.7%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$19,472,600 -- a net increase of \$612,600, or 3.2%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$3,697,400 -- no change from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ 100 GF
 Includes an overall agency vacancy factor of 8.5%.
- **ERE Rate Changes** 145,700 GF
- **Arizonans with Disabilities Act (ADA)** 60,200 GF
 The amount includes 2 FTE positions for the anticipated workload associated with the enforcement of the ADA mandate. The Executive recommends a total of \$78,000 and 2 FTE positions. (Human Services Division)
- **Risk Management** 77,800 GF
- **Non 1400 West Washington Rent** 128,200 GF
 The amount includes a \$121,100 increase for rent in state-owned-space (Tucson Office Building), and \$7,100 for the increase to the lease-purchase payment for the Capitol Center. Another \$48,400 will be transferred from a special line item to Other Operating Expenditures for continuation of a private lease in Tucson.
- **1400 West Washington Rent** 200,600 GF
 The amount represents an increase to annualize funding for expansion into state-owned space located at 1400 West Washington. The legislature approved \$71,500 in FY 1994 to provide rent for a quarter year at 1400 West Washington.

In comparison, the Executive recommendation does not include funding for rent in the 1400 W. Washington Building. The Executive instead recommends an \$884,700 increase for the lease-purchase payment of the Capitol Center at 15 S. 15th Ave. in anticipation that the department will expand into space currently occupied by the Department of Water Resources. Additional footage at 1400 W. Washington would total 24,733 square feet, an increase of 17% in their overall Phoenix space. Additional Footage at the Capitol Center would total 61,871, an increase of 43% in their overall Phoenix space. The following table summarizes the space allocations for the agency.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

	FY 1994		FY 1995			
	Estimate		Executive		JLBC	
	<u>Square Footage</u>	<u>Rent</u>	<u>Square Footage</u>	<u>Rent</u>	<u>Square Footage</u>	<u>Rent</u>
Law Building 1275 W. Washington	87,318	\$954,000 ^{1/}	87,318	\$954,000 ^{1/}	87,318	\$954,000 ^{1/}
State Office Building 1400 W. Washington ^{2/}	0	71,500	0	0	24,733	272,100
Capitol Center 15 S. 15th Avenue	55,762	796,600 ^{3/}	117,633	1,688,400 ^{3/}	55,762	803,700 ^{3/}
TUCSON						
Tucson Office Buildings						
402 W. Congress	8,449	92,900	17,956	197,500	17,956	197,500
416 W. Congress	0	0	1,500	16,500	1,500	16,500
Private Lease	<u>NA</u>	<u>48,400</u>	<u>NA</u>	<u>48,400</u>	<u>NA</u>	<u>48,400</u>
TOTAL	151,529 ^{2/}	\$1,963,400	224,407	\$2,904,800	187,269	\$2,292,200

^{1/} Of this amount, \$79,700 is paid from sources outside of the AG appropriated budget.
^{2/} Represents quarter-year funding -- the agency has not moved into this space yet. Thus, the authorized space for FY 1994 is 176,262 square feet.
^{3/} Of this amount, \$425,400 is paid from sources outside of the AG appropriated budget.

JLBC Staff Recommended Format -- Modified Lump Sum with Special Line Items by Agency (In the FY 1994 budget, the Attorney General had an Operating Lump Sum format. The JLBC Staff recommends adopting a Modified Lump Sum budget format for FY 1995 to permit better tracking of agency expenditures).

JLBC Staff Recommended Footnotes

Modification of New FY 1994 Footnotes

- The \$272,100 appropriated for rent is to be used for rent of the State Office Building located at 1400 West Washington. If the move into the West Washington building does not occur, this amount shall revert to the General Fund. (Eliminates outdated references).

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Other Issues for Legislative Consideration

- **Equal Employment Opportunity Commission Program**

The department is requesting 2 FTE positions and \$81,800 to improve turnaround time of cases that are older than 9 months. The Executive recommends 1 FTE position and a total of \$35,800. (Human Services Division)

- **Lump Sum Appropriation**

The Executive recommends an additional 9 FTE positions and \$1,556,900 as a lump sum appropriation for the agency.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Attorney General - Department of Law
 PROGRAM: Administration

JLBC ANALYST: Martinez
 OSPB ANALYST: Marsio

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	60.5	59.0	59.0	68.0	59.0	
OPERATING BUDGET						
Personal Services	2,096,100	1,896,100	1,977,700	1,898,200	1,896,300	
Employee Related Expenditures	400,600	390,800	452,500	401,400	401,700	
Professional/Outside Services	96,000	96,000	118,300	96,000	96,000	
Travel - In State	22,400	10,100	10,100	10,100	10,100	
Travel - Out of State	15,400	15,400	15,400	15,400	15,400	
Other Operating Expenditures	1,587,400	1,910,200	2,244,600	1,932,900	2,402,600	
Equipment	44,400	0	150,200	0	0	
All Other Operating Subtotal	1,765,600	2,031,700	2,538,600	2,054,400	2,524,100	
OPERATING SUBTOTAL	4,262,300	4,318,600	4,968,800	4,354,000	4,822,100	
SPECIAL LINE ITEMS						
Lump Sum Appropriation	0	0	0	1,556,900	0	
Rent - 1400 W. Washington	0	119,900	0	884,700	272,100	
Special Item Subtotal	0	119,900	0	2,441,600	272,100	
PROGRAM TOTAL	4,262,300	4,438,500	4,968,800	6,795,600	5,094,200	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Attorney General - Department of Law
 PROGRAM: Administration

JLBC ANALYST: Martinez
 OSPB ANALYST: Marsio

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	4,262,300	4,438,500	4,968,800	6,795,600	5,094,200	
Federal Funds	3,223,300	3,263,800	3,013,000	--	3,013,000	
Other Non-Appropriated Funds	2,242,900	2,279,900	2,284,900	--	2,284,900	
PROGRAM TOTAL - ALL SOURCES	9,728,500	9,982,200	10,266,700	6,795,600	10,392,100	

Program Description - Provides executive policy direction and implementation for the department. Provides legal advice to state officials, legislators, county attorneys, and client state agencies as well as certifying rules promulgated by state agencies.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$5,094,200 -- a net increase of \$655,700, or 14.8%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ 200 GF
 Includes a new vacancy factor of 3%. The FY 1994 vacancy factor was 2.9%. The program Personal Services base was reallocated in FY 1994. The Executive recommends a vacancy factor of 2.9%.
- **ERE Rate Changes** 10,900 GF
- **Risk Management** 322,900 GF
 The amount includes a \$77,800 increase for risk management charges from FY 1994 to FY 1995. The amount also reflects the consolidation of all risk management charges into the Administration Division. The amounts of \$116,100 from the Civil Division, \$12,900 from the Human Services Division, and \$116,100 from the Criminal Division were transferred to the Administration Division. The total risk management charges for FY 1995 are \$335,800.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Non 1400 West Washington Rent** 121,100 GF
The increase for rent in state-owned space includes a \$104,600 increase for rent in the Tucson Office Building located at 402 W. Congress, and a \$16,500 increase for rent in the Tucson Office Building located at 416 W. Congress. Another \$48,400 will be transferred from a special line item to Other Operating Expenditures for continuation of a private lease in Tucson.
- **1400 West Washington Rent** 200,600 GF
The amount represents an increase to annualize funding for expansion into state-owned space located at 1400 West Washington. The legislature approved \$71,500 in FY 1994 to provide rent for a quarter year at 1400 West Washington.

In comparison, the Executive recommendation does not include funding for rent in the 1400 W. Washington Building. The Executive instead recommends an \$884,700 increase for the lease-purchase payment of the Capitol Center at 15 S. 15th Ave. in anticipation that the department will expand into space currently occupied by the Department of Water Resources. Additional footage at 1400 W. Washington would total 24,733 square feet, an increase of 17% in their overall Phoenix space. Additional footage at the Capitol Center would total 61,871, an increase of 43% in their overall Phoenix space. (See summary page for table summarizing the space allocations for the department).

JLBC Staff Recommended Format -- Modified Lump Sum with Special Line Items by Agency *(In the FY 1994 budget, the Attorney General had an Operating Lump Sum format. The JLBC Staff recommends adopting a Modified Lump Sum budget format for FY 1995 to permit better tracking of agency expenditures).*

JLBC Staff Recommended Footnotes

Modification of New FY 1994 Footnotes

- The \$272,100 appropriated for rent is to be used for rent of the State Office Building located at 1400 West Washington. If the move into the West Washington building does not occur, this amount shall revert to the General Fund. *(Eliminates outdated references).*

Other Issues for Legislative Consideration

- **Lump Sum Appropriation**
The Executive recommends an additional 9 FTE positions and \$1,556,900 as a lump sum appropriation for the agency.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Attorney General - Department of Law
 PROGRAM: Civil

JLBC ANALYST: Martinez
 OSPB ANALYST: Marsio

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	131.5	131.7	131.7	134.7	131.7	
OPERATING BUDGET						
Personal Services	4,402,800	4,602,800	4,910,900	4,695,400	4,602,900	
Employee Related Expenditures	655,600	722,400	1,033,300	897,200	881,700	
Professional/Outside Services	25,300	25,300	25,300	25,300	25,300	
Travel - In State	7,300	3,200	3,200	3,200	3,200	
Travel - Out of State	7,700	7,700	7,700	7,700	7,700	
Other Operating Expenditures	472,500	503,500	555,600	493,300	394,500	
Equipment	12,400	0	48,600	0	0	
All Other Operating Subtotal	525,200	539,700	640,400	529,500	430,700	
OPERATING SUBTOTAL	5,583,600	5,864,900	6,584,600	6,122,100	5,915,300	
SPECIAL LINE ITEMS						
Centex-Rodgers	238,500	0	0	0	0	
Property Tax Appeals	146,900	0	0	0	0	
Collection Enforcement	471,800	2,196,700	2,196,700	2,201,200	2,196,700	
Special Item Subtotal	857,200	2,196,700	2,196,700	2,201,200	2,196,700	
PROGRAM TOTAL	6,440,800	8,061,600	8,781,300	8,323,300	8,112,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Attorney General - Department of Law
PROGRAM: Civil

JLBC ANALYST: Martinez
OSPB ANALYST: Marsio

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	5,730,500	5,864,900	6,584,600	6,122,100	5,915,300	_____
Other Funds	710,300	2,196,700	2,196,700	2,201,200	2,196,700	_____
Other Non-Appropriated Funds	14,855,700	17,203,400	17,606,500	--	17,606,500	_____
PROGRAM TOTAL - ALL SOURCES	21,296,500	25,265,000	26,387,800	8,323,300	25,718,500	=====

Program Description - Provides general legal services to state officers and state agencies. Represents the state in lawsuits, administrative matters, and civil appeals. Responds to certain requests for formal opinions.

The JLBC Staff recommends a total appropriation of \$8,112,000 -- a net increase of \$50,400, or 0.6%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$5,915,300 -- a net increase of \$50,400, or 0.9%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$2,196,700 -- no change from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ 100 GF
Includes a new vacancy factor of 9.3%. The FY 1994 vacancy factor was 9.1%. The program Personal Services base was reallocated in FY 1994, causing a modification to the vacancy factor. The Executive recommends a vacancy factor of 9.1%.
- ERE Rate Changes 159,300 GF
- Other Operating Expenditures (109,000) GF
The amount reflects a \$7,100 increase in the lease-purchase payment for the Capital Center. (See more detailed rent explanation in summary page for the department). The amount also reflects a reduction of \$(116,100) from the transfer of risk management charges. Total risk management charges for the department are consolidated in the Administration Division.

JLBC Staff Recommended Format -- Modified Lump Sum with Special Line Items by Agency (In the FY 1994 budget, the Attorney General had an Operating Lump Sum format. The JLBC Staff recommends adopting a Modified Lump Sum budget format for FY 1995 to permit better tracking of agency expenditures).

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Attorney General - Department of Law
 PROGRAM: Human Services

JLBC ANALYST: Martinez
 OSPB ANALYST: Marsio

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	30.5	34.6	41.6	34.6	36.6	
OPERATING BUDGET						
Personal Services	1,020,400	1,020,400	1,237,600	1,014,600	1,068,800	
Employee Related Expenditures	198,000	208,700	288,900	220,500	234,100	
Professional/Outside Services	11,500	11,500	11,500	11,500	11,500	
Travel - In State	13,300	5,900	9,400	5,900	5,900	
Travel - Out of State	3,500	3,500	3,800	3,500	3,500	
Other Operating Expenditures	115,200	122,800	130,500	123,700	109,900	
Equipment	1,000	0	109,300	0	0	
All Other Operating Subtotal	144,500	143,700	264,500	144,600	130,800	
PROGRAM TOTAL	1,362,900	1,372,800	1,791,000	1,379,700	1,433,700	
BY FUND SOURCE						
General Fund	1,362,900	1,372,800	1,791,000	1,379,700	1,433,700	
PROGRAM TOTAL - ALL SOURCES	1,362,900	1,372,800	1,791,000	1,379,700	1,433,700	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Attorney General - Department of Law
PROGRAM: Human Services

Program Description - *Assists in the provision of consumer advocacy services, civil rights enforcement, elderly protection, fair housing and employment enforcement, and monitoring of community relations activities for the state.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$1,433,700 -- a net increase of \$60,900, or 4.4%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
Includes a new vacancy factor of 4.8%. The FY 1994 vacancy factor was 5.3%. The program Personal Services base was reallocated in FY 1994, causing a modification to the vacancy factor. The Executive recommends a vacancy factor of 5.3%.

- **ERE Rate Changes** 13,600 GF

- **Arizonans with Disabilities Act (ADA)** 60,200 GF
Pursuant to A.R.S. § 41-1492, the Attorney General's Office is to begin enforcement responsibilities of the unfunded ADA mandate in January 1994. The department is estimating an annual workload of 1,200 inquiries, 300 complaints, and 60 enforcement actions as well as various education and alternative dispute resolution activities. The department is requesting 5 FTE positions and a total of \$232,500 to accommodate the new workload. The FTE positions include 1 Attorney, 2 Case Specialist (investigators), 1 Legal Secretary, and 1 Technical Expert. Because of the uncertainty of the workload, the JLBC Staff recommends 2 FTE positions including 1 Case Specialist position and 1 Technical Expert position. The amount includes \$48,400 for Personal Services at the entry level salaries and \$11,800 for ERE. The Executive recommends \$64,200 for Personal Services and \$13,800 for ERE for the same 2 FTE positions.

- **Other Operating Expenditures** (12,900) GF
The amount reflects the transfer of risk management charges. Total risk management charges for the department are consolidated in the Administration Division.

JLBC Staff Recommended Format -- Modified Lump Sum with Special Line Items by Agency (*In the FY 1994 budget, the Attorney General had an Operating Lump Sum format. The JLBC Staff recommends adopting a Modified Lump Sum budget format for FY 1995 to permit better tracking of agency expenditures.*)

Other Issues for Legislative Consideration

- **Equal Employment Opportunity Commission Program**
The Executive recommends 1 Case Specialist position and \$29,200 for Personal Services and \$6,600 for ERE.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Attorney General - Department of Law
PROGRAM: Criminal

JLBC ANALYST: Martinez
OSPB ANALYST: Marsio

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	142.5	139.7	139.7	139.7	139.7	
OPERATING BUDGET						
Personal Services	5,285,600	5,285,600	5,596,700	5,299,100	5,285,500	
Employee Related Expenditures	1,030,500	1,086,200	1,269,900	1,046,000	1,048,000	
Professional/Outside Services	34,700	34,700	34,700	34,700	34,700	
Travel - In State	166,000	73,900	73,900	73,900	73,900	
Travel - Out of State	13,300	13,300	13,300	13,300	13,300	
Other Operating Expenditures	506,800	540,100	540,100	567,200	424,000	
Equipment	12,300	0	47,500	0	0	
All Other Operating Subtotal	733,100	662,000	709,500	689,100	545,900	
OPERATING SUBTOTAL	7,049,200	7,033,800	7,576,100	7,034,200	6,879,400	
SPECIAL LINE ITEMS						
Grand Jury	98,500	150,000	150,000	150,000	150,000	
Victims Rights Implementation	1,037,900	1,500,700	1,500,700	1,501,100	1,500,700	
Special Item Subtotal	1,136,400	1,650,700	1,650,700	1,651,100	1,650,700	
PROGRAM TOTAL	8,185,600	8,684,500	9,226,800	8,685,300	8,530,100	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Attorney General - Department of Law
 PROGRAM: Criminal

JLBC ANALYST: Martinez
 OSPB ANALYST: Marsio

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	7,147,700	7,183,800	7,726,100	7,184,200	7,029,400	_____
Other Funds	1,037,900	1,500,700	1,500,700	1,501,100	1,500,700	_____
Federal Funds	12,400	23,000	23,000	--	23,000	_____
Other Non-Appropriated Funds	2,619,800	2,207,400	1,885,600	--	1,885,600	_____
PROGRAM TOTAL - ALL SOURCES	10,817,800	10,914,900	11,135,400	8,685,300	10,438,700	_____

Program Description - Investigates and prosecutes cases involving criminal violations. Represents the state in criminal appeals. Provides trial and research assistance to county attorneys. Advises all state agencies on environmental enforcement matters.

The JLBC Staff recommends a total appropriation of \$8,530,100 -- a net decrease of \$(154,400), or (1.8)%, from the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$7,029,400 -- a net decrease of \$(154,400), or (2.1)%, from the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$1,500,700 -- no change from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (200) GF
 Includes a new vacancy factor of 10.5%. The FY 1994 vacancy factor was 10.3%. The program Personal Services base was reallocated in FY 1994, causing a modification to the vacancy factor. The Executive recommends a vacancy factor of 10.3%.
- ERE Rate Changes (38,100) GF
- Other Operating Expenditures (116,100) GF
 The amount reflects the transfer of risk management charges. Total risk management charges for the department are consolidated in the Administration Division.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Format -- Modified Lump Sum with Special Line Items by Agency (*In the FY 1994 budget, the Attorney General had an Operating Lump Sum format. The JLBC Staff recommends adopting a Modified Lump Sum budget format for FY 1995 to permit better tracking of agency expenditures*).

JLBC Staff Recommended Footnotes

Standard Footnotes

- The \$150,000 appropriated for State Grand Jury expenses is for costs incurred pursuant to A.R.S. § 21-428. It is the intent of the Legislature that State Grand Jury expenses be limited to the amount appropriated and that a supplemental appropriation will not be provided.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Coliseum & Exposition Center Board

JLBC ANALYST: Case
OSPB ANALYST: Benberou

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION ^{1/}	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	289.0	278.0	278.0	278.0	0.0	
OPERATING BUDGET						
Personal Services	4,828,800	4,660,200	4,750,000	4,750,000	0	
Employee Related Expenditures	695,300	723,300	831,400	837,400	0	
Professional/Outside Services	2,325,700	2,323,400	2,439,600	2,433,600	0	
Travel - In State	8,600	12,500	14,800	14,800	0	
Travel - Out of State	34,900	39,300	39,300	39,300	0	
Other Operating Expenditures	6,373,200	5,925,900	6,308,900	6,308,900	0	
Equipment	0	100,000	100,000	100,000	0	
All Other Operating Subtotal	8,742,400	8,401,100	8,902,600	8,896,600	0	
AGENCY TOTAL	14,266,500	13,784,600	14,484,000	14,484,000	0	
BY FUND SOURCE						
Other Funds	14,266,500	13,784,600	14,484,000	14,484,000	0	
Other Non-Appropriated Funds	743,300	3,949,600	500,000	--	14,984,000	
AGENCY TOTAL - ALL SOURCES	15,009,800	17,734,200	14,984,000	14,484,000	14,984,000	

^{1/} The JLBC Staff recommends that, beginning in FY 1995, the operating budget be non-appropriated, pursuant to A.R.S. § 3-1005. The following line items are presented for information only.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Coliseum & Exposition Center Board

Agency Description - *The Coliseum and Exposition Center Board is custodian of the State Fairgrounds and Memorial coliseum properties. The board directs and conducts the annual Arizona State Fair and the annual Livestock Show, and leases the coliseum and fairgrounds facilities for special events.*

By statute, all monies received by the Coliseum are under full control of the board. As a result, the General Appropriation Act does not include a specific dollar appropriation, but instead simply contains language appropriating 100% of the board's receipts. This type of approach renders any Staff and subsequent Appropriations Committee recommendation ineffective.

The JLBC Staff recommends that an appropriation of the Arizona Coliseum and Exposition Center Board no longer appear in the General Appropriation Act. If the Legislature wishes to exercise more oversight of the Coliseum's operation, we would recommend that the board's funds be subject to legislative appropriation.

If the Legislature subjects these funds to appropriation, the JLBC Staff would recommend a total Other Fund (OF) appropriation of \$14,484,000 -- a net increase of \$699,400, or 5.1%, to the FY 1994 appropriation. The following changes are listed for information only.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- OF
Maintains a vacancy factor of 0%. The Executive recommends a vacancy factor of 0%.

- **ERE Rate Changes** (44,800) OF
The recommended amount is calculated using 58 regular FTE positions, which are eligible for full benefits. At the recommendation of the Office for Excellence in Government, the Coliseum and Exposition Center has reduced its staff from 86 regular FTE positions to 58. The coliseum makes extensive use of temporary employees for the state fair and other events. These temporary workers are eligible for partial benefits only. The Executive recommends an increase of \$147,500.

- **Personal Services Increases** 101,200 OF
The recommended amount includes salary and wage increases of \$76,100 for regular positions, \$13,700 for additional overtime, and \$11,400 for ERE. While the Coliseum and Exposition Center is subject to Department of Administration personnel policies, the board is able to make pay adjustments within accepted ranges. The Executive recommends an increase of \$95,200.

- **Professional and Outside Services** 116,200 OF
The recommended amount represents a 5% inflation increase associated primarily with state fair entertainer fees. The Executive concurs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Travel - In State** 2,300 OF
The loss of the Phoenix Suns basketball team in FY 1993 has led the Coliseum and Exposition Center to more actively pursue bookings for vacant dates. The Executive concurs.
- **Other Operating Expenditures** 524,500 OF
The recommended amount includes increases of \$150,000 for lease payments on the new electronic information sign, \$55,000 for utilities, \$50,000 for liability insurance, and \$128,000 for miscellaneous expenses such as building maintenance and printing. Additionally, \$141,500 generated from Employee Related Expenditures savings associated with personnel restructuring is recommended for contingency needs. The Executive recommends an increase of \$383,000.

Other Issues for Legislative Consideration

- **Coliseum Contributions to the General Fund**
Project SLIM recommends that the Coliseum Board develop an Agency Performance Sharing Plan which might include a fixed minimum contribution or variable contribution to the General Fund. The Legislature transferred \$1,000,000 from the Coliseum to the General Fund in FY 1989 and transferred \$2,000,000 to the General Fund in FY 1992. Although the Coliseum Board has been philosophically opposed to contributing to the General Fund, it might prefer regular, predictable contributions over the status quo.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Commerce

JLBC ANALYST: Siegarth
 OSPB ANALYST: Benberou

HOUSE SUBCOMMITTEE CHAIR: Groskost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	69.0	75.0	81.0	76.5	75.0	
OPERATING BUDGET						
Personal Services	1,846,200	2,218,500	2,453,800	2,259,200	2,214,200	
Employee Related Expenditures	388,300	434,600	541,600	468,300	442,000	
Professional/Outside Services	140,900	195,100	240,100	240,100	195,100	
Travel - In State	57,600	66,900	76,400	67,700	66,900	
Travel - Out of State	54,000	81,100	88,100	81,400	81,100	
Other Operating Expenditures	655,500	689,500	699,500	689,200	694,000	
Equipment	89,100	9,700	89,700	35,500	9,700	
All Other Operating Subtotal	997,100	1,042,300	1,193,800	1,113,900	1,046,800	
OPERATING SUBTOTAL	3,231,600	3,695,400	4,189,200	3,841,400	3,703,000	
SPECIAL LINE ITEMS						
Economic Development Matching Funds	60,000	104,000	104,000	104,000	104,000	
CEDC Commission	157,800	200,200	200,200	200,200	200,200	
Advertising & Promotion	451,600	495,200	495,200	495,200	495,200	
Asian Pacific Trade Office	111,900	169,900	169,900	169,900	169,900	
Mexico Trade Office	186,900	300,100	300,100	300,100	300,100	
REDI Matching Grants	86,100	45,000	45,000	45,000	45,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Commerce

JLBC ANALYST: Siegwarth

HOUSE SUBCOMMITTEE CHAIR: Groscost

OSPB ANALYST: Benberou

SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Motion Picture Development	478,800	480,200	486,200	483,400	481,000	
National Law Center/Free Trade	150,000	0	0	572,000	0	
Indian Economic Development	63,000	64,600	65,200	64,700	64,700	
Oil Overcharge Administration	80,500	122,600	122,600	121,200	122,200	
Japan Trade/Tourism Office	122,100	280,000	280,000	280,000	280,000	
Work Force Recruitment/Training	0	3,000,000	3,000,000	3,000,000	3,000,000	
Williams AFB Economic Development	0	0	0	175,000	0	
Special Item Subtotal	1,948,700	5,261,800	5,268,400	6,010,700	5,262,300	
AGENCY TOTAL	5,180,300	8,957,200	9,457,600	9,852,100	8,965,300	
BY FUND SOURCE						
General Fund	3,499,600	6,990,800	7,476,400	7,882,400	6,999,000	
Other Funds	1,680,700	1,966,400	1,981,200	1,969,700	1,966,300	
Federal Funds	9,250,000	14,234,700	13,716,900	--	13,716,900	
Other Non-Appropriated Funds	12,562,400	15,156,600	11,084,200	--	11,084,200	
AGENCY TOTAL - ALL SOURCES	26,992,700	38,348,500	34,258,700	9,852,100	33,766,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Commerce

Agency Description - *The department conducts programs to encourage the creation, expansion and retention of business in Arizona. The department has 9 major activities: Administration, Business Development, Community Assistance, Energy Development and Utilization, Financial Services and Housing Development, International Trade and Investment, Motion Picture Development, Sports Promotion, and Communications and Research.*

The JLBC Staff recommends a total appropriation of \$8,965,300 -- a net increase of \$8,100, or 0.1%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$6,999,000 -- a net increase of \$8,200, or 0.1%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$1,966,300 -- a net decrease of \$(100), or (0)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (5,200) GF
 Maintains a General Fund vacancy factor of 1.5%, which is the standard rate applied to agencies with this number of General Fund FTE positions. The Executive recommends a vacancy factor of 1.5%.
- **ERE Rate Changes** 8,700 GF
(400) OF
- **Other Operating Expenditures** 3,900 GF
600 OF
 The recommended amount represents an increase in risk management. The Executive recommends a reduction of \$(10,000) (GF) for non-capitalized equipment and an increase of \$3,900 (GF) and \$1,200 (OF) for risk management.
- **Motion Picture Development** 800 GF
 The recommended amount represents an increase associated with ERE adjustments for the 5 FTE positions funded by this special line item. The Executive also recommends a Personal Services base adjustment of \$2,000 (GF).
- **Indian Economic Development** 100 OF
 The recommended amount represents an increase associated with ERE adjustments for the 1 FTE position funded by this special line item.
- **Oil Overcharge Administration** (400) OF
 The recommended amount represents a decrease associated with ERE adjustments for the 2 FTE positions funded by this special line item.

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Other Issues for Legislative Consideration

- Executive Recommendation

- The Executive recommends \$572,000 for the National Law Center for Inter-American Free Trade. The funds are to assist the center's efforts in resolving legal issues associated with the North American Free Trade Agreement (NAFTA). Of the \$572,000, the sum of \$342,000 will be for overhead and administrative costs with the remaining \$230,000 to be used for 8 specific projects on harmonizing the trade laws and practices of the North American countries. As an example, these projects include uniform powers of attorney, uniform warehouse receipts, judicial cooperation and uniform accounting standards.

The JLBC Staff recommendation does not provide \$342,000 for overhead and administrative costs for the center, which would provide 58.4% of the center's total operating cost. If the center is to remain an independent entity, the JLBC Staff would not recommend such a large operating subsidy. The Legislature did provide \$150,000 for start-up costs in FY 1993, when the center's annual budget was estimated to be \$350,000. However, the center's anticipated growth to an estimated annual budget of \$1,066,000 in FY 1995 should not be dependent on receiving state funds. In addition, the resolution of national issues is a responsibility of the federal government and should be primarily funded by the federal government.

The JLBC Staff recommendation does not include funding for the research projects, although some of these projects are specific to the State of Arizona. Examples of projects with a state focus would be standards for approval of Mexican securities on the Arizona Stock Exchange and the Judicial Cooperation Project for the Supreme Courts of Arizona and Mexico. These projects would be more appropriately funded through grants from the Commerce and Economic Development Commission (CEDC). The CEDC was established to provide financial assistance to businesses, political subdivisions, nonprofit economic development groups and universities working on projects in the best interest of the state. Such one-time research projects should compete and be evaluated in the context of the other projects applying for state funds.

- The Executive recommends \$175,000 to assist the Williams Redevelopment Partnership and the Intergovernment Agreement Group in marketing Williams Air Force Base to potential businesses and tenants.

The JLBC Staff recommendation does not recommend this issue as it would be more appropriately funded through grants from the Commerce and Economic Development Commission (CEDC). The CEDC was established to provide financial assistance to businesses, political subdivisions, nonprofit economic development groups and universities working on projects in the best interest of the state. Such one-time projects should compete and be evaluated in the context of the other projects applying for state funds.

- The Executive recommends an increase of \$45,000 in Professional and Outside Services for the Main Street program. The increase in the Main Street program provides funding for contracts with design firms and special issue consultants for new communities entering the program.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

-- The Executive recommends \$40,100 and 1 FTE position for Management Information Systems staffing and \$25,500 and 0.5 FTE positions to administer the Job Training program.

The JLBC Staff recommendation does not recommend additional staff as the department received 8 new FTE positions, a 12% increase, in FY 1994. In addition, the department's request for FTE positions to administer the Job Training program was not funded by the Legislature in FY 1994.

-- The Executive recommends an increase of \$20,300 for replacement computer equipment. As the Executive also recommends a decrease of \$(10,000) in non-capitalized equipment in the Other Operating Expenditures line item, the Executive recommendation is a net \$10,300 above the JLBC Staff equipment recommendation.

- **Foreign Trade Office Matching Requirement**

Laws 1992, Chapter 312 (S.B. 1365), suspended the existing private sector matching requirement for foreign trade offices until July 1, 1994. The JLBC Staff recommendation would make this permanent by deleting A.R.S. § 41-1504C, which requires the private sector to match dollar for dollar expenditures for the Mexico and Japan foreign trade offices. The FY 1994 appropriation for these 2 offices was \$580,100.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Supreme Court
Agency Summary

JLBC ANALYST: Cawley
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	155.3	158.3	165.3	158.3	154.3	
BY PROGRAM/ORGANIZATION						
Supreme Court	9,380,500	9,766,200	11,054,600	9,766,200	9,738,500	
Foster Care Review Board	1,199,000	1,225,100	1,345,000	1,225,100	2,129,800	
AGENCY TOTAL	10,579,500	10,991,300	12,399,600	10,991,300	11,868,300	
OPERATING BUDGET						
Personal Services	4,666,400	4,932,200	5,324,100	4,932,200	4,957,300	
Employee Related Expenditures	906,700	851,400	918,000	851,400	941,300	
Professional/Outside Services	111,300	96,500	378,500	96,500	174,500	
Travel - In State	91,600	114,200	129,400	114,200	125,900	
Other Operating Expenditures	4,000,800	3,911,200	3,939,300	3,911,200	3,832,700	
Equipment	156,200	35,700	285,800	35,700	246,600	
All Other Operating Subtotal	4,359,900	4,157,600	4,733,000	4,157,600	4,379,700	
OPERATING SUBTOTAL	9,933,000	9,941,200	10,975,100	9,941,200	10,278,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Supreme Court
Agency Summary

JLBC ANALYST: Cawley
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
SPECIAL LINE ITEMS						
Building Tenant Improvement	0	50,000	250,000	50,000	0	
Judicial Assistance	0	87,400	87,400	87,400	87,400	
Judicial Education	201,000	208,700	287,000	208,700	208,700	
Court Appointed Special Advocate	0	0	0	0	800,000	
Law Library	296,700	306,200	306,200	306,200	0	
Grand Jury	148,800	148,800	148,800	148,800	148,800	
Judicial Performance Review	0	249,000	345,100	249,000	345,100	
Special Item Subtotal	646,500	1,050,100	1,424,500	1,050,100	1,590,000	
AGENCY TOTAL	10,579,500	10,991,300	12,399,600	10,991,300	11,868,300	
BY FUND SOURCE						
General Fund	10,579,500	10,941,300	12,149,600	10,941,300	10,981,400	
Other Funds	0	50,000	250,000	50,000	886,900	
Other Non-Appropriated Funds	9,670,600	13,115,600	11,532,300	--	11,532,300	
AGENCY TOTAL - ALL SOURCES	20,250,100	24,106,900	23,931,900	10,991,300	23,400,600	

Agency Description - *The Supreme Court consists of the 5 Supreme Court Justices, judicial support staff, the Administrative Office of the Courts, and the Foster Care Review Board and Court Appointed Special Advocate programs.*

The JLBC Staff recommends a total appropriation of \$11,868,300 -- a net increase of \$877,000, or 8%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$10,981,400 -- a net increase of \$40,100, or 0.4%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$886,900 -- a net increase of \$836,900, or 1,673.8%, to the FY 1994 appropriation.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Changes from FY 1994

• Personal Services/ERE Adjustments	\$ (800) GF
• ERE Rate Changes	87,500 GF
• Professional and Outside Services	6,000 GF 72,000 OF
• Travel - In State	11,400 OF
• Risk Management	(86,500) GF
• Other Operating Expenditures	7,200 GF 3,500 OF
• Lease-Purchase Adjustment - State Courts Building	(3,600) GF
• Lease-Purchase Adjustment - Tucson State Office Building	100 GF
• Equipment	199,000 GF
• Funding for a Staff Attorney	41,300 GF
• Transfer Out of 9 FTE Positions and the Law Library to the Department of Library, Archives and Public Records	(306,200) GF
• Transfer In of 5 FTE Positions and the Court Appointed Special Advocate Program	800,000 OF
• Judicial Performance Review	96,100 GF
• Eliminate Funding from the Executive and Judicial Public Buildings Land Fund	(50,000) OF

JLBC Staff Recommended Format -- Lump Sum for the Programs with Special Line Items

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Supreme Court
PROGRAM: Supreme Court

JLBC ANALYST: Cawley
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	126.3	129.3	136.3	129.3	120.3	
OPERATING BUDGET						
Personal Services	3,871,700	4,138,800	4,503,100	4,138,800	4,163,900	
Employee Related Expenditures	739,000	696,500	757,800	696,500	768,700	
Professional/Outside Services	107,000	80,000	290,000	80,000	86,000	
Travel - In State	51,500	68,400	72,200	68,400	68,700	
Other Operating Expenditures	3,817,500	3,701,700	3,726,200	3,701,700	3,619,600	
Equipment	147,300	30,700	280,800	30,700	241,600	
All Other Operating Subtotal	4,123,300	3,880,800	4,369,200	3,880,800	4,015,900	
OPERATING SUBTOTAL	8,734,000	8,716,100	9,630,100	8,716,100	8,948,500	
SPECIAL LINE ITEMS						
Building Tenant Improvement	0	50,000	250,000	50,000	0	
Judicial Assistance	0	87,400	87,400	87,400	87,400	
Judicial Education	201,000	208,700	287,000	208,700	208,700	
Law Library	296,700	306,200	306,200	306,200	0	
Grand Jury	148,800	148,800	148,800	148,800	148,800	
Judicial Performance Review	0	249,000	345,100	249,000	345,100	
Special Item Subtotal	646,500	1,050,100	1,424,500	1,050,100	790,000	
PROGRAM TOTAL	9,380,500	9,766,200	11,054,600	9,766,200	9,738,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Supreme Court
PROGRAM: Supreme Court

JLBC ANALYST: Cawley
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	9,380,500	9,716,200	10,804,600	9,716,200	9,738,500	
Other Funds	0	50,000	250,000	50,000	0	
Other Non-Appropriated Funds	9,670,600	13,115,600	11,532,300	--	11,532,300	
PROGRAM TOTAL - ALL SOURCES	19,051,100	22,881,800	22,586,900	9,766,200	21,270,800	

Program Description - *The Court consists of the 5 Supreme Court Justices, judicial support staff and the Administrative Office of the Courts (AOC). The Supreme Court, as the state's highest court, has the responsibility to review appeals and to provide rules of procedure for all the courts in Arizona. Under the direction of the Chief Justice, the AOC provides administrative supervision over the Arizona court system.*

The JLBC Staff recommends a total appropriation of \$9,738,500 - a net decrease of \$(27,700), or (0.3)%, from the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$9,738,500 -- a net increase of \$22,300, or 0.2%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$0 -- a net decrease of \$(50,000), or (100)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (800) GF
Maintains a vacancy factor of 1.5% for non-elected positions.
- ERE Rate Changes 69,800 GF
- Professional and Outside Services 6,000 GF
Provides funding for temporary help to process the backlog of cases that should be archived.
- Other Operating Expenditures (82,900) GF
Includes decreases of \$(86,500) in risk management and \$(3,600) in the lease-purchase payment for the Courts Building. Also, includes an increase for dues to the National Center for State Courts, \$4,600, and usage costs for Westlaw/LEXIS, \$2,600.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Equipment** 199,000 GF
Provides \$49,000 to upgrade the Court's VAX 3900. This upgrade will allow for the move to a unified appellate court computer system and the capability to consolidate the judicial offices, the Staff Attorney and the Clerk offices to 1 computer system. With this hardware upgrade, additional software enhancements will be added to the current system operations.

In addition, \$150,000 is added to begin to replace the Courts Building's computer wiring and to ground the computer system and network. Upgrading the computer wiring to a grade 5 will alleviate the problems being encountered with their network, such as degradation of response time and being booted out of the system, and will allow for image transferring. When the Courts Building was built, a computer consultant recommended installation of a higher grade wire, but a grade 1-3 wire was installed as the higher grade wire was not available at the time of construction.

The Department of Administration (DOA) has assessed the data station wiring needs. They recommend replacing the cables which run from the wiring closets to each individual workstation. The DOA estimates the total cost to upgrade, based on the information DOA received from the Courts, will be \$238,000. The Courts requested \$150,000 from the Legislative, Executive and Judicial Public Buildings Land Fund to upgrade the wiring. The Courts and DOA have not yet met to finalize the work needed or to estimate the associated costs.
- **Add Funding for a Staff Attorney** 41,300 GF
Reflects additional funding to support 1 full-time Staff Attorney that the Supreme Court needs to: a) handle the increased workload related to the processing of death penalty cases; assist with prisoner habeas corpus and special action petitions; and c) screen Petitions for Review. To address the 16% growth in case filings and 18% growth in petition filings, the Court filled a vacant full-time secretarial position with a half-time attorney. The \$41,300 includes: \$25,500, Personal Services; \$2,800, Employee Related Expenditures; \$300, Travel; \$800, Other Operating Expenditures; and \$11,900 for one-time equipment costs. In order to meet the Staff Attorney's Office secretarial needs, secretaries for the justices provide support as needed.
- **Move Law Library Funding to the Department of Library, Archives and Public Records (DLAPR)** (306,200) GF
Moves funding and the associated 9 FTE positions from the Courts' appropriation to the DLAPR's budget. Currently, the Supreme Court and the DLAPR enter into an intergovernmental agreement through which the funding is transferred to DLAPR, which operates the Law Library in the Courts' Building.
- **Judicial Performance Review** 96,100 GF
Provides funding for the dissemination of information to assist voters in making election decisions on judges. The gathering and providing information on the judges for elections is required pursuant to the passage of Proposition 109 in November 1992. The increase will cover postage and printing costs to disseminate the information through newspapers and pamphlets. This cost will appear only in election year budgets.
- **Eliminate Funding from the Legislative, Executive and Judicial Public Buildings Land Fund** (50,000) OF

JLBC Staff Recommended Format -- Lump Sum for the Program with Special Line Items

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Footnotes

Deletion of New FY 1994 Footnotes

- Any unencumbered balance remaining in the Courts Building Improvement special line item shall revert to the Legislative, Executive and Judicial Public Buildings Land Fund at the end of the fiscal year as prescribed by A.R.S. § 35-190. *(No longer necessary as funding from this fund is being eliminated.)*
- The amount appropriated for the Law Library in the State Courts Building is for an intergovernmental agreement with the Department of Library, Archives, and Public Records (DLAPR) for the operation of the Law Library. *(No longer necessary as funding is being transferred to DLAPR.)*

New FY 1995 Footnotes

- Included in the lump sum appropriation is \$1,000 for the purchase of mementos and items for visiting officials. *(The Governor and Legislature already have comparable footnotes.)*

Other Issues for Legislative Consideration

- **Increased Educational Assistance**
The Court requests \$271,200 and 4 FTE positions to enhance ongoing education and training activities and to add educational services for Limited Jurisdiction Judges and staff.
- **Executive Recommendation**
Pursuant to A.R.S. § 35-116 B, the Judiciary and the Legislature shall not be subject to the control of the Governor in the preparation and submission of budgets. The Executive did not provide a budget recommendation. The Executive provided the program's FY 1994 appropriation in its recommendation column.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Supreme Court
PROGRAM: Foster Care Review Board

JLBC ANALYST: Cawley
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	29.0	29.0	29.0	29.0	34.0	
OPERATING BUDGET						
Personal Services	794,700	793,400	821,000	793,400	793,400	
Employee Related Expenditures	167,700	154,900	160,200	154,900	172,600	
Professional/Outside Services	4,300	16,500	88,500	16,500	88,500	
Travel - In State	40,100	45,800	57,200	45,800	57,200	
Other Operating Expenditures	183,300	209,500	213,100	209,500	213,100	
Equipment	8,900	5,000	5,000	5,000	5,000	
All Other Operating Subtotal	236,600	276,800	363,800	276,800	363,800	
OPERATING SUBTOTAL	1,199,000	1,225,100	1,345,000	1,225,100	1,329,800	
SPECIAL LINE ITEMS						
Court Appointed Special Advocate	0	0	0	0	800,000	
Special Item Subtotal	0	0	0	0	800,000	
PROGRAM TOTAL	1,199,000	1,225,100	1,345,000	1,225,100	2,129,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Supreme Court
PROGRAM: Foster Care Review Board

JLBC ANALYST: Cawley
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	1,199,000	1,225,100	1,345,000	1,225,100	1,242,900	
Other Funds	0	0	0	0	886,900	
PROGRAM TOTAL - ALL SOURCES	1,199,000	1,225,100	1,345,000	1,225,100	2,129,800	

Program Description - *The board reviews cases of dependent children in out-of-home placement to assess progress toward returning the child home or achieving a permanent plan for the child's removal. Federal law requires that each state provide independent administrative reviews of children who are in out-of-home care. Each review board reviews as many as 100 children and is comprised of 5 volunteers appointed by the presiding judge in each county.*

The JLBC Staff recommends a total appropriation of \$2,129,800 -- a net increase of \$904,700, or 73.8%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$1,242,900 -- a net increase of \$17,800, or 1.5%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$886,900 -- a net increase of \$886,900 to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
Maintains a vacancy factor of 1%, which is the standard rate applied to agencies with this number of FTE positions.
- **ERE Rate Changes** 17,700 GF
- **Professional & Outside Services** 72,000 OF
Includes the use of CASA monies for the Annual Conference speakers and trainers, \$2,000; Parent Assistance Hotline staff training, \$2,500; and for the redevelopment of the FCRB database, \$67,500. The current database is 8 years old and support of the current software is to be phased out. The CASA Fund, with its carry forward balance, should be able to fund these items through FY 1995. A.R.S. § 8-524 A would need to be amended to include appropriations to the Foster Care Review Board program.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Travel - In State** 11,400 OF

Provides funding from the CASA Fund for reimbursing volunteer board members for their travel expenses. The CASA Fund, with its carry forward balance, should be able to fund these items through FY 1995. A.R.S. § 8-524 A would need to be amended to include appropriations to the Foster Care Review Board program.

- **Other Operating Expenditures** 100 GF
3,500 OF

Includes an increase of \$100 from the General Fund for the Tucson State Office Building lease-purchase payment and \$3,500 from the CASA Fund for the printing of the new FCRB brochures in Spanish and to update its manuals and brochures to meet requirements of the Americans with Disabilities Act. The CASA Fund, with its carry forward balance, should be able to fund these items through FY 1995. A.R.S. § 8-524 A would need to be amended to include appropriations to the Foster Care Review Board program.

- **Court Appointed Special Advocate (CASA)** 800,000 OF

Reflects the transfer in of \$750,000, 5 FTE positions, and this special line item from the Superior Court. This transfer reflects the Courts organizational placement, as the FCRB and CASA administratively and organizationally have been grouped together within the Courts. The CASA program trains community volunteers appointed by a judge to advocate for abused and neglected children in Juvenile Court proceedings. Current year funding provides for 5 state FTE positions and 26 county FTE positions.

The CASA Fund receives 30% of the unclaimed lottery prize money. In FY 1993, the fund received \$1,098,600, and the Arizona State Lottery Commission estimates it will receive \$1,080,000 in FY 1994. However, 2 changes with the Lottery may lower the unclaimed lottery prize money that will be available. First, the 15-State "Lotto-Style" game known as Powerball will be introduced in Arizona in April 1994. The JLBC Staff believe that as much as 40% of the new Powerball sales will be at the expenses of existing lotto ticket sales. If so, wagering on the base lotto game will decline and, thereby, necessitate using a greater amount of unclaimed prizes to guarantee the \$1 million jackpot. Legislation may be introduced that will ensure the \$1 million jackpot by lowering the percentage of the unclaimed lottery prize money going to the CASA Fund. Therefore, it is possible that CASA monies may decrease, since unclaimed prize money may first be applied toward guaranteeing the \$1 million jackpot. On the other hand, the introduction of Powerball may increase the number of people playing, which may counter the impact of the decrease in the unclaimed prize money.

The second change will be the introduction of instant ticket barcoding by July 1, 1994. Instant ticket barcoding will make it easier to claim the instant ticket prizes. Prior to the barcoding, winners had to either go back to the store where they bought the instant ticket or directly contact the Lottery Department. After instant barcoding is introduced, a winner may claim the prize wherever instant tickets are sold.

Based on carry-forward balances, the JLBC Staff recommends using additional CASA monies for one-time expenditures, such as the development of a new CASA automated database, \$30,000, and equipment replacement for 5 counties, \$20,000.

The Courts requested additional funding of \$313,100 to fund 2 new state FTE positions and to fund new county positions or to replace county funding with CASA funds. The JLBC Staff does not recommend any additional appropriation from this fund until the impact of Powerball and the introduction of instant ticket barcoding on the state's unclaimed lottery prize monies is determined.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Format -- Lump Sum for the Program

Other Issues for Legislative Consideration

- **Executive Recommendation**

Pursuant to A.R.S. § 35-116 B, the Judiciary and the Legislature shall not be subject to the control of the Governor in the preparation and submission of budgets. The Executive did not provide a budget recommendation. The Executive provided the program's FY 1994 appropriation in its recommendation column.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Court of Appeals
Agency Summary

JLBC ANALYST: Cawley
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	134.0	134.0	144.0	134.0	134.0	
BY PROGRAM/ORGANIZATION						
Court of Appeals (Div. I)	5,435,900	5,479,000	6,125,700	5,479,000	5,511,300	
Court of Appeals (Div. II)	2,503,400	2,739,100	3,078,900	2,739,100	2,763,100	
AGENCY TOTAL	7,939,300	8,218,100	9,204,600	8,218,100	8,274,400	
OPERATING BUDGET						
Personal Services	5,772,500	6,111,600	6,721,800	6,111,600	6,111,600	
Employee Related Expenditures	899,100	1,053,500	1,242,800	1,053,500	1,053,500	
Professional/Outside Services	6,200	1,800	2,000	1,800	1,800	
Travel - In State	93,200	100,300	106,700	100,300	100,300	
Other Operating Expenditures	1,051,700	940,900	1,050,600	940,900	997,200	
Equipment	116,600	10,000	80,700	10,000	10,000	
All Other Operating Subtotal	1,267,700	1,053,000	1,240,000	1,053,000	1,109,300	
OPERATING SUBTOTAL	7,939,300	8,218,100	9,204,600	8,218,100	8,274,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Court of Appeals
Agency Summary

JLBC ANALYST: Cawley
OSPb ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
AGENCY TOTAL	7,939,300	8,218,100	9,204,600	8,218,100	8,274,400	
BY FUND SOURCE						
General Fund	7,939,300	8,218,100	9,204,600	8,218,100	8,274,400	
Federal Funds	17,700	0	0	--	0	
AGENCY TOTAL - ALL SOURCES	7,957,000	8,218,100	9,204,600	8,218,100	8,274,400	

Agency Description - *The Court of Appeals has jurisdiction in all proceedings appealable from the Superior Court with the exception of criminal death penalty cases, which are automatically appealed to the Supreme Court.*

The JLBC Staff recommends a total appropriation of \$8,274,400 -- a net increase of \$56,300, or 0.7%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- ERE Rate Changes
 - Lease-Purchase - Tucson State Office Building
 - Risk Management
 - Library Acquisitions and On-Line Legal Research
- \$ -0- GF
400 GF
900 GF
55,000 GF

JLBC Staff Recommended Format -- Lump Sum for the Divisions

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Court of Appeals
 PROGRAM: Division I

JLBC ANALYST: Cawley
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	98.0	98.0	105.0	98.0	98.0	
OPERATING BUDGET						
Personal Services	4,228,400	4,399,700	4,819,000	4,399,700	4,399,700	
Employee Related Expenditures	663,400	756,800	880,100	756,800	758,500	
Professional/Outside Services	6,200	800	1,000	800	800	
Travel - In State	61,900	63,900	70,300	63,900	63,900	
Other Operating Expenditures	408,900	247,800	306,700	247,800	278,400	
Equipment	67,100	10,000	48,600	10,000	10,000	
All Other Operating Subtotal	544,100	322,500	426,600	322,500	353,100	
OPERATING SUBTOTAL	5,435,900	5,479,000	6,125,700	5,479,000	5,511,300	
PROGRAM TOTAL	5,435,900	5,479,000	6,125,700	5,479,000	5,511,300	
BY FUND SOURCE						
General Fund	5,435,900	5,479,000	6,125,700	5,479,000	5,511,300	
Federal Funds	17,700	0	0	---	0	
PROGRAM TOTAL - ALL SOURCES	5,453,600	5,479,000	6,125,700	5,479,000	5,511,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Court of Appeals
PROGRAM: Division I

Program Description - *The Court has jurisdiction in all proceedings appealable from the Superior Court with the exception of criminal death penalty cases which are automatically appealed to the Supreme Court. Division I also has statewide responsibility for reviewing appeals from the Industrial Commission, DES unemployment compensation rulings and the Arizona Tax Court. Division I convenes in Phoenix and encompasses the counties of Apache, Coconino, La Paz, Maricopa, Mohave, Navajo, Yavapai, and Yuma.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$5,511,300 -- a net increase of \$32,300, or 0.6%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ -0- GF
Maintains a vacancy factor of 1.4% for non-elected positions.

- ERE Rate Changes 1,700 GF

- Other Operating Expenditures 30,600 GF
Includes a \$600 increase for risk management and \$30,000 for library acquisitions and on-line legal research. The cost of library materials has continuously risen over the past few years. The average per-volume cost of legal research materials jumped 17% in FY 1992, the latest information, over FY 1991 costs. The Division has not received additional library funding for a number of years. The additional funding will provide for inflationary increases and to expand on-line research time for the judges and staff attorneys. On-line research time has decreased from 1 hour per month to 1/2 hour per month per judicial office or staff attorney in the past 3 years.

The Administration of the Courts is working with the Department of Library, Archives, and Public Records to consolidate the State Law Library collection in the Capitol building with the State Law Library collection in the Courts Building. In addition, the consolidation of Division I and the Supreme Court law libraries with the State Law Library is being explored as well. Division I is hoping to realize savings that can be applied toward electronic research through this consolidation.

JLBC Staff Recommended Format -- Lump Sum for the Division

Other Issues for Legislative Consideration

- Executive Recommendation
Pursuant to A.R.S. § 35-116 B, the Judiciary and the Legislature shall not be subject to the control of the Governor in the preparation and submission of budgets. The Executive did not provide a recommendation. The Executive provided the division's FY 1994 appropriation in its recommendation column.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Court of Appeals
PROGRAM: Division II

JLBC ANALYST: Cawley
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	36.0	36.0	39.0	36.0	36.0	
OPERATING BUDGET						
Personal Services	1,544,100	1,711,900	1,902,800	1,711,900	1,711,900	
Employee Related Expenditures	235,700	296,700	362,700	296,700	295,000	
Professional/Outside Services	0	1,000	1,000	1,000	1,000	
Travel - In State	31,300	36,400	36,400	36,400	36,400	
Other Operating Expenditures	642,800	693,100	743,900	693,100	718,800	
Equipment	49,500	0	32,100	0	0	
All Other Operating Subtotal	723,600	730,500	813,400	730,500	756,200	
OPERATING SUBTOTAL	2,503,400	2,739,100	3,078,900	2,739,100	2,763,100	
PROGRAM TOTAL	2,503,400	2,739,100	3,078,900	2,739,100	2,763,100	
BY FUND SOURCE						
General Fund	2,503,400	2,739,100	3,078,900	2,739,100	2,763,100	
PROGRAM TOTAL - ALL SOURCES	2,503,400	2,739,100	3,078,900	2,739,100	2,763,100	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Court of Appeals
PROGRAM: Division II

Program Description - *The Court has jurisdiction in all proceedings appealable from the Superior Court with the exception of criminal death penalty cases which are automatically appealed to the Supreme Court. Division II convenes in Tucson and encompasses the counties of Cochise, Gila, Graham, Greenlee, Pima, Pinal, and Santa Cruz.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$2,763,100 -- a net increase of \$24,000, or 0.9%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
Maintains a vacancy factor of 1% for non-elected positions, which is the standard rate applied to agencies with this number of FTE positions.

- **ERE Rate Changes** (1,700) GF

- **Other Operating Expenditures** 25,700 GF
Includes increases of \$300 for risk management, \$400 for the Tucson State Office Building lease-purchase payment, and \$25,000 for library acquisitions and on-line legal research. The cost of library materials has continuously risen over the past few years. The average per-volume cost of legal research materials jumped 17% in FY 1992, the latest information, over FY 1991 costs. The Division has not received additional library funding for a number of years. The additional funding will provide for inflationary increases and to expand on-line research time for the judges and staff attorneys. On-line research time has decreased from 1 hour per month to 1/2 hour per month per judicial office or staff attorney in the past 3 years.

JLBC Staff Recommended Format -- Lump Sum by Division

Other Issues for Legislative Consideration

- **Executive Recommendation**
Pursuant to A.R.S. § 35-116 B, the Judiciary and the Legislature shall not be subject to the control of the Governor in the preparation and submission of budgets. The Executive did not provide a recommendation. The Executive provided the division's FY 1994 appropriation in its recommendation column.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Superior Court

JLBC ANALYST: Cawley
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	168.0	169.0	174.0	169.0	165.0	
OPERATING BUDGET						
Personal Services	5,365,500	5,435,200	5,680,900	5,435,200	5,478,700	
Employee Related Expenditures	620,500	665,700	695,900	665,700	729,800	
Other Operating Expenditures	583,400	650,100	650,100	650,100	618,300	
All Other Operating Subtotal	583,400	650,100	650,100	650,100	618,300	
OPERATING SUBTOTAL	6,569,400	6,751,000	7,026,900	6,751,000	6,826,800	
SPECIAL LINE ITEMS						
Family Counseling	427,900	462,100	485,700	462,100	485,700	
Juvenile Probation State Aid	1,653,400	1,694,000	2,420,100	1,694,000	2,185,100	
Adult Probation Enhancement	12,135,600	13,648,600	19,326,500	13,648,600	15,422,000	
Intensive Probation - Adult	10,645,400	13,095,400	15,150,400	13,095,400	14,398,500	
Intensive Probation - Juvenile	4,853,000	5,351,900	6,289,400	5,351,900	6,289,400	
Juvenile Probation Service	20,188,400	21,327,700	22,685,300	21,327,700	22,485,300	
Court Appointed Special Advocate	420,100	750,000	750,000	750,000	0	
Community Punishment	2,439,400	2,527,400	3,999,800	2,527,400	3,277,400	
Child Support Enforcement	48,000	50,200	50,200	50,200	50,200	
Special Item Subtotal	52,811,200	58,907,300	71,157,400	58,907,300	64,593,600	
AGENCY TOTAL	59,380,600	65,658,300	78,184,300	65,658,300	71,420,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Superior Court

JLBC ANALYST: Cawley
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	58,960,500	64,908,300	77,434,300	64,908,300	71,420,400	
Other Funds	420,100	750,000	750,000	750,000	0	
AGENCY TOTAL - ALL SOURCES	59,380,600	65,658,300	78,184,300	65,658,300	71,420,400	

Agency Description - *The Superior Court, which has a division in every county, is the state's only general jurisdiction court. Superior Court judges hear all types of cases except small claims, minor offenses, or violations of city codes and ordinances. In addition, the responsibility for supervising adults and juveniles who have been placed on probation resides in the Superior Court.*

The JLBC Staff recommends a total appropriation of \$71,420,400 -- a net increase of \$5,762,100, or 8.8%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$71,420,400 -- a net increase of \$6,512,100, or 10%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$0 -- a net decrease of \$(750,000), or (100)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1993

- Personal Services/ERE Adjustments \$ (800) GF
 Maintains a vacancy factor of 0.5%.
- ERE Rate Changes 58,900 GF
- Other Operating Expenditures (31,800) GF
 Includes a decrease of \$(31,800) in risk management.
- New Judge 49,500 GF
 Funds the state's 50% share for 1 judgeship established in FY 1994 in Mohave County, pursuant to A.R.S. § 12-128.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Family Counseling** 23,600 GF
Funds a caseload increase of 6.1%, or a total of 3,500 children. The funding provides for prevention of delinquency and incorrigibility and to strengthen family relationships of juvenile offenders.

- **Juvenile Probation State Aid** 491,100 GF
Funds \$113,700 for Pinal County and \$377,400 for statewide expansion. With the \$113,700, Pinal County will begin participating in this program by the hiring of 3 Probation Officers and 1 Support Staff, which will increase the number of probationer slots by 105. Pinal County is the only county that has not been participating in this program. Pinal County will provide approximately \$25,000 for travel and other operating expenses. The \$377,400 is recommended for 10 probation officers to aid in achieving and maintaining a 35:1 client to probation officer ratio and to address increased petition filings. Legislation requires that the funds be primarily used for the salaries of supervising probation officers. This particular line item provides for the probation services to nearly 7,000 juveniles annually: 2,105 through state funds and 5,000 through county funds. Current year funding provides for 1 state FTE position and 60 county positions.

- **Adult Probation Enhancement** 1,773,400 GF
Since 1983 when this program was established, the state has provided funds to counties for probation officers in order to maintain a 1:60 statutory average of probation officers to probationers. The JLBC Staff recommends \$1,623,400 for 26 probation officers, 6 supervisors, and 12.5 support staff in order to maintain the 1:60 statutory average of probation officers to probationers. This increase will add 1,560 probationer slots. An additional 27 officers will be funded from the \$10 increase in probations services fees passed last legislative session. This increase will add 1,620 probationer slots. With this recommendation, a total of 29,500 probationer slots will be available by the end of FY 1995. Current year funding provides for 6 state FTE positions and 392 county positions.

The JLBC Staff also recommends \$150,000 for start-up of the Adult System Automation Project development. This system will provide for an integrated caseload management, data collection and accounting (fines, fees and restitution) system. The JLBC Staff anticipates future funding for this automation from the non-appropriated Judicial Collection Enhancement Fund.

- **Adult Intensive Probation** 1,303,100 GF
The JLBC Staff recommends \$615,700 for annualization of FY 1994 funding of 12 teams (24 probation and surveillance officers). In order to help contain the growth of our prison population, the JLBC Staff is recommending \$687,400 for 6 months phase-in funding for 8 additional teams (16 probation and surveillance officers) to increase the caseload capacity by 200 to 3,050. This program was created to divert serious, non-violent adult offenders from prison. Current year funding provides for 8 state FTE positions and 325 county positions.

- **Juvenile Intensive Probation** 937,500 GF
The JLBC Staff recommends \$937,500 for 30 probation and surveillance officers to increase caseload capacity by 375 probationer slots to a total of 1,325. This program was created to divert serious, non-violent juvenile offenders from incarceration or residential care and to provide intensive supervision for high risk offenders already on probation. Current year funding provides for 7 state FTE positions and 94 county positions.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Juvenile Probation Services** 1,157,600 GF
The JLBC Staff recommends 1) \$345,600 to add 8 intake officers and staff to run the Teen Court programs as part of the Progressively Increasing Consequences Act; 2) \$512,000 to develop a continuum of residential treatment services for juvenile sex offenders; 3) \$500,000 for the development of a homebuilders program, which focuses on intensive in-home intervention and family support; and 4) the transfer out of \$(200,000) to DHS for juveniles under the Courts' jurisdiction who receive Title XIX behavioral health services. The \$200,000 represents the state match for drawing down the federal Title XIX funds.

Funding in this special line allows the Juvenile Courts to meet the requirements of A.R.S. § 8-230.01 and § 8-230.02, and to provide services to children referred for incorrigibility or delinquency and placed in foster care, day treatment programs, residential treatment centers, counseling, shelter use and other programs. Current year funding provides for 12 state FTE positions and 83 county positions.
- **Court Appointed Special Advocate (CASA)** (750,000) OF
Reflects the transfer of this program to the Foster Care Review Board cost center.
- **Community Punishment** 750,000 GF
This program was established to provide probation departments with behavioral treatment, and allows for intensive supervision, such as electronic monitoring and specialized probation caseloads. The program is intended to divert offenders from prison and jail, as well as enhance probation programs. Six counties have community punishment programs. Five more have requested programs. The JLBC Staff recommends that the Courts evaluate and prioritize the various county requests and apportion the \$750,000 to best divert offenders from prison and jail. The increased funding will provide for 360 new placements. Of these 360 new placements, the JLBC Staff estimates that 137 will be for individuals diverted from being placed in the Department of Corrections.

The Courts requested \$1,148,400 for expansion of current programs in 5 counties (Cochise, Coconino, Maricopa, Mohave, Pima, and Pinal). These monies would allow for expansion of services such as counseling, treatment, substance abuse and domestic violence, additional supervision of sex offenders, and electronic monitoring. In addition, the Courts requested \$100,000 for new program services in Yavapai and Yuma Counties. These new services would include increased supervisory staff, and diagnostic and offender evaluation services.
- **Child Support Enforcement** -0- GF
The appropriation provides for a secretarial position, operating costs, and a 10% match of federal funds anticipated through the Department of Economic Security (DES). The state and federal funds provide for 3 FTE positions to coordinate automation implementation at the local level (court clerks), to serve as liaisons between the local courts and DES, and to refine and maintain child support program hardware and software at each court site.

JLBC Staff Recommended Format -- Lump Sum for the Agency with Special Line Items

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Footnotes

Standard Footnotes:

- Of the 165 FTE positions, 126 FTE positions represent Superior Court judges. One-half of their salaries are provided by state General Fund appropriations pursuant to A.R.S. § 12-128. This is not meant to limit the counties' ability to add additional judges pursuant to A.R.S. § 12-121.
- The Juvenile Probation Services appropriation is exempt from A.R.S. § 35-190, relating to lapsing of appropriations pursuant to Laws 1991, Chapter 133 (S.B. 1035).
- Up to 4.6% of the amount appropriated for Juvenile Probation Services may be retained and expended by the Supreme Court to administer the programs established by A.R.S. § 8-230.02, and to conduct evaluations as needed. The remaining portion of the Juvenile Probation Services line item shall be deposited to the Juvenile Probation Fund established by A.R.S. § 8-230.02.

Deletion of Standard Footnotes:

- With the enactment of Laws 1991, Chapter 230 (H.B. 2419), funding in FY 1992 for the Court Appointed Special Advocate (CASA) program became earmarked within the General Fund; Laws 1992, Chapter 312 (S.B. 1365) establishes the CASA Fund as its own fund. (*CASA is recommended to be transferred to the Foster Care Review Board program. The footnote is no longer needed.*)

Other Issues for Legislative Consideration

- **Driving Under the Influence (DUI) Probation Services**
The Court requests \$1,989,000 for DUI probation supervision specified under Laws 1993, Chapter 223. As the legislation is written, it is unclear if supervisory probation services must be provided, regardless what level of court or if resources for probation supervision are available.
- **Limited Jurisdiction Presentence Investigation and Probation Supervision**
The Court requests \$647,900 for providing probation supervision for limited jurisdiction courts as permitted under Laws 1993, Chapter 254. Pursuant to this legislation, presentence investigation and probation services may be provided to the justice courts for individuals convicted of DUI, sex and domestic violence offenses. These services may be provided by the county probation office through an intergovernmental agreement between the county and municipality.
- **Executive Recommendation**
Pursuant to A.R.S. § 35-116 B, the Judiciary and the Legislature shall not be subject to the control of the Governor in the preparation and submission of budgets. The Executive did not provide a budget recommendation, but simply listed the agency's FY 1994 appropriation in its recommendation column. The lack of additional Superior Court resources, however, will affect both the Department of Youth Treatment and Rehabilitation (DYTR) and the Department of Corrections (DOC).

The JLBC Staff and Executive recommend the same increase in DYTR for community services. The Governor's DYTR recommendation adds 30 new beds for a Boot Camp program. The JLBC Staff's recommendation for Juvenile Probation State Aid and Juvenile Intensive Probation provides relief to the juvenile justice system by adding 480 additional probationer slots, which will result in diversions from DYTR. Although we recognize that not all new slots will ultimately lead to DYTR diversions, only 6.3% (30 of 480) of the slots would need to result in diversions for the JLBC Staff's recommended bed/slot capacity to equal the Executive's. Courts' data indicate that 71.7% of the Juvenile Intensive Probation participants are diverted from DYTR placement.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The Governor's DOC recommendation will provide for 600 more beds at the end of FY 1995 than will the JLBC Staff's recommendation. In contrast, the JLBC Staff recommendation for Adult Probation Enhancement, Adult Intensive Probation, and Community Punishment provides for 2,120 new probationer slots, while the Governor funds no new slots. We recognize that not all new slots will ultimately lead to prison diversions. Only 28.3% (600 of 2,120) of the slots would need to result in prison diversions for the JLBC Staff's recommended bed/slot capacity to equal the Executive's.

Programs	Probationer Slot Increase
Juvenile	
Probation State Aid	105
Intensive Probation	<u>375</u>
Total Juvenile	<u>480</u>
Adult	
Probation Enhancement	1,560 *
Intensive Probation	200
Community Punishment	<u>360</u>
Total Adult	<u>2,120</u>
* An additional 1,620 probationer slots will be available through the use of the probation services fees to hire an additional 27 probation officers. These additional slots will provide more DOC diversion slots beyond those included in the JLBC Staff's recommendation.	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Commission on Judicial Conduct

JLBC ANALYST: Cawley
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	2.0	2.0	3.0	2.0	3.0	
OPERATING BUDGET						
Personal Services	86,800	88,200	105,800	88,200	105,800	
Employee Related Expenditures	15,100	14,200	17,100	14,200	20,900	
Professional/Outside Services	6,000	24,200	39,200	24,200	13,500	
Travel - In State	9,400	9,400	11,400	9,400	11,400	
Other Operating Expenditures	11,300	14,800	16,300	14,800	16,300	
Equipment	9,900	0	11,600	0	11,600	
All Other Operating Subtotal	36,600	48,400	78,500	48,400	52,800	
AGENCY TOTAL	138,500	150,800	201,400	150,800	179,500	
BY FUND SOURCE						
General Fund	138,500	150,800	201,400	150,800	179,500	
AGENCY TOTAL - ALL SOURCES	138,500	150,800	201,400	150,800	179,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Commission on Judicial Conduct

Agency Description - *The commission investigates and prosecutes complaints against state and local judges for judicial misconduct and criminal behavior. The commission is comprised of 11 members: 2 appellate court judges, 2 superior court judges, 1 justice of the peace, 1 municipal court judge, 2 attorneys, and 3 public members.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$179,500 -- a net increase of \$28,700, or 19%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions.

- **ERE Rate Changes** 1,900 GF

- **Add 1 Permanent Secretary** 23,300 GF
Moves 1 contracted secretarial position to a full-time, permanent position to provide consistency and stability in meeting the increasing workload. In the first 10 months of 1993, the filings of inquiries and complaints increased 12% over the 1992 filings. The overall cost associated with adding a permanent position is \$34,000: \$17,600, Personal Services; \$4,800, Employee Related Expenditures; and \$11,600, one-time Equipment costs. With the adding of the permanent position, \$(10,700) is deducted from Professional and Outside Services for the contracting of a part-time secretary.

- **Travel** 2,000 GF
Reflects the increase in the number of meetings and related commission activities the 11 members must attend due to the increased number of inquiries and complaints.

- **Other Operating Expenditures** 1,500 GF
Provides for increased postage and printing costs related to the commission's assistance to the Supreme Court's Judicial Ethics Advisory Committee. The Ethics Advisory Committee has increased its activities in advising and informing judges on ethical standards.

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Other Issues for Legislative Consideration

- **Add \$25,000 for Investigation Costs**

The commission requests an additional \$25,000 in Professional and Outside Services to provide investigation and legal assistance related to the Supreme Court's expanded fiscal and administrative auditing of courts' systems throughout the state.

- **Executive Recommendation**

Pursuant to A.R.S. § 35-116 B, the Judiciary and the Legislature shall not be subject to the control of the Governor in the preparation and submission of budgets. The Executive did not provide a recommendation. The Executive provided the agency's FY 1994 appropriation in its recommendation column.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Commissions on Appellate & Trial Court Appts

JLBC ANALYST: Cawley
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	0.0	0.0	0.0	0.0	0.0	
OPERATING BUDGET						
Other Operating Expenditures	3,500	10,000	10,000	10,000	10,000	
All Other Operating Subtotal	3,500	10,000	10,000	10,000	10,000	
AGENCY TOTAL	3,500	10,000	10,000	10,000	10,000	
BY FUND SOURCE						
General Fund	3,500	10,000	10,000	10,000	10,000	
AGENCY TOTAL - ALL SOURCES	3,500	10,000	10,000	10,000	10,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Commissions on Appellate & Trial Court Appointments

Agency Description - *The Commissions on Appellate and Trial Court Appointments are the merit selection committees for the Superior Court in Maricopa and Pima counties. Court of Appeals and Supreme Court vacancy appointments. The committees recommend at least 3 individuals for each vacancy to the Governor, who makes the appointment.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$10,000 -- no change to the FY 1994 appropriation.

JLBC Staff Recommended Format -- Lump Sum by Agency

Other Issues for Legislative Consideration

- **Executive Recommendation**

Pursuant to A.R.S. § 35-116 B, the Judiciary and the Legislature shall not be subject to the control of the Governor in the preparation and submission of budgets. The Executive did not provide a budget recommendation. The Executive provided the agency's FY 1994 appropriation in its recommendation column.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Governor's Office of Equal Opportunity

JLBC ANALYST: Child
OSPB ANALYST: Shaffer

HOUSE SUBCOMMITTEE CHAIR: Grosco
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	5.0	5.0	5.0	5.0	5.0	
OPERATING BUDGET						
Personal Services	139,100	150,000	150,000	150,000	150,000	
Employee Related Expenditures	30,100	27,400	30,200	28,100	29,400	
Professional/Outside Services	1,000	6,400	6,400	6,400	6,400	
Travel - In State	700	2,000	2,000	1,600	1,600	
Travel - Out of State	1,400	1,500	1,500	1,500	1,500	
Other Operating Expenditures	19,200	41,700	41,700	42,000	40,300	
Equipment	19,500	0	0	0	0	
All Other Operating Subtotal	41,800	51,600	51,600	51,500	49,800	
AGENCY TOTAL	211,000	229,000	231,800	229,600	229,200	
BY FUND SOURCE						
General Fund	211,000	229,000	231,800	229,600	229,200	
Federal Funds	37,100	38,500	38,500	--	38,500	
AGENCY TOTAL - ALL SOURCES	248,100	267,500	270,300	229,600	267,700	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Governor's Office of Equal Opportunity

Agency Description - *The agency monitors Equal Opportunity Plans submitted annually by each state agency, assists agencies in equal employment opportunity training and evaluation, and cooperates with the Department of Commerce to develop programs to strengthen and stimulate economic development of minority and women-owned business enterprises within the state.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$229,200 -- a net increase of \$200, or 0.1%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 0%.

- **ERE Rate Changes** 2,000 GF

- **Travel - In State** (400) GF
Includes a reduction of \$(400) to bring the appropriation in line with actual expenditures. The Executive concurs.

- **Other Operating Expenditures** (1,400) GF
Reflects an increase of \$300 for risk management payments and a decrease of \$(1,700) from reduced maintenance contract expenses. The Executive recommendation includes only the risk management adjustment.

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Office of the Governor

JLBC ANALYST: Morris
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	0.0	0.0	0.0	0.0	0.0	
SPECIAL LINE ITEMS						
Lump Sum Appropriation	3,506,700	4,102,200	4,102,200	4,102,200	4,102,200	
Office for Excellence in Government	201,200	1,846,400	1,425,000	1,396,300	1,396,300	
Special Item Subtotal	3,707,900	5,948,600	5,527,200	5,498,500	5,498,500	
AGENCY TOTAL	3,707,900	5,948,600	5,527,200	5,498,500	5,498,500	
BY FUND SOURCE						
General Fund	3,428,100	5,948,600	5,527,200	5,498,500	5,498,500	
Other Funds	279,800	0	0	0	0	
Federal Funds	2,948,900	3,330,000	3,012,000	--	3,012,000	
Other Non-Appropriated Funds	880,300	936,000	956,300	--	956,300	
AGENCY TOTAL - ALL SOURCES	7,537,100	10,214,600	9,495,500	5,498,500	9,466,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Office of the Governor

Agency Description - *The Governor is the state's Chief Executive Officer and responsible for the faithful execution of state laws. The Constitution provides that the Governor shall be the Commander-in-Chief of the state's military forces, except when they are called into federal service, and authorizes the Governor to grant reprieves, commutations and pardons, except in cases of treason and impeachment. The Office of the Governor includes the Office for Women's Services, the Office for Children, the Office for Drug Policy, and the Office of Excellence in Government. Each of these offices has been created by executive order. The Office of Sonora was established and placed in the Office of the Governor by a statute enacted in 1993.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$5,498,500 -- a net decrease of \$(450,100), or (7.6)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Office for Excellence in Government**

\$(450,100) GF

A lump sum decrease to reflect the elimination of consulting fees not required in FY 1995 and ERE rate changes. Consulting fees are being decreased from \$619,000 available in FY 1994 to \$200,000 in FY 1995. In FY 1995, the Institute for Excellence in Government is to receive \$100,000 for consulting fees, a decrease of \$(200,000) from the prior year. These funds are to be used to present an open enrollment course on "Total Quality Awareness." The institute is now planning to charge for all other course work. Legislation will be requested to establish a revolving fund, where these collections will be deposited and used to defray instructional costs incurred by the institute.

The Office of Excellence will also have \$100,000 for consulting fees, which are to be used for quality assessment work throughout state government. Again, this amount is approximately \$219,000 less than the amount allocated in FY 1994.

ERE was reduced \$(28,700) as a result of new rates used in FY 1995.

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Agency

JLBC Staff Recommended Footnotes

Standard Footnotes

- Included in the lump sum appropriation of \$4,102,200 is \$10,000 for the Governor's Protocol Fund.
- The lump sum appropriation for the Office of the Governor is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Governors Office of Strategic Planning & Budgeting

JLBC ANALYST: Morris
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Grosco
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	23.0	24.0	24.0	0.0	24.0	
SPECIAL LINE ITEMS						
Lump Sum Appropriation	1,148,200	1,372,600	1,420,600	1,420,600	1,420,600	
Regulation Review Comm	43,200	0	0	0	0	
SLIM	3,345,000	0	0	0	0	
Special Item Subtotal	4,536,400	1,372,600	1,420,600	1,420,600	1,420,600	
AGENCY TOTAL	4,536,400	1,372,600	1,420,600	1,420,600	1,420,600	
BY FUND SOURCE						
General Fund	4,536,400	1,372,600	1,420,600	1,420,600	1,420,600	
AGENCY TOTAL - ALL SOURCES	4,536,400	1,372,600	1,420,600	1,420,600	1,420,600	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Governor's Office of Strategic Planning and Budgeting

Agency Description - *Advises the Governor in the preparation of the Executive budget and provides the Executive Branch a central resource for the compilation, analysis and investigation of state fiscal matters. Facilitates a strategic planning process and assists agencies in preparation and execution of their budgets.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$1,420,600 -- a net increase of \$48,000, or 3.5%, to the FY 1994 appropriation.

JLBC Staff Recommended Format -- Lump Sum by Agency

JLBC Staff Recommended Footnotes

Deletion of New FY 1994 Footnotes

- If H.B. 2332 or similar legislation on budget reform is not enacted into law, \$120,000 shall revert to the General Fund and 2 FTE position are eliminated. *(This legislation was enacted and there is no need to continue the footnote.)*

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Law Enforcement Merit System Council

JLBC ANALYST: Thompson
OSPb ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	1.0	1.0	1.0	1.0	1.0	
OPERATING BUDGET						
Personal Services	25,800	27,800	27,800	27,800	27,800	
Employee Related Expenditures	4,900	5,900	5,900	5,300	5,300	
Professional/Outside Services	2,100	2,100	2,100	2,100	2,100	
Travel - In State	400	2,500	2,500	2,500	2,500	
Other Operating Expenditures	3,100	3,000	3,000	3,300	3,100	
All Other Operating Subtotal	5,600	7,600	7,600	7,900	7,700	
AGENCY TOTAL	36,300	41,300	41,300	41,000	40,800	
BY FUND SOURCE						
General Fund	36,300	41,300	41,300	41,000	40,800	
AGENCY TOTAL - ALL SOURCES	36,300	41,300	41,300	41,000	40,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Law Enforcement Merit System Council

Agency Description - *The Law Enforcement Merit System Council sets the standards and qualifications for all classified positions within the Department of Public Safety (DPS). The Council provides the rules for selection, appointment, retention, separation, dismissal and retirement of DPS employees. The Council also hears appeals in connection with suspension, demotion or dismissal of classified employees.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$40,800 -- a net decrease of \$(500), or (1.2)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
 Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 0%.

- **ERE Rate Changes** (100) GF

- **Other Operating Expenditures** (400) GF
 The agency identified a \$(400) reduction in Other Operating Expenditures.

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Legislature
PROGRAM: Senate

JLBC ANALYST: Morris
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	0.0	0.0	0.0	0.0	0.0	
SPECIAL LINE ITEMS						
Lump Sum Appropriation	5,708,800	5,735,200	5,735,200	5,735,200	5,735,200	
Special Item Subtotal	5,708,800	5,735,200	5,735,200	5,735,200	5,735,200	
PROGRAM TOTAL	5,708,800	5,735,200	5,735,200	5,735,200	5,735,200	
BY FUND SOURCE						
General Fund	5,708,800	5,735,200	5,735,200	5,735,200	5,735,200	
PROGRAM TOTAL - ALL SOURCES	5,708,800	5,735,200	5,735,200	5,735,200	5,735,200	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Legislature
PROGRAM: Senate

Agency Description - *The Senate is made up of 30 members elected from each of the legislative districts. It is 1 of 2 agencies, in the Legislative Department, where legislative authority is vested by the constitution. The officers and employees of the Senate consist of the President, a secretary and other employees as the Senate directs.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$5,735,200 -- no change to the FY 1994 appropriation.

JLBC Staff Recommended Format -- Lump Sum by Agency

JLBC Staff Recommended Footnotes

Standard Footnotes

- This appropriation is exempt from A.R.S. § 35-190, relating to lapsing of appropriations

Continuation of New FY 1994 Footnotes

- Included in the lump sum appropriation of \$5,735,200 is \$1,000 for the purchase of mementos and items for visiting officials.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Legislature
PROGRAM: House of Representatives

JLBC ANALYST: Morris
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	0.0	0.0	0.0	0.0	0.0	
SPECIAL LINE ITEMS						
Lump Sum Appropriation	7,130,100	7,131,000	7,481,000	7,481,000	7,481,000	
Special Item Subtotal	7,130,100	7,131,000	7,481,000	7,481,000	7,481,000	
PROGRAM TOTAL	7,130,100	7,131,000	7,481,000	7,481,000	7,481,000	
BY FUND SOURCE						
General Fund	7,130,100	7,131,000	7,481,000	7,481,000	7,481,000	
PROGRAM TOTAL - ALL SOURCES	7,130,100	7,131,000	7,481,000	7,481,000	7,481,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Legislature
 PROGRAM: House of Representatives

Agency Description - *The House of Representative is made up of 60 members, 2 of whom are elected from each of the legislative districts. It is one of 2 agencies, in the Legislative Department, where legislative authority is vested by the constitution. The officers and employees of the House of Representatives consist of the Speaker, a chief clerk, and other employees as the House directs.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$7,481,000 -- a net increase of \$350,000, or 4.9%, to the FY 1994 appropriation.

JLBC Staff Recommended Format -- Lump Sum by Agency

JLBC Staff Recommended Footnotes

Standard Footnotes

- This appropriation is exempt from A.R.S. § 35-190, relating to lapsing of appropriations

Continuation of New FY 1994 Footnotes

- Included in the lump sum appropriation of \$7,481,000 is \$1,000 for the purchase of mementos and items for visiting officials.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Legislature
PROGRAM: Legislative Council

JLBC ANALYST: Morris
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	34.0 ^{1/}	33.0 ^{1/}	33.0	0.0	33.0	
OPERATING BUDGET						
Personal Services	1,185,600	1,312,500	1,312,500	0	1,299,400	
Employee Related Expenditures	233,900	248,600	248,600	0	243,400	
Professional/Outside Services	86,700	243,500	243,500	0	243,500	
Travel - In State	1,300	8,500	8,500	0	8,500	
Travel - Out of State	2,310	19,000	19,000	0	19,000	
Other Operating Expenditures	563,500	425,300	425,300	0	424,300	
Equipment	121,500	248,600	248,600	0	248,600	
All Other Operating Subtotal	775,310	944,900	944,900	0	943,900	
OPERATING SUBTOTAL	2,194,810	2,506,000	2,506,000	0	2,486,700	
SPECIAL LINE ITEMS						
Lump Sum Appropriation	0	0	0	2,506,000	0	
Special Item Subtotal	0	0	0	2,506,000	0	
PROGRAM TOTAL	2,194,810	2,506,000	2,506,000	2,506,000	2,486,700	

^{1/} The Full Time Equivalent Positions are shown for comparative purposes only. These positions have not been reported in prior years.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Legislature
PROGRAM: Legislative Council

JLBC ANALYST: Morris
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Grosco
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	2,194,810	2,506,000	2,506,000	2,506,000	2,486,700	
PROGRAM TOTAL - ALL SOURCES	2,194,810	2,506,000	2,506,000	2,506,000	2,486,700	

Agency Description - *The Legislative Council, a staff agency of the Legislative Department, provides bill drafting and research services, continuing code revision and manages the operation and renovation of certain legislative buildings and grounds. The council is also responsible for the development, operation, and maintenance of the legislative computer system.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$2,486,700 -- a net decrease of \$(19,300), or (0.8)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$(15,600) GF
Includes a new vacancy factor of 1%, which is the standard rate applied to agencies with this number of FTE positions. The FY 1994 vacancy factor was 0%
- **ERE Rate Changes** (2,700) GF
- **Risk Management Charges** (1,000) GF
In FY 1995, risk management charges are estimated to be \$2,200, a decrease of \$(1,000) from FY 1994.

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Footnotes

Standard Footnotes

- This appropriation is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.

Other Issues for Legislative Consideration

- **Revised Budget Request**

The amount shown for the Legislative Council is a continuation of the FY 1994 appropriation. This request could change as the new director, who was recently appointed, has an opportunity to assess the needs of the agency.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Legislature
PROGRAM: Joint Legislative Budget Committee

JLBC ANALYST: Morris
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	32.0 ^{1/}	34.0 ^{1/}	34.0	0.0	34.0	
OPERATING BUDGET						
Personal Services	1,226,300	1,369,000	1,369,000	0	1,369,000	
Employee Related Expenditures	217,900	250,000	266,000	0	266,000	
Professional/Outside Services	72,700	69,500	159,500	0	159,500	
Travel - In State	12,200	11,000	11,000	0	11,000	
Travel - Out of State	11,500	11,800	11,800	0	11,800	
Other Operating Expenditures	101,400	100,700	100,700	0	100,700	
Equipment	34,800	45,500	38,000	0	38,000	
All Other Operating Subtotal	232,600	238,500	321,000	0	321,000	
OPERATING SUBTOTAL	1,676,800	1,857,500	1,956,000	0	1,956,000	
SPECIAL LINE ITEMS						
Lump Sum Appropriation	0	0	0	1,915,000	0	
Special Item Subtotal	0	0	0	1,915,000	0	
PROGRAM TOTAL	1,676,800	1,857,500	1,956,000	1,915,000	1,956,000	

^{1/} The Full Time Equivalent Positions are shown for comparative purposes only. These positions have not been reported in prior years.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Legislature
PROGRAM: Joint Legislative Budget Committee

JLBC ANALYST: Morris
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	1,676,800	1,857,500	1,956,000	1,915,000	1,956,000	
PROGRAM TOTAL - ALL SOURCES	1,676,800	1,857,500	1,956,000	1,915,000	1,956,000	

Agency Description - *The Staff of the Joint Legislative Budget Committee, established by the Arizona Legislature, provides its members with analysis, forecasts, research and recommendations on state government finances and public policies.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$1,956,000 -- a net increase of \$98,500, or 5.3%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
 Maintains a vacancy factor of 1%, which is the standard rate applied to agencies with this number of FTE positions.
- **ERE Rate Changes** 16,000 GF
- **Equipment Acquisition** (7,500) GF
 There is \$12,000 recommended for scheduled replacement of computers and ancillary hardware. The recommendation also provides \$8,000 for the acquisition of enhanced word processing and spreadsheet software, as well as \$8,000 for the replacement of office furniture, fixtures and equipment. In addition, \$10,000 is included for the acquisition and installation of a new telephone system. Major requirements for the new system are voice mail and direct personal access. These increases are offset by a \$(45,500) reduction which represents the amount authorized for equipment acquisitions in FY 1994.
- **Income Tax Simulation Forecasting Model System** 90,000 GF
 The amount recommended is for the first year cost to design, develop and install a micro-computer based income tax simulation forecasting model system. The total cost of this project is estimated at \$150,000 with the final \$60,000 to be requested in FY 1996. The proposed system would entail 2 fully integrated models and have 2 primary databases. One model is for the Individual Income Tax and the other is for the Corporation Income Tax. As now planned, the Individual Income Tax model would be completed in FY 1995, and the following year the Corporation model would be added. The JLBC Staff has already issued a request for proposals (RFP) to firms with experience in constructing income tax models for other states. Their responses served as the basis for this recommendation.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The new simulation forecasting models are required to improve the accuracy of income tax revenue estimates, particularly in the area of Corporation Income Taxes. Few, if any, major revenue forecasting enhancements have been added in recent years. This new system will provide the Legislature with a needed capability of simulating and identifying the incidence and the financial impact of proposed changes to income taxation policies in Arizona. Even though the Department of Revenue (DOR) has an Individual Income Tax model, it is essential that the Legislature have its own separate capability because of concerns of DOR regarding taxpayer confidentiality and to maintain the proper separation of powers. Beyond problems of confidentiality, the JLBC Staff now has only limited access to the DOR model, which inhibits their ability to perform in depth analysis.

Once these Income Tax simulation forecasting models have been installed, they can be updated and maintained by the JLBC Staff without professional computer programming assistance.

JLBC Staff Recommended Format -- Lump Sum by Agency

JLBC Staff Recommended Footnotes

Standard Footnotes

- This appropriation is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Legislature
PROGRAM: Auditor General

JLBC ANALYST: Morris
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	146.0 ^{1/}	149.0 ^{1/}	164.0	0.0	164.0	
OPERATING BUDGET						
Personal Services	5,167,600	5,248,700	5,863,900	0	5,606,400	
Employee Related Expenditures	940,000	980,200	1,114,100	0	1,094,200	
Professional/Outside Services	183,800	185,200	288,000	0	287,000	
Travel - In State	266,600	278,700	320,600	0	320,600	
Travel - Out of State	6,300	10,600	20,000	0	20,000	
Other Operating Expenditures	632,800	454,400	853,000	0	683,900	
Equipment	274,600	74,500	290,900	0	256,900	
All Other Operating Subtotal	1,364,100	1,003,400	1,772,500	0	1,568,400	
OPERATING SUBTOTAL	7,471,700	7,232,300	8,750,500	0	8,269,000	
SPECIAL LINE ITEMS						
Lump Sum Appropriation	0	0	0	8,032,300	0	
Special Item Subtotal	0	0	0	8,032,300	0	
PROGRAM TOTAL	7,471,700	7,232,300	8,750,500	8,032,300	8,269,000	

^{1/} The Full Time Equivalent Positions are shown for comparative purposes only. These positions have not been reported in prior years.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Legislature
PROGRAM: Auditor General

JLBC ANALYST: Morris
OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Grosco
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	7,471,700	7,232,300	8,750,500	8,032,300	8,269,000	
Other Non-Appropriated Funds	771,700	949,800	965,900	--	965,900	
PROGRAM TOTAL - ALL SOURCES	8,243,400	8,182,100	9,716,400	8,032,300	9,234,900	

Agency Description - *The Auditor General, a staff agency of the Legislative Department, provides an independent financial, performance, and compliance audit capability in support of legislative oversight and public accountability of funds administered by the state and certain local governments.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$8,269,000 -- a net increase of \$1,036,700, or 14.3%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
Maintains a vacancy factor of 2%, which is the standard rate applied to agencies with this number of FTE positions.
- **ERE Rate Changes** 31,600 GF
- **State Budget Reform** 410,000 GF
Laws 1993, Chapter 252, expanded the Auditor General's performance audit responsibilities by adding the Department of Education, the Judiciary, the Universities, and AHCCCS to the performance audit cycle. The recommended increase will fund 15 additional positions for approximately 6 months in FY 1995 and includes monies for operating costs, equipment and travel. Staffing costs will require annualization in FY 1996.

The additional agencies added to the performance audit cycle are expected to require 5 or 6 additional audit reports annually. To produce that number of audit reports, an additional 15 FTE positions are recommended for the Auditor General. There are no other staff resources available to manage the additional workload. The new positions recommended include 12 Performance Auditors, 1 Electronic Data Processing (EDP) Auditor, 1 Audit Manager, and 1 Support Staff position. With the addition of these new positions, the Performance Audit Section will have a total of 43 authorized FTE positions.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Rent** 325,400 GF

The recommended amount includes an increase of \$198,600 for a share of the lease-purchase payment of the Sun States Savings Building and \$126,800 for Operation and Maintenance (O&M) charges for this building. In FY 1994, these costs were included in the Department of Administration (DOA) as a transitional measure during agency relocation. The O&M charges will be transferred to the DOA, which will be responsible for providing the service, either directly or under contract.

- **Salary - Market Rate Adjustment** 146,700 GF

The recommended increase is for salary adjustments that will enable the Auditor General to recruit and retain qualified personnel. Over the past several years, the Auditor General reports a turnover rate of just under 18%. For young professional auditors with experience, the turnover last year was in excess of 22%. For the first 6 months of the current fiscal year, the estimated turnover rate is projected to be around 22% for the agency as a whole. In order to reduce staff turnover and enhance employee stability, the JLBC Staff recommends an increase of \$131,200 for Personal Services and \$15,500 for Employee Related Expenditures. The recommended amounts will allow the Auditor General to increase all staff salaries by 2.5%. This increase is intended to be in addition to any general salary increase awarded to other state employees.

- **Equipment Acquisitions** 106,400 GF

The JLBC Staff recommends a net increase of \$106,400 for equipment. This includes \$60,000 for the replacement of 30 laptop computers used by staff auditors and \$8,100 for the replacement of 4 desktop personal computers. In addition, there is \$80,000 included in the recommendation for the replacement of a copier. The existing copy machine, which was purchased in 1987, has a useful life of 7 to 10 years and now requires replacement.

The recommendation also includes \$19,000 to upgrade the size of 5 extended dispatch vehicles. As the Department of Administration (DOA) motor pool replaces vehicles, the size of the replacement vehicles are smaller. Smaller vehicles result from the fact that the motor pool's rate structure does not reflect the increasing price of vehicles over time. Therefore, the JLBC Staff recommends funding for 3 minivans and 2 mid-sized sedans to replace existing extended dispatch vehicles. The JLBC Staff also recommends \$13,800 for 1 additional minivan to be purchased by the motor pool for extended dispatch to the Auditor General. This additional vehicle will reduce the reliance on the taxi fleet and significantly reduce administrative dispatch time.

Offsetting these additions is a decrease of \$74,500, which represents the amount included in the FY 1994 appropriation for equipment.

- **Contract Audits** 101,800 GF

The amount recommended allows an increase of \$69,600 for financial audit contracts and an increase of \$32,200 for other professional services required in support of performance audits. In FY 1995, the cost of contract audits for counties and community college districts are expected to increase approximately 10%. In addition, the Auditor General is requesting General Fund financing for contract audits now funded from the Audit Services Revolving Fund. The balance of the Audit Services Revolving Fund is declining as expenditures in FY 1993 exceeded the earnings deposited to the fund. A similar case is being projected for FY 1994. The \$69,600 increase recommended for financial contracts audits will bring the total General Fund available for this purpose to \$210,600 in FY 1995.

The increase of \$32,200 recommended for the Performance Audit section provides a total of \$65,000 for contract services. These services are needed to expand the technical capability of the audit staff.

Other Professional and Outside Services are for audit report production fees and lecture fees.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Travel Increases** 46,300 GF
 The recommended increase allows an addition of \$36,900 for Travel - In State and an addition of \$9,400 for Travel - Out of State. The Travel - In State increase includes \$23,100 for per diem, \$6,500 for lodging, and \$7,300 for additional public and non-public transportation costs. These additional costs are required to support the increased audit activities, which will be conducted outside the Phoenix area.

The increase recommended for Travel - Out of State allows an additional \$4,700 for public transportation, \$4,000 for lodging, and \$700 for per diem. These additional resources will enable the Auditor General to provide increased opportunities for staff training and participation at out of state professional seminars and meetings.
- **Communication Costs** 21,500 GF
 This represents the cost of extending the State WATTS telephone and Department of Administration's data lines to the Auditor General's new office in the Sun State Savings building.
- **Risk Management Insurance Charges** (153,000) GF
 In FY 1995, it is estimated that Risk Management Insurance charges will be \$5,800. This is a decrease from the \$158,800 charge levied in FY 1994.

JLBC Staff Recommended Format -- Lump Sum by Agency

JLBC Staff Recommended Footnotes

Standard Footnotes

- This appropriation is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Legislature PROGRAM: Library, Archives & Public Records	JLBC ANALYST: Bahl OSPB ANALYST: Cockerham		HOUSE SUBCOMMITTEE CHAIR: Groscost SENATE SUBCOMMITTEE CHAIR: Chesley		LEGISLATIVE WORK SPACE	
	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION		FY 1995 JLBC STAFF RECOMMENDATION
Full Time Equivalent Positions	112.5	109.1	109.1	0.0	119.1	
OPERATING BUDGET						
Personal Services	2,218,700	2,386,800	2,490,400	0	2,604,300	
Employee Related Expenditures	533,000	531,200	554,400	0	592,700	
Professional/Outside Services	83,400	4,000	7,000	0	4,000	
Travel - In State	6,600	13,800	13,800	0	13,800	
Travel - Out of State	6,300	2,800	2,800	0	2,800	
Other Operating Expenditures	803,300	813,600	813,600	0	879,200	
Equipment	98,300	20,000	80,000	0	25,200	
All Other Operating Subtotal	997,900	854,200	917,200	0	925,000	
OPERATING SUBTOTAL	3,749,600	3,772,200	3,962,000	0	4,122,000	
SPECIAL LINE ITEMS						
Acquisitions	380,000	330,000	380,200	0	330,000	
Grants-In-Aid	482,000	502,200	452,000	0	433,800	
Radio Reading	60,000	60,000	60,000	0	60,000	
Lump Sum Appropriation	0	0	0	4,718,500	0	
Talking Book Program	90,400	0	0	0	0	
Special Item Subtotal	1,012,400	892,200	892,200	4,718,500	823,800	
PROGRAM TOTAL	4,762,000	4,664,400	4,854,200	4,718,500	4,945,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Legislature
 PROGRAM: Library, Archives & Public Records

JLBC ANALYST: Bahl
 OSPB ANALYST: Cockerham

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	4,762,000	4,664,400	4,854,200	4,718,500	4,945,800	
Federal Funds	1,144,600	1,918,400	987,800	--	987,800	
Other Non-Appropriated Funds	463,700	188,500	57,000	--	57,000	
PROGRAM TOTAL - ALL SOURCES	6,370,300	6,771,300	5,899,000	4,718,500	5,990,600	

Agency Description - *The department is the archival authority and the designated repository for historical records of state and local government, as well as a designated federal document repository. Other responsibilities include: the Library for the Blind and Physically Handicapped; coordination of statewide planning and development of library services; 2 museums on state government history and the people of Arizona; records management standards and storage; and a research library for state agencies, the Legislature, the Courts, the legal community and the general public.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$4,945,800 -- a net increase of \$281,400, or 6.0%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
 Maintains a vacancy factor of 2%, which is the standard rate applied to agencies with this number of FTE positions.
- **ERE Rate Changes** 11,500 GF
- **Other Operating Expenditures** 4,500 GF
 The JLBC Staff recommends an increase of \$200 for risk management and an increase of \$4,300 for the lease-purchase payments for the Library for the Blind and the Records Management Center.
- **Replacement Equipment** 5,200 GF
 The JLBC Staff recommends replacing \$25,200 worth of equipment in the Research Division. This amount includes 2 map storage cases, \$4,100 each; 2 microfiche cabinets, \$2,200 each; 1 microfiche reader/printer, \$6,100; and, 1 microfiche copier, \$6,500. This amount also includes the elimination of \$(20,000) appropriated for equipment in FY 1994.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Grants-In-Aid** (68,400) GF
The amount includes a decrease of \$(68,400) from the FY 1994 appropriation, which will allow the state to continue to satisfy the federal Library Services and Construction Act Title 1 maintenance-of-effort requirement. By meeting this requirement, the state insures receipt of approximately \$1.4 million of federal monies.

The JLBC Staff recommends that the counties no longer be required to contribute funding to meet the federal requirement. In fiscal years 1993 and 1994, \$182,000 of monies the County Assistance Fund (CAF) received through lottery proceeds was diverted to the General Fund and subsequently paid back to counties through library assistance grants. The JLBC Staff recommends terminating the CAF transfer in FY 1995, thereby reducing General Fund revenues by \$182,000.
- **Security Guard Position** 22,500 GF
The JLBC Staff recommends the addition of 1 security guard position to aide in patrolling the museum in the Capitol Building and provide security services for both the Department of Library, Archives, and Public Records (DLAPR) and the Legislative Council. This amount includes Personal Services, \$16,900; ERE, \$4,400; and Other Operating Expenditures, \$1,200. In FY 1994, a similar position was eliminated from Legislative Council's budget.
- **The Law Library** 306,100 GF
The JLBC Staff, the Courts, and the DLAPR recommend that the Law Library funding and the associated 9 FTE positions be moved from the Courts' appropriation into DLAPR's budget. The DLAPR is the agency responsible for the operation of the Library. Law Library funding has been transferred from the Supreme Court to the DLAPR since FY 1991 through an intergovernmental agreement. The amount includes Personal Services, \$200,600; ERE, \$45,600; and, Other Operating Expenditures, \$59,900.

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona State Lottery Commission

JLBC ANALYST: Case
OSP ANALYST: Selover

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	138.3	131.3	129.3	129.3	129.3	
OPERATING BUDGET						
Personal Services	3,303,900	3,471,300	3,501,200	3,448,700	3,449,800	
Employee Related Expenditures	768,500	778,800	881,900	904,300	902,600	
Professional/Outside Services	137,700	140,600	120,600	120,600	120,600	
Travel - In State	204,200	167,000	177,600	170,700	177,600	
Travel - Out of State	9,800	13,000	13,000	13,000	13,000	
Other Operating Expenditures	2,403,100	2,531,100	3,548,400	2,797,000	2,701,500	
Equipment	0	439,600	201,900	74,700	175,100	
All Other Operating Subtotal	2,754,800	3,291,300	4,061,500	3,176,000	3,187,800	
OPERATING SUBTOTAL	6,827,200	7,541,400	8,444,600	7,529,000	7,540,200	
SPECIAL LINE ITEMS						
Instant Tickets	1,415,400	1,609,300	2,345,000	2,353,900	1,985,500	
Advertising	9,555,300	10,218,800	13,628,000	13,152,000	12,660,000	
On-Line Vendor Fees	5,552,900	5,940,000	8,056,900	7,688,000	7,703,500	
Retailer Commissions	13,972,500	15,328,200	20,975,300	19,728,000	18,990,000	
Instant Ticket Barcode System	382,200	0	0	0	0	
Multi-State Lottery Operations	0	0	0	124,300	124,300	
Special Item Subtotal	30,878,300	33,096,300	45,005,200	43,046,200	41,463,300	
AGENCY TOTAL	37,705,500	40,637,700	53,449,800	50,575,200	49,003,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona State Lottery Commission

JLBC ANALYST: Case
OSPB ANALYST: Selover

HOUSE SUBCOMMITTEE CHAIR: Grosco
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	37,705,500	40,637,700	53,449,800	50,575,200	49,003,500	
Other Non-Appropriated Funds	128,838,100	130,486,300	168,397,200	--	168,397,200	
AGENCY TOTAL - ALL SOURCES	166,543,600	171,124,000	221,847,000	50,575,200	217,400,700	

Agency Description - The Arizona Lottery is currently responsible for the administration of 4 state-sanctioned games of chance: the Lotto, Fantasy Five, Powerball, and instant tickets. Lottery sales generate revenues for the Economic Development Commission, the Local Transportation Assistance Fund, the County Assistance Fund, the Heritage Fund, the General Fund and, most recently, the Local Transportation Assistance Fund - Mass Transit. A portion of the unclaimed prizes support the Court Appointed Special Advocate (CASA) program.

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$49,003,500 -- a net increase of \$8,365,800, or 20.6%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- OF
 Maintains a vacancy factor of 2%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 2%.
- **ERE Rate Changes** 132,800 OF
- **Eliminate 2 FTE Positions** (30,500) OF
 With the automation of the Arizona Lottery's instant ticket validation system toward the end of FY 1994, 2 revenue control FTE positions can be eliminated beginning in the second quarter of FY 1995. Through the use of barcodes on tickets, the validation system will enable holders of winning tickets to redeem their prizes at any instant ticket retailer location. The accounting of instant tickets will be essentially automated, permitting the reduction in the number of FTE positions. The Executive concurs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Purchase of Sales Vehicles** 185,700 OF
The Arizona Lottery employs 27 FTE positions to deliver tickets, supplies, marketing materials and to provide services to retailers. Before FY 1994, these employees used their personal vehicles for these tasks, averaging 19,800 miles each per year. The employees had to replace their vehicles with great frequency, and morale and retention were poor. In FY 1994, 10 vehicles were purchased to be utilized by employees on the most heavily traveled routes. The JLBC Staff recommends the purchase of an additional 17 vehicles to complete the conversion of the fleet to state vehicles for the remaining employees, who average 14,000 miles each per year. The one-time cost to purchase the vehicles will result in an increase of \$175,100 for Equipment. Mileage costs and other charges from the Department of Administration will be \$71,500 per year. However, travel reimbursements to employees would decrease by \$(60,900), leaving an annual increase of \$10,600 in Travel - In State. This increased cost would be incurred anyhow, if the Joint Legislative Budget Committee approves the recent Department of Revenue request to increase private car mileage reimbursement from 25.5 cents per mile to 29 cents, as recommended for 1994 by the Internal Revenue Service. The Executive recommends \$78,400 to purchase and operate 8 vehicles this year.
- **Instant Ticket Vending Machines** 215,000 OF
The recommended amount includes \$215,000 in Other Operating Expenditures to annualize the leasing of 172 instant ticket vending machines. In FY 1994, the Arizona Lottery began leasing the machines and placing them in large retail establishments which sell instant tickets. Ultimately, the Lottery seeks to lease a total of 347 machines, one for each supermarket and other high-volume retail establishment in the state. Although the impact of the first 172 machines is not completely known, initial data suggest that they may increase instant ticket sales by as much as 90% where they are located. The Executive concurs.
- **Other Operating Expenditures** (44,600) OF
The recommended amount includes a decrease of \$(43,100) for risk management and a decrease of \$(1,500) for private rent. The Executive recommends an increase of \$94,000 for telecommunications charges. The JLBC Staff believes that savings from a telecommunications study being performed by a consultant for the Lottery will more than offset such an increase in charges.
- **Professional and Outside Services** (20,000) OF
The recommended amount includes a decrease of \$(20,000) for consulting services. The Executive concurs.
- **Equipment** (439,600) OF
Eliminate one-time purchases.
- **Multi-State Lottery Operations** 124,300 OF
Laws 1993, Chapter 3 (H.B. 2003) permit the Arizona Lottery to join multi-state lottery games. The Lottery has joined the Multi-State Lottery Association (MUSL), and by April 1994, is expecting to begin the playing of Powerball. The annual fee for the Arizona Lottery to be a member of MUSL will require an increase of approximately \$124,300, and the JLBC Staff recommends that it be placed in a special line item. This fee is based on Arizona's sales relative to that of all member states. In addition, the Lottery will be required to pay approximately \$4 million, in the first year only, to fund its share of Powerball's prize guarantee funds. (See Other Issues for Legislative Consideration for further discussion). The Executive also recommends \$124,300 for the annual fee.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Sales Related Adjustments

Changes to special line items are based upon the following JLBC Staff sales estimates:

Lotto	\$127,500,000
Fantasy Five	21,000,000
Instant Tickets	68,000,000
Powerball	<u>100,000,000</u>
TOTAL	<u>\$316,500,000</u>

The 4 line items shown below are appropriated as a percentage of sales by formula and, therefore, will vary up or down according to the actual revenue. If the revenue estimates are modified, the JLBC Staff will provide the Legislature with updated estimates for these sales-based line items.

- **Instant Tickets** 376,200 OF
Appropriated at the rate of \$22 per 1,000 tickets purchased. The recommended amount funds the purchase of 90,250,000 instant tickets. The Executive recommends an increase of \$744,600 based on a total purchase of 106,995,500 tickets.
- **Advertising** 2,441,200 OF
The amount shown reflects an appropriation of 4% of sales, which is the maximum allowed by statute. This maintains the 4% level that the Arizona Lottery was appropriated for the current fiscal year. The Executive recommends an increase of \$2,933,200 based on total Lottery sales of \$328,800,000.
- **On-Line Vendor Fees** 1,763,500 OF
On-Line Vendor Fees are paid to contractors that provide the terminals for Lotto, Fantasy Five, and Powerball. These contract costs average 3.1% of gross on-line sales. The Executive recommends an increase of \$1,748,000 based on on-line sales of \$248,000,000.
- **Retailer Commissions** 3,661,800 OF
Retailers are paid 6% of gross ticket sales for carrying Arizona Lottery products. The Executive recommends an increase of \$4,399,800.

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Footnotes

Standard Footnotes

- If instant ticket sales exceed \$68,000,000, amounts above \$1,985,500 may be expended at the rate of \$22.00 per 1,000 tickets purchased.
- Notwithstanding A.R.S. § 35-174(C), any transfer to or from the amounts appropriated for instant tickets, advertising, retailer commissions and on-line vendor fees shall require approval of the Joint Legislative Budget Committee.
- In addition to the amounts shown above, an amount equal to 4% of net Lottery game sales is appropriated for advertising in accordance with A.R.S. § 5-505, which states that not more than 4% of the annual gross revenues shall be expended for advertising. This amount is currently estimated to be \$12,660,000.
- In addition to the amounts shown above, an amount equal to 6% of net Lottery game sales is appropriated for payment of sales commissions to ticket retailers. This amount is currently estimated to be \$18,990,000.
- In addition to the amounts shown above, an amount equal to 3.1% of net on-line Lottery game sales is appropriated for payment of on-line vendor fees, in accordance with the matrix of percentages set forth in contract. This amount is currently estimated to be \$7,703,500.
- Nothing in this section is intended to require that all monies appropriated to the Arizona State Lottery Commission be expended.

Other Issues for Legislative Consideration

- **Powerball Prize Guarantee Funds**
As a new member of MUSL and Powerball, the Lottery is required to contribute its share of 2 prize guarantee funds, the Prize Reserve Account (for the Grand Prize) and the Set Prize Reserve Account (for lower tier prizes). The combined requirement will be \$4 million and must be paid within the first year of MUSL play. Once the requirement has been paid, interest earned on it can be used to defray the MUSL annual fee. The JLBC Staff recommends that the prize guarantee funds be appropriated through an FY 1994 supplemental from Powerball proceeds. The Lottery is expected to begin Powerball play on April 1, 1994, and FY 1994 sales are projected to be \$25 million. The total impact of Powerball on Lottery revenue, net of negative impacts on existing Lottery games, is estimated to be \$5.6 million in FY 1994. Therefore, if \$4 million is used for the prize guarantee funds, there will still be a positive gain to the General Fund. Whereas, if a portion of the \$4 million is appropriated from FY 1995 proceeds, contributions to the Local Transportation Assistance Fund - Mass Transit, which begin in FY 1995, may suffer.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Personnel Board

JLBC ANALYST: Smith
 OSPB ANALYST: Marsio

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	3.0	3.0	3.0	3.0	3.0	
OPERATING BUDGET						
Personal Services	69,100	72,900	72,900	72,900	72,900	
Employee Related Expenditures	16,300	14,200	15,500	15,300	15,500	
Professional/Outside Services	106,700	99,400	164,700	160,700	162,300	
Travel - In State	1,900	2,000	2,100	2,000	2,000	
Other Operating Expenditures	30,800	36,900	38,900	35,700	35,700	
Equipment	6,100	4,400	8,400	5,800	4,000	
All Other Operating Subtotal	145,500	142,700	214,100	204,200	204,000	
AGENCY TOTAL	230,900	229,800	302,500	292,400	292,400	
BY FUND SOURCE						
General Fund	230,900	229,800	302,500	292,400	292,400	
AGENCY TOTAL - ALL SOURCES	230,900	229,800	302,500	292,400	292,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Personnel Board

Agency Description - *The Personnel Board hears grievances for state employees in the Department of Administration Personnel System who have been dismissed, demoted, or suspended.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$292,400 -- a net increase of \$62,600, or 27.2%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 0%.

- **ERE Rate Changes** 1,300 GF

- **Professional and Outside Services** 62,900 GF
Includes increases of \$600 for legal counsel, \$56,100 for hearing officers, and \$6,200 for transcription services to address an increase in the board's workload and associated costs. In the last 2 years, the number of appeals and complaints received by the board has increased by an average of 27.1%. In addition, the average rate for hearing officers has increased by 16.3%. (The board is required to obtain the services of private sector hearing officers through the procurement process due to a possible conflict of interest if state employees hear the complaints of other state employees.) The Executive recommendation includes an increase of \$61,300.

- **Other Operating Expenditures** (1,200) GF
Includes a reduction of \$(1,200) for the payment of risk management charges. The Executive concurs.

- **Equipment** (400) GF
Includes \$4,000 for a facsimile machine and audio equipment. The recommended amount also includes an adjustment of \$(4,400) for equipment purchased in FY 1994. The Executive recommendation includes an increase of \$5,800 and the adjustment of \$(4,400).

JLBC Staff Recommended Format -- Lump Sum by Agency

Other Issues for Legislative Consideration

- **FY 1994 Supplemental**
The board stopped hearing cases in May 1993 and postponed 17 scheduled hearings until FY 1994 due to an increased workload and subsequent shortage of funding for hearing officers and legal counsel. The board also has a backlog in processing of hearing transcriptions, continued from FY 1993. The JLBC Staff recommendation assumes a FY 1994 supplemental appropriation of \$50,000 to \$70,000 will be enacted to address the board's backlog. This amount will be refined, based on FY 1994 actual expenditures. If a supplemental amount is not appropriated, the JLBC Staff would revise our FY 1995 recommendation.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona State Retirement System

JLBC ANALYST: Child
 OSPB ANALYST: Kearns

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	87.0	89.0	91.5	89.0	89.0	
OPERATING BUDGET						
Personal Services	1,991,200	2,182,000	2,381,500	2,213,900	2,240,500	
Employee Related Expenditures	546,600	480,900	511,700	510,800	514,600	
Professional/Outside Services	110,400	108,200	124,000	118,200	108,200	
Travel - In State	13,100	10,000	13,000	10,000	10,000	
Travel - Out of State	9,100	6,800	10,000	6,800	6,800	
Other Operating Expenditures	452,400	436,400	467,100	473,400	452,200	
Equipment	100,200	17,000	56,700	22,000	30,600	
All Other Operating Subtotal	685,200	578,400	670,800	630,400	607,800	
OPERATING SUBTOTAL	3,223,000	3,241,300	3,564,000	3,355,100	3,362,900	
SPECIAL LINE ITEMS						
Automated Facilities Development	774,100	0	0	0	0	
Attorney General IGA	35,000	0	0	0	0	
Special Item Subtotal	809,100	0	0	0	0	
AGENCY TOTAL	4,032,100	3,241,300	3,564,000	3,355,100	3,362,900	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona State Retirement System

JLBC ANALYST: Child
OSP ANALYST: Kearns

HOUSE SUBCOMMITTEE CHAIR: Grosco
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	4,032,100	3,241,300	3,564,000	3,355,100	3,362,900	
Other Non-Appropriated Funds	14,050,400	15,225,600	15,877,000	--	15,877,000	
AGENCY TOTAL - ALL SOURCES	18,082,500	18,466,900	19,441,000	3,355,100	19,239,900	

Agency Description - *The Arizona State Retirement System provides retirement, health, and disability, and survivors' benefits to employees of Arizona school districts and state, county, and local governments. As of June 30, 1993, State Retirement System membership included about 145,000 active employees, 40,000 retired members, and nearly \$10 billion in assets.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$3,362,900 -- a net increase of \$121,600, or 3.8%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$43,400 OF
Includes a new vacancy factor of 1.5%, which is the standard rate applied to agencies with this number of FTE positions. The FY 1994 vacancy factor was 2.9%. The Executive recommends a vacancy factor of 1.5%. The recommended Personal Services amount also reflects an increase of \$4,200 for movement of board per diem from Other Operating Expenditures into Personal Services.
- **ERE Rate Changes** 23,400 OF
- **Extension of 1 Data Processing Programmer Position** -0- OF
Authority for this position expires June 30, 1994. The JLBC Staff recommends authority for this position be extended through June 30, 1995, at which time the fate of the new computer system at the agency may be decided.
- **Agency Restructuring** 25,400 OF
The JLBC Staff recommendation includes an increase of \$22,500 for Personal Services and \$2,900 for Employee Related Expenditures to facilitate the upgrading of 3 currently vacant positions as part of an agency-wide restructuring program developed under the interim director and expected to be implemented by the new director. The Executive recommendation includes no increase for this purpose.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Other Operating Expenditures** 15,800 OF
Reflects a decrease of \$(2,000) for reduced risk management payments and an increase of \$22,000 due to a reallocation of telephone expenses from non-appropriated to appropriated funds. The recommended amount also includes a decrease of \$(4,200), representing movement of board per diem to the Personal Services line. The Executive recommendation includes an increase of \$5,000 for repair and maintenance expenses.
- **Capitalized Equipment** 13,600 OF
A total recommended appropriation of \$30,600 for Capitalized Equipment includes \$2,000 for accounting software, \$10,000 for a file server, \$2,500 for a Local Area Network (LAN) operating system, \$2,500 for cable and installation of the LAN, \$8,000 for replacement computers, and \$5,600 for replacement printers. These expenses are partially offset by eliminating funding for one-time FY 1994 equipment purchases, resulting in a net increase of \$13,600. The Executive recommendation includes \$22,000 for the purchase and installation of a LAN, and \$22,000 for replacement computer equipment.

JLBC Staff Recommended Format -- Modified Lump Sum by Agency

JLBC Staff Recommended Footnote

New FY 1995 Footnote

- **Automated Facilities Development**
The agency shall submit to the Joint Legislative Budget Committee by June 1, 1994, a plan for any future expenditures from the Automated Facilities Development special line. *(Due to the uncertain future of the new computer system at the agency, the JLBC Staff recommends that the agency be required to submit an expenditure plan to inform the JLBC of their intentions for spending the approximately \$1 million remaining in this special line.)*

Other Issues for Legislative Consideration

- **Administration Account/Retirement System Board Oversight of Non-Appropriated Expenditures**
The JLBC Staff recommends that an Administration Account, as stated in A.R.S. § 38-756, separate and apart from the Retirement Fund, be established by the Retirement System and be part of the state's accounting system. The JLBC Staff also recommends that the FY 1995 appropriation to the agency be made from the Administration Account rather than the Retirement Fund, to encourage separation of administrative and trust monies.

The JLBC Staff further recommends that the Legislature consider subjecting the Administrative Account to legislative appropriation. Under A.R.S. § 38-756, the agency currently has authority to expend monies from the Administration Account for costs associated with the following: investment management fees, related consulting fees, legal counsel, the long-term disability program, the outreach education program, and the health insurance program. These expenditures are expected to grow by 55% between FY 1992 and FY 1994, as compared to an increase of 7.9% for the appropriated budget (adjusted for one-time expenditures). Non-appropriated funds are expected to constitute approximately 80% of the system's expenditures in FY 1994. The JLBC Staff is concerned that, while other agency's non-appropriated expenditures are limited by non-appropriated fund balances, the Retirement System's source of non-appropriated expenditures, the Retirement Fund itself, has nearly \$10 billion in trust monies. Subjecting the Administration Account to legislative appropriation would also help reverse recent trends in which the Retirement System Board has given expenditure authority to past directors of the system without first approving the amount or limiting the expenditures.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Revenue
Agency Summary

JLBC ANALYST: Hull
OSPB ANALYST: Shaffer

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	1,236.0	1,236.0	1,232.0	1,232.0	1,232.0	
BY PROGRAM/ORGANIZATION						
Director's Office	604,900	778,500	788,600	773,800	778,600	
Administrative Services	9,493,100	9,487,200	9,539,400	9,486,100	9,486,400	
Property Valuation & Equalization	3,070,300	3,162,000	3,207,600	3,185,300	3,186,500	
Special Support	1,733,500	1,742,100	1,770,900	1,753,800	1,757,000	
Tax Enforcement	17,241,100	17,286,500	17,584,800	17,610,800	17,439,400	
Taxpayer Support	3,688,500	3,813,700	3,789,100	3,758,400	3,750,700	
Data Management	10,569,000	11,218,300	11,347,500	11,105,600	11,271,800	
AGENCY TOTAL	46,400,400	47,488,300	48,027,900	47,673,800	47,670,400	
OPERATING BUDGET						
Personal Services	26,659,600	27,731,400	27,673,200	27,656,500	27,632,500	
Employee Related Expenditures	6,710,300	6,361,300	6,980,800	6,673,300	6,693,900	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Revenue
Agency Summary

JLBC ANALYST: Hull
OSPB ANALYST: Shaffer

HOUSE SUBCOMMITTEE CHAIR: Grosco
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Professional/Outside Services	1,896,400	2,089,700	2,089,700	2,089,700	2,089,700	
Travel - In State	381,000	436,600	436,600	436,600	436,600	
Travel - Out of State	463,200	492,700	492,700	492,700	492,700	
Other Operating Expenditures	9,374,900	10,376,600	10,354,900	10,325,000	10,325,000	
Equipment	915,000	0	0	0	0	
All Other Operating Subtotal	13,030,500	13,395,600	13,373,900	13,344,000	13,344,000	
OPERATING SUBTOTAL	46,400,400	47,488,300	48,027,900	47,673,800	47,670,400	
AGENCY TOTAL	46,400,400	47,488,300	48,027,900	47,673,800	47,670,400	
BY FUND SOURCE						
General Fund	46,400,400	47,488,300	48,027,900	47,673,800	47,670,400	
Other Non-Appropriated Funds	2,288,000	4,542,100	4,726,500	--	4,726,500	
AGENCY TOTAL - ALL SOURCES	48,688,400	52,030,400	52,754,400	47,673,800	52,396,900	

Agency Description - The Department of Revenue administers and enforces the collection of personal and corporate income, sales, withholding, luxury and estate taxes. The department administers state property tax laws through the 15 county assessors. The department does not collect transportation related fees and taxes or the insurance premium tax. The department is organized along functional lines.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$47,670,400 -- a net increase of \$182,100, or 0.4%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments
Includes a vacancy factor of 4.6%. The Executive concurs. \$ (41,400) GF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- ERE Rate Changes 359,400 GF
- Risk Management (29,900) GF
- Database Purification (106,000) GF

JLBC Staff Recommended Format -- Lump Sum by Agency

Other Issues for Legislative Consideration

- **Federal Retiree Income Tax Relief Program**

The department is requesting in separate legislation a one-time supplemental appropriation of \$1,670,000 in FY 1994 for the cost of administering the federal retiree income tax relief program, relating to the U.S. Supreme Court decision in Harper vs. Virginia. On July 21, 1993, the Governor directed the department to repay qualified federal retirees. The majority of the department's work was completed by the end of December, 1993. The department expects to absorb the ongoing follow-up and tracking for the program within its current operating budget with no additional appropriation. The requested supplemental appropriation amount of \$1,670,000 is not included in the department's FY 1994 estimated expenditures. The JLBC Staff will provide a recommendation on the requested supplemental appropriation at the budget hearings for the department.

The program will provide estimated total refunds or credits of \$197 million, including interest, to approximately 45,000 federal retirees over the next 4 years. Total refunds and credits for FY 1994 are estimated to be \$51 million, with refunds of \$16.6 million and credits of \$34.4 million. Most of the remaining \$146 million will be used by federal retirees as income tax credits for FY 1995 through FY 1997. Any credits remaining unused after FY 1997 are to be paid off in cash.

- **Statewide Property Recanvassing Program**

The statewide property recanvassing program was funded for 3 fiscal years, FY 1990 through FY 1992, to add previously unlisted improvements to the property tax rolls and to relist commercial, industrial and multi-family residential rental structures. At completion of the program, 43 FTE positions and a total of \$1,218,300, including \$760,000 for Personal Services, \$187,500 for ERE, and \$270,800 for All Other Operating Expenditures were eliminated from the department's FY 1993 operating budget.

Expenditures for the 3 fiscal years totalled \$3,790,400 compared to annual additional General Fund revenue of \$4,287,000 plus an unknown annual amount for Maricopa County. The additional annual General Fund revenue began with \$137,000 for tax year 1990, and was supplemented by \$1,700,000 for tax year 1991 and \$2,450,000 for tax year 1992. An additional amount was added by Maricopa County for tax year 1993, however, the department has not provided this figure since it did not participate in making the changes or in tracking the results for Maricopa County. The results of the project are shown in Table 1 on the following page.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

TABLE 1: RESULTS OF STATEWIDE PROPERTY RECANVASSING PROGRAM

	Improvements <u>Listed</u>	Tax Year New Values <u>Used</u>	Assessed Value <u>Increase</u>	Additional General Fund <u>Revenue</u>
Phase I ^{1/}	14,780	1990	\$ 2,400,000	\$ 137,000
Phase II ^{2/}	21,468	1991	29,500,000	1,700,000
Phase III ^{3/}	22,307	1992	42,800,000	2,450,000
Phase IV ^{4/}	<u>72,537</u>	1993	<u>N/A</u> ^{5/}	<u>N/A</u> ^{5/}
Total	131,092		\$74,700,000	\$4,287,000

^{1/} Phase I included Apache, Coconino, Mohave and Navajo counties.

^{2/} Phase II included Cochise, Gila, Graham, Greenlee, LaPaz, Pinal, Santa Cruz, Yavapai and Yuma counties.

^{3/} Phase III included Pima County.

^{4/} Phase IV included Maricopa County.

^{5/} Not Available - The department has not provided these figures. The department gave the data to Maricopa County to implement the changes, but did not participate in making the changes or in tracking the results.

• **Reallocation of FY 1994 Appropriation**

Table 2 shows how the department reallocated its FY 1994 lump sum appropriation for the agency among its divisions. The transfer of FTE positions and related funding can be summarized as follows: 3 planning and budget office positions were transferred from Administrative Services to the Director's Office; 1 driver position was transferred from Administrative Services to Data Management; and 12 positions (1 in Administrative Services, 1 in Property Valuation, 1 in Special Support, 4 in Tax Enforcement, 2 in Taxpayer Support and 3 in Data Management) were eliminated in order to create 12 programmer positions in Data Management to expedite the database conversion project.

TABLE 2: FY 1994 APPROPRIATION

	Approved Amount		Adjustment by Department		Adjusted Amount	
	FTE's	\$	FTE's	\$	FTE's	\$
Director's Office	8	\$ 639,600	3	\$ 138,900	11	\$ 778,500
Administrative Services	106	9,577,600	(5)	(\$90,400)	101	9,487,200
Property Valuation	78	3,260,100	(1)	(\$98,100)	77	3,162,000
Special Support	47	1,763,500	(1)	(\$21,400)	46	1,742,100
Tax Enforcement	597	17,303,500	(4)	(\$17,000)	593	17,286,500
Taxpayer Support	151	3,959,100	(2)	(\$145,400)	149	3,813,700
Data Management	249	10,984,900	10	\$233,400	259	11,218,300
TOTAL	1,236	\$47,488,300	-0-	\$-0-	1,236	\$47,488,300

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Table 3 shows the distribution of the department's reallocation of funding by line item.

TABLE 3: ADJUSTMENT TO FY 1994 APPROPRIATION BY LINE ITEM

	<u>Director's Office</u>	<u>Administrative Services</u>	<u>Property Valuation</u>	<u>Special Support</u>	<u>Tax Enforcement</u>	<u>Taxpayer Support</u>	<u>Data Management</u>	<u>TOTAL</u>
FTE Positions	3.0	(5.0)	(1.0)	(1.0)	(4.0)	(2.0)	10.0	0.0
Personal Services	\$116,200	\$(136,700)	\$(24,900)	\$(17,700)	\$(68,500)	%(56,100)	\$186,600	\$(1,100)
Employee Related Expenditures	22,500	(32,300)	(5,100)	(3,600)	(16,100)	(14,100)	43,300	(5,400)
Professional & Outside Services	-0-	-0-	-0-	-0-	-0-	-0-	60,000	60,000
Travel - In State	-0-	(3,500)	(68,000)	-0-	-0-	-0-	3,500	(68,000)
Travel - Out of State	-0-	-0-	(9,000)	-0-	68,000	-0-	-0-	59,000
Other Operating Expenditures	200	82,100	8,900	(100)	(400)	(75,200)	(60,000)	(44,500)
All Other Operating Expenditures	<u>200</u>	<u>78,600</u>	<u>(68,100)</u>	<u>(100)</u>	<u>67,600</u>	<u>(75,200)</u>	<u>3,500</u>	<u>6,500</u>
TOTAL	\$138,900	\$(90,400)	\$(98,100)	\$(21,400)	\$(17,000)	\$(145,400)	\$233,400	\$ -0-

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Revenue
 PROGRAM: Director's Office

JLBC ANALYST: Hull
 OSPB ANALYST: Shaffer

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	8.0	11.0	11.0	11.0	11.0	
OPERATING BUDGET						
Personal Services	398,200	525,200	525,200	525,200	525,200	
Employee Related Expenditures	68,800	101,500	111,600	96,800	101,600	
Professional/Outside Services	114,200	125,000	125,000	125,000	125,000	
Travel - In State	2,800	1,600	1,600	1,600	1,600	
Travel - Out of State	2,500	5,000	5,000	5,000	5,000	
Other Operating Expenditures	18,400	20,200	20,200	20,200	20,200	
All Other Operating Subtotal	137,900	151,800	151,800	151,800	151,800	
PROGRAM TOTAL	604,900	778,500	788,600	773,800	778,600	
BY FUND SOURCE						
General Fund	604,900	778,500	788,600	773,800	778,600	
PROGRAM TOTAL - ALL SOURCES	604,900	778,500	788,600	773,800	778,600	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Revenue
PROGRAM: Administrative Services

JLBC ANALYST: Hull
OSPB ANALYST: Shaffer

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	106.0	101.0	101.0	101.0	101.0	
OPERATING BUDGET						
Personal Services	2,265,300	2,210,100	2,210,100	2,212,800	2,209,900	
Employee Related Expenditures	568,700	521,100	573,300	547,200	550,400	
Professional/Outside Services	167,500	202,000	202,000	202,000	202,000	
Travel - In State	21,400	22,500	22,500	22,500	22,500	
Travel - Out of State	300	3,700	3,700	3,700	3,700	
Other Operating Expenditures	6,430,100	6,527,800	6,527,800	6,497,900	6,497,900	
Equipment	39,800	0	0	0	0	
All Other Operating Subtotal	6,659,100	6,756,000	6,756,000	6,726,100	6,726,100	
PROGRAM TOTAL	9,493,100	9,487,200	9,539,400	9,486,100	9,486,400	
BY FUND SOURCE						
General Fund	9,493,100	9,487,200	9,539,400	9,486,100	9,486,400	
Other Non-Appropriated Funds	2,194,000	4,421,700	4,616,000	--	4,616,000	
PROGRAM TOTAL - ALL SOURCES	11,687,100	13,908,900	14,155,400	9,486,100	14,102,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Revenue
 PROGRAM: Administrative Services

Program Description - Administrative Services: a) provides internal operations support of the department's programs including records management, purchasing, training and the comptroller's office; b) administers the luxury tax, flight property tax, private car and estate tax program; c) provides for locator services for unclaimed and escheated property owners; and d) addresses taxpayer disputes through a formal department appeals office.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$9,486,400 -- a net decrease of \$(800), or (0.01)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ 100 GF
 Maintains a vacancy factor of 2%, which is the standard rate applied to agencies with this number of FTE positions. The Executive concurs.

- **ERE Rate Changes** 29,000 GF

- **Risk Management** (29,900) GF
 Reflects a \$(29,900) decrease in risk management premium. The Executive concurs.

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Revenue
 PROGRAM: Property Valuation & Equalization

JLBC ANALYST: Hull
 OSPB ANALYST: Shaffer

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	78.0	77.0	77.0	77.0	77.0	
OPERATING BUDGET						
Personal Services	2,044,500	2,185,100	2,185,100	2,186,500	2,185,100	
Employee Related Expenditures	505,000	457,600	503,200	479,500	482,100	
Professional/Outside Services	355,300	355,500	355,500	355,500	355,500	
Travel - In State	82,000	90,500	90,500	90,500	90,500	
Travel - Out of State	8,900	10,000	10,000	10,000	10,000	
Other Operating Expenditures	64,500	63,300	63,300	63,300	63,300	
Equipment	10,100	0	0	0	0	
All Other Operating Subtotal	520,800	519,300	519,300	519,300	519,300	
PROGRAM TOTAL	3,070,300	3,162,000	3,207,600	3,185,300	3,186,500	
BY FUND SOURCE						
General Fund	3,070,300	3,162,000	3,207,600	3,185,300	3,186,500	
PROGRAM TOTAL - ALL SOURCES	3,070,300	3,162,000	3,207,600	3,185,300	3,186,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Revenue
 PROGRAM: Property Valuation and Equalization

Program Description - Property Valuation: a) appraises all centrally valued property, including producing mines, communication, pipeline, and utility companies, and railroads; b) administers state property tax laws through the 15 county assessors; c) prepares appraisal manuals and guidelines for use by the county assessors and taxpayers; d) administers training and certification of county assessors and the department's appraisers; and e) monitors assessment performance of county assessors. Property Valuation has intergovernmental agreements with 11 counties to provide the data processing services necessary to maintain and produce their property tax assessment and tax rolls.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$3,186,500 -- a net increase of \$24,500, or 0.8%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ 100 GF
 Maintains a vacancy factor of 3%. The Executive concurs.
- ERE Rate Changes 24,400 GF

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Revenue
 PROGRAM: Special Support

JLBC ANALYST: Hull
 OSPB ANALYST: Shaffer

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	47.0	46.0	46.0	46.0	46.0	
OPERATING BUDGET						
Personal Services	1,357,200	1,387,300	1,387,300	1,387,500	1,387,300	
Employee Related Expenditures	305,300	287,900	316,700	299,400	302,800	
Professional/Outside Services	4,800	7,000	7,000	7,000	7,000	
Travel - In State	11,400	13,000	13,000	13,000	13,000	
Travel - Out of State	5,400	6,000	6,000	6,000	6,000	
Other Operating Expenditures	36,600	40,900	40,900	40,900	40,900	
Equipment	12,800	0	0	0	0	
All Other Operating Subtotal	71,000	66,900	66,900	66,900	66,900	
PROGRAM TOTAL	1,733,500	1,742,100	1,770,900	1,753,800	1,757,000	
BY FUND SOURCE						
General Fund	1,733,500	1,742,100	1,770,900	1,753,800	1,757,000	
PROGRAM TOTAL - ALL SOURCES	1,733,500	1,742,100	1,770,900	1,753,800	1,757,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Revenue
 PROGRAM: Special Support

Program Description - Special Support: a) researches and writes rules, policies and opinions relating to department statutes and procedures; b) provides ombudsman services for taxpayers; c) provides affirmative action and personnel services; d) administers the internal audit of department procedures and controls and oversees criminal investigations; e) forecasts and analyzes state tax revenues and determines the fiscal impact of proposed legislation on state tax revenues; and f) provides internal operation support to the department's programs through a management analysis function.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$1,757,000 -- a net increase of \$14,900, or 0.9%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
 Maintains a vacancy factor of 1%, which is the standard rate applied to agencies with this number of FTE positions. The Executive concurs.

- **ERE Rate Changes** 14,900 GF

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Revenue
 PROGRAM: Tax Enforcement

JLBC ANALYST: Hull
 OSPB ANALYST: Shaffer

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	597.0	593.0	593.0	593.0	593.0	
OPERATING BUDGET						
Personal Services	12,784,200	13,023,600	13,023,600	13,150,700	12,996,200	
Employee Related Expenditures	3,201,600	2,986,300	3,284,600	3,183,500	3,166,600	
Professional/Outside Services	33,900	138,000	138,000	138,000	138,000	
Travel - In State	232,900	275,000	275,000	275,000	275,000	
Travel - Out of State	444,100	463,500	463,500	463,500	463,500	
Other Operating Expenditures	396,400	400,100	400,100	400,100	400,100	
Equipment	148,000	0	0	0	0	
All Other Operating Subtotal	1,255,300	1,276,600	1,276,600	1,276,600	1,276,600	
PROGRAM TOTAL	17,241,100	17,286,500	17,584,800	17,610,800	17,439,400	
BY FUND SOURCE						
General Fund	17,241,100	17,286,500	17,584,800	17,610,800	17,439,400	
PROGRAM TOTAL - ALL SOURCES	17,241,100	17,286,500	17,584,800	17,610,800	17,439,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Revenue
 PROGRAM: Tax Enforcement

Program Description - Tax Enforcement is responsible for the department's tax compliance program consisting of sales, corporate and personal income taxpayer audits. The program oversees the city sales tax audit and collection program. It collects delinquent accounts listed on the automated collection system and non-sufficient funds checks returned by the Treasurer's Office. This includes the filing of liens and levies, phone collections, skip tracing and field collection efforts.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$17,439,400 -- a net increase of \$152,900, or 0.9%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (34,100) GF
 Includes a new vacancy factor of 5.2%. The FY 1994 vacancy factor was 5%. The new rate more accurately reflects the actual vacancy rate. This was offset agencywide by increasing the vacancy factor for Data Management to more accurately reflect its actual vacancy rate. The Executive concurs.

- **ERE Rate Changes** 187,000 GF

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Revenue
 PROGRAM: Taxpayer Support

JLBC ANALYST: Hull
 OSPB ANALYST: Shaffer

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	151.0	149.0	145.0	145.0	145.0	
OPERATING BUDGET						
Personal Services	2,727,900	2,854,900	2,796,700	2,799,000	2,789,500	
Employee Related Expenditures	743,200	714,900	770,200	737,200	739,000	
Professional/Outside Services	98,700	110,000	110,000	110,000	110,000	
Travel - In State	30,000	29,500	29,500	29,500	29,500	
Travel - Out of State	900	3,000	3,000	3,000	3,000	
Other Operating Expenditures	77,400	101,400	79,700	79,700	79,700	
Equipment	10,400	0	0	0	0	
All Other Operating Subtotal	217,400	243,900	222,200	222,200	222,200	
PROGRAM TOTAL	3,688,500	3,813,700	3,789,100	3,758,400	3,750,700	
BY FUND SOURCE						
General Fund	3,688,500	3,813,700	3,789,100	3,758,400	3,750,700	
PROGRAM TOTAL - ALL SOURCES	3,688,500	3,813,700	3,789,100	3,758,400	3,750,700	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Revenue
 PROGRAM: Taxpayer Support

Program Description - Taxpayer Support: a) provides general information concerning business and individual income taxes administered by the department; b) resolves taxpayer account problems, billing inquiries and disputes; c) processes license applications for sales tax, use tax, tobacco, cannabis and controlled substances, and employer withholding tax; d) performs compliance activities to identify and license previously unlicensed businesses; and e) assists the public through dissemination of general license information, distribution of tax forms and cashiering services.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$3,750,700 -- a net decrease of \$(63,000), or (1.7)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (100) GF
 Maintains a vacancy factor of 2%, which is the standard rate applied to agencies with this number of FTE positions. The Executive concurs.

- **ERE Rate Changes** 43,100 GF

- **Database Purification** (106,000) GF
 Reflects a decrease of (4) FTE positions and \$(106,000), including decreases of \$(65,200) for Personal Services, \$(19,100) for Employee Related Expenditures and \$(21,700) for Other Operating Expenditures, due to the completion of Database Purification for sales and withholding accounts. The department will retain 3 FTE positions to perform ongoing taxpayer requested and department initiated updates of the license database, providing an estimated 8 year cycle of continuous database purification. The Executive recommends a decrease of (4) FTE positions and \$(98,000).

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Revenue
PROGRAM: Data Management

JLBC ANALYST: Hull
OSPB ANALYST: Shaffer

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	249.0	259.0	259.0	259.0	259.0	
OPERATING BUDGET						
Personal Services	5,082,300	5,545,200	5,545,200	5,394,800	5,539,300	
Employee Related Expenditures	1,317,700	1,292,000	1,421,200	1,329,700	1,351,400	
Professional/Outside Services	1,122,000	1,152,200	1,152,200	1,152,200	1,152,200	
Travel - In State	500	4,500	4,500	4,500	4,500	
Travel - Out of State	1,100	1,500	1,500	1,500	1,500	
Other Operating Expenditures	2,351,500	3,222,900	3,222,900	3,222,900	3,222,900	
Equipment	693,900	0	0	0	0	
All Other Operating Subtotal	4,169,000	4,381,100	4,381,100	4,381,100	4,381,100	
OPERATING SUBTOTAL	10,569,000	11,218,300	11,347,500	11,105,600	11,271,800	
PROGRAM TOTAL	10,569,000	11,218,300	11,347,500	11,105,600	11,271,800	
BY FUND SOURCE						
General Fund	10,569,000	11,218,300	11,347,500	11,105,600	11,271,800	
Other Non-Appropriated Funds	94,000	120,400	110,500	--	110,500	
PROGRAM TOTAL - ALL SOURCES	10,663,000	11,338,700	11,458,000	11,105,600	11,382,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Revenue
 PROGRAM: Data Management

Program Description - *Data Management is responsible for a major data processing center that provides for programming, computer operations and support for all department tax systems including personal and corporate income, sales, withholding and property taxes.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$11,271,800 -- a net increase of \$53,500, or 0.5%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (7,400) GF
 Includes a new vacancy factor of 7.5%. The FY 1994 vacancy factor was 7.4%. The new rate more accurately reflects the actual vacancy rate. This was offset agencywide by decreasing the vacancy factor for Tax Enforcement to more accurately reflect its actual vacancy rate. The Executive concurs.

- **ERE Rate Changes** 60,900 GF

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Secretary of State - Department of State

JLBC ANALYST: Reddy
 OSPB ANALYST: Silver

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	34.0	34.0	34.0	34.0	34.0	
OPERATING BUDGET						
Personal Services	624,400	669,700	669,700	669,700	669,900	
Employee Related Expenditures	167,600	147,900	162,700	160,400	160,100	
Professional/Outside Services	30,500	32,000	31,000	31,000	31,000	
Travel - In State	600	0	0	0	0	
Other Operating Expenditures	426,900	457,300	443,500	442,100	442,100	
All Other Operating Subtotal	458,000	489,300	474,500	473,100	473,100	
OPERATING SUBTOTAL	1,250,000	1,306,900	1,306,900	1,303,200	1,303,100	
SPECIAL LINE ITEMS						
Rules - Publications Division	188,700	199,200	190,500	190,500	190,500	
Elections Expense	1,452,500	82,000	1,829,400	1,813,700	1,762,100	
Proposition 200	159,600	163,200	168,300	165,800	165,500	
Special Item Subtotal	1,800,800	444,400	2,188,200	2,170,000	2,118,100	
AGENCY TOTAL	3,050,800	1,751,300	3,495,100	3,473,200	3,421,200	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Secretary of State - Department of State

JLBC ANALYST: Reddy
OSPB ANALYST: Silver

HOUSE SUBCOMMITTEE CHAIR: Grosco
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	3,050,800	1,751,300	3,495,100	3,473,200	3,421,200	
Other Non-Appropriated Funds	326,700	15,000	0	--	0	
AGENCY TOTAL - ALL SOURCES	3,377,500	1,766,300	3,495,100	3,473,200	3,421,200	

Agency Description - *The Secretary of State is an elected Constitutional Officer. The Department of State is responsible for filings and recordings under the Uniform Commercial Code (U.C.C.); for statewide election coordinating; for required filings from legislators, state officials, judges, candidates for office, campaign committees, and lobbyists; for training county elections officials; for implementing the requirements of Proposition 200 regarding campaign contributions; for filings of administrative rules, intergovernmental agency agreements, and official executive orders/proclamations; for registering trade names, trademarks and limited partnerships; for appointing notaries public; and for certifying certain telemarketing and charitable solicitation organizations.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$3,421,200 -- a net increase of \$1,669,900, or 95.4%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ 100 GF
Maintains a vacancy factor of 1%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 1%.
- **ERE Rate Changes** 14,600 GF
- **Professional and Outside Services** (1,000) GF
Decrease for press clipping services.
- **Other Operating Expenditures** (15,200) GF
Includes decreases of \$(13,800) for a microfiche reader lease-purchase payment and \$(6,000) for rent and an increase of \$4,600 for risk management charges.
- **Rules** (8,700) GF
Decrease for a document publisher lease-purchase payment and maintenance contract.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

• Elections

1,680,100 GF

The recommended amount provides funding in a special line item for expenses incurred during an election year. The amount includes increases of \$110,000 in Personal Services and \$14,400 in ERE for overtime and temporary personnel, \$1,279,900 in Professional and Outside Services (including \$1,253,900 to reimburse the counties for the cost of printing and mailing approximately 1,284,000 sample primary election ballots and approximately 1,489,800 sample general election ballots), \$600 for Travel - In State, and \$275,200 in Other Operating Expenditures (including \$216,000 to cover the cost of printing publicity pamphlets for ballot proposals referred to the voters.) The Executive recommends an increase of \$1,731,700 due to a higher registered voter count.

JLBC Staff Recommended Format -- Lump Sum by Agency with Special Line Items

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Board of Tax Appeals
Agency Summary

JLBC ANALYST: Child
OSPB ANALYST: Shaffer

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	9.5	9.5	10.5	9.5	10.5	
BY PROGRAM/ORGANIZATION						
BOTA Division 1	424,000	485,700	507,000	501,800	489,800	
BOTA Division 2	190,200	198,300	255,400	206,000	243,200	
AGENCY TOTAL	614,200	684,000	762,400	707,800	733,000	
OPERATING BUDGET						
Personal Services	383,000	449,300	491,400	449,300	483,000	
Employee Related Expenditures	64,200	68,000	81,100	91,000	79,800	
Professional/Outside Services	15,200	17,000	17,800	17,000	17,000	
Travel - In State	26,000	32,100	45,400	32,100	32,100	
Travel - Out of State	4,900	3,200	6,600	3,200	3,200	
Other Operating Expenditures	104,100	114,400	115,700	115,200	114,900	
Equipment	16,800	0	4,400	0	3,000	
All Other Operating Subtotal	167,000	166,700	189,900	167,500	170,200	
AGENCY TOTAL	614,200	684,000	762,400	707,800	733,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Board of Tax Appeals
Agency Summary

JLBC ANALYST: Child
OSPB ANALYST: Shaffer

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	614,200	684,000	762,400	707,800	733,000	
AGENCY TOTAL - ALL SOURCES	614,200	684,000	762,400	707,800	733,000	

Agency Description - The Board of Tax Appeals is comprised of 2 boards, Division I and Division II. Division I provides an independent appeals process for taxpayers, county assessors, and the Department of Revenue in disputes relating to the valuation and classification of property. Division II provides an independent appeals process for taxpayers with disputes relating to income, sales, and use tax decisions from the Department of Revenue and resolves jurisdictional disputes between municipalities regarding the imposition of transaction privilege and use taxes.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$733,000 -- a net increase of \$49,000, or 7.2%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 0%.
- **ERE Rate Changes** 4,800 GF
- **Add 1 Hearing Officer Position for Division II** 40,700 GF
The JLBC Staff recommends a total of \$40,700 for the agency to hire an additional hearing officer for Division II. This recommendation is based on an 111% increase in appeal caseloads since FY 1989. The Executive does not concur.
- **Other Operating Expenditures** 500 GF
Reflects a decrease of \$(800) for lease-purchase payment requirements for the Courts Building, an increase of \$1,000 for use of state-owned storage space, and an increase of \$300 for risk management payments.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

• **Replacement Equipment**

The JLBC Staff recommends \$2,000 for a replacement computer for Division I, plus an additional \$1,000 for upgraded computer software. The Executive recommendation includes no increase for replacement equipment.

3,000 GF

JLBC Staff Recommended Format -- Lump Sum by Agency

Agency	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
Division I	1,000	1,000	2,000	2,000	2,000	2,000	2,000	2,000
Division II	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division III	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division IV	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division V	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division VI	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division VII	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division VIII	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division IX	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division X	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division XI	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division XII	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division XIII	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division XIV	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division XV	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division XVI	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division XVII	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division XVIII	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division XIX	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division XX	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division XXI	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division XXII	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division XXIII	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division XXIV	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division XXV	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division XXVI	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division XXVII	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division XXVIII	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division XXIX	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Division XXX	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Board of Tax Appeals
PROGRAM: Division I

JLBC ANALYST: Child
OSPB ANALYST: Shaffer

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	6.5	6.5	6.5	6.5	6.5	
OPERATING BUDGET						
Personal Services	247,000	307,700	307,700	307,700	307,700	
Employee Related Expenditures	49,500	46,700	50,800	62,300	47,500	
Professional/Outside Services	15,200	17,000	17,800	17,000	17,000	
Travel - In State	24,700	30,800	40,900	30,800	30,800	
Travel - Out of State	2,800	2,300	3,600	2,300	2,300	
Other Operating Expenditures	73,200	81,200	81,800	81,700	81,500	
Equipment	11,600	0	4,400	0	3,000	
All Other Operating Subtotal	127,500	131,300	148,500	131,800	134,600	
PROGRAM TOTAL	424,000	485,700	507,000	501,800	489,800	
BY FUND SOURCE						
General Fund	424,000	485,700	507,000	501,800	489,800	
PROGRAM TOTAL - ALL SOURCES	424,000	485,700	507,000	501,800	489,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Board of Tax Appeals
PROGRAM: Division I

Program Description - *Division I provides an independent appeals process for taxpayers, county assessors, and the Department of Revenue in disputes relating to the valuation and classification of property.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$489,800 -- a net increase of \$4,100, or 0.8%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
Maintains a vacancy factor of 0%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 0%.

- **ERE Rate Changes** 800 GF

- **Other Operating Expenditures** 300 GF
Reflects a decrease of \$(600) for lease-purchase payment requirements for the Courts Building, an increase of \$700 for use of state-owned storage space, and an increase of \$200 for risk management payments.

- **Replacement Equipment** 3,000 GF
JLBC Staff recommends \$2,000 for a replacement computer plus an additional \$1,000 for upgraded computer software. The Executive recommends no increase for replacement equipment.

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Board of Tax Appeals
 PROGRAM: Division II

JLBC ANALYST: Child
 OSPB ANALYST: Shaffer

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	3.0	3.0	4.0	3.0	4.0	
OPERATING BUDGET						
Personal Services	136,000	141,600	183,700	141,600	175,300	
Employee Related Expenditures	14,700	21,300	30,300	28,700	32,300	
Travel - In State	1,300	1,300	4,500	1,300	1,300	
Travel - Out of State	2,100	900	3,000	900	900	
Other Operating Expenditures	30,900	33,200	33,900	33,500	33,400	
Equipment	5,200	0	0	0	0	
All Other Operating Subtotal	39,500	35,400	41,400	35,700	35,600	
PROGRAM TOTAL	190,200	198,300	255,400	206,000	243,200	
BY FUND SOURCE						
General Fund	190,200	198,300	255,400	206,000	243,200	
PROGRAM TOTAL - ALL SOURCES	190,200	198,300	255,400	206,000	243,200	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Board of Tax Appeals
PROGRAM: Division II

Program Description - *Division II provides an independent appeals process for taxpayers with disputes relating to income, sales, and use tax decisions of the Department of Revenue and resolves jurisdictional disputes between municipalities regarding the imposition of transaction privilege and use taxes.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$243,200 -- a net increase of \$44,900, or 22.6%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
Maintains a vacancy factor of 0%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 0%.

- **ERE Rate Changes** 4,000 GF

- **Add 1 Hearing Officer Position** 40,700 GF
The JLBC Staff recommends a total of \$33,700 for Personal Services and \$7,000 for Employee Related Expenditures for the agency to hire 1 additional hearing officer. This recommendation is based on a 111% increase in appeal caseload since FY 1989 when the first hearing officer was hired. This caseload increase has caused a 4 to 5 month backlog in case resolution and has disrupted the state's ability to collect taxes in a timely manner. The Executive recommendation includes no monies for this purpose.

- **Other Operating Expenditures** 200 GF
Reflects a decrease of \$(200) for lease-purchase payment requirements for the Courts Building, an increase of \$300 for use of state-owned storage space, and an increase of \$100 for risk management payments.

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Office of Tourism

JLBC ANALYST: Case
OSPB ANALYST: Benberou

HOUSE SUBCOMMITTEE CHAIR: Groscoft
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	17.0	18.0	18.0	19.0	18.0	
OPERATING BUDGET						
Personal Services	469,900	564,500	564,500	564,500	564,500	
Employee Related Expenditures	106,000	110,200	121,200	120,500	120,600	
Professional/Outside Services	116,100	140,000	227,800	52,200	225,500	
Travel - In State	21,700	17,000	53,100	21,000	19,000	
Travel - Out of State	39,300	50,000	50,000	50,000	50,000	
Other Operating Expenditures	618,900	665,000	1,158,600	562,100	1,122,800	
Equipment	22,100	10,000	10,000	19,400	10,000	
All Other Operating Subtotal	818,100	882,000	1,499,500	704,700	1,427,300	
OPERATING SUBTOTAL	1,394,000	1,556,700	2,185,200	1,389,700	2,112,400	
SPECIAL LINE ITEMS						
Media Advertising/Promotion	1,813,300	1,477,800	1,477,800	0	1,477,800	
Production & Placement 1-800	0	0	0	2,814,100	0	
Response to 1-800	0	0	0	1,121,700	0	
Intl. and Domestic Marketing	0	0	0	875,800	0	
Other Marketing	0	0	0	1,202,000	0	
Tourism Fund	2,152,000	2,368,800	2,368,800	0	2,365,000	
Special Item Subtotal	3,965,300	3,846,600	3,846,600	6,013,600	3,842,800	
AGENCY TOTAL	5,359,300	5,403,300	6,031,800	7,403,300	5,955,200	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Office of Tourism

JLBC ANALYST: Case
OSPB ANALYST: Benberou

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	5,359,300	5,403,300	6,031,800	7,403,300	5,955,200	
Other Non-Appropriated Funds	81,700	94,900	110,800	--	110,800	
AGENCY TOTAL - ALL SOURCES	5,441,000	5,498,200	6,142,600	7,403,300	6,066,000	

Agency Description - *The office is responsible for promoting tourism within the state, which includes planning and developing an information campaign, advertising, and exhibitions.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$5,955,200 -- a net increase of \$551,900, or 10.2%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
 Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 0%.
- **ERE Rate Changes** 10,400 GF
- **Welcome Center Funding** 135,200 GF
 FY 1995 will be the first full year of operation for the Painted Cliffs Welcome Center. The center will be staffed using 3 existing FTE positions and will be open 9 hours a day, 7 days a week. The Office of Tourism projects that 200,000 patrons will visit the center in its first year, but JLBC Staff believes the number will be closer to 170,000. The recommended amount includes \$2,000 for Travel - In State to be used for trips to and from the Office of Tourism's Phoenix headquarters and a limited amount of local travel in the center's area. The recommendation also includes \$10,000 for Equipment and \$123,200 for Other Operating Expenditures, comprised of \$119,000 for printed materials and \$4,200 for operating costs, such as telecommunications, maintenance, and security. The \$4,200 is in addition to a continuing appropriation of \$14,800, which was first made in FY 1994. The Executive recommends a \$150,200 increase.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Toll-Free Information Line** 421,500 GF
The Office of Tourism operates a toll-free phone service which provides travel and event information over the phone and through mailings. In FY 1993, 150,000 calls were answered while the service was being run in-house, using female inmate labor. From phone records, the office has learned that 406,000 in-coming calls were not answered. Due to this poor record, the toll-free service will now be operated out of Arizona Highways Magazine's offices beginning in the second half of FY 1994. The new system will cost an estimated 83 cents per call, versus 80 cents per call for the old system, and is expected to handle approximately 300,000 calls. The recommended amount includes \$85,500 in Professional/Outside Services for toll-free answering and mail house services. Also included is \$336,000 in Other Operating Expenditures for printing, postage, and toll-free line charges, bringing the total cost for answering and responding to each call to \$2.81. The JLBC Staff recommends that the office seek to reduce the per call cost by reducing the size of its mailing packet and, thus, its printing and postage charges. The Executive recommends an additional \$278,700 above the JLBC Staff recommendation to fund approximately 400,000 calls.

- **Other Operating Expenditures** (1,400) GF
The recommended amount includes a reduction of \$(1,700) in the lease-purchase payment for the Painted Cliffs Welcome Center and an increase of \$300 for risk management.

- **Equipment** (10,000) GF
Eliminate one-time equipment purchases.

- **Tourism Fund** (3,800) GF
The Tourism Fund will decrease due to a projected slow-down in the growth of bed tax revenues in FY 1994. Laws 1990, Chapter 391, allocates 75% of the growth of the last 0.5% of bed tax revenues from the General Fund to the Tourism Fund, in addition to a base appropriation of \$2,000,000. Growth through October 1993 was at 9.3% and is expected to continue through FY 1994. This growth compares to the 12.3% growth rate experienced in FY 1993.

JLBC Staff Recommended Format - Operating Lump Sum by Agency with Special Line Items

JLBC Staff Recommended Footnotes

Standard Footnotes

- The \$2,365,000 appropriated to the Tourism Fund is made pursuant to A.R.S. § 42-1341(C), and is to be used for media advertising.

Other Issues for Legislative Consideration

- **International and Domestic Trade Marketing**
The Executive is recommending an increase of \$600,000, with 1 FTE position, to expand the office's trade marketing efforts, especially in Arizona's top 5 international markets: Mexico, Canada, Germany, Japan, and the United Kingdom. The proposal includes \$180,000 to be spent on the Canadian market, \$100,000 for the United Kingdom, \$50,000 for Japan, \$150,000 for Germany, and \$120,000 for the domestic market. The funds would be targeted toward tourism industry professionals. The JLBC Staff believes that the effects of such programs have not been sufficiently determined to warrant such an effort. The Office of Tourism's new management seems committed to establishing better service measurements, but these should be in place and tested before a program of this magnitude is begun.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

• **Advertising and Tourism Development**

The Executive is also recommending an increase of \$445,300 to purchase increased domestic media exposure. The funds would target Arizona's top 5 domestic markets, with the goal of generating 1 travel inquiry for each \$6 spent on advertising. Again, the JLBC Staff believes that better services measurement should be in place before funding such a program. In particular, the office should have a benchmark with which to compare its results. JLBC Staff would also note that voters in Colorado rejected a continuation of that state's 0.2% sales tax earmarked for their tourism department. This will provide an opportunity to measure the volume of tourism in Colorado before and after the demise of their tourism office.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Treasurer

JLBC ANALYST: Martinez
 OSPB ANALYST: Silver

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	30.0	34.0	34.0	34.0	34.0	
OPERATING BUDGET						
Personal Services	925,800	1,031,000	1,082,700	1,063,100	1,030,300	
Employee Related Expenditures	203,300	216,500	250,100	241,500	237,600	
Professional/Outside Services	113,100	124,100	124,100	124,100	124,100	
Travel - In State	1,100	2,000	2,000	2,000	2,000	
Travel - Out of State	11,200	13,700	13,700	13,700	13,700	
Other Operating Expenditures	169,500	170,900	172,500	168,700	168,700	
Equipment	20,200	17,700	37,500	30,000	30,000	
All Other Operating Subtotal	315,100	328,400	349,800	338,500	338,500	
OPERATING SUBTOTAL	1,444,200	1,575,900	1,682,600	1,643,100	1,606,400	
SPECIAL LINE ITEMS						
Justice of Peace Salaries	1,456,600	1,879,500	1,979,500	1,917,100	1,979,500	
Special Item Subtotal	1,456,600	1,879,500	1,979,500	1,917,100	1,979,500	
AGENCY TOTAL	2,900,800	3,455,400	3,662,100	3,560,200	3,585,900	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Treasurer

JLBC ANALYST: Martinez
OSPb ANALYST: Silver

HOUSE SUBCOMMITTEE CHAIR: Grosco
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	2,900,800	3,455,400	3,662,100	3,560,200	3,585,900	
AGENCY TOTAL - ALL SOURCES	2,900,800	3,455,400	3,662,100	3,560,200	3,585,900	

Agency Description - *The State Treasurer is an elected Constitutional Officer. The primary responsibilities of the office are to receive and keep custody over all monies belonging to the state that are not required to be kept by some other entity, to pay warrants of the Department of Administration, and to keep an account of all monies received and disbursed. The office also invests state monies and operates the local government investment pool (LGIP) for subdivisions of state government.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$3,585,900 -- a net increase of \$130,500, or 3.8%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (800) GF
-0- OF

Maintains a vacancy factor of 1%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 1%. The agency is requesting an additional \$54,500 adjustment with associated ERE to fully fund the Personal Services base. The Executive recommends adding \$33,100 to adjust the Personal Services base and an additional \$4,200 for associated ERE.
- **ERE Rate Changes** 21,200 GF
- **Other Operating Expenditures** (2,200) GF

The amount includes a reduction of \$(2,300) for rent in state-owned space and a \$100 increase for risk management.
- **Equipment** 12,300 GF

The recommended increase will provide a total of \$30,000 for equipment. The agency plans to invest in computer equipment that will allow it to interface with a new investment service that will provide better reporting and investment efficiencies within the Treasurer's Office.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Justice of Peace Salaries**

The amount represents an increase for pass through funds to pay the state's 40% share of Justice of the Peace salaries. Pursuant to A.R.S. § 22-125, salaries are adjusted every 2 years. Based on prior expenditures, the amount reflects a 5% increase. The Executive recommends \$37,600, or a 2% increase.

100,000 GF

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Agency

JLBC Staff Recommended Footnotes

Modification of New FY 1994 Footnotes

- It is the intent of the Legislature that the investment management fee on monies managed by the State Treasurer be maintained at 12 basis points. *(Eliminates outdated references.)*

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Commission on Uniform State Laws

JLBC ANALYST: Fusak
 OSPB ANALYST: Marsio

HOUSE SUBCOMMITTEE CHAIR: Grosco
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	0.0	0.0	0.0	0.0	0.0	
OPERATING BUDGET						
Personal Services	600	500	1,000	500	1,000	
Travel - In State	0	500	600	500	500	
Travel - Out of State	2,900	4,700	6,800	4,700	4,200	
Other Operating Expenditures	15,600	17,600	18,900	17,900	18,700	
All Other Operating Subtotal	18,500	22,800	26,300	23,100	23,400	
AGENCY TOTAL	19,100	23,300	27,300	23,600	24,400	
BY FUND SOURCE						
General Fund	19,100	23,300	27,300	23,600	24,400	
AGENCY TOTAL - ALL SOURCES	19,100	23,300	27,300	23,600	24,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Commission on Uniform State Laws

Agency Description - *The Commissioners are members of the National Conference of Commissioners on Uniform State Laws which meets annually to discuss where uniformity among the 50 states is desirable. The Commission then recommends to the Legislature proposed uniform laws promulgated by the National Conference which are deemed appropriate for Arizona.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$24,400 -- a net increase of \$1,100, or 4.8%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ 500 GF
The JLBC Staff recommends an increase in Personal Services to reflect actual spending.

- **Travel - Out of State** (500) GF
The Conference of Commissioners on Uniform Laws will be held in Charleston, South Carolina in FY 1994. In FY 1995, the conference will be held in Chicago, Illinois. The adjustment reflects the lower expected costs of the conference.

- **Other Operating Expenditures** 1,100 GF
The JLBC Staff recommendation includes an increase of \$300 for risk management as well as an increase of \$800 for the National Conference of Commissioners on Uniform State Laws membership assessment. The assessment for each state is based on \$2.50 per 1,000 population plus a base amount of \$5,000.

JLBC Staff Recommended Format -- Lump Sum by Agency

**HEALTH AND WELFARE
(HW)**

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Health Care Cost Containment System
Agency Summary

JLBC ANALYST: Headley
OSP ANALYST: Kearns

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION		FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY PROGRAM ORGANIZATION							
Administration	(GF)	24,436,100	25,510,100	30,537,100	26,392,800	25,540,300	_____
	(TF)	49,870,700	55,308,100	69,593,400	61,130,400	58,769,100	_____
DES-AHCCCS	(GF)	10,461,800	18,298,100	19,981,000	18,675,100	19,400,900	_____
	(TF)	19,725,800	37,105,400	39,898,600	37,310,200	38,565,500	_____
DHS-AHCCCS	(GF)	403,800	664,700	664,700	0	662,700	_____
	(TF)	11,833,300	13,565,900	13,565,900	15,387,100	16,562,000	_____
Acute Care	(GF)	435,050,900	432,718,900	471,715,100	448,538,100	469,084,500	_____
	(TF)	1,102,034,400	1,219,429,000	1,395,113,800	1,276,069,700	1,318,219,800	_____
Long Term Care	(GF)	0	0	0	0	0	_____
	(TF)	262,592,000	302,198,200	364,677,000	336,842,900	353,705,800	_____
AGENCY TOTAL	(GF)	470,352,600	477,191,800	522,897,900	493,606,000	514,688,400	_____
	(TF)	1,446,056,200	1,627,606,600	1,882,848,700	1,726,740,300	1,785,822,200	_____
OPERATING BUDGET							
FTE Positions	(SM)	981.5	1,003.3	1,045.6	1,032.9	1,039.4	_____
	(TF)	1,948.2	2,072.9	2,223.9	2,175.6	2,182.9	_____
Personal Services	(SM)	16,255,800	20,821,100	23,423,900	21,303,500	21,798,300	_____
	(TF)	32,591,400	43,565,100	48,538,600	45,147,900	45,978,600	_____
Employee Related Expenditures	(SM)	4,310,300	5,205,900	6,401,500	5,618,600	5,698,600	_____
	(TF)	8,272,600	10,880,100	13,247,300	11,863,000	11,995,500	_____

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Health Care Cost Containment System
Agency Summary

JLBC ANALYST: Headley
OSP ANALYST: Kearns

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION		FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Professional/Outside Services	(SM)	4,923,700	6,404,400	4,450,100	7,523,700	3,496,500	
	(TF)	11,424,600	14,567,900	11,966,200	18,657,400	9,376,200	
Travel - In State	(SM)	177,100	258,000	370,000	299,400	349,600	
	(TF)	331,400	538,500	742,200	619,800	692,400	
Travel - Out of State	(SM)	12,800	20,700	24,000	21,600	23,200	
	(TF)	22,000	44,000	47,800	47,800	43,900	
Other Operating Expenditures	(SM)	8,038,500	8,696,200	8,981,900	8,028,500	8,549,300	
	(TF)	14,538,800	18,026,100	19,509,200	17,134,100	17,836,600	
Equipment	(SM)	1,085,200	687,400	1,665,900	521,700	458,300	
	(TF)	1,921,700	1,439,300	3,801,900	1,508,800	1,232,400	
All Other Operating Subtotal	(SM)	14,237,300	16,066,700	15,491,900	16,394,900	12,876,900	
	(TF)	28,238,500	34,615,800	36,067,300	37,967,900	29,181,500	
OPERATING SUBTOTAL	(SM)	34,803,400	42,093,700	45,317,300	43,317,000	40,373,800	
	(TF)	69,102,500	89,061,000	97,853,200	94,978,800	87,155,600	
SPECIAL LINE ITEMS							
Health Care Group	(GF)	103,700	0	0	0	0	
	(TF)	103,700	0	0	0	0	
Indian Advisory Council	(GF)	83,400	92,800	178,500	92,800	92,800	
	(TF)	160,400	185,600	356,900	185,600	185,600	
DOA Data Center	(GF)	0	0	3,725,200	0	3,197,900	
	(TF)	0	0	8,761,600	0	7,520,900	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Health Care Cost Containment System
Agency Summary

JLBC ANALYST: Headley
OSPB ANALYST: Kearns

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION		FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
S.B. 1144 Mental Health	(GF)	255,000	0	0	0	0	_____
	(TF)	791,400	0	0	0	0	_____
DES DDSA	(GF)	57,700	94,700	100,000	97,600	97,600	_____
	(TF)	109,900	189,300	200,000	195,000	195,000	_____
DES PASARR	(GF)	17,700	53,400	53,000	51,300	51,300	_____
	(TF)	60,900	212,600	212,000	204,200	204,200	_____
Federal Funds Program	(GF)	38,200	516,700	0	0	0	_____
	(TF)	38,200	1,033,300	0	0	0	_____
MEDICS	(GF)	0	1,340,300	1,527,500	1,509,200	1,509,200	_____
	(TF)	0	2,539,300	2,915,900	2,877,000	2,877,000	_____
Childrens Rehabilitative Services	(GF)	0	0	0	0	0	_____
	(TF)	11,233,200	12,000,000	12,000,000	14,910,100	15,000,000	_____
DHS PASARR	(GF)	33,000	94,200	94,200	0	94,200	_____
	(TF)	93,100	384,100	384,100	289,900	384,100	_____
Indirect Cost-Licensure	(GF)	113,000	187,100	187,100	0	187,100	_____
	(TF)	143,200	374,200	374,200	187,100	374,200	_____
Capitation	(SM)	388,018,100	361,082,800	363,477,500	371,540,400	388,296,700	_____
	(TF)	724,114,600	800,194,300	853,770,880	858,710,200	872,316,000	_____
Fee For Service	(SM)	50,424,100	73,184,300	99,228,000	101,139,300	70,362,500	_____
	(TF)	131,332,200	165,943,600	240,008,000	212,547,500	163,886,400	_____
Reinsurance	(SM)	29,508,200	31,216,200	35,114,000	28,802,300	36,612,300	_____
	(TF)	48,905,900	41,373,100	54,535,000	45,697,900	53,952,100	_____

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Health Care Cost Containment System
Agency Summary

JLBC ANALYST: Headley
OSPB ANALYST: Kearns

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION		FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Deferred Liability	(SM)	10,749,500	20,814,600	22,774,000	19,799,200	17,055,600	
	(TF)	31,467,600	32,454,100	36,408,000	32,844,900	26,818,900	
Medicare Premiums	(SM)	1,660,300	2,729,600	4,968,000	3,340,500	3,377,600	
	(TF)	10,552,000	8,004,100	13,716,000	9,000,000	10,018,300	
Qualified Medicare Beneficiaries	(SM)	495,300	659,500	1,025,000	659,500	938,400	
	(TF)	1,737,100	1,933,800	3,041,000	1,933,800	2,782,400	
Dispro Share Payments	(SM)	29,478,000	32,492,700	39,335,000	39,692,000	41,000,200	
	(TF)	89,511,300	92,526,000	116,635,000	115,335,400	118,445,700	
Childrens Title XIX Behav Health	(SM)	859,400	0	0	0	0	
	(TF)	45,436,400	45,000,000	45,000,000	34,000,000	40,000,000	
Adult Title XIX Behavioral Health	(SM)	0	0	0	0	0	
	(TF)	18,977,300	32,000,000	32,000,000	32,000,000	30,000,000	
ALTCS Lump Sum Appropriation	(SM)	92,094,200	103,053,600	123,521,000	114,562,200	118,767,500	
	(TF)	262,185,300	302,198,200	364,677,000	336,842,900	353,496,100	
Board of Nursing	(SM)	0	0	0	0	68,300	
	(TF)	0	0	0	0	209,700	
Special Line Item Subtotal	(SM)	603,988,800	627,612,500	695,308,000	681,286,300	681,709,200	
	(TF)	1,376,953,700	1,538,545,600	1,784,995,500	1,697,761,500	1,698,666,600	
AGENCY TOTAL	(SM)	638,792,200	669,706,200	740,625,300	724,603,300	722,083,000	
	(TF)	1,446,056,200	1,627,606,600	1,882,848,700	1,792,740,300	1,785,822,200	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Health Care Cost Containment System
Agency Summary

JLBC ANALYST: Headley
OSPB ANALYST: Kearns

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Less:						
County Acute Care Contribution	(65,076,100)	(77,884,200)	(85,629,800)	(77,884,200)	(79,982,200)	_____
Misc Fund Offset	(3,315,900)	(8,576,600)	(8,576,600)	(8,576,600)	(8,576,600)	_____
SLIAG Offset	(7,750,000)	(3,000,000)	0	0	0	_____
Dispro Share Fund Offset	0	0	0	(29,974,300)	0	_____
County LTC Contribution	(92,297,600)	(103,053,600)	(123,521,000)	(114,562,200)	(118,835,800)	_____
AGENCY TOTAL						
(GF)	470,352,600	477,191,800	522,897,900	493,606,000	514,688,400	_____
(TF)	1,446,056,200	1,627,606,600	1,882,848,700	1,792,740,300	1,785,822,200	_____
BY FUND SOURCE:						
General Fund	470,352,600	477,191,800	522,897,900	493,606,000	514,688,400	_____
Other Funds	0	0	0	29,974,300	0	_____
Federal Funds	815,014,000	960,900,400	1,142,223,400	1,068,137,000	1,063,739,200	_____
County Funds	157,373,700	180,937,800	209,150,800	192,446,400	198,818,000	_____
Miscellaneous Funds	3,315,900	8,576,600	8,576,600	8,576,600	8,576,600	_____
PROGRAM TOTAL-ALL SOURCES	1,446,056,200	1,627,606,600	1,882,484,700	1,792,740,300	1,785,822,200	_____

Agency Description - The Arizona Health Care Cost Containment System, or AHCCCS, is Arizona's managed-care alternative to a traditional fee for service Medicaid system. Started in 1982, AHCCCS operates on a health maintenance organization model in which contracted providers receive a predetermined monthly capitation payment for the medical services cost of enrolled members. AHCCCS members gain eligibility through a variety of federal and state programs. Eligibility based on federal programs is often tied to the applicant also being eligible for a cash assistance program, such as Aid to Families with Dependent Children. Low income pregnant women and children can qualify under a federal "medical assistance only" category. Other individuals not meeting federal eligibility requirements but either indigent or having catastrophic medical expenses may qualify for state-supported assistance in the Medically Needy/Medically Indigent (MN/MI) program. In addition to an acute medical services program, AHCCCS also operates the Arizona Long Term Care System, a Medicaid program that provides long term nursing care in nursing facilities or home and community based settings.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The JLBC Staff recommends a General Fund (GF) appropriation of \$514,688,400 and a Total Funds appropriation of \$1,785,822,200 -- a net increase of \$37,496,600 GF, or 7.9%, and a net increase of \$158,215,600 TF, or 9.7%, to the FY 1994 appropriation.
JLBC Staff Recommended Changes from FY 1994

- **Administration**

Federally-Required Automation Program (Electronic Data Interchange)	\$ 693,800 GF 3,084,900 TF
New Staff for Demographic Growth	511,700 GF 1,046,100 TF
Increased DOA Data Center Charges	425,900 GF 920,900 TF
Higher Federal Administrative Matching Rate	(922,700) GF -0- TF
Risk Management Rate Reduction	(551,300) GF (1,211,800) TF
Programming Consultant Phase Down	(194,200) GF (489,400) TF
Other Changes	67,000 GF 110,300 TF

- **DES-AHCCCS**

New Eligibility Staff for Caseload Growth	1,199,500 GF 2,398,700 TF
Fully Fund MEDICS Consultant Contract	168,900 GF 337,700 TF
Eliminate One-Time Equipment Funding	(355,900) GF (712,800) TF
Other Changes	90,300 GF (563,500) TF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

• **DHS-AHCCCS**

ERE Rate Change (2,000) GF
 (3,900) TF

Children's Rehabilitative Services Federal Match -0- GF
 3,000,000 TF

• **Acute Care**

Population Growth and Inflation 17,920,000 SM
 52,873,800 TF

Increase Appropriation for Disproportionate Share 8,507,500 GF
 25,919,700 TF

Phase Down Quick Pay Discount on Categorical Bills 5,589,300 SM
 16,634,800 TF

Elimination of Offsetting Federal SLIAG Funds 3,000,000 SM
 -0- TF

Non-SMI Adult Behavioral Health 2,519,900 SM
 7,499,700 TF

Medicare Premiums/Qualified Medicare Beneficiaries 926,900 SM
 2,862,800 TF

Increased County Acute Care Contribution (Based on 29.5% of Total Non-Federal Acute and ALTCS Costs) (2,098,000) GF
 -0- TF

Lower Behavioral Health Federal Funds Estimate -0- SM
 (7,000,000) TF

• **Long Term Care**

Population Growth and Inflation -0- GF
 51,,507,600 TF

JLBC Staff Recommended Format -- Lump Sum by Programs with Special Line Items

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Footnotes

Deletion of Standard FY 1994 Footnote

- Included in the collections, other receipts and balances forward of \$1,146,791,000 is \$3,000,000 of AHCCCS-related state legalization impact assistance grant reimbursements, which the department of administration shall credit to the AHCCCS fund during FY 1993-1994. It is the intent of the legislature that the transaction be handled in such a way as to maximize general fund interest earnings.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Health Care Cost Containment System
 PROGRAM: Administration

JLBC ANALYST: Headley
 OSPB ANALYST: Kearns

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION		FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
OPERATING BUDGET							
Full Time Equivalent Positions	(GF)	491.1	476.5	477.3	483.6	479.9	
	(TF)	963.7	1,015.7	1,083.7	1,074.7	1,061.7	
Personal Services	(GF)	9,861,500	10,878,200	12,323,800	10,992,800	10,972,500	
	(TF)	20,617,100	23,212,200	26,310,100	24,526,500	24,301,900	
Employee Related Expenditures	(GF)	2,648,800	2,616,000	3,237,400	2,722,300	2,770,300	
	(TF)	5,160,600	5,578,300	6,912,000	6,070,400	6,132,200	
Professional/Outside Services	(GF)	4,846,800	6,371,600	4,388,700	7,487,800	3,451,200	
	(TF)	11,277,900	14,499,800	11,842,000	18,585,600	9,284,000	
Travel - In State	(GF)	53,800	66,800	91,100	77,500	81,700	
	(TF)	102,200	147,000	183,400	176,000	155,800	
Travel - Out of State	(GF)	12,000	19,600	22,900	20,500	22,100	
	(TF)	20,500	41,700	45,600	45,600	41,700	
Other Operating Expenditures	(GF)	5,649,900	5,133,600	4,951,800	4,518,300	4,530,700	
	(TF)	10,041,500	10,917,000	11,476,200	10,113,700	9,973,100	
Equipment	(GF)	921,200	331,500	1,617,700	480,800	421,100	
	(TF)	1,595,400	726,500	3,705,600	1,427,000	1,173,900	
All Other Operating Subtotal	(GF)	11,483,700	11,923,100	11,072,200	12,584,900	8,506,800	
	(TF)	23,037,500	26,332,000	27,252,800	30,347,900	20,628,500	
OPERATING SUBTOTAL	(GF)	23,994,000	25,417,300	26,633,400	26,300,000	22,249,600	
	(TF)	48,815,200	55,122,500	60,474,900	60,944,800	51,062,600	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Health Care Cost Containment System
Administration

JLBC ANALYST: Headley
OSP ANALYST: Kearns

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION		FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
SPECIAL LINE ITEMS							
Health Care Group	(GF)	103,700	0	0	0	0	
	(TF)	103,700	0	0	0	0	
Indian Advisory Council	(GF)	83,400	92,800	178,500	92,800	92,800	
	(TF)	160,400	185,600	356,900	185,600	185,600	
DOA Data Center	(GF)	0	0	3,725,200	0	3,197,900	
	(TF)	0	0	8,761,600	0	7,520,900	
S.B. 1144 Mental Health	(GF)	255,000	0	0	0	0	
	(TF)	791,400	0	0	0	0	
Special Item Subtotal	(GF)	442,100	92,800	3,903,700	92,800	3,290,700	
	(TF)	1,055,500	185,600	9,118,500	185,600	7,706,500	
PROGRAM TOTAL	(GF)	24,436,100	25,510,100	30,537,100	26,392,800	25,540,300	
	(TF)	49,870,700	55,308,100	69,593,400	61,130,400	58,769,100	
BY FUND SOURCE							
General Fund		24,436,100	25,510,100	30,537,100	26,392,800	25,540,300	
Federal Funds		25,434,600	29,798,000	39,056,300	34,737,600	33,228,800	
PROGRAM TOTAL-ALL SOURCES		49,870,700	55,308,100	69,593,400	61,130,400	58,769,100	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Health Care Cost Containment System
 PROGRAM: Administration

Program Description - *The AHCCCS Administration manages Arizona's Medicaid Demonstration Project, a medical services delivery system built on the health maintenance organization model. The Administration contracts with providers, or health plans, who agree to accept a predetermined monthly payment for the cost of providing medical care to enrolled members. Administration responsibilities related to health plan contracting include rate negotiations, health plan auditing and financial oversight, and assisting with the formulation of new health plans. The Administration also manages a fee for service payment system that covers medical bills incurred by AHCCCS members prior to enrollment in a health plan, bills incurred by persons eligible for AHCCCS services but in an area not served by a health plan, or bills for those eligible only for emergency services coverage. Other major Administration responsibilities include the development and maintenance of the management information system, adjudicating provider or eligibility grievances, policy development and research, and agency finance and accounting. Additionally, the Administration performs eligibility determinations for the Arizona Long Term Care System. Eligibility for the Acute Care program is conducted by the Department of Economic Security, counties, and the federal Social Security Administration.*

The JLBC Staff recommends a General Fund (GF) appropriation of \$25,540,300 and a Total Funds (TF) appropriation of \$58,769,100 -- a net increase of \$30,200 GF, or 0.1%, and a net increase of \$3,461,000 (TF), or 6.3%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (30,500) GF
(66,900) TF

Includes a new vacancy factor of 6%. The FY 1994 vacancy factor was 4.5%. The JLBC Staff recommends this adjustment based on the actual level of vacancies experienced by the agency over the past two years. For FY 1992 and FY 1993, an average of 6% of the Administration's authorized FTE positions were vacant. The Staff's information is based on agency-reported vacancy data provided in the AHCCCS Monthly Financial Status Report. The Executive recommends a vacancy factor of 4.5%.
- **ERE Rate Changes** 126,900 GF
282,600 TF
- **Administrative Fund Mix Changes** (922,700) GF
-0- TF

The share of AHCCCS administrative costs matched with federal funding is generally based on both the composition of the AHCCCS member population and the availability of enhanced federal funds. (Enhanced federal funds relates to certain administrative functions that qualify for a matching rate greater than the normal 50%. For example, AHCCCS' Prepaid Medical Management Information System, or PMMIS, qualifies for a 75% federal matching rate, since the development of the system was federally required). AHCCCS' overall match rate does not reflect the full potential for federal funding, however, due to the dilution effect of the state-only populations, such as the Medically Needy/Medically Indigent (MN/MI). With the program change in FY 1994 to provide only emergency services to undocumented aliens previously eligible as MN/MIs, the size of the state-only population has fallen, making a greater proportion of the AHCCCS population federally-eligible. This reduction in the MN/MI population has lessened the dilution effect on the administrative match rate to an extent even greater than was anticipated in the FY 1994 appropriation. The Executive recommendation also assumes a lower state administrative matching rate and estimates \$994,000 GF in savings.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Other Operating Expenditures Risk Management Rate Reduction (551,300) GF
(1,211,800) TF

- Movement of DOA Data Center Charges from Professional and Outside Services to a Special Line Item 425,900 GF
920,900 TF

The JLBC Staff recommends the creation of a special line item for expenditures related to AHCCCS' usage of Department of Administration Data Center computer mainframe services. These costs are currently reflected in the Professional and Outside Services line item. The Staff recommendation would move \$2,772,000 GF and \$6,600,000 TF from Professional and Outside Services to this new line item. In addition, the Staff recommends the increase indicated above based on a DOA estimate of AHCCCS' share of statewide usage of Data Center services in FY 1995. The Executive recommends an increase of \$562,100 GF and \$1,300,000 TF but does not place the funding in a special line item.

The creation of this line item should allow for more oversight and control of expenditures for this function. Further, the Staff would argue that the appropriation of Data Center charges in a special line item will make clear the intent that this funding not be expended in any other area of the AHCCCS administrative budget, should a surplus occur. Accordingly, the Staff recommends that the DOA Data Center special line item carry a footnote indicating legislative intent that the appropriation be used only for the payment of charges incurred by AHCCCS for the usage of DOA Data Center hardware and computer consulting services. The Staff has provided suggested footnote language in the footnote section of this narrative.

- Eliminate One-Time Funding for Equipment (87,500) GF
(190,600) TF

The JLBC Staff recommends the elimination of one-time funding provided in FY 1994 for capital equipment needed for new positions added in FY 1994. The reduction corresponds to equipment amounts identified in the JLBC Staff FY 1994 Appropriations Report for new FY 1994 positions. The Executive has not recommended this reduction.

- Electronic Data Interchange (EDI) 693,800 GF
3,084,900 TF

The JLBC Staff recommends this additional funding and 3 FTE positions to allow the agency to implement a program to automate many transactions now accomplished on paper. EDI is a nationwide automation effort in the private and public health care sectors designed to increase the efficiency of data transmission, claims processing, and improve the accuracy of data reporting. AHCCCS has indicated that the federal government plans to require state Medicaid agencies to implement EDI as a condition of receiving any federal matching funds, including matching funds for medical services. The Executive has also recommended comparable EDI funding.

- Long Term Care Eligibility Staff for Caseload Growth 449,600 GF
955,200 TF

The JLBC Staff recommends the addition of 27 FTE positions for workload increases created by growth in the number of applicants for the Arizona Long Term Care System (ALTCS). The recommendation reflects 24 FTE positions for financial eligibility determinations and 3 FTE positions for medical eligibility determinations. The Staff recommendation would not specify the grades and position titles for these positions in order to provide the agency greater discretion in establishing positions where most needed. The recommendation is based on

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

the number of new positions needed to allow AHCCCS to process new ALTCS applications and eligibility renewals within federally-established timeframes. A more rapid completion of renewal applications also allows the agency to reduce programmatic costs by terminating eligibility sooner for those whose financial status or medical condition no longer meets ALTCS eligibility standards. The Executive recommends \$608,500 GF and \$1,375,200 TF and 37 FTE positions for ALTCS eligibility.

- **Additional Staff for Increased Number of Health Plans Bidding for AHCCCS Contracts** 62,100 GF
90,900 TF

The JLBC Staff recommends the addition of 2 FTE positions for the AHCCCS Office of Managed Care to manage workload increases resulting from the greater number of health plans submitting bids to AHCCCS. The recommendation reflects an Executive Staff Consultant (Grade 22) and an Executive Staff Assistant (Grade 20). The additional FTE positions will allow the agency to avoid contracting for more expensive consultants to prepare requests for proposals, review health plan bids, and conduct post-contracting financial review of health plans. The Executive has not recommended these positions.
- **Additional Staff for Compliance with Federal Reimbursement Policy for Community Health Centers** 58,100 GF
85,200 TF

The JLBC Staff recommends the addition of 2 FTE positions to enable AHCCCS to comply with federal requirements affecting payments to medical facilities known as Federal Qualified Health Centers (FQHCs). (FQHCs are generally community health centers providing primary care services to low income populations in medically under-served areas.) The recommendation reflects 2 Executive Staff Assistants (Grade 20). Federal Medicaid law requires states to reimburse FQHCs at 100% of "reasonable costs," if FQHCs seek reimbursement on this basis. The FTE positions will be required to conduct extensive field audits (4-6 weeks per FQHC) of FQHC cost reports to determine if amounts billed to AHCCCS health plans are reasonable, with the degree to which bills are reasonable to be defined by AHCCCS. The Executive has not recommended these positions.
- **Programming Consultant Phase-Down** (194,200) GF
(489,400) TF

The JLBC Staff recommends the addition of 12 FTE positions to replace contracted consultants now performing routine operational tasks on the agency's computer system (PMMIS). This consultant reduction was identified by Project SLIM in 1992 and is currently being carried out by the agency. The net funding reduction reflects a \$(406,600) GF and \$(1,024,800) TF reduction in consulting services, and a \$212,400 GF and \$535,400 TF increase for the cost of the new FTE positions. The Executive has also made this recommendation.

JLBC Staff Recommended Format -- Lump Sum by Program with Special Line Items

JLBC Staff Recommended Footnotes

Standard Footnote

- Of the \$58,769,100 expenditure authority for administration, \$25,540,300 is appropriated from the General Fund.

New FY 1995 Footnotes

- It is the intent of the Legislature that the appropriation for DOA Data Center charges be used only for the payment of charges incurred by the administration for the usage of computing services provided by the Department of Administration Data Center.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Other Issues for Legislative Consideration

- **Increased Funding for Outside Attorneys**

The Executive has recommended an additional \$439,900 GF and \$800,000 TF for contracted attorneys, based on the assumption that AHCCCS will experience greater litigation in FY 1995 over new programs, such as mental health and the emergency services program. The Executive's recommended amount would correspond to approximately 6,960 hours of attorney time in FY 1995, more than doubling the 5,860 attorney hours in the base FY 1994 budget. The Staff believes that the increase is largely associated with a concern that the emergency services program will be subject to numerous lawsuits in FY 1995. Implemented in July, 1993, the emergency services program has been legally challenged in one lawsuit, but it appears the large number of lawsuits expected has not materialized. Other new programs (mental health or the new hospital reimbursement system) may be the subject of litigation. Whether or not this occurs is speculative, though, and, we believe, unrelated to the level of litigation experienced in existing programs.
- **New Claims Positions**

The Executive has recommended \$114,000 GF and \$263,900 TF for 6 additional claims processing positions. The JLBC Staff is not recommending new positions based on data indicating that claims volume appears to be stable between FY 1993 and FY 1994, suggesting that claims growth into FY 1995 could be minimal. The policy change in the MN/MI program to require citizenship or legal residency for eligibility has reduced MN/MI enrollment in FY 1994. These reductions should result in lower claims volume in Reinsurance and Deferred Liability, areas in which MN/MIs constitute the majority of claims. The agency has indicated to the Staff that claims volume increases resulting from the implementation of the emergency services program have been successfully managed by the new positions added in FY 1994 for this purpose and through the reallocation of claims positions previously assigned to mental health claims (mental health was previously a fee for service program and is now capitated).
- **Additional Consultant Resources for Hospital Reimbursement System**

The Executive has recommended an additional \$128,200 GF and \$350,300 TF for contracted consultants to assist the agency with the new hospital reimbursement system. The JLBC Staff is not recommending additional resources based on the belief that consultant funding in the base budget is sufficient for this purpose. (The FY 1994 appropriation reflected an increase of \$320,00 GF and \$641,100 TF for consultants to assist the agency in completing the new system.) The Staff was of the understanding that the new FY 1994 funding was all that would be required to complete the system, thus opening the possibility that this funding could be eliminated in FY 1995. The JLBC Staff recommendation does not take out this one-time funding, but would not add funding to what is already in the budget.
- **Implementing "Continuous Quality Management"**

The Executive has recommended \$50,400 GF and \$103,700 TF for a program promoted by the federal government for state Medicaid agencies to improve AHCCCS utilization review and quality assurance practices. The Executive recommendation would fund 1 FTE position and consultant services. The Staff can find no evidence of a federal mandate requiring this new funding or a demographic basis which might merit an increase (as can be demonstrated with needs for new eligibility workers). Thus, while the Staff views the goals of "Continuous Quality Management" as important, we would not place a high priority on this item for increased funding, given demands for increased staffing in areas of the AHCCCS administrative program truly affected by a growing member population.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Health Care Cost Containment System
 PROGRAM: DES-AHCCCS

JLBC ANALYST: Headley
 OSPB ANALYST: Kearns

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION		FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	(GF)	477.7	514.1	555.6	549.3	546.8	
	(TF)	957.8	1,030.5	1,113.5	1,100.9	1,094.5	
OPERATING BUDGET							
Personal Services	(GF)	6,214,200	9,674,200	10,831,400	10,310,700	10,557,100	
	(TF)	11,720,100	19,786,900	21,662,500	20,621,400	21,110,700	
Employee Related Expenditures	(GF)	1,616,100	2,523,400	3,097,600	2,896,300	2,863,800	
	(TF)	3,048,000	5,161,800	6,195,300	5,792,600	5,727,200	
Professional/Outside Services	(GF)	13,800	19,100	47,700	35,900	31,600	
	(TF)	26,000	39,200	95,300	71,800	63,300	
Travel - In State	(GF)	116,200	180,600	268,300	221,900	257,300	
	(TF)	219,200	369,200	536,500	443,800	514,300	
Travel - Out of State	(GF)	800	1,100	1,100	1,100	1,100	
	(TF)	1,500	2,300	2,200	2,200	2,200	
Other Operating Expenditures	(GF)	2,372,600	3,538,700	4,006,200	3,510,200	3,994,700	
	(TF)	4,474,700	7,058,700	7,982,600	7,020,400	7,813,700	
Equipment	(GF)	14,500	355,900	48,200	40,900	37,200	
	(TF)	27,300	712,800	96,300	81,800	58,500	
Other Operating Subtotal	(GF)	2,517,900	4,095,400	4,371,500	3,810,000	4,321,900	
	(TF)	4,748,700	8,182,200	8,712,900	7,620,000	8,451,400	
OPERATING SUBTOTAL	(GF)	10,348,200	16,293,000	18,300,500	17,017,000	17,742,800	
	(TF)	19,516,800	33,130,900	36,570,700	34,034,000	35,289,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Health Care Cost Containment System
DES-AHCCCS

JLBC ANALYST: Headley
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HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION		FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
SPECIAL LINE ITEMS							
DES DDSA	(GF)	57,700	94,700	100,000	97,600	97,600	
	(TF)	109,900	189,300	200,000	195,000	195,000	
DES PASARR	(GF)	17,700	53,400	53,000	51,300	51,300	
	(TF)	60,900	212,600	212,000	204,200	204,200	
Federal Funds Program	(GF)	38,200	516,700	0	0	0	
	(TF)	38,200	1,033,300	0	0	0	
MEDICS	(GF)	0	1,340,300	1,527,500	1,509,200	1,509,200	
	(TF)	0	2,539,300	2,915,900	2,877,000	2,877,000	
Special Item Subtotal	(GF)	113,600	2,005,100	1,680,500	1,658,100	1,658,100	
	(TF)	209,000	3,974,500	3,327,900	3,276,200	3,276,200	
PROGRAM TOTAL	(GF)	10,461,800	18,298,100	19,981,000	18,675,100	19,400,900	
	(TF)	19,725,800	37,105,400	39,898,600	37,310,200	38,565,500	
BY FUND SOURCE							
General Fund		10,461,800	18,298,100	19,981,000	18,675,100	19,400,900	
Federal Funds		9,264,000	18,807,300	19,917,600	18,635,100	19,164,600	
PROGRAM TOTAL - ALL SOURCES		19,725,800	37,105,400	39,898,600	37,310,200	38,565,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Health Care Cost Containment System
 PROGRAM: DES-AHCCCS

Program Description - The appropriation for DES-AHCCCS represents an allocation of costs incurred by the Department of Economic Security in its role of performing eligibility determinations for the AHCCCS program. DES staff, in addition to conducting eligibility determinations for cash assistance programs such as Aid to Families with Dependent Children (AFDC), also evaluate applications for AHCCCS eligibility. In general, persons eligible for AFDC are also eligible for AHCCCS. DES eligibility staff also take applications for "medical assistance only" in the federal SOBRA program for pregnant women and children.

The JLBC Staff recommends a General Fund (GF) appropriation of \$19,400,900 and a Total Funds (TF) appropriation of \$38,565,500 -- a net increase of \$1,102,800 GF, or 6%, and a net increase of \$1,460,100 TF, or 3.9%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (9,600) GF
(19,000) TF

Maintains a vacancy factor of 1%. The Executive also recommends a 1% vacancy factor.
- ERE Rate Changes 99,100 GF
198,100 TF
- Total Expenditure Authority Base Adjustment -0- GF
(739,900) TF

This recommended reduction to total expenditure authority is made to account for a lump sum reduction applied to the FY 1993 appropriation in which only state funding was reduced by \$739,900. The General Fund reduction actually resulted in an equal reduction in federal funds (funding for DES eligibility is based on a 50% federal matching rate). The Executive has not addressed this issue since the Executive does not make a recommendation regarding total expenditure authority.
- Eliminate One-Time Equipment for New FY 1994 FTE Positions (355,900) GF
(712,800) TF

This recommended reduction corresponds to the equipment amounts provided for new FY 1994 eligibility staff, as identified in the FY 1994 JLBC Staff Appropriations Report. The Executive concurs.
- Eliminate "Program to Maximize Federal Funds" Special Line Item, Move Funding "Above the Line" -0- GF
-0- TF

This special line item and the original FY 1993 appropriation of \$500,000 GF and 32 FTE positions were added to provide the Department of Economic Security with resources to implement certain initiatives expected to enhance the federal share of funding for the AHCCCS program. The primary initiative successfully completed was the conversion of most children in the state funded Eligible Assistance Children (EAC) program to federal eligibility. (This conversion was made possible by the utilization of a provision of Medicaid law allowing states to establish higher income or resources standards for certain eligible women and children.) This conversion is largely complete, and the Staff is unaware of any further initiatives underway. The Staff would point out also that FTE positions created in this line item were not

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

joined into a special "federal funds enhancement" team. Rather, the positions were no different than regular DES eligibility staff and were assigned to offices throughout the DES eligibility system where needed. For these reasons, the Staff recommends the elimination of this line item and would shift the funding to an "above the line" display for FY 1995. The Executive recommends that funding for this line item be eliminated, but would not eliminate the 32 FTE positions.

- **New Eligibility Staff Positions for Caseload Growth** 1,199,500 GF
2,398,700 TF

The JLBC Staff recommends the addition of 64 FTE positions for caseload growth in AHCCCS eligibility determinations. The recommended amount is based on the agency request, adjusted for JLBC Staff estimated caseload growth assumptions in AFDC and medical assistance only (MAO) programs, such as SOBRA. The Executive has recommended \$1,000,000 GF and \$2,000,000 TF and 70.4 FTE positions for this issue.
- **DES Disability Determination Services Administration (DDSA)** 2,900 GF
5,700 TF

DES DDSA, through an intergovernmental agreement with AHCCCS, performs eligibility determinations based on disability for the DES Developmental Disabilities Long Term Care System. This line item contains 2.4 FTE positions. The recommended increase reflects an ERE rate adjustment.
- **DES Preadmission Screening and Annual Resident Review (PASARR)** (2,100) GF
(8,400) TF

DES PASARR, through an intergovernmental agreement with AHCCCS, screens all individuals with developmental disabilities before they enter the DD Long Term Care program to determine the appropriate level and types of specialized services needed. This line item contains 2.3 FTE positions. The recommended decrease reflects an agency requested base adjustment of \$(100) GF and \$(300) TF and an ERE rate adjustment of \$(2,000) GF and \$(8,100) TF.
- **Medical Eligibility Determination and Information Control System (MEDICS)** 168,900 GF
337,700 TF

MEDICS is an automated medical assistance eligibility system now under development. This line item contains 32 FTE positions. The recommended increase reflects the following changes: a \$(1,100) GF and \$(2,200) TF adjustment to eliminate one-time equipment funding, an increase of \$2,500 GF and \$4,900 TF for an ERE rate adjustment, and an increase of \$167,500 GF and \$335,000 TF to fully fund the agency's contract with the computer consultant assisting the agency with the completion of MEDICS. The Executive has also recommended this additional consultant funding.

JLBC Staff Recommended Format – Lump Sum by Program with Special Line Items

JLBC Staff Recommended Footnotes

Standard Footnote

- Of the \$38,565,500 expenditure authority for DES-AHCCCS, \$19,400,900 is appropriated from the General Fund.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Continuation of New FY 1994 Footnotes

- The amounts appropriated shall be used for intergovernmental agreements with the Department of Economic Security for the purpose of eligibility determination and other functions as set forth above. The General Fund share may be used for eligibility determination for other programs administered by the Division of Benefits and Medical Eligibility, based upon the results of the Arizona random moment sampling survey.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Health Care Cost Containment System
 PROGRAM: DHS-AHCCCS

JLBC ANALYST: Headley
 OSPB ANALYST: Kearns

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION		FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	(GF)	12.7	12.7	12.7	0.0	12.7	
	(TF)	26.7	26.7	26.7	0.0	26.7	
OPERATING BUDGET							
Personal Services	(GF)	180,100	268,700	268,700	0	268,700	
	(TF)	254,200	566,000	566,000	0	566,000	
Employee Related Expenditures	(GF)	45,400	66,500	66,500	0	64,500	
	(TF)	64,000	140,000	140,000	0	136,100	
Professional/Outside Services	(GF)	9,200	13,700	13,700	0	13,700	
	(TF)	13,000	28,900	28,900	0	28,000	
Travel - In State	(GF)	7,100	10,600	10,600	0	10,600	
	(TF)	10,000	22,300	22,300	0	22,300	
Other Operating Expenditures	(GF)	16,000	23,900	23,900	0	23,900	
	(TF)	22,600	50,400	50,400	0	50,400	
Other Operating Subtotal	(GF)	32,300	48,200	48,200	0	48,200	
	(TF)	45,600	101,600	101,600	0	101,600	
OPERATING SUBTOTAL	(GF)	257,800	383,400	383,400	0	381,400	
	(TF)	363,800	807,600	807,600	0	803,700	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Health Care Cost Containment System
DHS-AHCCCS

JLBC ANALYST: Headley
OSPB ANALYST: Kearns

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION		FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
SPECIAL LINE ITEMS							
Children's Rehab Services	(GF)	0	0	0	0	0	_____
	(TF)	11,233,200	12,000,000	12,000,000	14,910,100	15,000,000	_____
DHS PASARR	(GF)	33,000	94,200	94,200	0	94,200	_____
	(TF)	93,100	384,100	384,100	289,900	384,100	_____
Indirect Cost-Licensure	(GF)	113,000	187,100	187,100	0	187,100	_____
	(TF)	143,200	374,200	374,200	187,100	374,200	_____
Special Item Subtotal	(GF)	146,000	281,300	281,300	0	281,300	_____
	(TF)	11,469,500	12,758,300	12,758,300	15,387,100	15,758,300	_____
PROGRAM TOTAL	(GF)	403,800	664,700	664,700	0	662,700	_____
	(TF)	11,833,300	13,565,900	13,565,900	15,387,100	16,562,000	_____
BY FUND SOURCE							
General Fund		403,800	664,700	664,700	0	662,700	_____
Federal Funds		11,429,500	12,901,200	12,901,200	15,387,100	15,899,300	_____
PROGRAM TOTAL - ALL SOURCES		11,833,300	13,565,900	13,565,900	15,387,100	16,562,000	_____

Program Description - The appropriation for DHS-AHCCCS represents an allocation of costs incurred by the Department of Health Services in its role of performing licensing and inspections of Title XIX-certified nursing care facilities. This function is a federal Medicaid requirement and is conducted in accordance with an intergovernmental agreement between AHCCCS and DHS.

The JLBC Staff recommends a General Fund (GF) appropriation of \$662,700 and a Total Funds (TF) appropriation of \$16,562,000 -- a net decrease of \$(2,000) GF, or (0.3)%, from the FY 1994 General Fund appropriation, and a net increase of \$2,996,100 TF, or 22.1%, to the FY 1994 Total Fund appropriation.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Changes from FY 1994

- ERE Rate Changes \$(2,000) GF
(3,900) TF

 - Children's Rehabilitative Services (CRS) -0- GF
3,000,000 TF
- Represents an increase in the Staff's estimate of federal funds to be passed through in FY 1995 to the CRS program for services received by Title XIX-eligible children. General Fund matching funds are appropriated in the DHS budget.

JLBC Staff Recommended Format -- Lump Sum by Program with Special Line Items

JLBC Staff Recommended Footnotes

Standard Footnotes

- Of the \$16,562,000 expenditure authority for DHS-AHCCCS, \$662,700 is appropriated from the General Fund.
- The amounts appropriated shall be used for intergovernmental agreements with the Department of Health Services for the purpose of Medicaid related Licensure, certification and registration, and other functions as set forth above.

Other Issues for Legislative Consideration

- Executive Would Appropriate General Fund Directly to DHS
The Executive recommends the elimination of the General Fund appropriation for the DHS licensure function in the AHCCCS budget. The Executive would instead appropriate this funding directly to the Department of Health Services, with AHCCCS still serving as the pass-through entity for matching federal funds. The JLBC Staff is not recommending this transfer of appropriations in keeping with the long-standing legislative intent of reflecting all costs associated with the AHCCCS program in the AHCCCS budget itself. This also maintains consistency with reflecting the cost of AHCCCS eligibility performed by the Department of Economic Security in the AHCCCS appropriation.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Health Care Cost Containment System
 PROGRAM: Acute Care

JLBC ANALYST: Headley
 OSPB ANALYST: Kearns

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION		FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
SPECIAL LINE ITEMS							
Capitation	(SM)	388,018,100	361,082,800	363,477,500	371,540,400	388,296,700	_____
	(TF)	724,114,600	800,194,300	853,770,800	858,710,200	872,316,000	_____
Fee For Service	(SM)	50,424,100	73,184,300	99,228,000	101,139,300	70,362,500	_____
	(TF)	131,332,200	165,943,600	240,008,000	212,547,500	163,886,400	_____
Reinsurance	(SM)	29,508,200	31,216,200	35,114,000	28,802,300	36,612,300	_____
	(TF)	48,905,900	41,373,100	54,535,000	45,697,900	53,952,100	_____
Deferred Liability	(SM)	10,749,500	20,814,600	22,774,000	19,799,200	17,055,600	_____
	(TF)	31,467,600	32,454,100	36,408,000	32,844,900	26,818,900	_____
Medicare Premiums	(SM)	1,660,300	2,729,600	4,968,000	3,340,500	3,377,600	_____
	(TF)	10,552,000	8,004,100	13,716,000	9,000,000	10,018,300	_____
Qualified Medicare Beneficiaries	(SM)	495,300	659,500	1,025,000	659,500	938,400	_____
	(TF)	1,737,100	1,933,800	3,041,000	1,933,800	2,782,400	_____
Dispro Share Payments	(SM)	29,478,000	32,492,700	39,335,000	39,692,000	41,000,200	_____
	(TF)	89,511,300	92,526,000	116,635,000	115,335,400	118,445,700	_____
Children's Title XIX Behav Health	(SM)	859,400	0	0	0	0	_____
	(TF)	45,436,400	45,000,000	45,000,000	34,000,000	40,000,000	_____
Adult Title XIX Behav Health	(SM)	0	0	0	0	0	_____
	(TF)	18,977,300	32,000,000	32,000,000	32,000,000	30,000,000	_____
Acute Care Subtotal	(SM)	511,192,900	522,179,700	565,921,500	564,973,200	557,643,300	_____
	(TF)	1,102,034,400	1,219,429,000	1,395,113,800	1,276,069,700	1,318,219,800	_____

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Health Care Cost Containment System
Acute Care

JLBC ANALYST: Headley
OSPB ANALYST: Kearns

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Less:						
County Acute Care Contribution	(65,076,100)	(77,884,200)	(85,629,800)	(77,884,200)	(79,982,200)	_____
Misc Funds Offset	(3,315,900)	(8,576,600)	(8,576,600)	(8,576,600)	(8,576,600)	_____
SLIAG Offset	(7,750,000)	(3,000,000)	0	0	0	_____
Dispro Share Fund Offset	0	0	0	(29,974,300)	0	_____
PROGRAM TOTAL	435,050,900	432,718,900	471,715,100	448,538,500	469,084,500	_____
BY FUND SOURCE	1,102,034,400	1,219,429,000	1,395,113,800	1,342,069,700	1,318,219,800	_____
General Fund	435,050,900	432,718,900	472,715,100	448,538,500	469,084,500	_____
Other Funds	0	0	0	29,974,300	0	_____
Federal Funds	598,591,500	700,249,300	829,192,300	777,096,500	760,576,500	_____
County Funds	65,076,100	77,884,200	85,629,800	77,884,200	79,982,200	_____
Miscellaneous Funds	3,315,900	8,576,600	8,576,600	8,576,600	8,576,600	_____
PROGRAM TOTAL - ALL SOURCES	1,102,034,400	1,219,429,000	1,395,113,800	1,342,069,700	1,318,219,800	_____

Program Description - The AHCCCS Acute Care program is the medical services component of the Arizona's Medicaid Demonstration Project. The program is based on prepaid monthly capitation payments to contracted providers for the full range of authorized medical services available to enrolled members. The program follows a health maintenance organization model in which capitated providers accept a predetermined rate and are responsible for managing patient utilization and cost through a system of prior authorization and utilization review, coordinated by a primary care physician. As a federal demonstration project, the Acute Care program operates under a series of federal waivers that make the "managed care" concept possible. AHCCCS covers the mandatory federal eligibility groups, as well as certain optional state groups, such as the Medically Needy/Medically Indigent. AHCCCS-eligible Native Americans are served on a Fee for Service basis either in an Indian Health Service facility or through off-reservation referrals. Individuals not meeting U.S. citizenship or legal residency requirements but otherwise eligible for a federal or state program receive emergency services coverage, also on a Fee for Service basis. In cases involving catastrophic medical expenses, or when the applicant is hospitalized at the time of enrollment, AHCCCS supplements capitation through Reinsurance and Deferred Liability to ensure health plan financial viability. Other components of the Acute Care program include Medicare Part B Premiums, Qualified Medicare Beneficiaries, Children's and Adult Mental Health, and Disproportionate Share Hospital Payments.

The JLBC Staff recommends a General Fund (GF) appropriation of \$469,084,500 and a Total Funds (TF) appropriation of \$1,318,219,800 -- a net increase of \$36,365,600 GF, or 8.4%, and a net increase of \$98,790,800 TF, or 8.1%, to the FY 1994 appropriation.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Changes from FY 1994

- Acute Program "Current Law" Funding (Capitation, Fee for Service, Reinsurance, and Deferred Liability)

\$17,920,000 SM
52,873,800 TF

Recommendation Reflects Continuation of Changes from the Past Legislative Session

The recommended increase would fund the Staff's estimate of growth in the above indicated areas of the Acute Care budget, reflecting a continuation of current statutory eligibility requirements and other funding provisions, including those changes enacted in the most recent legislative session. These changes enacted in Laws 1993, Chapter 6, 2nd Special Session were:

- Beginning July 1, 1993, require U.S. citizenship of legal U.S. residency for eligibility in the Medically Needy/Medically Indigent (MN/MI) and Eligible Low Income Children (ELIC) programs, while providing only emergency services coverage for those not meeting citizenship or residency requirements but otherwise eligible for a federal or state program;
- set the FY 1994 and FY 1995 county contributions for Acute and Long Term Care at a level equal to 29.5% of the combined non-federal cost of the Acute and Long Term Care programs (the Acute contribution is the difference between the 29.5% share and the county ALTCS contribution);
- reduce private hospital reimbursement on state-only (MN/MI) bills to achieve approximately \$10 million in reductions in both FY 1994 and FY 1995;
- beginning July 1, 1993, increase the copayment for office visits by state-only members to \$5; and
- changes to AHCCCS lien statutes to enhance recoveries from third parties (other increases in third party recovery expected from the privatization of the collection function).

Limited Data on Emergency Services Program May Require Revisions to Estimates

The JLBC Staff estimate is based on only 3 months of data from the new Emergency Services Program (for undocumented aliens). The FY 1994 budget was based on an estimate of \$31.2 million in savings from the policy change regarding undocumented aliens and the provision of only emergency services to those not meeting citizenship or residency requirements but otherwise eligible for a federal or state program. While it may be difficult to ever precisely determine the actual savings from this policy change, the early data would suggest that the FY 1994 Acute Care budget may actually realize a year-end surplus, after budget shortfalls of \$25 million and \$16 million in FY 1992 and FY 1993, respectively. Lower than expected population growth in AHCCCS enrollment is also contributing significantly to a possible budget surplus.

The savings estimate associated with the Emergency Services program was based on a variety of assumptions regarding the number of undocumented aliens potentially eligible for Emergency Services coverage and how much emergency services for this group might cost. While data on the Emergency Services Program may be limited at this point, the Staff has chosen to move away from the assumption-driven estimates so that we might begin to see what actual experience is suggesting for the FY 1995 cost of this program. If current year-to-date trends continue, the Staff is cautiously optimistic that we may be able to revise our Acute Care estimate downward from the amounts recommended here. We will continue to monitor the special reporting being performed by AHCCCS on the Emergency Services program and will advise the Committees if we believe a revision to our estimate is needed prior to final budget adoption.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Reasons for the Recommended Increase

The JLBC Staff recommendation reflects overall FY 1995 population growth among enrolled members (member years) increasing by 7.4% over our revised FY 1994 estimate. This enrollment increase is the basis for a \$14,404,900 SM and \$32,417,500 TF increase in Acute Capitation. The JLBC Staff population estimates are displayed in the following table. These estimates reflect only those AHCCCS members enrolled in health plans, excluding other populations whose services are paid on a fee for service basis. Such populations would include Native Americans served in Indian Health Service facilities or referred off-reservation and persons eligible for only emergency services coverage.

AHCCCS ENROLLMENT GROWTH FOR FY 1995		
Eligibility Category	JLBC Estimate	JLBC Change From JLBC Rev 94
AFDC	212,728	5.0 %
SSI with Medicare	19,123	10.1 %
SSI without Medicare	37,809	14.3 %
SOBRA Children	119,569	13.7 %
SOBRA Women	12,382	5.0 %
MN/MI with Medicare	1,297	9.7 %
MN/MI without Medicare	43,511	0.5 %
Eligible Assistance Children	3,043	-16.29 %
Eligible Low Income Children	<u>3,578</u>	<u>-4.6 %</u>
	453,040	7.4 %
TOTAL		
SOBRA Deliveries	15,342	2.0%

In the other major areas of the Acute Care budget- Fee for Service, Reinsurance, and Deferred Liability, population growth, combined with lower estimated per member per month costs, result in a net reduction of \$(6,237,900) SM and \$(7,234,400) TF.

The second factor in the recommended increase is the Staff's suggested Capitation rate increase and medical inflation in the remaining Acute line items. The Staff recommendation provides for a 3% Capitation rate increase, at a cost of \$8,509,000 SM and \$18,872,200 TF. For Fee for Service, Reinsurance, and Deferred Liability, the Staff recommends a medical inflation increase of 5%, costing \$4,229,200 SM and \$8,818,500 TF. The Executive has recommended a 4% Capitation rate increase and 5% medical inflation. FY 1994 and FY 1995 Capitation rates utilized for the Staff's estimate are displayed in the following table.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

**JLBC STAFF RECOMMENDED
CAPITATION RATES**

<u>Rate Category</u>	<u>FY 1994</u>	<u>FY 1995</u>
AFDC	\$117.28	\$120.80
SSI with Medicare	116.66	120.16
SSI without Medicare	295.72	304.59
SOBRA Children	103.96	107.08
SOBRA Women	116.46	119.95
SOBRA Delivery Amount	4,358.62	4,489.38
MN/MI with Medicare	146.02	150.40
MN/MI without Medicare	245.91	253.29
Eligible Assistance Children	103.99	107.11
Eligible Low Income Children	104.34	107.47

The third factor in the Staff recommendation reflects a change in the federal matching rate. This rate, known as the Federal Medical Assistance Percentage, or FMAP, is based on a relationship between Arizona per capita income and national average per capita income. The FMAP rate reflects the share of medical care costs the federal government pays for federally-eligible AHCCCS members. For federal fiscal year 1995, Arizona's FMAP is estimated to increase from 65.9% to 66.4%, producing a state match savings of \$2,965,200.

Summary of Costs by Program Area

For purposes of illustration, the Staff has provided the following funding delineation of the Acute Care budget by program area. These areas are: 1) Regular Title XIX Program; 2) Regular State-Only Program, and 3) Emergency Services Program. The regular programs reflect full AHCCCS eligibility and the associated costs of Capitation, Fee for Service, Reinsurance, and Deferred Liability. The Emergency Services Program reflects Fee for Service expenditures only. Also included is each program's share of both total state match funding and total funding from all sources (state, county, and federal).

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC RECOMMENDATION BY PROGRAM AREA				
		<u>Budget</u>	<u>Share of State Match</u>	<u>Share of Total Funds</u>
Regular Title XIX Program	(SM)	\$276,666,700	54.9%	77.3%
	(TF)	819,819,000		
Regular State-Only Program	(SM)	217,769,100	43.2%	20.6%
	(TF)	217,769,100		
Emergency Services Program	(SM)	9,782,200	1.9%	2.2%
	(TF)	22,507,200		
Total - All Programs	(SM)	\$504,218,000		
	(TF)	\$1,060,095,300		

- Phase-Down of Quick Pay Discount on Categorical Reimbursement

5,589,300 SM
16,634,800 TF

This increased funding is recommended for the program change required by Laws 1993, Chapter 6, 2nd Special Session, which established a new phase-down schedule for the discount applied to AHCCCS reimbursement for federally-eligible members. Often referred to as the "quick pay discount," the 10% reduction is applied by AHCCCS to bills paid within 30 days of receipt. Under Laws 1992, Chapter 302, the quick pay discount for both federal and state-only reimbursement was to be lowered by 1% each year beginning March 1, 1996, until reaching 1% in 2004. The accelerated schedule prescribed by Chapter 6 lowers the discount to 6% effective October 1, 1994, then to 3% on October 1, 1995, and finally to 1% on October 1, 1996. Reimbursement for state-only members follows the original quick pay phase-down schedule. The Executive has also recommended a comparable amount of additional funding for this issue.

- Adult Non-SMI Behavioral Health Services

2,519,900 SM
7,499,700 TF

This recommended increase funds the cost of providing full behavioral health services to the adult (over age 21) federally-eligible AHCCCS Acute Care population. AHCCCS has been waived from providing full behavioral health services (except for 72 hours of emergency inpatient services) to the adult Medicaid-eligible population thus far. However, the adult behavioral health waiver will expire on October 1, 1994, and, as the Staff understands, there are no plans to seek a continuation of this waiver. The recommended amount for this program would be an add-on to the Capitation rates paid to AHCCCS health plans, since, as the Staff has assumed, the adult non-SMI program would be capitated, as are the existing children's and SMI behavioral health programs. The Executive recommendation reflects a similar amount for these new services.

- Disproportionate Share Payments

8,507,500 SM
25,919,700 TF

Disproportionate Share is a federally required Medicaid program for providing supplemental payments to hospitals that serve disproportionately large numbers of low income patients, many of whom may not be able to pay for their care, thus creating large amounts of uncompensated, or charity care for such hospitals. Payments are based on a share of hospital patient days used by Medicaid-eligible

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

patients, or by a hospital's "low income" utilization rate. States may also make payments to optional state-defined categories of hospitals. In Arizona, these include county and state-operated hospitals and hospitals affiliated with AHCCCS health plans. In addition to hospital payments, this appropriation also provide payments to counties not having county-operated hospitals. These are referred to as county in-lieu payments.

The Staff recommended increase provides funding needed to match federal funds expected to be awarded in FY 1995. The final amount, however, will not be known possibly until November or December 1994. The Staff recommendation would allocate this additional funding among county and private hospitals, the Arizona State Hospital (ASH), and county in-lieu payments on a proportional basis, according to the original allocation. The Staff recommendation would apply the same methodology to additional funding expected for FY 1994. Adjustments to state withholding of sales tax distributions would allow for a state revenue gain on the same proportional level as net payment gains experienced by hospitals. Under the Staff's proposal, county net gains would increase \$6,432,200, private hospitals would receive \$4,584,400 in higher payments, and the General Fund would gain \$11,734,100. The following table provides a detail of the original FY 1994 allocation, as well as the Staff's proposed allocation for FY 1994 and FY 1995.

JLBC STAFF RECOMMENDED DISPROPORTIONATE SHARE ALLOCATION			
<u>Disproportionate Share Payments</u>	<u>FY 1994 Original</u>	<u>FY 1994 Revised</u>	<u>FY 1995</u>
County-Operated Hospitals	\$ 71,675,100	\$ 82,600,900	\$ 91,753,800
Private Hospitals	10,598,000	12,213,500	13,566,900
Arizona State Hospital	8,838,300	10,815,600	11,314,200
County In-Lieu Payments	<u>1,414,600</u>	<u>1,630,200</u>	<u>1,810,800</u>
TOTAL PAYMENTS	\$92,526,000	\$106,630,200	\$118,445,700

The Executive recommendation for Disproportionate Share would increase gross payments to county hospitals only, adjusting sales tax withholding from Maricopa and Pima counties to a level that would allow the state to retain all additional federal revenue. The Executive would then create an "AHCCCS Disproportionate Share Fund" for this revenue, using an appropriation from this fund to offset a portion of the Executive's General Fund increase for AHCCCS. The Executive applies the FY 1994 and FY 1995 gain totalling \$22,775,000 as an offset. (While the Executive's offset is actually \$29,974,300, only the new federal funding lowers the General Fund obligation.) The JLBC Staff would oppose the Executive recommendation on the basis that it: 1) obscures the true AHCCCS budget increase, and 2) is inconsistent with the purpose of the Federal Disproportionate Share Program.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Medicare Premiums 648,000 SM
2,014,200 TF

This line item represents the purchase of Medicare Part B (supplemental medical insurance) on behalf of those eligible for Medicaid and Medicare Part A (hospital insurance) coverage. This "buy-in" reduces state costs since the federal government, through Medicare, absorbs some costs that otherwise would have been paid by AHCCCS. The recommended increase reflects both population growth and the increased cost of Part B Premiums.
- Qualified Medicare Beneficiaries (QMBs) 278,900 SM
848,600 TF

Federal law requires states to pay Medicare Part A and Part B premiums, deductibles, and co-payments for eligible low income Medicare recipients. The recommended amount is based on 4,243 member years and \$54.65 per member per month.
- Children's and Adult Title XIX Behavioral Health 0 SM
(7,000,000) TF

Represents a reduction in the Staff's estimate of federal funds to be passed through to the Department of Health Services in FY 1995 for behavioral health services received by Title XIX-eligible clients. State matching funds are appropriated in the DHS budget.
- State Legalization Impact Assistance Grant (SLIAG) Elimination 3,000,000 SM
-0- TF

The General Fund increase reflects the elimination of the SLIAG offset and the completion of the federal program to provide funding to states for the cost of providing services to aliens granted legal residency under the federal amnesty law (Immigration Reform and Control Act, or IRCA). The SLIAG program will be entering the close-out stage by FY 1995, and while a small amount of funding may be received in FY 1995, the Staff recommends those funds be reflected as General Fund revenue. The Executive would also eliminate the SLIAG offset from the AHCCCS budget.
- County Acute Care Contribution Increase (2,098,000) GF
-0- TF

Laws 1993, Chapter 6, 2nd Special Session (H.B. 2007, Health Omnibus Reconciliation Bill) established the FY 1995 county Acute and Long Term Care contributions as an amount equal to 29.5% of the non-federal share of the combined cost of both Acute and Long Term Care. The JLBC Staff calculation, reflecting the Staff's estimate for Long Term Care, would require an FY 1995 county Acute Care contribution of \$79,982,200. The Staff's calculation does include the increased cost of Adult Non-SMI Behavioral Health in this calculation, in keeping with the general agreement that the county Acute Care contribution would not be increased due to state or federal program changes. The Executive recommendation would not change the county Acute Care contribution from the FY 1994 level.

JLBC Staff Recommended Format -- Lump Sum by Program with Special Line Items

JLBC Staff Recommended Footnotes

Standard Footnote

- Of the \$1,318,219,800 expenditure authority, \$469,084,500 is appropriated from the General Fund.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Modification of New FY 1994 Footnotes

- Of the appropriation for disproportionate share payments made pursuant to A.R.S. § 36-2903.01, subsection R, the sum of \$91,753,800 is for qualifying county operated hospitals, \$11,314,200 is for deposit in the Arizona State Hospital Disproportionate Share Payment Fund and \$13,566,900 is for other qualifying disproportionate share hospitals. The remaining \$1,810,800 is for in-lieu payments to counties having a population of 500,000 persons or less according to the most recent United States decennial census, in an amount which is the difference between the disproportionate payments made pursuant to A.R.S. § 36-2903.01, subsection R, and \$215,800, if the disproportionate share payments are less than \$215,800. For each county that would receive less than \$107,900 from these in-lieu payments, the system administration shall make an additional in-lieu payment that will provide the county with a total payment of \$107,900. *(Updates outdated references)*

DESCRIPTION	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Disproportionate Share Payments	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
County Operated Hospitals	91,753,800	91,753,800	91,753,800	91,753,800	91,753,800	91,753,800	91,753,800
ASPH Disproportionate Share Payment Fund	11,314,200	11,314,200	11,314,200	11,314,200	11,314,200	11,314,200	11,314,200
Other Qualifying Disproportionate Share Hospitals	13,566,900	13,566,900	13,566,900	13,566,900	13,566,900	13,566,900	13,566,900
In-lieu Payments	1,810,800	1,810,800	1,810,800	1,810,800	1,810,800	1,810,800	1,810,800
Total	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Health Care Cost Containment System
 PROGRAM: Long Term Care

JLBC ANALYST: Headley
 OSPB ANALYST: Kearns

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION		FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
OPERATING BUDGET							
Professional/Outside Services	(SM)	53,900	0	0	0	0	_____
	(TF)	107,700	0	0	0	0	_____
Equipment	(SM)	149,500	0	0	0	0	_____
	(TF)	299,000	0	0	0	0	_____
Other Operating Subtotal	(SM)	203,400	0	0	0	0	_____
	(TF)	406,700	0	0	0	0	_____
OPERATING SUBTOTAL	(SM)	203,400	0	0	0	0	_____
	(TF)	406,700	0	0	0	0	_____
SPECIAL LINE ITEMS							
ALTCs Lump Sum Appropriation	(SM)	92,094,200	103,053,600	123,521,000	114,562,200	118,767,500	_____
	(TF)	262,185,300	302,198,200	364,677,000	336,842,900	353,496,100	_____
Board of Nursing	(SM)	0	0	0	0	68,300	_____
	(TF)	0	0	0	0	209,700	_____
Special Line Item Total	(SM)	92,094,200	103,053,600	123,521,000	114,562,200	118,835,800	_____
	(TF)	262,185,300	302,198,200	364,677,000	336,842,900	353,705,800	_____
ALTCs Subtotal	(SM)	92,297,600	103,053,600	123,521,000	114,562,200	118,835,800	_____
	(TF)	262,592,000	302,198,200	364,677,000	336,842,900	353,705,800	_____
Less:							
County ALTCs Contribution		(92,297,600)	(103,053,600)	(123,521,000)	(114,562,200)	(118,835,800)	_____
PROGRAM TOTAL - ALL SOURCES	(GF)	0	0	0	0	0	_____
	(TF)	262,592,000	302,198,200	364,677,000	336,842,900	353,705,800	_____

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Health Care Cost Containment System
Long Term Care

JLBC ANALYST: Headley
OSPB ANALYST: Kearns

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	0	0	0	0	0	
Federal Funds	170,294,400	199,144,600	241,156,000	222,280,700	234,870,000	
County Funds	92,297,600	103,053,600	123,521,000	114,562,200	118,835,800	
PROGRAM TOTAL - ALL SOURCES	262,592,000	302,198,200	364,677,000	336,842,900	353,705,800	

Program Description - The Arizona Long Term Care System (ALTCS) was established in 1989 to provide federal Medicaid long term care services to persons meeting federally prescribed income and resources standards and at risk of being institutionalized. ALTCS program costs are funded entirely with county and federal dollars, while the administrative cost of ALTCS is borne by the state. The AHCCCS Administration conducts ALTCS eligibility and is also responsible for contracting with providers. As in the Acute program, providers receive a monthly capitation payment that covers the full range of ALTCS services, including acute medical services.

The JLBC Staff recommends a State Match (SM) appropriation of \$118,835,800 and a Total Fund (TF) appropriation of \$353,705,800, an increase of \$15,782,200 SM, or 15.3%, and an increase of \$51,507,600 TF, or 17%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- ALTCS Lump Sum Appropriation

\$15,782,200 SM
51,507,600 TF

The JLBC Staff recommendation is based on 13,065 average annual member years and 12% population growth over the Staff's revised FY 1994 estimate. The estimate also reflects an average FY 1995 per member per month cost of \$2,247, which includes the cost of Capitation, Fee for Service, Reinsurance, Medicare Premiums, and Nurse Aid Training costs.

The Staff recommendation would require a county Long Term Care contribution of \$118,835,800 for FY 1995. In accordance with Laws 1993, Chapter 184 (H.B. 2160), the county Long Term Care contribution shall be specified in the General Appropriation Act. The amount will be collected through the withholding of sales tax distributions by the county-by-county percentages set forth in Chapter 184.

- Board of Nursing

-0- SM
-0- TF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The JLBC Staff recommends the creation of a special line item to reflect the costs incurred by the state Board of Nursing of operating the Nurse Aid Training program. These costs were shifted to the Long Term Care program in FY 1994 in the amount of \$68,300 SM and \$209,700 TF. The Staff would maintain these amounts for FY 1995. A special line item appropriation should clarify the amounts provided for the Board of Nursing to be passed through by AHCCCS.

JLBC Staff Recommended Format -- Lump Sum by Program

JLBC Staff Recommended Footnotes

Standard Footnotes

- Any federal funds that AHCCCS passes through to the Department of Economic for use in long-term care for the developmentally disabled shall not count against the long term care expenditure authority above.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
Agency Summary

JLBC ANALYST: Cawley/Siegwarth
OSPB ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	2,726.1	2,528.0	2,784.6	2,727.8	2,666.5	
BY PROGRAM/ORGANIZATION						
Administration	25,188,300	25,909,400	26,535,500	24,925,800	24,636,600	
Developmental Disabilities	35,441,800	37,845,100	39,494,100	38,759,600	37,014,500	
Long Term Care	56,076,200	42,578,600	43,571,900	43,390,500	41,061,600	
Benefits & Medical Eligibility	128,377,000	135,367,800	146,435,800	134,373,000	133,947,900	
Child Support Enforcement	2,767,700	2,814,300	2,704,000	2,654,100	2,654,300	
Aging & Community Services	13,177,400	13,308,500	15,039,700	14,609,700	14,376,800	
Children & Family Services	91,513,500	92,240,100	109,527,100	107,103,000	100,131,100	
Child Protective Services Training	204,300	431,600	436,100	434,800	434,800	
Employment & Rehabilitation	7,041,600	6,801,600	18,242,400	15,225,900	15,226,200	
AGENCY TOTAL	359,787,800	357,297,000	401,986,600	381,476,400	369,483,800	
OPERATING BUDGET						
Personal Services	62,877,800	61,817,300	56,151,500	53,855,900	64,883,200	
Employee Related Expenditures	14,996,400	14,057,300	13,896,000	13,028,200	15,935,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
Agency Summary

JLBC ANALYST: Cawley/Siegwarth
OSPB ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Professional/Outside Services	1,968,900	2,354,800	1,801,000	1,771,100	2,425,100	
Travel - In State	1,631,400	1,764,400	1,756,700	1,697,800	1,970,800	
Travel - Out of State	59,500	57,800	70,700	68,300	66,900	
Food	586,700	446,900	0	0	446,900	
Other Operating Expenditures	18,056,400	18,150,900	21,357,500	18,346,300	18,585,100	
Equipment	858,900	777,200	1,861,500	1,678,900	1,554,500	
All Other Operating Subtotal	23,161,800	23,552,000	26,847,400	23,562,400	25,049,300	
OPERATING SUBTOTAL	101,036,000	99,426,600	96,894,900	90,446,500	105,867,900	
SPECIAL LINE ITEMS						
SLIM Lump Sum Reduction	0	-717,000	-717,000	0	0	
Homeless & Runaway Youth	175,000	0	0	0	0	
AZTECS Modifications	401,800	547,700	338,800	338,800	338,800	
ASH Community Placement	21,000	118,300	0	138,000	43,300	
Assistance to Families	368,400	463,200	0	0	463,200	
DD Foster Care	1,696,400	2,635,600	0	0	2,000,000	
Housekeeping Payments	171,900	172,600	0	0	172,600	
Out-Of-District Placement	52,100	208,200	0	0	108,200	
DD Purchase of Care	17,549,700	18,804,500	0	0	19,690,500	
Stipends & Allowances	195,700	215,800	0	0	215,800	
Vocational Rehabilitation Contracts	0	396,100	0	0	0	
Acute Care	9,922,100	7,897,600	7,968,000	7,989,600	6,736,000	
Fee For Service	1,774,900	1,346,300	0	0	1,731,000	
LTC Foster Care	2,758,600	2,377,100	0	0	2,739,500	
LTC Purchase of Care	30,682,100	23,452,000	0	0	20,977,200	
AFDC	87,980,900	95,138,500	103,116,800	92,030,700	92,278,700	
Emergency Assistance	771,900	849,500	849,500	849,500	849,500	
General Assistance	16,287,500	15,441,700	15,066,800	15,143,900	15,162,600	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
Agency Summary

JLBC ANALYST: Cawley/Siegwarth
OSPB ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Tuberculosis Control	20,300	19,400	19,400	19,400	19,400	
Food Distribution Information	24,000	24,000	24,000	24,000	24,000	
Homeless Shelter	1,016,100	1,023,900	1,023,900	1,023,900	1,023,900	
Information and Referral	111,000	111,000	111,000	111,000	111,000	
Rural Food Bank Project	171,600	200,900	200,900	200,900	200,900	
Adoption Services	15,162,400	12,523,300	16,309,800	16,309,800	16,309,800	
Adult Services	8,174,600	8,444,100	9,109,800	8,545,500	8,524,600	
Children Services	36,249,500	39,456,800	40,289,800	40,320,900	37,788,200	
High Risk Infant Services	429,300	558,800	659,600	659,600	659,600	
Intensive Family Services	605,800	1,371,200	1,371,200	1,371,200	1,371,200	
Child Severance Project	189,200	189,200	189,200	189,200	189,200	
CMDP	3,354,900	3,354,900	4,321,900	3,426,700	2,794,900	
Day Care	12,510,400	11,590,300	15,542,700	13,697,200	12,510,700	
JOBS Child Care	1,135,300	1,078,100	2,170,800	1,852,200	2,213,100	
Independent Living Rehabilitation Services	531,300	552,700	552,700	552,700	552,700	
Vocational Rehabilitation Services	2,317,900	1,900,000	8,523,300	8,523,300	2,360,900	
Job Search Stipends	119,100	173,900	173,900	173,900	173,900	
Navajo Employment Service	202,000	0	0	0	0	
Other Receipts	-901,100	-2,000,000	-500,000	-500,000	-500,000	
Financial Reconciliation	311,000	0	0	0	0	
Automation Equipment	222,500	189,100	12,200	12,200	12,200	
Transitional Child Care	1,301,800	1,340,400	1,755,600	1,854,500	1,746,600	
JOBS	1,489,600	2,988,500	4,734,300	2,988,500	2,988,500	
FMCS Modification	131,300	131,300	132,300	132,300	132,300	
Lease-Purchase Equipment	970,100	1,452,500	1,381,700	1,381,700	1,381,700	
Institutional Support Payments	425,300	427,000	478,400	478,400	478,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
Agency Summary

JLBC ANALYST: Cawley/Siegwarth
OSP ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
LTC Ombudsman	96,700	116,600	117,000	117,100	117,100	
LTC ASH Community Placement	0	0	0	118,300	0	
Family Service Centers	0	0	0	500,000	0	
Healthy Families	0	0	0	1,750,000	0	
MEDICS	1,346,800	581,600	0	0	0	
Videotaping	98,500	200,700	200,700	202,000	202,000	
Public Assistance Collection Fund	124,600	211,500	254,000	214,000	248,800	
Phase II Conversion	0	311,000	311,000	311,000	311,000	
Case Management	0	0	10,373,900	9,440,000	0	
Institutional Services	0	0	7,119,900	6,046,600	0	
Home/Community Based Services	0	0	51,503,900	52,491,400	0	
Employment Support Services	0	0	0	0	6,162,400	
Special Item Subtotal	258,751,800	257,870,400	305,091,700	291,029,900	263,615,900	
AGENCY TOTAL	359,787,800	357,297,000	401,986,600	381,476,400	369,483,800	
BY FUND SOURCE						
General Fund	359,283,900	356,653,900	401,296,500	380,827,600	368,800,200	
Other Funds	503,900	643,100	690,100	648,800	683,600	
Federal Funds	491,048,400	542,042,700	576,571,300	--	576,571,300	
Other Non-Appropriated Funds	213,945,000	295,936,800	294,959,200	--	294,959,200	
AGENCY TOTAL - ALL SOURCES	1,064,781,200	1,195,276,500	1,273,517,100	381,476,400	1,241,014,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
Agency Summary

Agency Description - *The department provides an array of services for low income households and others in need. These services are provided through the following divisions: Developmental Disabilities, Benefits and Medical Eligibility, Aging and Community Services, Children and Family Services, Child Support Enforcement, and Employment and Rehabilitative Services. For further detail, see the specific program.*

The JLBC Staff recommends a total appropriation of \$369,483,800 -- a net increase of \$12,186,800, or 3.4%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$368,800,200 -- a net increase of \$12,146,300, or 3.4%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$683,600 -- a net increase of \$40,500, or 6.3%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (49,900) GF
 Maintains an average vacancy factor of 2.4%, although vacancy factors vary by program. The Executive recommends a vacancy factor of 1.8%.
- ERE Rate Changes 1,056,600 GF
3,200 OF
- FTE Positions 6,519,500 GF
 - Adds 171.3 new FTE positions as follows:
 - Adds 4 Fraud Investigators \$ 140,200
 - Adds 0.8 FTE positions for ADA compliance 118,100
 - Adds 32.9 DD/LTC Case managers 1,373,300
 - Adds 45 AFDC/Food Stamp Eligibility and Fraud Workers 1,700,800
 - Adds 14 Adult Protective Services Staff 500,000
 - Adds 70 Child Protective Services Workers 3,471,900
 - Adds 3 Child Care Staff 115,000
 - Adds 1.6 Employment and Rehabilitative Services FTE positions 119,100
 - Shifts a net (32.8) FTE positions to federal funding \$(1,018,900)
- Risk Management Changes (1,251,400) GF
- Bloodborne Pathogens 78,500 GF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

• Offset of Reduction in Federal Participation	534,400	GF
• Automation Upgrade	200,000	GF
• Lease-Purchase and Operations and Maintenance Payments	(28,800)	GF
• Special Line Items	5,087,400	GF
	37,300	OF
Major changes include:		
-- Developmental Disabilities Fund - Children's Waiting List/FY 1994 Base Adjustments	1,043,500	(GF)
-- Long Term Care - 4% Caseload Growth	1,879,400	(GF)
-- AFDC - 5% Caseload Growth, Child Support Offset, No Inflation and FY 1994 Base Adjustments	(2,859,800)	(GF)
-- General Assistance - 5% Caseload Growth, Annualize 1 Year Eligibility Savings	(279,100)	(GF)
-- Adoption Services	3,786,500	(GF)
-- Transfer of Children's Behavioral Health to the Department of Health Services	(2,800,000)	(GF)
-- Child Care	2,461,600	(GF)
-- JOBS	1,500,000	(GF)
-- Other Increases	355,300	(GF)
	37,300	(OF)

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items for the Programs

JLBC Staff Recommended Footnotes

Standard Footnotes

- The above appropriation is in addition to funds granted to the state by the federal government for the same purposes, but shall be deemed to include the sums deposited in the state treasury to the credit of the Department of Economic Security, pursuant to the provisions of A.R.S. § 42-1341.

Modified Footnotes

- A monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals, shall be forwarded to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Appropriations Committees, and the Director of the Joint Legislative Budget Committee by the twenty-fifth of the following month. The report shall include an estimate of (a) potential shortfalls in entitlement programs and (b) potential federal and other funds, such as the statewide assessment for indirect costs, and any projected surpluses in state-supported programs, that may be available to offset these shortfalls, (c) shortfalls resulting from new leases or renegotiation of current leases and associated costs, and (d) total expenditure authority of the Child Support Enforcement program for the month and year-to-date as compared to prior year totals. *(Underlined portions are new language that is recommended.)*

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
 PROGRAM: Administration

JLBC ANALYST: Cawley/Siegwarth
 OSPB ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	313.8	274.7	273.7	280.5	269.0	
OPERATING BUDGET						
Personal Services	8,084,700	8,357,000	8,804,000	8,667,900	8,443,000	
Employee Related Expenditures	1,899,700	1,701,000	1,977,800	1,907,700	1,856,700	
Professional/Outside Services	494,900	422,400	433,600	433,600	433,600	
Travel - In State	117,500	173,100	184,500	203,800	182,700	
Travel - Out of State	58,900	52,600	54,000	54,000	54,000	
Other Operating Expenditures	10,780,800	12,218,500	12,839,800	10,742,600	10,779,100	
Equipment	777,200	777,200	852,000	849,400	785,900	
All Other Operating Subtotal	12,229,300	13,643,800	14,363,900	12,283,400	12,235,300	
OPERATING SUBTOTAL	22,213,700	23,701,800	25,145,700	22,859,000	22,535,000	
SPECIAL LINE ITEMS						
SLIM Lump Sum Reduction	0	-717,000	-717,000	0	0	
AZTECS Modifications	401,800	547,700	338,800	338,800	338,800	
FMCS Modification	131,300	131,300	132,300	132,300	132,300	
Lease-Purchase Equipment	970,100	1,452,500	1,381,700	1,381,700	1,381,700	
MEDICS	1,346,800	581,600	0	0	0	
Public Assistance Collection Fund	124,600	211,500	254,000	214,000	248,800	
Special Item Subtotal	2,974,600	2,207,600	1,389,800	2,066,800	2,101,600	
PROGRAM TOTAL	25,188,300	25,909,400	26,535,500	24,925,800	24,636,600	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
 PROGRAM: Administration

JLBC ANALYST: Cawley/Siegwarth
 OSPB ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	25,063,700	25,697,900	26,281,500	24,711,800	24,387,800	_____
Other Funds	124,600	211,500	254,000	214,000	248,800	_____
Federal Funds	45,171,000	46,706,700	48,062,200	--	48,062,200	_____
Other Non-Appropriated Funds	1,505,900	2,200,200	1,403,000	--	1,403,000	_____
PROGRAM TOTAL - ALL SOURCES	71,865,200	74,816,300	76,000,700	24,925,800	74,101,800	_____

Program Description - *The program consists of the Office of the Director, the Divisions of Administrative Services, Business and Finance, and Data Administration. This program provides departmentwide administrative, research and evaluation, financial and computer automation support.*

The JLBC Staff recommends a total appropriation of \$24,636,600 -- a net decrease of \$(1,272,800), or (4.9)%, from the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$24,387,800 -- a net decrease of \$(1,310,100), or (5.1)%, from the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$248,800 -- a net increase of \$37,300, or 17.6%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ 1,400 GF
 Maintains a vacancy factor of 3%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 3%.

- **ERE Rate Changes** 131,400 GF

- **Other Operating Expenditures** (1,184,000) GF
 -- Reflects a decrease of \$(1,251,400) in risk management and a transfer in of \$96,200 for occupancy costs from the Medical Eligibility Determinations, Information and Control System (MEDICS) special line item. The recommended amount includes a decrease of \$(37,700) for the following lease-purchase payments.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

<u>Lease-Purchase Property</u>	<u>Appropriated 1994</u>	<u>Recommended 1995</u>	<u>Increase/ Decrease</u>
Capitol Center	\$ 130,800	\$ 110,600	\$(20,200)
Group Homes	90,400	90,400	-0-
DES West	934,900	933,400	(1,500)
Tucson State Office Building	281,200	281,400	200
Kingman RTC/Distressed	51,600	35,400	(16,200)
Total	<u>\$1,488,700</u>	<u>\$1,451,200</u>	<u>\$(37,700)</u>

- The amount also includes an increase of \$20,500 for operations and maintenance (O&M) charges for the Kingman RTC/Distressed building, which had not been previously budgeted. This O&M charge will be transferred to the Department of Administration (DOA), which will be responsible for providing the service, either directly or under contract. The amount also includes a decrease of \$(11,600) in private rent space by moving into this building.
- The amount reflects no change in the department's rent of state-owned space.
- Also includes the transfer of \$717,000 from the SLIM Lump Sum Reduction line item to the Other Operating Expenditure line.
- The Executive recommends a \$25,200 increase for lease-purchase payments. The Executive's recommendation differs from the JLBC Staff's because of a difference in the assumption of the FY 1995 Kingman lease-purchase requirement. The JLBC Staff's recommendation includes updated information from the DOA and DES.

• **Loss of Federal Match**

411,500 GF

Effective April 1, 1994, the federal government's enhanced funding for administrative costs in the Title IV-A Aid to Families with Dependent Children (AFDC) and Food Stamps programs will be eliminated. Current enhanced federal match rates are: Title IV-A Automation Systems, 90%; Fraud Detection, 75%; and Systematic Alien Verification for Entitlements (SAVE), 100%. On April 1, the federal match rate will be 50%. The JLBC Staff recommends additional state funding to replace the loss in federal funds, so as to maintain the same level of administrative service. The \$411,500 includes: Personal Services, \$187,500; Employee Related Expenditures, \$52,800; Professional and Outside Services, \$2,700; Travel - In State, \$7,400; Travel - Out of State, \$800; and Other Operating Expenditures, \$160,300. The Executive concurs with replacing the loss of federal funds and recommends \$383,600.

• **Automation Maintenance Costs**

200,000 GF

- Maintenance agreements are necessary for the department's mainframe computer systems to ensure prompt vendor response to any problems that arise. The amount provides for the rapidly rising costs of maintenance due to: (1) software version upgrades, and (2) new software products coming off warranty. The Executive did not concur with this recommendation.
- In addition, the JLBC Staff recommends that the department's Division of Data Administration develop an analysis for moving from predominantly mainframe use to either minicomputer or microcomputer use for many of its applications. The JLBC Staff recommends a new footnote requiring DES to provide a preliminary report of this analysis by October 1, 1994, before the \$200,000 is provided to the department.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Fraud Investigation Staff** 140,200 GF
 - Includes 4 state-funded FTE positions (8 total FTE positions—7 Investigators and 1 Information Processing Specialist). These positions will provide fraud investigation and detection for Family Assistance Administration eligibility workers. The \$140,200 includes: Personal Services, \$79,800; Employee Related Expenditures, \$21,700; Travel - In State, \$2,100; Other Operating Expenditures, \$35,400; and Equipment, \$1,200. In addition, JLBC Staff recommends 7.5 state (15 total) FTE positions in the Division of Benefits and Medical Eligibility Workers for fraud prevention.
 - Based on the Auditor General's performance audit in the Division of Benefits and Medical Eligibility, the JLBC Staff recommends that the new staff become more proactive in their activities to deter AFDC and Food Stamps fraud. The Auditor General recommended that Office of Special Investigations (OSI) staff expand their use of the following techniques to identify potential fraud cases: computer matching; profiles; random checking or targeting; enhanced training for eligibility workers; and use as intake fraud investigators. The JLBC Staff further recommends a footnote requiring DES to conduct a performance evaluation on the effect of adding additional FTE positions for fraud prevention, investigation and detection for the Food Stamp and AFDC programs. The footnote would require a preliminary report by December 1, 1994, with a final report by February 1, 1995, to be provided to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Appropriations Committees, and the Director of the Joint Legislative Budget Committee. The evaluation shall include an estimate of the annual cost of fraud and misrepresentation prior to and after the addition of the additional FTE positions. The evaluation shall also include a comparison of the effectiveness of pre-eligibility versus post-eligibility measures.
 - The Executive recommends 15 state-funded FTE positions and \$618,200 (total of 30 with matching federal funds of \$618,200) within the OSI.

- **American Disabilities Act (ADA) Compliance** 118,100 GF

Provides \$75,400 for compliance with ADA requirements in 211 DES leased buildings. Compliance improvements for DES owned buildings is included in the department's Capital Improvement Budget request. In addition, a 0.8 FTE positions and \$42,700 is included for the Office of Equal Opportunity to address the anticipated increase of ADA related complaints and federal compliance requirements. The U.S. Department of Labor, Office of Federal Contract Compliance Programs (OFCCP), as of July 22, 1993, mandated that in order to come into compliance, the Arizona Department of Economic Security must enter into a Conciliation Agreement in which it agrees to develop, maintain and implement an affirmative action program that is in compliance with 41 CFR 60-741.6 for as long as it holds federal contracts. These compliance mandates will increase workload and training requirements. The \$42,700 includes: Personal Services, \$18,700; Employee Related Expenditures, \$4,700; Professional and Outside Services, \$2,800; Travel - In State, \$1,200; Travel - Out of State, \$600; Other Operating Expenditures, \$7,200; and Equipment, \$7,500. The Executive concurs with this recommendation.

- **Reorganization Transfer** (268,400) GF

Includes transferring 10.5 state funded FTE positions and 8.5 other non-appropriated funded FTE positions and \$268,400 to the Divisions of Developmental Disabilities (DDD) and the Long Term Care System Fund (LTCSF). The transfer moves accounting staff to the divisions for whom accounting functions are being performed. The Executive concurs with the transfer and moves the positions and \$253,300.

- **Arizona Technical Eligibility Computer System (AZTECS) Modifications** (208,900) GF

Reflects a decrease of \$(287,200) in the lease-purchase payment and a state share increase of \$78,300. The \$(287,200) decrease reflects a change in the lease-purchase payment schedule due to delays in the acquisition of the computer equipment. The \$78,300 increase in the state match reflects the federal government's elimination on April 1, 1994 of enhanced funding for administrative costs in the Title IV-A, AFDC and Food Stamps programs. The Executive concurs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Financial Management and Control System (FMCS) Modification** 1,000 GF
 Reflects the increase in the state share of the match, due to the loss of the enhanced federal funding effective April 1, 1994. The Executive concurs.
- **Medical Eligibility Determinations, Information and Control System (MEDICS)** (581,600) GF
 The project will be completed at the end of FY 1994, which eliminates \$(485,400) and transfers \$(96,200) to the Other Operating Expenditure line to cover occupancy costs for approximately 40 FTE positions displaced from state space to private lease space with the installation of the new uninterrupted power supply for the new MEDICS central processing unit. The Executive concurs.
- **Lease-Purchase Equipment** (70,800) GF
 Reflects changes in the yearly lease-purchase payments for 4 different automation projects.

<u>Lease-Purchase Project</u>	<u>Appropriated 1994 Payment</u>	<u>Recommended 1995 Payment</u>	<u>Decrease</u>
AFDC Related Upgrade	\$ 26,800	\$ -0-	\$(26,800)
1st Mainframe Expansion	204,000	183,400	(20,600)
2nd Mainframe Expansion	488,200	464,800	(23,400)
CPU Growth	<u>733,500</u>	<u>733,500</u>	<u>-0-</u>
Total	<u>\$1,452,500</u>	<u>\$1,381,700</u>	<u>\$(70,800)</u>

The \$183,400 FY 1995 payment for the first Mainframe Expansion will be the final payment. The second Mainframe Expansion FY 1995 payment reflects a revision in the originally approved 5-year lease-purchase schedule, which decreased the payment by \$(112,000). This payment also reflects an increase of \$88,600 due to the elimination of the enhanced federal funding effective April 1, 1994. The CPU Growth lease-purchase schedule has also been revised from its originally approved schedule due to delays in the acquisition of the equipment, but the FY 1995 payment was not changed. The Executive concurs with this recommendation.

- **Public Assistance Collection Fund** 37,300 OF
 Reflects the inclusion of indirect and overhead costs associated with the operation of this program: \$30,700, Personal Services, and \$4,100, Employee Related Expenditures (ERE). Another \$2,800 is added for ERE Rate Changes. The Executive recommends an increase of \$500 for ERE Rate Changes.

JLBC Staff Recommended Format -- Lump Sum for the Program with Special Line Items

JLBC Staff Recommended Footnotes

New FY 1995 Footnotes

- Prior to the expenditure of \$200,000 for automation maintenance costs, the department is to submit to President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Appropriations Committees, and the Director of the Joint Legislative Budget Committee on or before October 1, 1994, a preliminary report analyzing the cost and timeframe for the department's movement from predominantly mainframe use to either minicomputer or microcomputer use for many of its applications.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- The department shall conduct a performance evaluation on the effect of adding additional FTE positions for fraud prevention and fraud investigation and detection in the Food Stamp and Aid to Families with Dependent Children programs. A preliminary report by December 1, 1994, with a final report by February 1, 1995, shall be provided to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Appropriations Committees, and the Director of the Joint Legislative Budget Committee. The evaluation shall include an estimate of the annual cost of fraud and misrepresentation prior to and after the addition of the new FTE positions. The evaluation shall also include a comparison of the effectiveness of pre-eligibility versus post-eligibility measures.

Deletion of Standard Footnote

- As authorized by Laws 1987, Chapter 55, the \$248,800 appropriated for public assistance collection is available for deposit into the Public Assistance Collection Fund (Personal Services, \$163,900; Employee Related Expenditures, \$39,800; and All Other Operating Expenditures, \$45,100. *(The footnote is no longer necessary.)*

Other Issues for Legislative Consideration

- **Add Staff to Council on Aging**

The Executive recommends adding a 0.5 FTE position and \$14,500 for the Governor's Advisory Council on Aging. This council has not received General Fund monies and has been supported by donations. The FY 1994 donations are estimated by the department to drop to \$26,800 from the FY 1993 level of \$46,100. The department estimates FY 1995 at the same level as FY 1994.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
 PROGRAM: Developmental Disabilities

JLBC ANALYST: Cawley/Siegwarth
 OSPB ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	489.0	474.3	478.9	448.2	446.3	
OPERATING BUDGET						
Personal Services	10,600,700	10,418,500	2,608,900	2,416,000	9,761,200	
Employee Related Expenditures	2,780,100	2,501,900	687,400	562,400	2,512,900	
Professional/Outside Services	589,200	878,400	351,300	351,200	878,400	
Travel - In State	150,500	243,000	24,200	24,100	254,300	
Food	277,100	204,200	0	0	204,200	
Other Operating Expenditures	1,179,000	790,200	540,900	541,100	831,800	
Equipment	0	0	0	0	83,500	
All Other Operating Subtotal	2,195,800	2,115,800	916,400	916,400	2,252,200	
OPERATING SUBTOTAL	15,576,600	15,036,200	4,212,700	3,894,800	14,526,300	
SPECIAL LINE ITEMS						
ASH Community Placement	21,000	118,300	0	138,000	43,300	
Assistance to Families	368,400	463,200	0	0	463,200	
DD Foster Care	1,696,400	2,635,600	0	0	2,000,000	
Housekeeping Payments	171,900	172,600	0	0	172,600	
Out-Of-District Placement	52,100	208,200	0	0	108,200	
DD Purchase of Care	17,549,700	18,804,500	0	0	19,690,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
 PROGRAM: Developmental Disabilities

JLBC ANALYST: Cawley/Siegwarth
 OSPB ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Stipends & Allowances	5,700	10,400	0	0	10,400	
Vocational Rehabilitation Contracts	0	396,100	0	0	0	
Case Management	0	0	6,742,200	5,525,400	0	
Institutional Services	0	0	3,745,300	3,240,000	0	
Home/Community Based Services	0	0	24,793,900	25,961,400	0	
Special Item Subtotal	19,865,200	22,808,900	35,281,400	34,864,800	22,488,200	
PROGRAM TOTAL	35,441,800	37,845,100	39,494,100	38,759,600	37,014,500	
BY FUND SOURCE						
General Fund	35,441,800	37,845,100	39,494,100	38,759,600	37,014,500	
Federal Funds	2,460,500	1,638,200	852,200	--	852,200	
Other Non-Appropriated Funds	272,900	148,400	114,100	--	114,100	
PROGRAM TOTAL - ALL SOURCES	38,175,200	39,631,700	40,460,400	38,759,600	37,980,800	

Program Description - *The Developmental Disabilities (DD) program provides 100% state funded services to individuals with mental retardation, cerebral palsy, autism and epilepsy. Clients eligible for the federal Title XIX program are funded through the separate Long Term Care (LTC) program. Beside contracting for services, the program a) operates the Arizona Training Programs at Coolidge and Tucson and smaller state-operated group homes and b) provides case management services to eligible recipients.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$37,014,500 -- a net decrease of \$(830,600), or (2.2)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ 25,400 GF
 Maintains a vacancy factor of 3%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 3%.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- ERE Rate Changes 174,700 GF

- FTE Positions 902,400 GF

The recommended amount adds 22 FTE positions for case management, a 20% increase over FY 1994. The department has not received an increase in FTE positions since FY 1991, while the caseload has grown 33.9% during that same time. The additional FTE positions will decrease the case manager's estimated average caseload from 75.6 to 67.4 clients. The Executive recommendation adds 24 FTE positions and \$1,022,900.

- Bloodborne Pathogens 39,900 GF

The recommended amount provides funding for vaccination of state employees who have occupational exposure to blood, in accordance with federal regulations. The Executive concurs.

- ASH Community Placement (75,000) GF

The recommended amount incorporates an estimated FY 1994 surplus. The recommended amount of \$43,300 will provide additional support services to non-Title XIX dually diagnosed clients from the Arizona State Hospital (ASH) in order that they may be placed in community settings. The number of clients from the current ASH population of 460 clients who may qualify for these services is not known at this time. Traditionally, this line item has only provided these support services to Title XIX clients who received residential services through the Title XIX LTC program. These additional support services included psychiatric care and support, day program activities, and short-term hospitalization if necessary. Funding for Title XIX clients is now listed as Support Services (100% State) under the Purchase of Care special line item in the Long Term Care program.

The Executive recommendation provides a total of \$138,000 to fund residential, adult day and support services for up to 4 non-Title XIX dually diagnosed clients who transition from ASH into a community placement. The Executive recommendation also creates a new special line item, LTC ASH Community Placement, in the Long Term program for funding Title XIX clients.

- Foster Care (635,600) GF

The recommended amount incorporates an estimated FY 1994 surplus. The recommended amount will provide services to 150 developmentally disabled children adjudicated dependent by the courts, which is the same as FY 1994. The Executive concurs.

- Out-of-District Placement (100,000) GF

The recommended amount incorporates an estimated FY 1994 surplus. The recommended amount will provide residential services for 4 children who must live outside of their own public school district in order to receive an appropriate educational placement. The Executive concurs.

- Purchase of Care 226,200 GF

The recommended amount incorporates an estimated FY 1994 surplus of \$(500,000) and includes the following "aging out issues":

 - \$115,100 for residential services for 7 clients who will attain 18 years of age in FY 1995 and will exceed the age limit for Foster Care;
 - \$466,300 to annualize residential services for 23 clients who turned 18 years of age in FY 1994;
 - \$28,200 for adult day services for 9 clients who will attain 22 years of age in FY 1995 and will exceed the age limit for public schools;
 - \$116,600 to annualize adult day services for 12 clients who turned 22 years of age in FY 1994;

The Executive concurs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Vocational Rehabilitation Contracts (123,500) GF
The recommended amount incorporates an estimated FY 1994 surplus. The recommended amount will provide services to 265 clients, which is the same as FY 1994. The Executive concurs.
- Waiting List 1,751,400 GF
The recommendation provides services for the 473 children on the waiting list, at an average cost of \$3,702.75 per client. The funding will address the 17 clients awaiting residential and support services to avoid institutionalization. In addition, 409 clients will receive preventative services, such as therapies and day programs, in order to reduce more acute needs later in the client's life. Another 344 children, which includes some of the children in the previous categories, receive additional support to complement the services they currently receive. Examples of these additional services would be: respite care, transportation, community living skills and therapies. The Executive concurs, but recommends an additional \$1,467,000 to include 118 adults who are waiting for residential and preventative services.
- Transfer of Employment Related Programs to the Division of Employment and Rehabilitative services (DERS) (1,364,200) GF
The recommended amount includes a transfer out of \$(1,091,600) from the Purchase Of Care special line item and a transfer out of \$(272,600) from the Vocational Rehabilitation Contracts special line item to the DERS. These programs were transferred to DERS in FY 1994 as the division has traditionally provided these services through transfers of funding from DD, in order for clients to participate in the federally matched programs managed by DERS. DERS will now also provide 100% state-funded employment support services, which were previously provided by the DD program. The Executive concurs.
- Transfer In from the Division of Administration 156,300 GF
Transfer in of 6.1 FTE accounting positions from the Division of Administration. The Executive concurs.
- Transfer Out to Long Term Care (LTC) (1,808,600) GF
Transfer out of (1.5) Mental Health FTE positions and \$(45,800) to consolidate the unit in the LTC budget, where it is more appropriately matched by federal revenues. The recommended amount also transfers out (54.6) FTE positions and \$(1,762,800) to LTC to more accurately reflect the division of labor between the 2 programs. The Executive concurs, but recommends a transfer out of \$(1,700,000) and (54.7) FTE positions associated with the division of labor between the 2 programs.

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items for the Program

JLBC Staff Recommended Footnotes

Continuation of New FY 1994 Footnotes

- The department shall report to the Joint Legislative Budget Committee, upon completion of contract negotiations for the first quarter, the difference between appropriated and contracted rates and the impact any difference may have on the division.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Other Issues for Legislative Consideration

- **Executive Recommendation**

The Executive recommendation includes a new structure for the division which is more in line with the way federal revenues are received by the LTC program. The capitated rates in the LTC program consist of acute care, case management, institutional services, home and community based services, and administration.

The JLBC Staff does not recommend the new structure, as it moves the funding for 363.6 FTE positions, or 75.9%, to special line items. In addition, 3 special line items, ASH Community Placement, Assistance to Families and Out of District Placement, are specific 100% state-funded programs which would become part of the Home and Community Based special line item. The new appropriation structure would reduce the visibility and control of the legislature over these programs and FTE positions.

- **Adjustment for Pre-Admission Screening (PAS) Changes**

AHCCCS will begin using a new medical assessment test or PAS instrument in FY 1994 to determine eligibility for the LTC program. The new PAS instrument may begin to disenroll former DD program clients who were moved to the federally matched LTC program, as they qualified for the LTC program under the old PAS instrument. Recertification of these clients will begin in January 1995. Due to a 60-day appeal process, the impact of the new PAS instrument will not occur until April 1995. As an example, if 20% of the non-institutional and residential clients were disenrolled, the loss of federal funding for these clients would be approximately \$3 million. This funding would either need to be replaced with state funds or services would be reduced to these clients.

- **Auditor General's Performance Audit**

The 5 findings of the Auditor General's report address the need for policy changes and implementation, reduction of paperwork, and increased staff levels. The JLBC Staff recommendation includes 24 FTE positions and \$1,082,200 for the 100% state-funded DD program and 32 FTE positions and \$329,400 (GF) and \$2,462,900 (TF) for the Long Term Care program to address case management and other caseload growth needs. The 100% state-funded DD program has not received an increase in FTE positions since FY 1991. The findings are as follows:

- Finding I - The division needs to more adequately implement its policies for assessing and planning individual client services.
- Finding II - The division's case management system cannot effectively service clients.
- Finding III - The division can improve its system for investigating client abuse and neglect.
- Finding IV - Licensing Inspections need to be more timely and enforcement should be strengthened.
- Finding V - The division needs to continue and extend efforts to strengthen its contracting process.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
PROGRAM: Long Term Care

JLBC ANALYST: Cawley/Siegwarth
OSP ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION		FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	(GF)	340.3	224.4	241.2	272.2	259.8	
	(TF)	979.1	944.9	995.8	1,050.5	1,050.4	
OPERATING BUDGET							
Personal Services	(GF)	7,584,600	4,912,500	908,100	1,028,300	5,640,300	
	(TF)	20,611,100	20,758,300	3,768,700	3,939,600	22,923,700	
Employee Related Expenditures	(GF)	1,347,500	1,125,900	228,300	261,000	1,456,400	
	(TF)	4,870,300	4,974,800	948,100	1,049,300	5,903,900	
Professional/Outside Services	(GF)	442,400	515,800	386,900	386,900	515,800	
	(TF)	2,103,300	2,254,400	1,690,800	1,690,700	2,254,400	
Travel - In State	(GF)	280,400	124,800	6,700	6,700	135,600	
	(TF)	553,500	521,700	27,800	27,800	553,800	
Travel - Out of State	(GF)	0	0	0	0	0	
	(TF)	0	400	400	400	400	
Food	(GF)	309,600	242,700	0	0	242,700	
	(TF)	580,800	582,800	0	0	582,800	
Other Operating Expenditures	(GF)	777,900	378,500	355,100	346,000	631,600	
	(TF)	1,944,700	1,602,800	1,364,600	1,527,100	2,349,400	
Equipment	(GF)	6,100	0	2,500	2,500	50,100	
	(TF)	50,700	0	7,300	7,300	146,900	
All Other Operating Subtotal	(GF)	1,816,400	1,261,800	751,200	742,100	1,575,800	
	(TF)	5,233,000	4,962,100	3,090,900	3,253,300	5,887,700	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
 PROGRAM: Long Term Care

JLBC ANALYST: Cawley/Siegwarth
 OSPB ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION		FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
OPERATING SUBTOTAL	(GF)	10,748,500	7,300,200	1,887,600	2,031,400	8,672,500	_____
	(TF)	30,714,400	30,695,200	7,807,700	8,242,200	34,715,300	_____
SPECIAL LINE ITEMS							
Acute Care	(GF)	9,922,100	7,897,600	7,968,000	7,989,600	6,736,000	_____
	(TF)	20,248,400	22,383,800	29,764,200	29,824,700	24,572,600	_____
Fee For Service	(GF)	1,774,900	1,346,300	0	0	1,731,000	_____
	(TF)	5,051,000	5,715,200	0	0	6,536,900	_____
LTC Foster Care	(GF)	2,758,600	2,377,100	0	0	2,739,500	_____
	(TF)	6,291,100	8,480,900	0	0	8,820,100	_____
LTC Purchase of Care	(GF)	30,682,100	23,452,000	0	0	20,977,200	_____
	(TF)	76,756,600	81,719,600	0	0	81,698,900	_____
Stipends & Allowances	(GF)	190,000	205,400	0	0	205,400	_____
	(TF)	190,000	205,400	0	0	205,400	_____
Case Management	(GF)	0	0	3,631,700	3,914,600	0	_____
	(TF)	0	0	15,001,100	15,763,100	0	_____
Institutional Services	(GF)	0	0	3,374,600	2,806,600	0	_____
	(TF)	0	0	9,453,600	8,977,600	0	_____
Home/Community Based Services	(GF)	0	0	26,710,000	26,530,000	0	_____
	(TF)	0	0	96,023,200	95,559,100	0	_____

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
PROGRAM: Long Term Care

JLBC ANALYST: Cawley/Siegwarth
OSP ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION		FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
LTC ASH Community Placement	(GF)	0	0	0	118,300	0	
	(TF)	0	0	0	118,300	0	
Special Item Subtotal	(GF)	45,327,700	35,278,400	41,684,300	41,359,100	32,389,100	
	(TF)	108,537,100	118,504,900	150,242,100	150,242,800	121,833,900	
PROGRAM TOTAL	(GF)	<u>56,076,200</u>	<u>42,578,600</u>	<u>43,571,900</u>	<u>43,390,500</u>	<u>41,061,600</u>	
	(TF)	<u>139,251,500</u>	<u>149,200,100</u>	<u>158,049,800</u>	<u>158,485,000</u>	<u>156,549,200</u>	
BY FUND SOURCE							
General Fund	(GF)	56,076,200	42,578,600	43,571,900	43,390,500	41,061,600	
Other Non-Appropriated Funds	(OF)	83,175,300	106,621,500	114,477,900	115,094,500	115,487,600	
PROGRAM TOTAL - ALL SOURCES	(GF)	<u>56,076,200</u>	<u>42,578,600</u>	<u>43,571,900</u>	<u>43,390,500</u>	<u>41,061,600</u>	
	(TF)	<u>139,251,500</u>	<u>149,200,100</u>	<u>158,049,800</u>	<u>158,485,000</u>	<u>156,549,200</u>	

Program Description - The Long Term Care (LTC) program provides services to individuals with mental retardation, cerebral palsy, autism and epilepsy, who are eligible for the federal Title XIX program. Title XIX is an entitlement program -- any individual meeting the financial and functional requirements must receive assistance. To qualify for federal funding, an individual must have an income below 300% of the Supplemental Security Income (SSI) eligibility limit and have certain functional needs. Clients not eligible for the federal program are funded through the 100% state Developmental Disabilities (DD) program. Besides contracting for services, the program a) operates the Arizona Training Programs at Coolidge and Tucson and smaller state-operated group homes, and b) provides case management services to eligible recipients.

The JLBC Staff recommends a total appropriation of \$41,061,600 in State General Funds (GF) and \$156,549,200 in Total Expenditure Authority (TF) -- a net decrease of \$(1,517,000) (GF), or (3.6)% (GF), from the adjusted FY 1994 General Fund appropriation, and a net increase of \$7,349,100 (TF), or 4.9% (TF), to the FY 1994 Total Expenditure Authority.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (28,400) GF
(84,800) TF

Maintains a vacancy factor of 3%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 3%.
- ERE Rate Changes 137,400 GF
354,400 TF
- New FTE Positions 470,900 GF
1,380,700 TF

The recommended amount adds 10.9 (GF) and 32 (TF) FTE positions for case management, a 7.9% increase over FY 1994. The department has not received an increase in FTE positions since FY 1993, while the caseload has grown 7% during that same time. The additional FTE positions will decrease the case manager's estimated average caseload from 38.2 to 37 clients. The Executive concurs.
- Transfers from the Division of Administration 112,300 GF
329,100 TF

Transfer in of 4.4 (GF) and 12.9 (TF) FTE positions and accounting functions to the division. The Executive concurs.
- Transfer In from the Division of Developmental Disabilities 45,800 GF
180,200 TF

Transfer in of 1.5 (GF) and 6 (TF) Mental Health FTE positions to consolidate the unit where it is more appropriately matched by federal revenues. The Executive concurs.
- Transfer In from the Division of Developmental Disabilities 601,000 GF
1,762,800 TF

Transfer in of 18.6 (GF) and 54.6 (TF) FTE positions from the 100% state-funded DD program to more accurately reflect the division of labor between the 2 programs. As the federal government participates in the Long Term Care program, they will fund a share of the cost. The net General Fund savings across the 2 programs is \$1,161,800. The Executive recommends \$817,800 (GF) and \$1,700,000 (TF) and 31 (GF) and 54.7 (TF) FTE positions.
- Bloodborne Pathogens 33,300 GF
97,700 TF

The recommended amount provides funding for vaccination of state employees who have occupational exposure to blood, in accordance with federal regulations. The Executive concurs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Acute Care (1,161,600) GF
2,188,800 TF

The recommended amount includes \$384,400 (GF) and \$1,127,200 (TF) for 5% medical inflation and \$307,500 (GF) and \$901,800 (TF) for caseload growth of 4%. Caseload growth would add 275 clients over estimated FY 1994, for a total of 6,815 in FY 1995. The recommended amount also incorporates a (GF) FY 1994 surplus as a result of increased federal participation, for a reduction of \$(1,853,500) (GF) and an increase of \$159,800 (TF) to adjust for an estimated (TF) FY 1994 deficit. The Executive recommends \$(1,471,700) (GF) and \$1,430,200 (TF) based on 6% caseload growth and no adjustment for inflation.

- Fee for Service 384,700 GF
821,700 TF

The recommended amount includes \$384,700 (GF) and \$821,700 (TF) for caseload growth as intergovernmental agreements are expanding these services to Native Americans. Medically fragile children and on-reservation American Indians receive assistance on a traditional fee-for-service basis, rather than through a capitated system. Services will be provided for 34 medically fragile children and 362 on-reservation American Indians. The Executive concurs.

- Foster Care 362,400 GF
339,200 TF

The recommended amount includes \$362,400 (GF) and \$339,200 (TF) for caseload growth of 6%. The lower (TF) amount represents a shift of \$284,400 from Title XIX funding to 100% state funding. The recommended amount provides services to 402 developmentally disabled children, adjudicated dependent by the courts. The recommended amount funds 94 children in residential settings, 295 in family settings, and 13 in other settings. The Executive concurs in (TF).

- Purchase of Care 2,293,900 GF
4,748,000 TF

The recommended amount provides for 4% growth over FY 1994. The Executive recommendation of \$3,505,800 (GF) and \$5,466,500 (TF) provides for 6% growth over FY 1994. In addition to a difference in the growth rates, the JLBC Staff recommendation and the Executive recommendations differ in the FY 1994 estimated allocation of funds for the services shown below. The JLBC Staff recommends a 4% growth over the caseload levels funded in the FY 1994 budget. Based upon the department's monthly "Overview and Statistical Abstract", year-to-date caseloads are generally in line with budgeted levels. The Executive recommendation is based upon estimates in the department's budget request which are significantly higher. The JLBC Staff did not use these budget estimates, for example, as the abstract does not support an estimate of 18.2% growth in FY 1994 for residential services.

-- Residential Services -			
FY 1994 Annualization of 31 Clients Aging Out from Foster Care	\$165,200	GF	\$ 484,600 TF
FY 1995 Aging Out of 10 New Clients from Foster Care	51,500	GF	151,100 TF
Caseload Growth of 4%	<u>567,500</u>	GF	<u>1,664,300</u> TF
Total	<u>\$784,200</u>	GF	<u>\$2,300,000</u> TF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The JLBC Staff recommendation provides 4% caseload growth or an additional 62 clients for a total of 1,625 clients in FY 1995. The Executive recommends \$1,864,600 (GF) and \$3,773,200 (TF) based on a 6% growth rate and a higher FY 1994 base.

-- Room and Board -				
FY 1994 Annualization of 31 Clients Aging Out from Foster Care	\$ 73,600	GF	\$ 73,600	TF
FY 1995 Aging Out of 10 New Clients from Foster Care	24,800	GF	24,800	TF
Caseload Growth of 4%	<u>236,600</u>	GF	<u>236,600</u>	TF
Total	<u>\$335,000</u>	GF	<u>\$335,000</u>	TF

The JLBC Staff recommendation provides 4% caseload growth or an additional 62 clients for a total of 1,625 clients in FY 1995. The Executive recommends \$972,600 (GF and TF).

-- Adult Day (100% State)				
FY 1994 Annualization of 23 Clients Aging Out from School	\$106,800	GF	\$106,800	TF
FY 1994 Annualization of 31 Clients Aging Out from Foster Care	367,700	GF	367,700	TF
Caseload Growth of 4%	<u>169,100</u>	GF	<u>169,100</u>	TF
Total	<u>\$643,600</u>	GF	<u>\$643,600</u>	TF

The JLBC Staff recommendation provides 4% caseload growth or an additional 29 clients for a total of 748 clients in FY 1995. The Executive recommends \$(154,500) (GF and TF) based on 6% growth and a lower estimate for FY 1994.

-- Adult Day (Title XIX)				
FY 1994 Annualization of 23 Clients Aging Out from School	\$ 32,500	GF	\$ 95,300	TF
FY 1995 Aging Out of 50 New Clients from School	51,100	GF	149,900	TF
Caseload Growth of 4%	<u>166,900</u>	GF	<u>489,500</u>	TF
Total	<u>\$250,500</u>	GF	<u>\$734,700</u>	TF

This provides caseload growth of 4%, or an additional 57 clients, for a total of 1,482 in FY 1995. The Executive recommends \$376,100 (GF) and \$415,700 (TF) based on 6% growth and a lower estimate for FY 1994.

-- Children Services (100% State)				
Caseload Growth of 4%	<u>\$45,700</u>	GF	<u>\$45,700</u>	TF
Total	<u>\$45,700</u>	GF	<u>\$45,700</u>	TF

This provides for caseload growth of 4%, or an additional 30 clients, for a total of 773 clients in FY 1995. The Executive recommends \$133,400 (GF and TF) based on 6% growth and a higher estimate for FY 1994.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

-- Children Services (Title XIX)			
Caseload Growth of 4%	\$23,800	GF	\$ 69,800 TF
Total	\$23,800	GF	\$69,800 TF

This provides caseload growth of 4%, or an additional 39 clients, for a total of 1,004 clients in FY 1995. The Executive recommends \$(68,900) (GF) and \$(386,200) (TF) based on 6% growth and a lower estimate for FY 1994.

-- Support Services (100% State)			
	\$0	GF	\$0 TF

Maintains FY 1994 funding of \$118,400 (GF & TF) to provide services for a caseload of 31 Title XIX clients from the Arizona State Hospital. The Executive recommends that \$118,300 (GF & TF) be placed in its own special line item "Ash Community Placement" within the LTC budget.

-- Support Services (Title XIX)			
Aging Out	\$ 10,300	GF	\$ 30,100 TF
Caseload Growth of 4%	200,800	GF	589,100 TF
Total	\$211,100	GF	\$619,200 TF

FY 1994 represents an increase of 4% in total funds available over FY 1995. The Executive recommends \$500,900 (GF) and \$830,700 (TF) based on 6% growth and a lower estimate for FY 1994.

- Transfer of Employment Related Programs to the Division of Employment and Rehabilitative Services (DERS) (4,768,700) GF
(4,768,700) TF

These programs were transferred to DERS in FY 1994, as the division has traditionally provided these services through transfers of funding from LTC in order for clients to participate in the federally matched programs managed by DERS. DERS will now also provide 100% state funded employment support services, which were previously provided by the LTC program. The remaining 100% state funded Adult Day portion of \$103,000 (GF and TF) in the LTC program will provide educational day programming for 89 LTC clients in FY 1995. The Executive recommends a transfer of \$3,659,200 (GF and TF), based on a lower estimate than the FY 1994 appropriation for 100% state-funded services.

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items for the Program

JLBC Staff Recommended Footnotes

Continuation of New FY 1994 Footnotes

- The department shall report to the Joint Legislative Budget Committee, upon completion of contract negotiations for the first quarter, the difference between appropriated and contracted rates and the impact any difference may have on the division.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Other Issues for Legislative Consideration

- **Executive Recommendation**

The Executive recommendation includes a new structure for the division which is more in line with the way federal revenues are received by the Long Term Care (LTC) program. As the capitated rates in the LTC program consist of acute care, case management, institutional services, home and community based services, and administration, the Executive recommendation also makes these categories special line items.

The JLBC Staff does not recommend the new structure as it moves the funding for 874 FTE positions, or 83.2%, to special line items. A special line item appropriation, which includes FTE positions, is essentially a lump sum appropriation. This appropriation format would give the department the ability to use monies appropriated for client services to be used for Personal Services, etc.

- **Health Care Financing Administration (HCFA) Rate Renegotiation**

It is anticipated that rate renegotiations in FY 1995 may realign federal revenues with the Federal Medical Assistance Percentage (FMAP) at a cost of up to \$12,003,900 (GF). In addition, rate renegotiations for FY 1994 are not yet completed. Upon completion of the rate renegotiations, the General Fund portion of the JLBC Staff and Executive recommendations may need to be modified to reflect this new relationship.

- **Auditor General's Performance Audit**

See the Division of Developmental Disabilities.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
 PROGRAM: Benefits & Medical Eligibility

JLBC ANALYST: Cawley/Siegwarth
 OSPB ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	758.2	758.2	840.7	807.3	802.2	
OPERATING BUDGET						
Personal Services	15,522,900	16,167,000	17,876,300	17,095,800	17,003,800	
Employee Related Expenditures	3,827,000	3,953,500	4,809,000	4,515,800	4,489,200	
Professional/Outside Services	142,700	270,700	316,200	302,200	300,100	
Travel - In State	295,000	382,500	483,600	445,700	439,900	
Other Operating Expenditures	3,505,400	3,145,000	4,178,400	3,786,600	3,726,800	
Equipment	23,400	0	90,900	54,500	49,000	
All Other Operating Subtotal	3,966,500	3,798,200	5,069,100	4,589,000	4,515,800	
OPERATING SUBTOTAL	23,316,400	23,918,700	27,754,400	26,200,600	26,008,800	
SPECIAL LINE ITEMS						
AFDC	87,980,900	95,138,500	103,116,800	92,030,700	92,278,700	
Emergency Assistance	771,900	849,500	0	0	0	
General Assistance	16,287,500	15,441,700	15,066,800	15,143,900	15,162,600	
Tuberculosis Control	20,300	19,400	19,400	19,400	19,400	
Institutional Support Payments	0	0	478,400	478,400	478,400	
Family Service Centers	0	0	0	500,000	0	
Special Item Subtotal	105,060,600	111,449,100	118,681,400	108,172,400	107,939,100	
PROGRAM TOTAL	128,377,000	135,367,800	146,435,800	134,373,000	133,947,900	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
 PROGRAM: Benefits & Medical Eligibility

JLBC ANALYST: Cawley/Siegwarth
 OSPB ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	128,377,000	135,367,800	146,435,800	134,373,000	133,947,900	
Federal Funds	217,404,900	239,757,800	259,092,300	--	259,092,300	
PROGRAM TOTAL - ALL SOURCES	345,781,900	375,125,600	405,528,100	134,373,000	393,040,200	

Program Description - The program develops policy and operating procedures, determines eligibility, pays benefits and carries out an evaluation and monitoring program for Food Stamps, Aid to Families with Dependent Children (AFDC), General Assistance, Institutional Support Payments, and Tuberculosis Control.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$133,947,900 -- a net decrease of \$(1,419,900), or (1.1)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (10,900) GF
 Maintains a vacancy factor of 1%. The Executive recommends a vacancy factor of 1%.
- **ERE Rate Changes** 302,300 GF
- **Eligibility Workers** 1,700,800 GF
 The recommended amount adds 37.5 FTE positions due to 5% caseload growth in the Aid to Families with Dependent Children (AFDC) and Food Stamp programs. Since the federal government will match AFDC/Food Stamp state administrative expenses on a dollar-for-dollar basis, this will result in a total increase of 75 FTE positions. As the department's request for Eligibility Interviewers was based on 9.2% Food Stamp and 10% AFDC caseload growth rates, the JLBC Staff recommendation represents an adjustment for lower caseload growth. In addition, the JLBC Staff recommendation includes 7.5 state funded and 15 total FTE positions to focus on up-front fraud prevention, for a total of 90 new FTE positions.

The Executive recommends an increase of \$1,893,500 and 50.1 state-funded FTE positions, also based on an adjustment for lower caseload growth. The Executive recommendation includes associated staff to open 2 additional local offices.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Reduction of Federal Participation to 50%** 122,900 GF
Effective April 1, 1994, the federal government will reduce its participation in funding for AFDC and Food Stamp administrative costs to 50%. The department had been receiving 90% on certain automation projects, 75% on fraud detection and 100% on Systematic Alien Verification for Entitlement (SAVE). The JLBC Staff recommendation offsets this loss of federal dollars with state funds. The Executive concurs.
- **AFDC Caseload Growth** (2,859,800) GF
The recommended amount incorporates an estimated FY 1994 surplus of \$(6,365,000), a decrease of \$(1,059,500) due to increased federal participation, a decrease of \$(1,200,000) associated with an increase of the State Share of Retained Earnings (SSRE) from child support collections used to offset the costs of the AFDC program, and provides \$5,764,700 for 10,338 new recipients, or 5% caseload growth over the estimated FY 1994 population in the single-parent program, and provides for 275 new recipients, or 5% growth in the 2-parent program. This adjustment would provide for an average population of 212,312 recipients in the single-parent program and 5,641 recipients in the 2-parent program. Overall savings are the result of caseload growth decreasing from 15.7% in the beginning of FY 1992 to 7.6% in the beginning of FY 1993. The Executive recommends a decrease of \$(2,607,800), which incorporates a different FY 1994 base.

The JLBC Staff recommendation does not provide \$5,826,700 for a 6.2% benefit increase in the average payment level, as provided by law. A.R.S. § 46-207.01 ties the AFDC benefit level to 36% of the federal poverty level (FPL). As the FPL is adjusted annually for inflation, the AFDC benefit level is automatically adjusted for inflation. The statute also requires any foregone benefit increases to be recouped in the following year. Since Laws 1993, Chapter 5 (H.B. 2006), 2nd Special Session, suspended the adjustment for FY 1994, the 6.2% benefit increase represents both the FY 1994 and FY 1995 adjustment. The maximum payment for a family of 3 is projected to increase to \$369 from the current maximum benefit of \$347. The Executive concurs.
- **General Assistance Caseload Growth** (279,100) GF
The recommended amount provides an increase of \$806,500 for 450 new recipients, or 5% caseload growth over the estimated FY 1994 population, for an average caseload of 9,450 recipients.

The recommended amount also provides for a decrease of \$(2,176,200) and (1,170) recipients or (13)% from the estimated FY 1994 population. Laws 1993, Chapter 5 (H.B. 2006), 2nd Special Session, limits General Assistance eligibility to 12 months out of every 36-month period. It is estimated that 13% of the caseload will receive benefits continuously during FY 1994 and, therefore, be disenrolled from the program in FY 1995. Further savings are anticipated in FY 1996 and FY 1997 as some recipients will enter, exit, and then re-enter the program several times during the 36-month time period.

The recommended amount provides an increase of \$1,198,500 to correct for an overestimate in the FY 1994 budget of the savings from converting recipients to the federal Supplemental Security Income (SSI) program. A requirement of the General Assistance program is that applicants with long term disabilities apply for the SSI program and that retroactive payments be sent to DES for offsetting the General Assistance benefits received by the recipients while waiting for SSI approval. An average of \$726 per case will be reimbursed by the Social Security Administration. The FY 1994 appropriation was based on the conversion of 820 clients for savings of \$(1,525,200). It is now estimated that the conversion of 450 recipients will provide a total savings of \$(326,700) through retroactive recovery of SSI payments.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The recommended amount provides for a decrease of \$(107,900), as the number of medical examinations will decrease by (13)% with the declining caseload and the average cost of medical examinations is estimated to decrease from \$52.71 to \$45.00 per exam.

The Executive recommends a decrease of \$(297,800).

- **Transfer of Emergency Assistance to the Division of Aging & Community Services (DACS)** (874,500) GF
The transfer, which includes 1 FTE position, will allow these funds to be coordinated with other temporary emergency programs provided by DACS. The Executive concurs.
- **Transfer of Institutional Support Payments from the Division of Aging & Community Services** 478,400 GF
As this program is primarily a cash assistance program and the division currently processes and mails out the support checks, it is more appropriately administered in this division. The recommended amount includes an increase of \$51,400 for an additional 55 recipients, or 7.4% caseload growth over estimated FY 1994. Estimated FY 1995 caseload includes an average of 791 supervisory care clients who receive a \$50 monthly payment and an average of 4 private nursing home clients who receive an \$80 monthly payment. The Executive concurs.

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items for the Program

JLBC Staff Recommended Footnotes

Continuation of New FY 1994 Footnotes

- The operating lump sum appropriation may be expended on AHCCCS eligibility determinations based upon the results of the Arizona random moment sampling survey.

Other Issues for Legislative Consideration

- **Executive Recommendation**
The Executive recommends \$500,000 and 5 FTE positions to open family service centers in 10 school districts. Since the federal government will match AFDC/Food Stamp state administrative expenses on a dollar-for-dollar basis, this will result in a total increase of 10 FTE positions. DES workers will be located at schools on a full-time basis to allow families to apply for food stamps, AFDC, child care subsidies and AHCCCS. These family service centers will also distribute emergency funds to families facing short-term crises and provide job training classes, emergency food banks, clothing banks and child day care. The department estimates that each office will contain 18 FTE positions. The JLBC Staff does not recommend this issue due to inefficiencies associated with creating numerous mini-DES offices.
- **Food Stamp Sanctions**
DES is facing a federal sanction of \$2,494,500 for a Food Stamp error rate of 13.35% in FY 1992, which was above the tolerance level of 10.69%. Changes in the federal law regarding error rate tolerances, the method used to calculate sanctions and request for good cause waivers has put the sanction on hold. After the federal government issues regulations for the new system, the state will be notified of its liability and rights of appeal.
- **Auditor General's Report**
The department and the JLBC concur with the 2 findings contained in the report. The findings are:

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Finding I** - The department is taking steps to reduce errors. The department is continuing to address this problem through training and organizational change. The report cites that tremendous caseload growth, lagging staff levels, and the division's focus on timeliness has contributed to the error rates. The decrease in caseload growth from 20% to 5% and the JLBC Staff recommendation of an additional 75 new FTE positions and \$1,417,200 should assist in the reduction of error rates. The department is also evaluating the feasibility and cost-benefit of upgrading its automation capabilities to an "expert system."
- **Finding II** - The department needs to strengthen efforts to prevent and detect fraud. The department has increased training, stationed investigators in local offices and began discussions with neighboring states to begin a computer matching program. The department is also evaluating whether to pursue administrative sanctions against individuals who attempt to obtain benefits fraudulently. The JLBC Staff recommendation includes 15 new FTE positions and \$283,600 above for fraud prevention. An additional 8 new FTE positions and \$140,200 for fraud investigation and detection is included under the JLBC Staff recommendation for the Division of Administration.

The department is currently undertaking a study to determine the annual cost of fraud and misrepresentation, as it disagrees with the Auditor General's estimate of \$107 million. With the DES study as a baseline, the JLBC Staff recommend a footnote in the Division of Administration for a performance evaluation to be conducted on how the effect the additional staff within the 2 divisions for fraud prevention and investigation have affected the annual cost of fraud and misrepresentation.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
 PROGRAM: Child Support Enforcement

JLBC ANALYST: Cawley/Siegwarth
 OSPB ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	87.3	87.3	87.3	87.3	87.3	
OPERATING BUDGET						
Personal Services	1,591,400	1,677,300	1,694,200	1,677,300	1,677,300	
Employee Related Expenditures	453,900	447,900	497,600	464,600	464,800	
Professional/Outside Services	76,000	75,200	75,200	75,200	75,200	
Travel - In State	9,000	9,100	9,100	9,100	9,100	
Other Operating Expenditures	103,900	104,700	104,700	104,700	104,700	
All Other Operating Subtotal	188,900	189,000	189,000	189,000	189,000	
OPERATING SUBTOTAL	2,234,200	2,314,200	2,380,800	2,330,900	2,331,100	
SPECIAL LINE ITEMS						
Financial Reconciliation	311,000	0	0	0	0	
Automation Equipment	222,500	189,100	12,200	12,200	12,200	
Phase II Conversion	0	311,000	311,000	311,000	311,000	
Special Item Subtotal	533,500	500,100	323,200	323,200	323,200	
PROGRAM TOTAL	2,767,700	2,814,300	2,704,000	2,654,100	2,654,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
 PROGRAM: Child Support Enforcement

JLBC ANALYST: Cawley/Siegwarth
 OSPB ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	2,767,700	2,814,300	2,704,000	2,654,100	2,654,300	
Federal Funds	19,460,000	27,753,100	31,122,300	--	31,122,300	
Other Non-Appropriated Funds	4,993,200	7,430,300	7,279,500	--	7,279,500	
PROGRAM TOTAL - ALL SOURCES	27,220,900	37,997,700	41,105,800	2,654,100	41,056,100	

Program Description - *The program provides intake services; locates absent parents; establishes the legal obligation for, and the amount of, child support payments; and evaluates the absent parent's ability to pay. The program also collects, enforces, investigates and works with the courts to review and adjust child support orders.*

The JLBC Staff recommends a total appropriation of \$2,654,300 -- a net decrease of \$(160,000), or (5.7)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ -0- GF
 Maintains a vacancy factor of 1%. The Executive recommends a vacancy factor of 1%.
- ERE Rate Changes 16,900 GF
- Automation Equipment (176,900) GF
 Represents the final lease-purchase payment for equipment purchased in FY 1990. The Executive concurs.

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items for the Program

Other Issues for Legislative Consideration

- **The Use of State Share of Retained Earnings to Offset the Aid to Families with Dependent Children (AFDC) Program**
 The JLBC Staff and Executive recommendations increase the amount of the State Share of Retained Earnings (SSRE) used to offset the AFDC program from \$500,000 to \$1,700,000. The amount of SSRE used to offset the AFDC program has remained at \$500,000 since FY 1992. The increase in the SSRE offset of AFDC will still permit a 12% increase in the Child Support Enforcement program in FY 1995 on a total funds basis as shown in the table below.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

	<u>FY 1992</u> <u>Actual</u>	<u>FY 1993</u> <u>Actual</u>	<u>FY 1994</u> <u>Estimate</u>	<u>FY 1995</u> <u>Estimate</u>
FTE Positions	<u>468.5</u>	<u>622.5</u>	<u>760.5</u>	<u>851.5</u>
Personal Services	\$8,330,200	\$11,039,500	\$15,944,300	\$17,857,500
Employee Related Expenditures	2,119,500	2,688,900	4,270,500	5,244,800
All Other Operating	<u>4,332,000</u>	<u>6,889,500</u>	<u>6,295,600</u>	<u>6,153,300</u>
Operating Subtotal	14,781,700	20,618,300	26,560,400	29,255,600
Special Line Items	6,088,100	7,009,700	12,631,000	14,665,300
Total Expenditures	<u>\$20,869,800</u>	<u>\$27,628,000</u>	<u>\$39,191,400</u>	<u>\$43,920,900</u>
State Appropriations	\$ 2,751,000	\$ 2,636,400	\$ 2,814,300	\$ 2,654,300
SSRE and Incentive Payments	2,847,800	5,531,600	8,624,000	10,144,300
Federal Funds	<u>15,271,000</u>	<u>19,460,000</u>	<u>27,753,100</u>	<u>31,122,300</u>
Total Revenues	<u>\$20,869,800</u>	<u>\$27,628,000</u>	<u>\$39,191,400</u>	<u>\$ 43,920,900</u>
Total Collections	<u>\$52,446,000</u>	<u>\$75,027,900</u>	<u>\$90,605,100</u>	<u>\$140,098,500</u>

- **Recommendations of the Technical Advisory Committee (TAC) to the Joint Select Committee on Child Support Enforcement (CCSE)**

The TAC developed and submitted a total of 57 recommendations to the CCSE. Of these 57 recommendations, the TAC highlighted 7 recommendations that would need further analysis due to their possible financial impact. The JLBC Staff concur, but more specific information or proposals will be required prior to completing that analysis. The 7 recommendations are as follows:

- Pilot a "one-stop shop" which would include: co-location of Child Support Enforcement (CSE) and court services, a child support/domestic relations hotline, use of law school clinics, educational services, and the use of paralegals/non-attorneys. This is listed as a long-term goal by the TAC, although some aspects of the pilot could be implemented in the short-term.
- Implement procedures to establish paternity through voluntary acknowledgement. This recommendation would modify forms and create a central registry for voluntary acknowledgements of paternity within the Department of Health Services.
- Simplify the instructions and worksheet for child support guidelines. In addition, evaluate technology, such as the QuickCourt system, to further simplify the process.
- Request a federal waiver which would allow the resolution of visitation and child support issues at the same time.
- Create a parental education program for parents going through divorce or single parents involved in the CSE process.
- Provide educational programming through the use of cable television, videos or other media.
- Develop and provide workshops for persons without legal counsel to assist them in completing forms and educate them about the child support process.

The JLBC Staff would add an additional 17 recommendations to the TAC list of recommendations with a possible fiscal impact. However, 11 of these recommendations involve enhanced training or public interaction, which could initially be absorbed within the program's 12% growth for FY 1995 as shown above. The other 6 recommendations involve automation upgrades, which will require legislation as well as further analysis when more specific proposals are made.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
 PROGRAM: Aging & Community Services

JLBC ANALYST: Cawley/Siegwarth
 OSPB ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	70.8	70.8	85.8	91.8	85.8	
OPERATING BUDGET						
Personal Services	2,119,700	2,172,800	2,523,900	2,600,600	2,484,600	
Employee Related Expenditures	520,600	470,000	600,500	597,400	567,600	
Professional/Outside Services	29,100	32,600	15,300	15,300	15,300	
Travel - In State	29,600	116,800	138,500	149,000	139,000	
Other Operating Expenditures	406,900	168,800	289,700	324,800	289,200	
Equipment	52,200	0	35,700	50,700	30,100	
All Other Operating Subtotal	517,800	318,200	479,200	539,800	473,600	
OPERATING SUBTOTAL	3,158,100	2,961,000	3,603,600	3,737,800	3,525,800	
SPECIAL LINE ITEMS						
Emergency Assistance	0	0	849,500	849,500	849,500	
Food Distribution Information	24,000	24,000	24,000	24,000	24,000	
Homeless Shelter	1,016,100	1,023,900	1,023,900	1,023,900	1,023,900	
Information and Referral	111,000	111,000	111,000	111,000	111,000	
Rural Food Bank Project	171,600	200,900	200,900	200,900	200,900	
Adult Services	8,174,600	8,444,100	9,109,800	8,545,500	8,524,600	
Institutional Support Payments	425,300	427,000	0	0	0	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
 PROGRAM: Aging & Community Services

JLBC ANALYST: Cawley/Siegwarth
 OSPB ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
LTC Ombudsman	96,700	116,600	117,000	117,100	117,100	
Special Item Subtotal	10,019,300	10,347,500	11,436,100	10,871,900	10,851,000	
PROGRAM TOTAL	13,177,400	13,308,500	15,039,700	14,609,700	14,376,800	
BY FUND SOURCE						
General Fund	13,177,400	13,308,500	15,039,700	14,609,700	14,376,800	
Federal Funds	38,015,100	44,455,200	45,098,700	--	45,098,700	
Other Non-Appropriated Funds	95,400	102,100	102,100	--	102,100	
PROGRAM TOTAL - ALL SOURCES	51,287,900	57,865,800	60,240,500	14,609,700	59,577,600	

Program Description - *The program provides alternatives to institutional care for the elderly and physically disabled through a range of non-medical home and community-based services. The program manages statewide programs of advocacy, social services, nutrition services, program development services, adult protective services, nursing home ombudsman services, volunteer services and employment opportunities.*

The program also provides for an array of services primarily through contracts with community-based organizations, in the following programmatic areas: social services community action; food and nutritional assistance to persons and families in hunger-related crises; a variety of services for homeless persons and families; emergency services networks; refugee resettlement, including medical assistance; domestic violence victim assistance; and utility assistance.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$14,376,800 -- a net increase of \$1,068,300, or 8%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ 27,500 GF
 Includes a new vacancy factor of 1.5%, which is the standard rate applied to programs with this number of FTE positions. The FY 1994 vacancy factor was 2.7%. The Executive recommends a vacancy factor of 1.5%.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- ERE Rate Changes 12,300 GF
- All Other Operating Expenditures -0- GF
 Reflects a transfer out of \$17,300 from Professional and Outside Services to the Other Operating Expenditures line. The Executive concurs.
- Adult Protective Services Staff 500,000 GF
 - Adds 14 FTE positions: 1 Unit Supervisor; 1 Program and Project Specialist; 5 Human Service Specialist III's; 5 Human Service Worker II's; and 2 Clerk Typist II's. With adding these staff, the FY 1995 investigation rate is projected to be slightly above 71%. The Executive recommends 20 FTE positions and \$716,800. The Executive recommendation includes 3 Unit Supervisors; 1 Program and Project Specialist; 6 Human Service Specialists III's; 7 Human Service Workers II's; and 3 Clerk Typists II's. The Executive estimates the FY 1995 investigation rate, based upon its recommendation, to be 76%.
 - Investigation rates have dropped to approximately 71% in FY 1993 from 74% in FY 1992. FY 1993 reports increased by 226, or 2.5%. The agency estimates an increase of 16.7% in reports for FY 1994. Based on the first 2 months of FY 1994, reports are up 5.8%. The investigation rate for the same 2 months is slightly above 69%.
 - Based upon DES's reports, the investigation rates for the 6 districts varies. Over a 5-year period, all districts but District 2, which is Pima County, is similar to the state average or very close to it. However, District 2's rates have consistently been below the state's average as the following table shows.

<u>Fiscal Year</u>	<u>State Average</u>	<u>District 2's Rate</u>
1989	78.4%	62.8%
1990	71.3	53.3
1991	72.9	49.5
1992	75.8	50.8
1993	72.3	51.5

If District 2's investigation rate would improve, the overall state's rate would be higher.

- Emergency Assistance 874,500 GF
 Reflects the transfer in from the Division of Benefits and Medical Eligibility. The program is more appropriately placed in this division. Included in the transfer is 1 FTE position, Personal Services, \$19,600; Employee Related Expenditures, \$5,400; and \$849,500 in the special line. The Executive concurs.
- Adult Services 80,500 GF
 Includes an additional \$30,100 of state match to draw down an additional \$348,700 of federal Older American Act dollars; and \$50,400 for contracted services for the Adult Protective Services program. The Executive also recommends \$30,100 for the state match of the Older American Act dollars. However, the Executive recommends \$71,300 for contracted services for Adult Protective Services.
- Institutional Support Payments (427,000) GF
 Reflects the transfer out to the Division of Benefits and Medical Eligibility. The program is more appropriately placed in the Division of Benefits and Eligibility. The Executive concurs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- LTC Ombudsman

500 GF

Reflects the Employee Related Expenditure rate change for the 0.5 FTE position funded in this line. The Executive concurs with this recommendation.

JLBC Staff Recommended Format -- Lump Sum for the Program with Special Line Items

JLBC Staff Recommended Footnotes

Standard Footnotes

- It is the intent of the Legislature that the \$111,000 appropriated for Information and Referral Services shall be used to fund services in each city of this state with a population of more than 250,000 persons according to the most recent United States decennial or special census.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
 PROGRAM: Children & Family Services

JLBC ANALYST: Cawley/Siegwarth
 OSPB ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	548.4	532.9	640.9	630.3	605.9	
OPERATING BUDGET						
Personal Services	14,885,300	15,575,600	18,558,500	17,731,900	17,234,900	
Employee Related Expenditures	3,571,500	3,275,300	4,292,600	4,065,900	3,934,100	
Professional/Outside Services	123,000	26,300	26,300	26,300	26,300	
Travel - In State	702,300	654,600	818,700	792,700	743,500	
Travel - Out of State	0	0	10,500	8,400	7,000	
Other Operating Expenditures	1,019,300	1,044,600	2,244,600	2,141,000	1,862,400	
Equipment	0	0	764,600	703,500	537,600	
All Other Operating Subtotal	1,844,600	1,725,500	3,864,700	3,671,900	3,176,800	
OPERATING SUBTOTAL	20,301,400	20,576,400	26,715,800	25,469,700	24,345,800	
SPECIAL LINE ITEMS						
Homeless & Runaway Youth	175,000	0	0	0	0	
Adoption Services	15,162,400	12,523,300	16,309,800	16,309,800	16,309,800	
Children Services	36,249,500	39,456,800	40,289,800	40,320,900	37,788,200	
High Risk Infant Services	429,300	558,800	659,600	659,600	659,600	
Intensive Family Services	605,800	1,371,200	1,371,200	1,371,200	1,371,200	
Child Severance Project	189,200	189,200	189,200	189,200	189,200	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
 PROGRAM: Children & Family Services

JLBC ANALYST: Cawley/Siegwarth
 OSPB ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
CMDP	3,354,900	3,354,900	4,321,900	3,426,700	2,794,900	
Day Care	12,510,400	11,590,300	15,542,700	13,697,200	12,510,700	
JOBS Child Care	1,135,300	1,078,100	2,170,800	1,852,200	2,213,100	
Transitional Child Care	1,301,800	1,340,400	1,755,600	1,854,500	1,746,600	
Healthy Families	0	0	0	1,750,000	0	
Videotaping	98,500	200,700	200,700	202,000	202,000	
Special Item Subtotal	71,212,100	71,663,700	82,811,300	81,633,300	75,785,300	
PROGRAM TOTAL	91,513,500	92,240,100	109,527,100	107,103,000	100,131,100	
BY FUND SOURCE						
General Fund	91,338,500	92,240,100	109,527,100	107,103,000	100,131,100	
Other Funds	175,000	0	0	0	0	
Federal Funds	64,590,500	68,224,100	74,679,100	--	74,679,100	
Other Non-Appropriated Funds	1,167,000	729,900	734,600	--	734,600	
PROGRAM TOTAL - ALL SOURCES	157,271,000	161,194,100	184,940,800	107,103,000	175,544,800	

Program Description - *The program provides staff resources, such as Child Protective Service workers, and an array of services for abused, neglected or abandoned children; child care subsidy and contracted programs; and medical and dental care for foster children.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$100,131,100 -- a net increase of \$7,891,000, or 8.6%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (62,200) GF
 Maintains a vacancy factor of 3%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 3%.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- ERE Rate Changes 239,400 GF
- Other Operating Expenditures 5,300 GF
 - Provides for the compliance with OSHA requirements to make vaccinations available to all employees who have occupational exposure to blood borne pathogens.
- Adoption Services 3,786,500 GF
 - Reflects a transfer in of \$3,054,600 from foster care in the Children Services line for those children moving from foster care to adoption status.
 - Includes an increase of \$732,000 for 182 new children, a 8.5% agency-projected increase.
 - The recommendation assumes an average number of subsidized children of 2,324 and an average annual cost of \$8,620.59 per child. The cost estimate is the same as the FY 1994 department estimate.
 - Includes \$84,500 for non-recurring expenses.
 - Assumes a total Title IV-E federal contribution of \$3,809,200 and federal funds for Minority Adoption of \$101,700.
 - The Executive concurs.
- Child Protective Services (CPS) Staff 3,471,900 GF
 - Adds 70 FTE positions to increase the department's child abuse investigation rate. The 70 positions recommended include: 45 Child Protective Services Specialist IIIs, who are responsible for investigation and intake of child abuse reports, 10 Human Service Workers, 8 supervisors, and 7 support staff. The JLBC Staff recommendation would increase the investigation and intake positions by 9.5%. With the adding of 48 FTE positions and \$1.6 million federal dollars in the current fiscal year, the department has 209.7 investigation positions and 263.1 ongoing case management positions. The JLBC Staff recommendation would bring the number of investigation positions to 228.2 and ongoing case management positions to 289.6.
 - Based on an assumption of 9.4% growth in the number of reports appropriate for investigation for FY 1994 and FY 1995, the total number of FY 1995 reports appropriate for investigation will be 36,203. Based on department data, the FY 1993 number of cases investigated per investigation worker was 148. The JLBC Staff recommendation assumes the number of investigations would continue at 148. The JLBC Staff assumes that the 228.2 investigators would investigate 33,774 reports, or 93.2% of the estimated number of reports appropriate for investigation.
 - Current data indicate that the District I, Maricopa County, investigation rate has dropped to approximately 83.7%. This drop is apparently due to the department's inability to fill the CPS III positions that it has available. Out of the 48 new FTE positions the department created through federal funds, 15 were assigned to District I. District I is having difficulty in filling these new positions as well as existing positions that are vacant.
 - The Executive recommends adding 92.4 FTE positions and \$4,535,000. The Executive recommendation assumes a 7.8% increase in the number of reports appropriate for investigation and the number of investigations per worker to be 144. The Executive recommendation increases the number of investigative workers to 228.2. Based upon the Executive's assumptions, their recommendation assumes a 93% investigation rate as well.
- Children Services (1,668,600) GF
 - Includes a 9.4% increase to the money for contracted services, \$3,726,700 and transfers out \$(3,054,500) to Adoption Services and \$(2,240,000) to the Department of Health Services (DHS). The transfer out to Adoption Services is for the foster care children who have moved to adoption status. The transfer out to DHS is the state match to draw down federal Title XIX children

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

behavioral health dollars for eligible children. The JLBC Staff recommends this transfer as a way to limit administrative work for both DES and DHS.

- The number also reflects a reduction of \$(100,800), which is transferred to contracted services for High Risk Infants. This program provides intensive services to children in danger of being removed from their homes, which should decrease the number of children receiving out-of-home (foster care) services.
- The Executive recommends \$3,621,200, a 9.2% increase, for contracted services and transfers out to Adoption Services \$(3,054,500). The Executive also recommends adding \$287,400 for the annualization of the proposed supplemental for children behavioral health services. The JLBC Staff recommends transferring all children's behavioral health services dollars into DHS.

- **High Risk Infants**

100,800 GF

- Increases the number of Maricopa County families whose children are exposed to substance abuse who will receive contracted case management services from 358 to 422, a 17.9% increase over FY 1994. Cost per family is projected to be \$1,563, which is the FY 1994 estimated cost. This program utilizes contracted services to provide intensive, time-limited, in-home services to ensure that substance-exposed infants have necessary supportive services. The contracted services include parent aides, counseling and transportation.
- DES is continuing to collaborate with DHS in exploring utilizing federal funding for residential treatment facilities, which will allow substance abusing parents to keep their children with them while in treatment.
- Child Protective Services' (CPS) reports indicate an increase of 113 reports (752 in FY 1992 and 639 in FY 1991) of substance-exposed infant allegations. The majority of these reports, 82%, in both years were reported in Maricopa County. The department suggests that the 50% decrease in FY 1992 over FY 1991 requests for foster homes for infants in Maricopa County may be due to this program. DES is developing an evaluation plan to measure the short-term and long-term outcomes of this program.
- The Executive adds the \$100,800, but does not deduct the amount from the Children's Services line.

- **Intensive Family Services**

-0- GF

- The JLBC Staff does not recommend expansion of this program. Current level of funding provides for 14 teams. These teams, consisting of 1 Parent Aide, 1 Counselor, and 1 Coordinator, provide intensive, time-limited (6 to 8 weeks) services geared toward keeping the child in the home. The program focusses on children who are at imminent risk of out-of-home placement due to abuse, neglect, or dependency. The program emphasizes in-home crisis intervention and parent education.
- Cost per family is projected to be \$3,650 per team, which is the same estimated cost for FY 1994 and the FY 1993 actual cost.
- The Executive also recommends maintaining the current year funding level.

- **Comprehensive Medical and Dental Program (CMDP)**

(560,000) GF

- Reflects a transfer of \$(560,000) to the Department of Health Services for DES's share of the state match to draw down federal Title XIX mental health monies for eligible CMDP clients. The JLBC Staff recommends this transfer as a way to limit administrative work for both DES and DHS.
- Assumes a total other funds contribution of \$5,065,900, which includes \$3,832,900 -- AHCCCS Capitation and Reinsurance; \$1,139,100 -- ALTCS Capitation and Reinsurance; and \$93,900 -- Third Party Liability.
- Assumes an annual average cost per child of \$1,341.20, which is \$433.28 less than the FY 1994 budgeted estimate. The lower cost reflects the health funding transfer out to DHS. Also assumes a monthly average number of children enrolled of 5,861, which is the same as the FY 1994 budgeted amount.
- According to A.R.S. § 8-512, the state shall provide comprehensive medical and dental care to the extent that funds are available.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- The Executive recommends \$71,800 for the annualization of the proposed supplemental for children's behavioral health services. The JLBC Staff recommends transferring all children's behavioral health dollar to DHS.

- Day Care

920,400 GF

- During FY 1992, DES began implementation of its integrated child care administration consisting of 4 programs which provide day care subsidies for eligible families: state Day Care subsidy, AFDC-Employed, AFDC At Risk, and the Child Care Development Block Grant (CCDBG). Of these 4 programs, all but the CCDBG receive state funding.

The State Day Care subsidy program provides a subsidy for eligible families based on family income, family size, and the number of hours of child care per child. The upper income limit of participating families is at least 65% of the state median income, as determined by DES. This program is funded through 2 sources: a state appropriation and the Social Services Block Grant (SSBG).

The AFDC-Employed program provides a subsidy for families that are receiving Aid to Families with Dependent Children (AFDC) and need child care to accept or maintain employment. The subsidy is a market based rate with no family co-payment. This program is funded through a 66.28% federal/33.72% state match. The state share should not exceed the required amount needed to match the federal share.

The AFDC At Risk program provides a subsidy for families with a gross monthly income level below 33.5% of the October 1991 state median income, which is a level set by DES, and would be at risk of qualifying for AFDC unless they receive child care so they can accept or maintain employment. The subsidy is a market based rate minus a family co-payment which is determined by using a sliding fee schedule. The average monthly co-payment is projected to be \$10.99, which is 2.2% higher than the FY 1994 budgeted amount. Federal funding is capped and is estimated to be \$4,000,000 for FY 1995. The state share should not exceed the required amount needed to match the federal capped share.

The Child Care Development Block Grant (CCDBG) is fully funded through federal monies. The grant provides a subsidy for eligible families based on family income, family size, and the number of days of child care received per child. Eligible families have a gross monthly income level below 33.5% of the October 1991 state median income, which is a level set by DES, and need child care to obtain employment, job training, or education. The subsidy is a market based rate minus a family co-payment. The average monthly co-payment is projected to be \$10.26, which is 1.4% higher than the FY 1994 budgeted amount.

The recommendation assumes the following caseload, average monthly cost and funding sources:

Program	Average Number of Children Served	Average Monthly Subsidy	Funding Sources		
			Federal	State	Total
State Day Care Subsidy	13,466	\$90.44	\$6,489,800	\$8,124,600	\$14,614,400
AFDC-Employed	3,171	183.23	4,621,400	2,350,900	6,972,300
AFDC At Risk	2,677	187.89	4,000,000	2,035,200	6,035,200
CCDBG	<u>4,429</u>	<u>178.06</u>	<u>9,464,000</u>	<u>-0-</u>	<u>9,464,000</u>
Total	23,743	\$130.16	\$24,575,200	\$12,510,700	\$37,085,900

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Includes a \$(61,000) decrease in the state's required funding match from 34.1% to 33.72% in the federal day care subsidy programs. In addition, the JLBC Staff recommends an increase of \$349,000 for the AFDC-Employed and \$632,400 in the state Day Care Subsidy for an overall increased caseload growth of 4.4%, or 1,007 more children.
- In the special line item, the Executive recommends \$2,106,900.
- State Day Care is not a statutory entitlement and gets its legislative authority from the annual General Appropriation Act. However, with the initiation of the federal CCDBG, states are required to maintain a certain funding level and are not allowed to supplant state funds with the new federal CCDBG dollars.

• JOBS and Transitional Child Care Staff

115,000 GF

- Adds 3 FTE positions for administering programs. The JOBS program will receive 2.5 FTE positions and \$96,900 (a total of 5 FTE positions and \$193,800). The Transitional program will receive 0.5 FTE position and \$18,100 (a total of 1 FTE position and \$36,200). Both programs receive matching federal funds.
- These staff will meet the increased caseload needs and the need for more providers. The staff will gather, maintain, enter data into the computer system, determine eligibility, authorize service, certify/recertify providers and provide training for providers.
- The Executive did not recommend these new child care staff. However, the Executive recommends 5 new FTE positions for the state Day Care Subsidy and \$197,900.

• JOBS Child Care

1,135,000 GF

- Funds child care assistance to AFDC recipients in the Jobs Opportunities and Basic Skills (JOBS) program. The appropriation provides child care funds for single-parent AFDC households, consisting of single-parents attending job training, job search applicants, and tribal participants. Funds are also included for AFDC-UP households assuming the parents attend job training 3 days per week. Starting October 1, 1992, those AFDC-UP households with children under 2 years of age are exempt from the program. Prior to July 1, 1992, AFDC-UP households with children under 3 years of age were exempt from the program.
- Reflects the decrease \$(24,900) in the state's required funding match from 34.1% to 33.72% for this federal child care program, and an increase of \$1,159,900, which funds the current shortfall of \$430,500 and adds \$729,400 for FY 1995 estimated growth.
- Assumes a FY 1995 average monthly caseload of 3,375 and an average monthly subsidy of \$162.05
- The Executive recommends \$774,100. Within the \$774,100, the sum of \$472,900 is for a FY 1994 shortfall and \$301,200 provides for a 20% caseload increase in FY 1995. The JLBC Staff and Executive recommendation vary due to the JLBC Staff's utilization of actual data for the first 5 months of FY 1994.

• Transitional Child Care

406,200 GF

- Funds transitional child care assistance. Families are eligible for up to 12 months of child care benefits if they received AFDC benefits for 3 of the 6 months prior to ineligibility and are ineligible for AFDC due to increased hours of, or income from, employment or the loss of the employment disregard.
- Reflects the decrease \$(19,700) in the state's required funding match from 34.1% to 33.72% for this federal child care program, and increases of \$368,000 for the current year shortfall related to caseload growth and \$57,900 for the estimated caseload growth for FY 1995. The average monthly caseload is estimated to be 2,289.
- Assumes an average monthly subsidy of \$188.56 per month which includes the total cost of \$207.90 per month minus the average monthly family co-payment of \$19.34. All families are required to make co-payments based upon a sliding fee schedule.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

-- The Executive recommends \$514,100. Within the \$514,100, \$363,600 is for a FY 1994 shortfall and \$150,500 provides for a 10% caseload increase in FY 1995. The JLBC Staff and Executive recommendation vary due to the JLBC Staff's utilization of actual data for the first 5 months of FY 1994.

- Videotaping

1,300 GF

-- An increase of \$1,300 reflects ERE Rate Changes. The Executive concurs.

-- Provides funds for DES to videotape investigative interviews of child sex abuse victims. To lessen the number of such interviews, the department is to coordinate all such interview with law enforcement official and the county attorney's office.

JLBC Staff Recommended Format -- Lump Sum for the Program with Special Line Items

JLBC Staff Recommended Footnotes

Standard Footnotes

- Of the \$12,510,700 appropriated for day care, \$8,124,600 is for a program in which the upper income limit is at least 65% of the state median income as determined by the Department of Economic Security.

Other Issues for Legislative Consideration

- **Healthy Families**

The Executive recommends in the Governor's Crime Package \$1,750,000 of General Fund for the expansion of the Healthy Family project which is currently funded through the Child Abuse Prevention Fund.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
 PROGRAM: Child Protective Services Training

JLBC ANALYST: Cawley/Siegwarth
 OSPB ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	7.0	7.0	7.0	7.0	7.0	
OPERATING BUDGET						
Personal Services	107,500	213,400	213,400	213,400	213,400	
Employee Related Expenditures	22,200	44,800	49,300	48,000	48,000	
Professional/Outside Services	31,600	87,500	87,500	87,500	87,500	
Travel - In State	5,800	20,700	20,700	20,700	20,700	
Travel - Out of State	300	5,200	5,200	5,200	5,200	
Other Operating Expenditures	36,900	60,000	60,000	60,000	60,000	
All Other Operating Subtotal	74,600	173,400	173,400	173,400	173,400	
PROGRAM TOTAL	204,300	431,600	436,100	434,800	434,800	
BY FUND SOURCE						
Other Funds	204,300	431,600	436,100	434,800	434,800	
PROGRAM TOTAL - ALL SOURCES	204,300	431,600	436,100	434,800	434,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
PROGRAM: Child Protective Services Training

Program Description - A.R.S. § 8-503.01 establishes a Children and Family Services Training Program Fund for child protective services staff training. Revenue is generated through the collection of support fees assessed on the parents or guardian of a child in the custody of the department or a county juvenile probation office. The department may also expend up to 10% of the fund on collecting these fees. The department also utilizes federal Title IV-E monies that are available for training activities. These federal funds offset state expenditures.

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$434,800 -- a net increase of \$3,200, or 0.8%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ -0- OF
Maintains a vacancy factor of 0%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 0%.

- ERE Rate Changes 3,200 OF

JLBC Staff Recommended Format -- Lump Sum for the Program

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
 PROGRAM: Employment & Rehabilitation

JLBC ANALYST: Cawley/Siegwarth
 OSPB ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	111.3	98.4	129.1	103.2	103.2	
OPERATING BUDGET						
Personal Services	2,381,000	2,323,200	2,964,200	2,424,700	2,424,700	
Employee Related Expenditures	573,900	537,000	753,500	605,400	605,700	
Professional/Outside Services	40,000	45,900	108,700	92,900	92,900	
Travel - In State	41,300	39,800	70,700	46,000	46,000	
Travel - Out of State	300	0	1,000	700	700	
Other Operating Expenditures	246,300	240,600	744,300	299,500	299,500	
Equipment	0	0	115,800	18,300	18,300	
All Other Operating Subtotal	327,900	326,300	1,040,500	457,400	457,400	
OPERATING SUBTOTAL	3,282,800	3,186,500	4,758,200	3,487,500	3,487,800	
SPECIAL LINE ITEMS						
Independent Living Rehabilitation Services	531,300	552,700	552,700	552,700	552,700	
Vocational Rehabilitation Services	2,317,900	1,900,000	8,523,300	8,523,300	2,360,900	
Job Search Stipends	119,100	173,900	173,900	173,900	173,900	
Navajo Employment Service	202,000	0	0	0	0	
Other Receipts	-901,100	-2,000,000	-500,000	-500,000	-500,000	
JOBS	1,489,600	2,988,500	4,734,300	2,988,500	2,988,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Economic Security
 PROGRAM: Employment & Rehabilitation

JLBC ANALYST: Cawley/Siegwarth
 OSPB ANALYST: Chapko/Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Employment Support Services	0	0	0	0	6,162,400	
Special Item Subtotal	3,758,800	3,615,100	13,484,200	11,738,400	11,738,400	
PROGRAM TOTAL	7,041,600	6,801,600	18,242,400	15,225,900	15,226,200	
BY FUND SOURCE						
General Fund	7,041,600	6,801,600	18,242,400	15,225,900	15,226,200	
Federal Funds	103,946,400	113,507,600	117,664,500	--	117,664,500	
Other Non-Appropriated Funds	205,910,600	285,325,900	285,325,900	--	285,325,900	
PROGRAM TOTAL - ALL SOURCES	316,898,600	405,635,100	421,232,800	15,225,900	418,216,600	

Program Description - This program provides: rehabilitative services to individuals with disabilities; job training opportunities to economically disadvantaged adults and youth; and employability services to Aid to Families with Dependent Children (AFDC) recipients through the Job Opportunity and Basic Skills Training (JOBS) program. Several 100% federally funded programs are located in this division such as the unemployment benefit program and the Job Training Partnership Act (JTPA) program.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$15,226,200 -- a net increase of \$8,424,600, or 123.9%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$(2,700) GF
 Maintains a vacancy factor of 2%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 2%.
- ERE Rate Changes 42,000 GF
- All Other Operating Expenditures -0- GF
 Reflects a transfer in of \$1,500 from Travel - In State to Professional and Outside Services. The Executive concurs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Transfer In of Employment Support Services** 6,162,400 GF
 - Reflects the completion of the transfer of all employment related programs and 1,611 clients from the Division of Developmental Disabilities (DDD) to Rehabilitative Services Administration (RSA). In FY 1994, all employment-related programming was transferred from DDD to RSA. The JLBC Staff recommends creating a new special line item for these 100% state-funded services, which RSA will now be providing. In addition, \$1,381,200 from the federal Social Services Block Grant which is utilized to fund these services is transferred to this division. The FY 1995 cost per client is estimated to be \$4,851.77.
 - From the Division of Developmental Disabilities (DDD), \$1,091,600 is transferred from the Purchase of Care special line item.
 - From Long Term Care (LTC), \$4,768,700 is transferred in from the Purchase of Care special line item.
 - Adds new General Fund dollars of \$302,100 to offset the loss of federal funds for those clients exiting from the Vocational Rehabilitation Services federal program.
 - The Executive recommends the same total dollar amount for the Employment Support Services. However, the Executive recommends transferring in a lower amount from LTC, \$3,659,200 (GF and TF), based on a lower estimate than the FY 1994 appropriation for 100% state-funded services. Due to the lower amount transferred in from LTC, the Executive recommends a larger restoration of state money, \$1,367,800 for clients who exit from the federal program. The Executive recommendation transfers the money into the Vocational Rehabilitation Services special line item rather than into a separate line item.

- **FTE Position Additions/Funding Shifts** 262,000 GF

The JLBC Staff recommends the following FTE adjustments:

 - Includes 0.5 FTE position and \$22,400 for vocational rehabilitation counseling and employment support services for 123 developmentally disabled clients. While the above policy issue transferred funding for the existing caseload, the 123 developmentally disabled clients will become eligible for services in FY 1995. The 123 developmental disabled clients consist of 58 school-age individuals who are living in DDD funded residential placements, who will reach the age of 22 and will exit school; 17 will no longer be eligible for foster care placement due to turning 18 years old; and 48 who will reach the age of 22 and will be LTC eligible and will receive 100% state-funded Adult Day services. These 123 clients will need vocational rehabilitation counseling to prepare for and obtain employment. After completing the federal vocational rehabilitation program, these clients will require 100% state-funded employment support services to enable them to maintain their employment placement. The \$22,400 includes: Personal Services, \$9,500; Employee Related Expenditures, \$2,700; Professional and Outside Services, \$2,800; Travel - In State, \$600; Travel - Out of State, \$700; Other Operating Expenditures, \$4,800; and Equipment, \$1,300.
 - Reflects an increase in the state match of \$142,900 and adds 3.2 FTE positions. Effective October 1, 1992, the federal government changed the federal/state match requirements for vocational rehabilitation services. The change increased the state's share in the match rate. The state needs to provide these additional positions and \$142,900 to offset the lower federal contribution and to maintain the same level of services. The \$142,900 includes: Personal Services, \$69,300; Employee Related Expenditures, \$18,200; Professional and Outside Services, \$5,900; Travel - In State, \$4,100; Other Operating Expenditures, \$35,400; and Equipment, \$10,000.
 - Reflects an increase of \$96,700 and 1.1 FTE positions to meet new federal mandated Vocational Rehabilitation set asides. Amendments to the Rehabilitation Act require states to use a minimum of a state's current federal allocation for strategic planning, program development, evaluation, needs assessments, and advisory council activities. The \$96,700 includes: Personal Services, \$24,800; Employee Related Expenditures, \$6,400; Professional and Outside Services, \$36,800; Travel - In State, \$3,000; Other Operating Expenditures, \$18,700; and one-time equipment costs, \$7,000. The Executive concurs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Vocational Rehabilitation Services 460,900 GF

The JLBC Staff recommends the following changes to the Vocational Rehabilitation Services Special Line Item:

 - Adds \$64,800 for those 123 developmentally disabled clients who have aged out of school and foster care and who can participate in this federal program.
 - Includes the transfer in of \$272,600 from the Division of Developmental Disabilities' Vocational Rehabilitation Contracts special line item as part of the overall transfer of employment related programs from DDD to RSA.
 - Adds \$123,500 for the October 1, 1992 federal government change in the federal/state match for drawing down federal dollars.
 - The Executive concurs.

- JOBS General Fund Increase 1,500,000 GF

Monies from the non-appropriated Special Administration Fund have been used to offset General Fund costs for the JOBS program. The revenue for this fund are interest and employers penalty fees assessed on late unemployment payments. The Special Administration Fund revenues are declining and the fund can no longer maintain its current level of support for the JOBS program. This fund is used to defray administrative costs related to federal programs, employer reimbursements, unemployment administrative related projects, and state share of building payments for buildings housing federal Department of Labor functions. The past 3 fiscal years, money has been appropriated from this fund as an offset to the General Fund. The department anticipates that the fund will have only \$500,000 available for FY 1995. In FY 1994, \$2,000,000 was appropriated. The Executive concurs.

JLBC Staff Recommended Format -- Lump Sum for the Program with Special Line Items

JLBC Staff Recommended Footnotes

Standard Footnotes

- It is the intent of the Legislature that Vocational Rehabilitation Services will receive \$200,000 from the Industrial Commission's Special Fund for the purpose of assisting injured workers.
- It is the intent of the Legislature that the \$2,988,500 appropriated for JOBS may be used to support non-permanent and seasonal positions to fulfill federal program requirements when contracts for services cannot be established with outside parties. The use of such positions shall be reported to the Joint Legislative Budget Committee.
- It is the intent of the Legislature the Special Administration Fund serve as the source for the \$500,000 of Other Receipts.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Environmental Quality

JLBC ANALYST: Bock/Bahl
 OSPB ANALYST: Benberou

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	296.3	297.3	319.3	382.3	377.5	
OPERATING BUDGET						
Personal Services	5,798,400	6,121,500	6,622,900	6,382,900	6,288,400	
Employee Related Expenditures	1,489,500	1,301,600	1,663,500	1,466,100	1,451,000	
Professional/Outside Services	158,900	136,200	136,200	132,000	151,900	
Travel - In State	129,600	139,300	177,900	150,700	148,300	
Travel - Out of State	9,500	22,100	27,900	22,100	22,100	
Other Operating Expenditures	1,300,500	1,496,000	1,627,900	1,347,100	1,466,000	
Equipment	238,100	153,900	149,100	103,300	89,400	
All Other Operating Subtotal	1,836,600	1,947,500	2,119,000	1,755,200	1,877,700	
OPERATING SUBTOTAL	9,124,500	9,370,600	10,405,400	9,604,200	9,617,100	
SPECIAL LINE ITEMS						
Drinking Water	0	0	0	472,000	0	
Comparative Environmental Risk	0	0	0	100,000	0	
Environmental Health Reserve	0	0	0	250,000	250,000	
Superfund/WQARF	0	0	2,000,000	2,000,000	550,000	
Aquifer Protection Permits	945,300	1,261,300	959,500	937,700	1,099,000	
Emissions Control	0	1,608,600	0	5,682,500	5,683,800	
Air Permits Admin	155,100	1,801,300	3,375,800	3,375,800	3,385,000	
Hazardous Waste	646,700	629,000	873,900	803,200	912,900	
Hazardous Waste Reserve	0	0	64,200	64,000	64,000	
Special Waste	474,700	154,400	185,500	182,700	131,100	
Used Oil	81,300	93,300	144,000	134,200	135,600	
Air Quality Fee Fund	0	116,900	118,800	118,400	118,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Environmental Quality

JLBC ANALYST: Bock/Bahl
OSP ANALYST: Benberou

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Special Item Subtotal	2,303,100	5,664,800	7,721,700	14,120,500	12,330,200	
AGENCY TOTAL	11,427,600	15,035,400	18,127,100	23,724,700	21,947,300	
BY FUND SOURCE						
General Fund	9,930,900	9,695,500	12,888,800	12,888,900	11,039,800	
Other Funds	1,496,700	5,339,900	5,238,300	10,835,800	10,907,500	
Federal Funds	6,564,600	13,151,200	7,703,400	--	7,703,400	
Other Non-Appropriated Funds	26,000,400	44,434,800	56,455,000	--	56,455,000	
AGENCY TOTAL - ALL SOURCES	43,992,600	72,621,400	82,285,500	23,724,700	86,105,700	

Agency Description - *The Department of Environmental Quality's purpose is to protect human health and the environment by enforcing standards of quality for Arizona's air, water, and land. The department's Office of Air Quality issues permits to regulate industrial air pollution sources, regulates vehicle emissions, monitors and assesses the ambient air, and develops air quality improvement strategies. The Office of Waste Programs implements programs to minimize waste generation, identifies and corrects improper waste management practices, and oversees the clean up (remediation) of hazardous waste sites. The Office of Water Quality regulates drinking water and waste water systems, monitors and assesses waters of the state, and provides hydrologic analysis to support hazardous site remediation.*

The JLBC Staff recommends a total appropriation of \$21,947,300 -- a net increase of \$6,911,900, or 46%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$11,039,800 -- a net increase of \$1,344,300 or 13.9% to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$10,907,500 -- a net increase of \$5,567,600 or 104%, to the FY 1994 appropriation.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ 300 GF
Maintains a vacancy factor of 3%. The Executive recommends a vacancy factor of 2%.
- ERE Rate Changes 112,900 GF
- Other Operating Expenditures (60,900) GF
The JLBC Staff recommends this decrease to risk management.
- Equipment (133,500) GF
One-time equipment purchases are eliminated. For FY 1995, the JLBC Staff recommends 2 replacement photocopiers.
- Safe Drinking Water 519,500 GF
The JLBC Staff recommends \$519,500 for 8 new FTE positions for the Safe Drinking Water (SDW) program. In FY 1992, 10 FTE positions were added to the existing 18 General Fund positions. Currently, there are 29 General Fund and 12 Federal Fund positions assigned to SDW. The Auditor General's September, 1993 report recommended yet additional support for this program, citing backlogs, lack of sufficient compliance and enforcement, violation rates, and risk to public health. For example, of the 1,800 water systems in Arizona, the Department of Environmental Quality (DEQ) estimates that 1,700 are in some kind of violation, whether technical or serious. Of these, 300 cases are currently open, but at least 500 more need enforcement action to adequately protect public health, according to DEQ. DEQ currently inspects drinking water systems an average of once per three years. The JLBC Staff recommendation is to allow for annual inspections and for 160 more enforcement cases per year to be handled effectively. The recommended amount includes: Personal Services, \$227,100; Employee Related Expenditures, \$53,400; and All Other Operating, \$239,000. The Executive also recommends 8 FTE positions, but recommends \$33,000 less than the JLBC Staff for Equipment (staff cubicles) and \$14,500 less for Professional and Outside Services and other adjustments.
- Environmental Health Contingency 250,000 GF
The JLBC Staff recommends a new appropriation of \$250,000 for use at the discretion of the director in addressing environmental health contingencies for which there is no other dedicated fund source. A like amount is recommended for the Department of Health Services for the same purpose. Applicable contingencies may include, for example, investigating concentrations of illness for which an environmental cause (e.g., soil, water or air contaminants) is suspected but not readily identifiable. The recommended footnote would exempt this amount from lapsing. Of the \$250,000, the JLBC Staff recommends that DEQ may use up to \$100,000 for the Arizona Comparative Environmental Risk Project (ACERP). This 2-year joint public/private study is evaluating the various environmental risks to human health, ecosystems, and quality of life across Arizona. Based on the results, public officials will have a basis for allocating public resources where it will be most effective at reducing these various risks. The department estimates that ACERP will cost \$500,000 to complete. A federal grant of \$150,000 and private grants of \$42,000 are currently in hand. Such studies have been conducted elsewhere, and when done thoroughly, have been considered valuable policy tools. The Executive recommends the contingency amount and recommends the ACERP amount as a separate issue, for a total funding need of \$350,000.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **WQARF Appropriation** 550,000 GF

The JLBC Staff recommends an appropriation of \$550,000 from the General Fund to the Water Quality Assurance Revolving Fund (WQARF). This amount will fund minimal remediation of the top five hazardous waste sites on the WQARF Site Priority List. Sites are prioritized by their real or potential impact on public health and the environment. There are 20 sites on the list and total funding required to fully remediate all listed sites is estimated at \$10.6 million. The Auditor General recognized that WQARF remediation programs are "underfunded" and recommended that they receive "adequate" funding. The Executive recommends \$2 million for this issue. The JLBC Staff also recommends a statutory change to eliminate a mandated funding level for the WQARF. Both recommendations effectively provide an additional \$460,100 for WQARF clean-ups by shifting 13.5 FTE positions from WQARF to the General Fund. See below, Aquifer Protection Permits.

- **Aquifer Protection Permits/WQARF/Solid Waste** 470,700 GF
(460,100) OF

The JLBC Staff recommends transferring the support of 13.5 Aquifer Protection Permit (APP) program FTE positions from the WQARF to the General Fund, thereby increasing General Fund expenditures by \$460,100 and reducing Other Funds by a like amount. Of the 13.5 FTE positions, 4.7 are in the Landfill Permitting unit of the Solid Waste section, and are shifted to the General Fund operating budget. The other 8.8 FTE positions perform general APP compliance work as well as public education and other functions. They will remain a part of the APP special line item.

APP revenue is currently deposited into WQARF, but is not sufficient to fund all APP-program positions. As a result, non-APP WQARF revenue has supported these positions, which has reduced the funds available for hazardous waste clean-ups.

Since APP revenue is not sufficient to support these 13.5 positions, one option would be to eliminate them. The JLBC Staff, however, recommends transferring them to the General Fund to continue progress toward statutory deadlines for completing all APP's. By January 1, 1995, DEQ is to have completed one-third of all facility permits, by January 1, 1998, two-thirds and by January 1, 2001, all permits are to be complete. The Auditor General's report recognized that DEQ is already behind this schedule and will fall further behind if resources are reduced. The Executive concurs. There is an additional General Fund increase of \$10,800 for ERE rate changes.

- **Emissions Control** (364,700) GF
4,075,200 OF

The JLBC Staff recommends a total appropriation of \$5,683,800, a net increase of \$4,075,200 over the FY 1994 estimated expenditure. The FY 1994 appropriation is 100% of receipts, and the estimated expenditure amount is \$1,608,600.

This program was modified significantly during the 41st Legislature, 6th Special Session in 1993. The vehicle emissions control program is greatly expanded, including more auditing of inspection stations (4 FTE positions), emissions contractor training and certification (3 FTE positions), remote sensing of vehicle emissions (21 FTE positions), a vehicle repair grant program for very low-income drivers, provisions for the state to pay for, or "buy down", a part of the added cost to the public of the expanded inspection, and other programs (5 FTE positions). These changes were passed by the Legislature to meet Federal Clean Air Act Amendment requirements.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Formerly, the emissions inspection program included three main funding components: fees charged to the public supported the contracted emissions inspection stations and staff; appropriated General Fund dollars supported the DEQ's administration and quality auditing of the program; and fees deposited to the Emissions Inspection (EI) Fund supported processing of waivers and exemptions. Now, the inspection contractor will still charge the public directly for the actual vehicle inspection, but all other program costs will be supported through the EI Fund. The funding changes and additions are displayed in the following table.

Expanded Emissions Control Program

	<u>General Fund</u>		<u>Other Fund</u>	
	<u>FTE</u>	<u>\$</u>	<u>FTE</u>	<u>\$</u>
FY 1994 BASE FROM GF	8	\$ 364,700	29	\$1,608,600
Shift Administration	(8)	(364,700)	8	364,700
Add Operating Staff	--	--	33	1,458,000
Add Repair Grant Program	--	--	0	1,720,100
Add Inspection Buy-Down	--	--	0	673,300
Adjust ERE, Other	--	--	0	(140,900)
TOTAL FY 1995 RECOMMENDATION	<u>0</u>	<u>\$ -0-</u>	<u>70</u>	<u>\$5,683,800</u>

The Executive would shift 7.3 FTE positions and \$320,300 from the General Fund for this issue, and recommends a total program amount of \$5,682,500, and proposes that all program receipts, rather than a dollar amount, be appropriated to the department since the program is new and both revenues and expenditures could vary from the projections upon which the figures are based. For optimum program oversight, the JLBC Staff recommends the specified amount, so that the department be required to request a supplemental appropriation should expenditures beyond the recommended amount become necessary.

• **Air Permit Administration**

\$1,583,700 OF

The JLBC Staff recommends total funding of \$3,385,000 -- a net increase of \$1,583,700, or 87.9%, to the FY 1994 estimated expenditure. In FY 1994, 100% of program receipts are appropriated, and the estimated expenditure amount is \$1,801,300.

The Air Permit Administration Fund was established in FY 1993 to support the issuance of permits related to the Federal Clean Air Act Amendments of 1990. The program is funded through permit fees from industrial sources of air pollution. Because this program is still in its initial growth phase, the JLBC Staff recommends adding 33 new FTE positions for inspections, compliance, and related program activity. The increase of \$1,841,300 related to these positions includes: Personal Services, \$1,020,600; Employee Related Expenditures, \$246,000; Travel - In State, \$40,300; Travel - Out of State, \$3,700; Other Operating Expenditures, \$26,400; Equipment, \$5,400; and Indirect Costs, \$498,900 (see Indirect Cost explanation under Other Issues). The total Equipment amount of \$160,500 is for air pollution analysis equipment, 4 vehicles, and 5 personal computers. The recommendation is within early projections of 54 FTE positions and \$4.2 million in expenditures for this program.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The net change also reflects a decrease of \$(5,500) for Personal Services/ERE Adjustments, which establishes a new vacancy factor of 1%, the standard rate for programs with this number of FTE positions. (The vacancy amount is \$4,500.) The FY 1994 vacancy factor was 0%. The ERE Rate Change is \$7,100. The risk management change is included within the Indirect Cost amount (see Indirect Cost explanation under Other Issues). Professional and Outside Services reflects a \$(257,000) decrease related to one-time program start-up services such as computer programming, rules-making and hazardous air pollution studies. There is also a \$(2,200) decrease for other Indirect Cost adjustments.

The Executive recommends an increase of 33 FTE positions and \$1,574,500, but recommends continuing to appropriate 100% of receipts.

- **Hazardous Waste Management**

347,900 OF

The JLBC Staff recommends total funding of \$976,900 -- a net increase of \$347,900, or 55.3%, to the FY 1994 appropriation. This program is funded by waste disposal fees and other hazardous waste fees.

The net change reflects a \$16,100 increase for Personal Services/ERE Adjustments, which includes a new vacancy factor of 0%, the standard rate applied to programs with this number of FTE positions. The FY 1994 vacancy factor was 3%. The amount also reflects a \$4,300 increase for ERE Rate Changes. The risk management change is included in the Indirect Cost amount. (See Indirect Cost explanation under Other Issues.)

The other recommended changes are as follows:

- The JLBC Staff recommends shifting 0.8 FTE position from Federal Funds to the Hazardous Waste Fund for hazardous waste manifest tracking, a \$29,100 increase. The federal grant which formerly supported the position has expired, yet data tracking is a foundation of this program, and fee assessments are based on waste quantity data. The Auditor General has recommended that DEQ improve its data-tracking to maximize revenue collections citing evidence of under-reporting and under-collections.
- The JLBC Staff recommends \$55,200 for 1 new FTE position, a Hazardous Waste Inspector, at DEQ's Southern Regional Office in Tucson. The Auditor General recommends enhancing regional offices to provide better program implementation throughout the state.
- The JLBC Staff also recommends \$20,900 in Personal Services and \$4,800 in Employee Related Expenditures to meet actual salaries of existing positions.
- The net increase for this program includes a net \$153,500 increase for Indirect Costs to reflect the standard formula. (See Indirect Cost explanation under Other Issues.)
- Finally, \$64,000 is included as a contingency for cleaning up hazardous waste sites that are not eligible for WQARF funding. The Legislature should require an report when these funds are used, as reflected in the recommended footnote.

The Executive recommends an increase of \$238,200 including the 0.8 FTE positions and the \$64,000 contingency, but not the Hazardous Waste Inspector.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Special Waste** (23,300) OF
The JLBC Staff recommends total funding of \$131,100, a net decrease of \$(23,300), or (15.1)%, from the FY 1994 appropriation, but a net increase of \$49,300, or 60%, over the agency's FY 1994 expenditure plan, which reflects downward-revised revenue estimates.

The net change reflects a net reduction of \$(25,700) to reflect currently expected revenue and program activity levels. This program's purpose is to determine which types of wastes are to be designated as special wastes, and to develop and administer special waste handling regulations. As more substances are designated, the fee revenue stream will increase. The fees are to support regulation of designated special wastes.

The net change also reflects a \$1,700 increase for ERE Rate Changes. The risk management change is \$0. The total Indirect Cost amount is \$32,100, a net increase of \$700, which reflects the standard formula. (See Indirect Cost explanation under Other Issues.) The Executive recommends an increase of \$28,300.
- **Used Oil** 42,300 OF
The JLBC Staff recommends total funding of \$135,600, a net increase of \$42,300, or 45.3%, to the FY 1994 appropriation. This program is funded by fees and penalties related to the burning of used oil.

The amount reflects a \$900 increase for ERE Rate Changes. The risk management change is included in the Indirect Cost amount. The recommended Indirect Cost amount is \$28,000, a net increase of \$18,500, to reflect the standard formula. (See Indirect Cost explanation under Other Issues.)

The JLBC Staff recommends 0.2 FTE position and \$13,500 for data tracking. This amount complements the 0.8 position added in the Hazardous Waste Fund. For this program, too, fees and penalties are based on the data submitted by regulated entities. In Equipment, the JLBC Staff recommends \$9,400 for a basic pick-up truck. The Used Oil program has been using a passenger vehicle from another program. That vehicle has 90,000 miles and is unsuitable for transporting equipment and oil samples. The Executive concurs.
- **Air Quality Fee Fund** 1,900 OF
The JLBC Staff recommends total funding of \$118,800 -- a net increase of \$1,900, or 1.6%, to the FY 1994 appropriation, which is for ERE Rate Changes. The Executive concurs.

JLBC Staff Recommended Format -- Modified Lump Sum

JLBC Staff Recommended Footnotes

Standard Footnotes

- Up to \$1,250,000 of the General Fund appropriation may be utilized temporarily to maintain existing environmental programs for which application for federal funds has been submitted.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Deletion of FY 1994 Footnotes

- All monies in the Permit Administration Fund are appropriated to the Department of Environmental Quality only for the purposes described under A.R.S. § 49-455. The department shall provide the Joint Legislative Budget Committee Staff with an expenditure plan prior to expending monies from the fund. *(Since the JLBC Staff recommends the appropriation of a specific dollar amount, this footnote is no longer necessary.)*

New FY 1995 Footnotes

- When expenditures from the hazardous waste or environmental health reserves are authorized, the director shall report the nature of the emergency and the authorized expenditure amount to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Senate and House Appropriations Committees, and the Director of the Joint Legislative Budget Committee Staff.
- This appropriation (Environmental Health Reserve and Hazardous Waste Contingency) is exempt from the provisions of Section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations.

Other Issues for Legislative Consideration

- **Indirect Cost Fund - Explanation**
Every fund excluding the General Fund will transfer an amount to the Indirect Cost Fund to cover overhead including administrative staff support, telephones, rent, postage, copy services, risk management and the Arizona Department of Administration data center costs. The indirect rate approved by the U.S. Environmental Protection Agency under the OMB Circular A-87 is 39.39% of Personal Services and Employee Related Expenditures. This is the basis for this transfer from federal and special funds. Changes to the Indirect Cost amount for each fund have been noted above.
- **Executive Recommendation**
The Executive recommends \$43,600 from the General Fund and 1 FTE position to add staffing to the Southern Regional Office. The JLBC Staff recommends 1 FTE position for this office from the Hazardous Waste Fund, as discussed above. The Executive also recommends a lump sum appropriation with special line items.
- **Market-Based Pay Upgrade**
DEQ is requesting \$345,800 in FY 1995 for a salary enhancement proposal. The requested amount would fund 6 months of the enhancement package. DEQ's turnover rate has been 17-19% for several years. The rate for the Environmental Specialist positions has been even higher. State salaries for these positions are about 33% behind similar salaries in local government environmental specialist positions. DEQ proposes to add 10% to the minimum salary and 5% to most current salaries that are above the current grade minimum for all Environmental Specialist series positions. The annual added Personal Services would be \$420,700 from the General Fund, and \$283,500 from the special funds. This request reflects Auditor General recommendations, which recognize that extremely high turnover of technical staff is a key factor in the department's inability to perform its regulatory work in an effective or timely manner.
- **Used Oil Program Consolidation**
The Used Oil program is currently jointly administered by DEQ and the Department of Weights and Measures. The two department's have been discussing consolidating the program under DEQ. The JLBC Staff has not established a recommendation as of publication. We are awaiting further information, which will be presented during the budget hearings.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Health Services
Agency Summary

JLBC ANALYST: Bradley/Reddy
OSPB ANALYST: Chapko

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	1,746.4	1,692.5	1,747.8	1,691.3	1,652.5	
BY PROGRAM/ORGANIZATION						
Director's Office/Intergovt Affairs	5,730,100	6,041,700	7,797,200	7,231,400	6,130,400	
Support Services	8,733,500	10,536,400	14,501,100	11,533,200	10,866,600	
Public Health	8,881,500	9,964,400	11,376,600	11,532,200	12,149,300	
Family Health	26,552,100	27,640,900	28,814,900	26,585,600	25,631,700	
Behavioral Health	147,694,800	153,715,400	191,537,700	162,066,400	165,934,500	
Laboratory Services	2,489,100	2,631,900	3,028,800	2,648,400	2,504,300	
AGENCY TOTAL	200,081,100	210,530,700	257,056,300	221,597,200	223,216,800	
OPERATING BUDGET						
Personal Services	34,517,700	38,737,500	43,438,200	20,710,500	36,411,200	
Employee Related Expenditures	9,272,000	8,839,600	10,901,900	4,681,900	8,895,800	
Professional/Outside Services	3,999,600	5,179,500	5,407,500	3,188,700	4,763,200	
Travel - In State	372,600	466,700	567,500	518,100	464,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Health Services
Agency Summary

JLBC ANALYST: Bradley/Reddy
OSP ANALYST: Chapko

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Travel - Out of State	34,200	55,900	99,100	84,300	55,000	
Food	834,900	751,800	751,800	18,700	764,000	
Other Operating Expenditures	10,209,500	8,540,400	9,636,900	8,088,300	8,137,500	
Equipment	586,100	549,200	2,721,000	756,800	450,800	
All Other Operating Subtotal	16,036,900	15,543,500	19,183,800	12,654,900	14,634,500	
OPERATING SUBTOTAL	59,826,600	63,120,600	73,523,900	38,047,300	59,941,500	
SPECIAL LINE ITEMS						
AHCCCS-CRS	8,708,400	8,808,400	8,808,400	8,283,800	8,368,200	
Morton/Black Canyon Bldg Mgt	0	0	551,000	551,000	457,400	
EMS Provider Contracts	0	310,400	400,000	400,000	331,200	
Arizona Poison Control	450,000	442,000	0	475,000	750,000	
State EMS Special Projects	42,900	155,200	300,000	155,200	170,000	
Ambulance Replacement	110,800	116,400	300,000	840,000	300,000	
EMSCOM Development	35,000	77,600	300,000	224,000	90,000	
Emer Med Services Oper Fund	1,254,100	1,244,500	1,341,800	0	1,237,300	
EMS Regional Coord. System	108,300	98,200	100,000	100,000	98,200	
Region Resid./Psych. Beds	5,713,500	5,713,500	5,713,500	5,713,500	5,713,500	
Childrens' Behavioral Health Services	11,800,600	12,288,800	17,288,800	12,288,800	13,667,000	
Seriously Mentally Ill Services	51,457,900	55,349,300	79,377,600	62,268,700	61,060,600	
Mental Health Services	9,682,800	9,745,300	9,745,300	9,745,300	0	
Substance Abuse	13,058,400	13,357,100	14,893,700	13,357,100	0	
Direct Grants	578,000	578,000	578,000	578,000	578,000	
Reimbursement to Counties	396,300	396,300	396,300	396,300	396,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Health Services
Agency Summary

JLBC ANALYST: Bradley/Reddy
OSPB ANALYST: Chapko

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
TB Provider Hospital Care	746,100	873,300	873,300	873,300	973,300	_____
Sexually Transmitted Disease Control	56,600	52,500	52,500	52,500	52,500	_____
AIDS Report/Surveillance	97,300	125,000	125,000	125,000	125,000	_____
Vaccines	1,755,300	2,125,100	2,125,100	2,125,100	2,125,100	_____
Mental Health and Substance Abuse	0	0	0	0	17,493,800	_____
Kidney Program	83,300	100,000	100,000	100,000	100,000	_____
Health Effects Studies	115,000	0	0	0	0	_____
Chronic Disease Surveillance	159,900	0	0	0	0	_____
Adult Cystic Fibrosis	202,500	221,400	221,400	221,400	221,400	_____
Adult Sickle Cell Anemia	69,400	69,400	69,400	69,400	69,400	_____
Child Rehabilitative Services	8,590,000	7,890,000	7,890,000	6,427,900	6,427,900	_____
Newborn Intensive Care	3,000,000	4,385,900	4,385,900	4,385,900	4,385,900	_____
Perinatal Care Services	257,000	257,000	257,000	257,000	257,000	_____
Teen Prenatal Express	1,081,000	1,081,100	1,081,100	1,081,100	1,081,100	_____
Rural Obstetric Services	86,000	0	0	0	0	_____
Med. Malpractice/Obstetrics	51,300	280,000	280,000	355,000	280,000	_____
Nutrition Subventions	330,100	330,100	330,100	330,100	330,100	_____
Prenatal Outreach	200,000	200,000	1,133,100	1,133,100	200,000	_____
SMI Medications	2,535,800	0	0	0	0	_____
Transitional Living Unit	60,900	0	0	0	0	_____
Geriatric Residential Beds	1,550,800	2,190,000	2,190,000	2,190,000	2,190,000	_____
SMI Clozaril Program	486,800	487,100	487,100	487,100	487,100	_____
EPSDT-DES	0	1,038,000	1,038,000	1,038,000	0	_____
Seriously Emotion. Handicapped Children	3,805,800	4,332,200	4,332,200	4,332,200	4,332,200	_____
WIC Supplemental	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	_____
Children's Match (XIX)	10,536,600	11,543,300	14,806,600	13,000,100	20,621,300	_____
Trauma Systems Development	0	0	350,000	350,000	0	_____

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Health Services
Agency Summary

JLBC ANALYST: Bradley/Reddy
OSP ANALYST: Chapko

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Dispatch +911 Development	0	0	150,000	0	0	
Third Party Payor Costs	0	0	0	0	2,248,900	
Childrens' Respite Care	0	0	0	0	250,000	
Court Monitoring	0	0	0	441,400	441,400	
Client Satis Incentive Program	0	0	0	0	100,000	
Child Fatality Review Team	0	147,700	100,000	0	100,000	
Cancer/Birth Defect Registry	0	0	0	0	245,800	
Southern AZ Mental Health Center	0	0	0	0	3,688,400	
PASARR	0	0	60,200	60,200	0	
Arizona State Hospital	0	0	0	28,787,400	0	
Project SLIM Reductions	0	0	0	-1,300,000	-1,300,000	
Disease Control Research Grants	0	0	0	0	1,200,000	
Environmental Health Reserve	0	0	0	250,000	250,000	
Psychiatric Review Board	0	0	0	0	80,000	
Special Item Subtotal	140,254,500	147,410,100	183,532,400	183,549,900	163,275,300	
AGENCY TOTAL	200,081,100	210,530,700	257,056,300	221,597,200	223,216,800	
BY FUND SOURCE						
General Fund	190,793,900	194,178,200	239,731,300	205,674,500	206,453,600	
Other Funds	9,287,200	16,352,500	17,325,000	15,922,700	16,763,200	
Federal Funds	66,233,600	79,412,700	79,718,000	--	79,718,000	
Other Non-Appropriated Funds	6,853,900	7,514,500	7,267,600	--	7,267,600	
AGENCY TOTAL - ALL SOURCES	273,168,600	297,457,900	344,041,900	221,597,200	310,202,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Health Services
 PROGRAM: Summary

Agency Description - *The Department of Health Services is responsible for the provision of most public health programs not administered by AHCCCS, most behavioral health programs, emergency medical services, state laboratory support, vital records maintenance, disease control, and epidemiological monitoring.*

The JLBC Staff recommends a total appropriation of \$223,216,800 -- a net increase of \$12,686,100, or 6%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$206,453,600 -- a net increase of \$12,275,400, or 6.3%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$16,763,200 -- a net increase of \$410,700, or 2.5%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

• Personal Services/ERE Adjustments	\$	-0-	GF
		(300)	OF
• ERE Rate Changes		590,900	GF
		(6,900)	OF
• Intra-Agency Transfers		(2,000)	GF
• Seriously Mentally Ill Funding		7,500,000	GF
• Children's Behavioral Health Non-Title XIX Funding		2,100,000	GF
• Children's Behavioral Health Title XIX Matching Funds		5,000,000	GF
• Transfer In of Other Agencies' Children's Title XIX Matching Funds		3,040,000	GF
• General Mental Health and Substance Abuse		(5,078,800)	GF
• Project SLIM Reductions		(1,300,000)	GF
<p>A total of 50 FTE positions and \$(1,300,000) are eliminated based upon preliminary results of the Project SLIM evaluation of the department. Both the department and the Executive have agreed that this reduction can be made without adverse impacts on the delivery of services. While the Executive made this reduction as a lump sum by agency, the JLBC Staff has prorated the costs by program. It is further recommended that a greater degree of specificity be required as to which positions are planned for elimination. Currently, most of these positions would be eliminated through the consolidation of business offices. The JLBC Staff recommends that the monthly report required by footnote be expanded to include a reporting of reductions made due to Project SLIM.</p>			
• CRS Shift in Eligibility to Title XIX		(1,902,300)	GF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

• Arizona Poison Control Increased Funding	300,000 GF 8,000 OF
• Disease Control Research Funds	1,209,000 GF
• One-time Funding Adjustments	(178,300) GF 178,300 OF
• All Other Changes	996,900 GF 231,600 OF

JLBC Staff Recommended Format -- Modified Lump Sum by Program

The Department of Health Services (DHS) has undergone a reorganization. The programs displayed by the JLBC Staff as Public Health, Family Health and Laboratory Services are all considered Medical and Public Health by DHS. The program displayed by the JLBC Staff as Director's Office/Intergovernmental Affairs are considered as 2 separate programs by DHS; namely, the Office of the Director; and Intergovernmental Affairs and Legislative Services. The program displayed by the JLBC Staff as Support Services is considered by DHS to be 2 separate programs: Administration and Financial Services; and Information and Technology Services.

The Executive has recommended an appropriation based on the DHS organization of programs. The JLBC Staff has chosen to display the Executive recommendation and the agency request in the same format as the JLBC Staff recommendation. In summary, the agency has requested around 90% of their budget and most services in 2 cost centers and administrative costs in 4 cost centers. In order to provide the Legislature with greater oversight of resources, the JLBC Staff has recommended 4 cost centers for services and only 2 dealing primarily with administrative functions.

JLBC Staff Recommended Footnotes

Standard Footnotes

- A monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals shall be forwarded to the President of the Senate, the Speaker of the House of Representatives and the Director of the Joint Legislative Budget Committee by the 25th of the following month. The report shall include an estimate of (a) potential shortfalls in programs, (b) potential federal and other funds, such as the statewide assessment for indirect costs, that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation, (c) all associated administrative and operational expenditures, and (d) total expenditure authority of the month and year-to-date for SMI Services, Regional Residential/Psychiatric Beds, Children's Behavioral Health Services, Children's Behavioral Health State Match for Title XIX, Mental Health Services, Seriously Emotionally Handicapped Children, Substance Abuse Services, and Children's Rehabilitative Services. The report shall also contain detailed month and year-to-date expenditures for any expenditures made from special line items other than for the provision of services. In addition, all positions eliminated or other reductions made as a result of Project SLIM recommendations shall be detailed on a monthly and year-to-date basis. (Underlined portions are new language that is recommended.)

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Notwithstanding A.R.S. § 35-173C, any transfer to or from the amounts appropriated for SMI Services, Regional Residential/Psychiatric Beds, Children's Behavioral Health Services, Children's Behavioral Health State Match for Title XIX, Mental Health and Substance Abuse, Seriously Emotionally Handicapped Children, Rural Obstetric Service, Children's Rehabilitative Services, AHCCCS - Children's Rehabilitative Services, and the Arizona Poison Control shall require approval of the Joint Legislative Budget Committee. *(This footnote was originally created to ensure that the Legislature is fully informed of changes to these programs as they occur, rather than only during the appropriations process.)*
- In addition to the amounts appropriated, earnings on state lands and interest on the investment of the permanent land funds are appropriated to the State Hospital in compliance with the Enabling Act and the Constitution. *(This footnote is necessary for the department to be able to expend revenue received from land endowment earnings and interest.)*

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Health Services
 PROGRAM: Director's Office/Intergovt Affairs

JLBC ANALYST: Bradley/Reddy
 OSPB ANALYST: Chapko

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	170.6	170.6	194.7	190.1	171.2	
OPERATING BUDGET						
Personal Services	3,858,700	4,086,000	4,970,100	4,616,100	4,127,700	
Employee Related Expenditures	951,300	931,200	1,248,400	1,092,800	995,000	
Professional/Outside Services	42,800	44,500	110,100	107,100	44,500	
Travel - In State	137,800	156,200	213,700	207,900	156,200	
Travel - Out of State	4,100	15,700	46,700	41,700	15,700	
Other Operating Expenditures	683,600	789,400	1,004,400	887,900	800,300	
Equipment	51,800	18,700	203,800	53,700	16,800	
All Other Operating Subtotal	920,100	1,024,500	1,578,700	1,298,300	1,033,500	
OPERATING SUBTOTAL	5,730,100	6,041,700	7,797,200	7,007,200	6,156,200	
SPECIAL LINE ITEMS						
Project SLIM Reductions	0	0	0	-25,800	-25,800	
Environmental Health Reserve	0	0	0	250,000	0	
Special Item Subtotal	0	0	0	224,200	-25,800	
PROGRAM TOTAL	5,730,100	6,041,700	7,797,200	7,231,400	6,130,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Health Services
 PROGRAM: Director's Office/Intergovt Affairs

JLBC ANALYST: Bradley/Reddy
 OSPB ANALYST: Chapko

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	5,730,100	6,041,700	7,797,200	7,231,400	6,130,400	
Federal Funds	66,233,600	79,412,700	79,718,000	--	79,718,000	
Other Non-Appropriated Funds	3,458,500	3,833,200	3,505,000	--	3,505,000	
PROGRAM TOTAL - ALL SOURCES	75,422,200	89,287,600	91,020,200	7,231,400	89,353,400	

Program Description - *The Director's Office/Intergovernmental Affairs encompasses support of the director, licensing of health care facilities and also includes vital records services for birth and death certificates, provides oversight of federal fund expenditures, and acts as a liaison to the legislative and all state and local agencies.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$6,130,400 -- a net increase of \$88,700, or 1.5%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$(4,200) GF
 Maintains a vacancy factor of 1%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 1% for the Office of the Director and 2% for Intergovernmental Affairs and Legislative Services.
- **ERE Rate Changes** 54,300 GF
- **Increased Rent Costs** 1,100 GF
- **Decreased Capitalized Replacement Equipment** (1,900) GF
- **Intra-Agency Transfers** 65,200 GF
 A total of 1.6 FTE positions and \$65,100 are transferred from the behavioral health program, as part of the department's reorganization. The total of all intra-agency transfers is essentially zero.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Project SLIM Reductions**

(25,800) GF

Project SLIM is completing its review of the Department of Health Services (DHS). Both DHS and Project SLIM have identified 50 FTE positions and \$1.3 million to be eliminated in FY 1995. Although these savings have been identified primarily in the business office areas, they have not been specifically detailed by program. Savings for this program include the elimination of 1 FTE position and \$(25,800). The JLBC Staff has allocated these savings by program on a pro rata basis. The Executive has elected to show the savings on an agency-wide basis. The JLBC Staff recommends the Legislature allocate the savings by program in order to insure savings are taken where intended. However, since more detailed information is not currently available, the reductions that are prorated by the JLBC Staff may need to be adjusted based upon receipt of more information from the department.

JLBC Staff Recommended Format -- Modified Lump Sum by Program

The Department of Health Services (DHS) has undergone a reorganization. The programs displayed by the JLBC Staff as Public Health, Family Health and Laboratory Services are all considered Medical and Public Health by DHS. The program displayed by the JLBC Staff as Director's Office/Intergovernmental Affairs are considered as 2 separate programs by DHS; namely, the Office of the Director; and Intergovernmental Affairs and Legislative Services. The program displayed by the JLBC Staff as Support Services is considered by DHS to be 2 separate programs: Administration and Financial Services; and Information and Technology Services.

The Executive has recommended an appropriation based on the DHS organization of programs. The JLBC Staff has chosen to display this recommendation and the agency request in the same format as the JLBC Staff recommendation. The JLBC Staff recommendation is for a Modified Lump Sum by Program.

Other Issues for Legislative Consideration

- **Human Rights Office**

The Executive recommends an additional 7.5 FTE positions and \$293,000 to expand the Human Rights Office. The Court Monitor in *Arnold vs. Sarn* believes the department should have one protection and advocacy representative for every 2,500 SMI clients. The JLBC Staff does not recommend this issue. The federal government provides protection and advocacy funds for behavioral health clients. The JLBC Staff recommends that this funding be explored for this purpose.

- **AHCCCS/DHS funding**

The Executive recommends that all DHS related expenditures in AHCCCS be transferred to DHS. This is inconsistent with the long-standing policy to reflect these costs in AHCCCS, as with the DES associated costs. Note that this is the same issue discussed under "PASARR" in the Behavioral Health Program. For several years, the department has requested these expenditures be moved and the Legislature has consistently determined that the existing location of costs was the preferred method. Therefore, the JLBC Staff does not recommend this transfer in keeping with long-standing legislative intent concerning this issue.

- **Environmental Health Reserve**

The Executive recommended funding for this issue in this program, while the JLBC Staff has recommended funding in Public Health. Please turn to the Public Health program pages for a full description.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Health Services
 PROGRAM: Support Services

JLBC ANALYST: Bradley/Reddy
 OSPB ANALYST: Chapko

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	185.5	203.8	223.2	218.2	201.2	
OPERATING BUDGET						
Personal Services	3,621,700	5,100,700	5,845,800	5,550,300	5,128,700	
Employee Related Expenditures	852,200	1,145,300	1,425,700	1,305,200	1,219,600	
Professional/Outside Services	461,900	451,600	535,000	220,000	451,600	
Travel - In State	8,000	16,700	36,600	16,700	16,700	
Travel - Out of State	0	2,000	6,700	2,000	2,000	
Other Operating Expenditures	3,716,300	3,741,700	4,495,300	3,913,200	3,687,700	
Equipment	73,400	78,400	1,605,000	78,400	6,500	
All Other Operating Subtotal	4,259,600	4,290,400	6,678,600	4,230,300	4,164,500	
OPERATING SUBTOTAL	8,733,500	10,536,400	13,950,100	11,085,800	10,512,800	
SPECIAL LINE ITEMS						
Morton/Black Canyon Bldg Mgt	0	0	551,000	551,000	457,400	
Project SLIM Reductions	0	0	0	-103,600	-103,600	
Special Item Subtotal	0	0	551,000	447,400	353,800	
PROGRAM TOTAL	8,733,500	10,536,400	14,501,100	11,533,200	10,866,600	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Health Services
 PROGRAM: Support Services

JLBC ANALYST: Bradley/Reddy
 OSPB ANALYST: Chapko

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	8,733,500	10,536,400	14,501,100	11,533,200	10,866,600	
PROGRAM TOTAL - ALL SOURCES	8,733,500	10,536,400	14,501,100	11,533,200	10,866,600	

Program Description - *The Support Services Program encompasses most centralized functions including business, finance, accounting, personnel and information technology services.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$10,866,600 -- a net increase of \$330,200, or 3.1%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** (26,500) GF
 Maintains a vacancy factor of 2%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 2% for the Administration and Finance Division and 1.5% for the Information and Technology Services Division.
- **ERE Rate Changes** 69,000 GF
- **Increased Risk Management Charges** 340,400 GF
- **Intra-agency Transfers** 63,300 GF
 A total of 1.4 FTE positions and \$63,300 are transferred to this program from the Family Health Program as part of the department's reorganization. The net effect of all intra-agency transfers is essentially zero.
- **Reduced Capitalized Equipment Replacement Costs** (71,900) GF
- **Morton/Black Canyon Building Management** -0- GF
 The department has requested that the operation and maintenance funding for these two building locations be funded as a special line item. The JLBC Staff has portrayed the budget consistent with that request.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **O&M Policy** 48,100 GF
The amount includes an increase of \$48,100 for operations and maintenance (O&M) charges for the Morton/Black Canyon buildings for a total of \$457,400. All O&M funding for these buildings will be transferred to the Department of Administration, which will be responsible for providing the service, either directly or under contract.
- **Rent Adjustment** 11,400 GF
In FY 1994, the department was appropriated \$114,600 for the Tucson Office Building. The charge for FY 1995 will be \$126,000, which requires an increase of \$11,400. These funds are paid to the Department of Administration and then used to make the lease-purchase payment for the building.
- **Project SLIM Reductions** (103,600) GF
Project SLIM is completing its review of the Department of Health Services (DHS). Both DHS and Project SLIM have identified 50 FTE positions and \$1.3 million to be eliminated in FY 1995. Although these savings have been identified primarily in the business office areas, they have not been specifically detailed by program. Savings for this program include the elimination of 4 FTE positions and \$(103,600). The JLBC Staff has allocated these savings by program on a pro rata basis. The Executive has elected to show the savings on an agency-wide basis. The JLBC Staff recommends the Legislature allocate the savings by program in order to insure savings are taken where intended. However, since more detailed information is not currently available, the reductions that are prorated by the JLBC Staff may need to be adjusted based upon receipt of more information from the department.

JLBC Staff Recommended Format -- Modified Lump Sum by Program

The Department of Health Services (DHS) has undergone a reorganization. The programs displayed by the JLBC Staff as Public Health, Family Health and Laboratory Services are all considered Medical and Public Health by DHS. The program displayed by the JLBC Staff as Director's Office/Intergovernmental Affairs are considered as 2 separate programs by DHS; the Office of the Director; and Intergovernmental Affairs and Legislative Services. The program displayed by the JLBC Staff as Support Services is considered by DHS to be 2 separate programs: Administration and Financial Services; and Information and Technology Services.

The Executive has recommended an appropriation based on the DHS organization of programs. The JLBC Staff has chosen to display this recommendation and the agency request in the same format as the JLBC Staff recommendation. The JLBC Staff recommendation is for a Modified Lump Sum by Program.

Other Issues for Legislative Consideration

- **Data Processing**
The Executive recommends an additional 17 FTE positions and \$505,600 for additional Management Information Systems (MIS) resources. The JLBC Staff does not recommend this issue. Over the last several years DHS has invested in a series of computer systems that have failed to perform up to expectations. The purchase of any additional computer resources should be evaluated in conjunction with the proposal of the Joint Ad Hoc Committee on Behavioral Health's recommendation to move behavioral health services to AHCCCS. In the event that were to occur, many of these costs would be unnecessary because the AHCCCS management information system (PMMIS) would be able to perform the required tasks.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Health Services
 PROGRAM: Public Health

JLBC ANALYST: Bradley/Reddy
 OSPB ANALYST: Chapko

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	108.7	102.2	112.2	107.2	107.2	
OPERATING BUDGET						
Personal Services	1,872,200	2,066,300	2,435,600	2,985,900	2,065,800	
Employee Related Expenditures	424,100	455,800	595,800	703,600	455,500	
Professional/Outside Services	75,500	106,200	133,700	243,200	106,200	
Travel - In State	58,100	89,600	97,100	134,600	89,600	
Travel - Out of State	7,200	11,000	15,700	18,500	11,000	
Other Operating Expenditures	402,900	369,100	430,700	662,300	369,100	
Equipment	52,600	24,200	76,000	67,100	6,800	
All Other Operating Subtotal	596,300	600,100	753,200	1,125,700	582,700	
OPERATING SUBTOTAL	2,892,600	3,122,200	3,784,600	4,815,200	3,104,000	
SPECIAL LINE ITEMS						
EMS Provider Contracts	0	310,400	400,000	400,000	331,200	
Arizona Poison Control	450,000	442,000	0	475,000	750,000	
State EMS Special Projects	42,900	155,200	300,000	155,200	170,000	
Ambulance Replacement	110,800	116,400	300,000	840,000	300,000	
EMSCOM Development	35,000	77,600	300,000	224,000	90,000	
Emer Med Services Oper Fund	1,254,100	1,244,500	1,341,800	0	1,237,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Health Services
 PROGRAM: Public Health

JLBC ANALYST: Bradley/Reddy
 OSPB ANALYST: Chapko

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
EMS Regional Coordinating System	108,300	98,200	100,000	100,000	98,200	
Direct Grants	578,000	578,000	578,000	578,000	578,000	
Reimbursement to Counties	396,300	396,300	396,300	396,300	396,300	
TB Provider Hospital Care	746,100	873,300	873,300	873,300	973,300	
Sexually Transmitted Disease Control	56,600	52,500	52,500	52,500	52,500	
AIDS Report/Surveillance	97,300	125,000	125,000	125,000	125,000	
Vaccines	1,755,300	2,125,100	2,125,100	2,125,100	2,125,100	
Kidney Program	83,300	100,000	100,000	100,000	100,000	
Health Effects Studies	115,000	0	0	0	0	
Chronic Disease Surveillance	159,900	0	0	0	0	
Trauma Systems Development	0	0	350,000	350,000	0	
Dispatch +911 Development	0	0	150,000	0	0	
Child Fatality Review Team	0	147,700	100,000	0	100,000	
Cancer/Birth Defect Registry	0	0	0	0	245,800	
Project SLIM Reductions	0	0	0	-77,400	-77,400	
Disease Control Research Grants	0	0	0	0	1,200,000	
Environmental Health Reserve	0	0	0	0	250,000	
Special Item Subtotal	5,988,900	6,842,200	7,592,000	6,717,000	9,045,300	
PROGRAM TOTAL	8,881,500	9,964,400	11,376,600	11,532,200	12,149,300	
BY FUND SOURCE						
General Fund	6,880,400	7,595,100	8,034,800	8,047,800	9,547,600	
Other Funds	2,001,100	2,369,300	3,341,800	3,484,400	2,601,700	
PROGRAM TOTAL - ALL SOURCES	8,881,500	9,964,400	11,376,600	11,532,200	12,149,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Health Services
PROGRAM: Public Health

Program Description - *The Public Health program provides emergency medical services which includes funding for both state and local programs and the Arizona Poison Control Center. In addition, the program provides funding for counties, disease prevention, and treatment of a number of specific illnesses.*

The JLBC Staff recommends a total appropriation of \$12,149,300 -- a net increase of \$2,184,900, or 21.9%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$9,547,600 -- a net increase of \$1,952,500, or 25.7%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$2,601,700 -- a net increase of \$232,400, or 9.8%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (600) GF
(300) OF

Maintains a vacancy factor of 1.5% for the General Fund portion, 1% for the Emergency Medical Services Operating Fund portion and no vacancy factor for the Child Fatality Review Fund portion, which are the standard rates applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 2% for the General Fund portion, 1% for the Emergency Medical Services Fund portion and no vacancy factor for the Child Fatality Review Team portion.
- ERE Rate Changes (200) GF
(6,900) OF
- Decreased Capital Equipment Replacement Costs (17,400) GF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Child Fatality Review Team (CFRT)** (47,700) GF
 The CFRT was created during last session by Laws 1993, Chapter 245. The legislation appropriated \$47,700 from the General Fund as a start-up loan which was to be repaid by the end of FY 1994. This funding is no longer necessary due to \$100,000 per year available for appropriation from the Child Fatality Review Fund. In addition to the appropriation, 2 FTE positions were included, and this adjustment has been made in the recommended number of FTE positions for FY 1995.
- **Project SLIM Reductions** (77,400) GF
 Project SLIM is completing its review of the Department of Health Services (DHS). Both DHS and Project SLIM have identified 50 FTE positions and \$1.3 million to be eliminated in FY 1995. Although these savings have been identified primarily in the business office areas, they have not been specifically detailed by program. The JLBC Staff has allocated these savings by program on a pro rata basis. The Executive has elected to show the savings on an agency-wide basis. The JLBC Staff recommends the legislative allocate the savings by program in order to insure savings are taken where intended. However, since more detailed information is not currently available, the reductions that are prorated by the JLBC Staff may need to be adjusted based upon receipt of more information from the department.

Disease Control Research Funding

Currently, \$2.9 million of sales tax revenues are diverted directly to the Disease Control Research Commission for awarding grants for research. These funds are currently non-appropriated and are expended under the direction of the Commission. Of the \$2.9 million, around \$400,000 is expended by the Commission on administration, and of the remaining \$2.5 million, approximately 82% is granted to researchers at the University of Arizona. A.R.S. § 41-2994.16 "sunsets" the commission on July 1, 1994, and the sales tax diversion effective January 1, 1995. The Joint Sunset Committee adopted a recommendation to appropriate these funds that are currently non-appropriated sales tax diversions. The JLBC Staff recommendation is to appropriate these funds and allow the Commission to lapse according to law. In order to avoid a 6 month diversion of sales tax revenues in FY 1995, A.R.S. 41-2994.16 would need to be amended to make both the commission and the diversion of revenue end on July 1, 1994.

The JLBC Staff recommendation would divide the \$2.9 million as follows:

Increase Sales Tax Revenues	\$ 2,900,000
Less: Fund all on-going research projects	\$(1,200,000)
Fully Fund Cancer Registry	\$ (245,800)
Fully Fund Arizona Poison Control	\$ (300,000)
Increase Tuberculosis Funding	\$ (100,000)
Environmental Health Reserve	\$ (250,000)
Subtotal	\$(2,095,800)
Net General Fund Savings	<u>\$ 804,200</u>

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The overall thrust of the recommendation is to produce General Fund savings while also directing more funding to applied disease control rather than pure research. To fully fund existing multi-year contracts, \$1.2 million is required for FY 1995, \$700,000 for FY 1996, and no funding for FY 1997 and beyond. Therefore, General Fund savings rise to \$1,304,200 in FY 1996 and to annual savings of \$2,004,200 for FY 1997 and beyond.

- **Disease Control Research Grants** 1,200,000 GF
The JLBC Staff recommends that a portion of the \$2.9 million currently diverted by law from the sales tax revenues to the Disease Control Research Commission be appropriated to the Department for both research and applied disease control, and the commission be disbanded. Although this appears to be an increase of \$1.2 million, the JLBC Staff sales tax revenue estimate is increased by \$2.9 million. As discussed above, these funds would be phased out by FY 1997. Since only existing contracts will be monitored, and for only a 2 year period, there is no need for additional administrative resources.
- **Cancer/Birth Defects Registry** 245,800 GF
Currently, DHS can only compile about one-half of the hospital data it receives. It is therefore impossible for them to accurately determine if the incidence of cancer is higher in any particular area. Because of this, the state has been in a reactive position, rather than proactive. Each time the state receives a complaint about a "hotspot" area, (Maryvale leukemia, Tucson trichlorethylene, North Phoenix illness, South Phoenix birth defects, etc.), it must hire an outside consultant at great cost to determine if there really is a "hotspot". This costs between \$300,000 to \$700,000 per occurrence and delays any corrective action for several years. Fully funding this registry would likely result in substantial long term savings. The Executive also recommends this issue.
- **Tuberculosis Hospital Provider Care** 100,000 GF
DHS currently has an appropriation of \$873,300 for Tuberculosis Provider Hospital Care. The added funding would essentially restore the program's resources to their FY 1989 level. These funds are used to treat and control tuberculosis in Arizona. Arizona has been identified as having one of the highest TB incidence rates in the United States. There is also a new threat of drug resistant TB as a result of poor monitoring of patients. A recent case of TB in an Arizona high school student could be the precursor of a future outbreak.
- **Environmental Health Reserve** 250,000 GF
The JLBC Staff recommends an environmental health reserve of \$250,000 be established. This funding would allow the department to immediately investigate "hot spot" health problem areas without the delay of seeking separate legislation for funding. The Executive also recommends this issue and asks that this funding be appropriated on a non-reverting basis with a footnote that expenditure of funds will be subject to the approval of the Governor and a reporting of intended use of monies to the Joint Legislative Budget Committee. The JLBC Staff also recommends the appropriation for this line item be non-reverting and use of the following language for a footnote: "When expenditures from the hazardous waste or environmental health reserves are authorized, the director shall report the nature of the emergency and the authorized expenditure amount to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Senate and House Appropriations Committees, and the Director of the Joint Legislative Budget Committee Staff." The Executive has recommended this issue in the Office of the Director/Intergovernmental Affairs program. Note that both the JLBC Staff and the Executive have recommended a similar reserve in the Department of Environmental Quality's budget.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Arizona Poison Control Center (APCC)

300,000 GF
8,000 OF

The JLBC Staff recommends a total appropriation of \$750,000 for the Arizona Poison Control Center (APCC). This is accomplished by increasing the General Fund portion by \$300,000 to \$475,000, and the EMS operating fund portion by \$8,000 to \$275,000. This is full-funding for APCC and will not require supplemental funding by the University of Arizona. The JLBC Staff recommends that the Legislature explore other funding sources to offset the General Fund costs. These options include, but are not limited to, emergency telecommunication "911" funds, automatic billing by a 1-900 number, AHCCCS and private health insurance participation, and private donations. The Executive has increased the General Fund by \$300,000 as well, but has eliminated all EMS operating fund monies. The Executive recommendation totals only \$475,000, and is therefore \$275,000 short of full-year funding. The following chart illustrates the funding for this program.

	<u>FY 1994</u>	<u>Executive FY 1995</u>	<u>JLBC Staff FY 1995</u>
General Fund	\$175,000	\$475,000	\$475,000
EMS Operating Fund	267,000	-0-	275,000
Subtotal	<u>\$442,000</u>	<u>\$475,000</u>	<u>\$750,000</u>
 Projected FY 1994			
Supplemental/Subsidy	<u>308,000</u>	NA	NA
TOTAL	<u>\$750,000</u>	<u>\$475,000</u>	<u>\$750,000</u>

Emergency Medical Services Fund Issues

The programs funded from the Emergency Medical Services Fund have been reduced significantly over the last three years due to declining revenues. The revenue source will be modified effective January 1, 1994, due to the passage of Laws 1993, Chapter 243. The change in revenue source will reverse part of this decline and insure more stability. One of the intended purposes of the legislation was to prevent further erosion of emergency medical services programs. Therefore, the items recommended below reflect a restoration of some previous reductions that were purely funding driven.

- EMS Provider Contracts

The increase will provide the department with resources to strengthen local providers of emergency services through the purchase of additional equipment and assistance with liability insurance premiums.

20,800 OF

- State EMS Special Projects

The additional funding will provide additional training to local emergency response personnel.

14,800 OF

- Ambulance Replacement

Current funding levels only allow the purchase of two ambulances per fiscal year. By increasing the level of funding to the requested level, five ambulances can be purchased. The current number and quality of ambulances in rural areas is inadequate to maintain timely emergency response and transportation of trauma victims. These funds are targeted at the most needy areas of the state.

183,600 OF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- EMSCOM Development

12,400 OF

The additional resources will enhance the ability of the state to maintain emergency communications in remote areas.

JLBC Staff Recommended Format -- Modified Lump Sum by Program

The Department of Health Services (DHS) has undergone a reorganization. The programs displayed by the JLBC Staff as Public Health, Family Health and Laboratory Services are all considered Medical and Public Health by DHS. The program displayed by the JLBC Staff as Director's Office/Intergovernmental Affairs are considered as 2 separate programs by DHS; namely, the Office of the Director; and Intergovernmental Affairs and Legislative Services. The program displayed by the JLBC Staff as Support Services is considered by DHS to be 2 separate programs: Administration and Financial Services; and Information and Technology Services.

The Executive has recommended an appropriation based on the DHS organization of Programs. The JLBC Staff has chosen to display this recommendation and the agency request in the same format as the JLBC Staff recommendation. The JLBC Staff recommendation is for a Modified Lump Sum by Program.

JLBC Staff Recommended Footnotes

Standard Footnotes

- It is the intent of the Legislature that appropriated funds shall not be utilized to support any poison control center other than the one at the University of Arizona.
- The appropriation for Direct Grants is to provide for local health work and is to be divided equally among the 15 counties on a non-matching basis, with each county to employ 1 Public Health Nurse and 1 Sanitarian. All monies received by a county under this appropriation which are not used for the prescribed purposes shall revert to the state General Fund. *(This footnote is necessary to provide direction for the distribution of funds.)*
- The \$396,300 appropriated for reimbursement to counties is to provide the matching monies to counties for local health work on an equal matching basis and shall be distributed in the following manner: \$174,790 of the monies shall be distributed to counties with populations of less than 500,000 persons on an equal per capita basis as determined by the latest federal decennial census. The distribution for counties with a population of more than 500,000 persons but less than 1,000,000 persons shall be \$57,750 and for counties with a population of over 1,000,000 persons the distribution shall be \$163,760. *(This footnote is necessary to provide direction for the distribution of funds.)*

New FY 1995 Footnotes

- When expenditures from the environmental health reserve are authorized, the director shall report the nature of the emergency and the authorized expenditure amount to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Senate and House Appropriations Committees, and the Director of the Joint Legislative Budget Committee Staff.
- This appropriation (environmental health reserve) is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations.

Deletion of New FY 1994 Footnotes

- The \$47,400 appropriated for the Child Fatality Review Team is intended to provide for the first six months of operations, to be repaid in full by the end of the state fiscal year from revenues deposited into the child fatality review team fund. The department shall revert the \$47,700 appropriated for this purpose if House Bill 2148 or similar legislation is not enacted into law. *(This footnote was needed to provide a one-time start-up loan from the General Fund to this program. This is no longer needed.)*

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Other Issues for Legislative Consideration

- **Trauma Systems Development and 911 Dispatch Development**

The Executive recommends 1.5 FTE positions and \$350,000 to develop a trauma system and 911 dispatch. The recommendation is based upon A.R.S. § 36-2201 which addresses establishing trauma system guidelines. The statute does not appear to require such an expenditure, but rather only a study of the system and development of guidelines and procedures. In addition, consideration should be given to how this system would interact with projects funded through "911" emergency telephone service revenues.

- **Immunizations**

The state currently appropriates \$2,125,000 for immunization vaccines. The federal government has approved full funding for the purchase of all vaccines for children, AHCCCS recipients and the uninsured. The increase in federal funding to the state is \$2,215,000. The department may have increased responsibility for administration of the program under the federal plan. At this time, the department is developing a plan for FY 1995. A preliminary plan has been submitted to the Center for Disease Control (CDC) for approval. While the state may have continued administrative costs, a need for emergency reserves for outbreaks, and funding requirements for non-covered vaccines, there may ultimately be substantial savings to the state. The JLBC Staff has recommended to maintain current funding pending the development of the department's immunization plan.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Health Services
 PROGRAM: Family Health

JLBC ANALYST: Bradley/Reddy
 OSPB ANALYST: Chapko

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	87.6	76.9	77.4	74.3	72.5	
OPERATING BUDGET						
Personal Services	1,950,000	2,050,800	2,194,200	2,042,300	2,002,900	
Employee Related Expenditures	431,200	444,200	528,900	440,500	466,000	
Professional/Outside Services	146,900	151,600	151,600	151,600	151,600	
Travel - In State	64,400	74,600	74,600	74,600	74,600	
Travel - Out of State	2,000	2,700	2,700	2,700	2,700	
Other Operating Expenditures	381,900	393,700	400,500	400,500	390,200	
Equipment	0	0	6,000	6,000	0	
All Other Operating Subtotal	595,200	622,600	635,400	635,400	619,100	
OPERATING SUBTOTAL	2,976,400	3,117,600	3,358,500	3,118,200	3,088,000	
SPECIAL LINE ITEMS						
AHCCCS-CRS	8,708,400	8,808,400	8,808,400	8,283,800	8,368,200	
Adult Cystic Fibrosis	202,500	221,400	221,400	221,400	221,400	
Adult Sickle Cell Anemia	69,400	69,400	69,400	69,400	69,400	
Child Rehabilitative Services	8,590,000	7,890,000	7,890,000	6,427,900	6,427,900	
Newborn Intensive Care	3,000,000	4,385,900	4,385,900	4,385,900	4,385,900	
Perinatal Care Services	257,000	257,000	257,000	257,000	257,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Health Services
 PROGRAM: Family Health

JLBC ANALYST: Bradley/Reddy
 OSPB ANALYST: Chapko

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Teen Prenatal Express	1,081,000	1,081,100	1,081,100	1,081,100	1,081,100	
Rural Obstetric Services	86,000	0	0	0	0	
Med. Malpractice/Obstetrics	51,300	280,000	280,000	355,000	280,000	
Nutrition Subventions	330,100	330,100	330,100	330,100	330,100	
Prenatal Outreach	200,000	200,000	1,133,100	1,133,100	200,000	
WIC Supplemental	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	
Project SLIM Reductions	0	0	0	-77,300	-77,300	
Special Item Subtotal	23,575,700	24,523,300	25,456,400	23,467,400	22,543,700	
PROGRAM TOTAL	26,552,100	27,640,900	28,814,900	26,585,600	25,631,700	
BY FUND SOURCE						
General Fund	26,552,100	27,640,900	28,814,900	26,585,600	25,631,700	
PROGRAM TOTAL - ALL SOURCES	26,552,100	27,640,900	28,814,900	26,585,600	25,631,700	

Program Description - *The Division of Family Health Services provides non-mental public health programs. The largest program is Children's Rehabilitative Services (CRS) which provides treatment for seriously physically impaired children that would benefit from a team surgical approach. CRS includes children with severe congenital defects, spina bifida, cleft palate, and other serious yet correctable or improvable conditions. Non-CRS programs include prenatal programs, nutrition, dental care and targeted care for specific diseases.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$25,631,700 -- a net decrease of \$(2,009,200), or (7.3)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ 2,500 GF
 Maintains a vacancy factor of 1.5%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 2%.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- ERE Rate Changes 31,000 GF
- Intra-agency Transfer (63,000) GF
 A total of 1.4 FTE positions and \$(63,000) is transferred to the Director's Office/Intergovernmental Affairs Program, as part of the department's reorganization. The total of all intra-agency transfers is essentially a zero net change.

- CRS Shift of Clients to Title XIX Eligibility (1,902,300) GF
 A combination of factors has reduced the need for General Fund support of the Children's Rehabilitative Services (CRS) program. The most significant factor has been the continued shifting of clients to Title XIX eligibility. Other factors include the reduction in covered services made 2 years ago which had a delayed effect due to "grandfathering out" current clients, enhanced federal match percentages, an increasing number of fixed contracts, and a clearer allocation of Title XIX expenditures. The table below shows that although state funding is decreased by \$(1,902,300), total funding will remain unchanged for this program. The Executive concurs.

	<u>FY 1994</u>	<u>FY 1995</u>	<u>Difference</u>
CRS-State Only	\$ 7,890,000	\$ 6,427,900	\$(1,462,100)
CRS-State Match	8,808,400	8,368,200	(440,200)
Federal	<u>12,923,400</u>	<u>14,825,700</u>	<u>1,902,300</u>
TOTAL	<u>\$29,621,800</u>	<u>\$29,621,800</u>	<u>\$ -0-</u>

- Project SLIM Reductions (77,300) GF
 Project SLIM is completing its review of the Department of Health Services (DHS). Both DHS and Project SLIM have identified 50 FTE positions and \$1.3 million to be eliminated in FY 1995. Although these savings have been identified primarily in the business office areas, they have not been specifically detailed by program. The savings for this program include the elimination of 3 FTE positions and \$(77,300). The JLBC Staff has allocated these savings by program on a pro rata basis. The Executive has elected to show the savings on an agency-wide basis. The JLBC Staff recommends the Legislature allocate the savings by program in order to insure savings are taken where intended. However, since more detailed information is not currently available, the reductions that are prorated by the JLBC Staff may need to be adjusted based upon receipt of more information from the department.

JLBC Staff Recommended Footnotes

Standard Footnotes

- The amounts appropriated for Children's Rehabilitative Services, AHCCCS-Children's Rehabilitative Services, and for federal expenditure authority in the AHCCCS program are intended to cover all indirect, fixed contract, fee-for-services costs, and all other costs of the Children's Rehabilitative Services program in full, unless a transfer of funds is approved by the Joint Legislative Budget Committee.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Format -- Modified Lump Sum by Program

The Department of Health Services (DHS) has undergone a reorganization. The programs displayed by the JLBC Staff as Public Health, Family Health and Laboratory Services are all considered Medical and Public Health by DHS. The program displayed by the JLBC Staff as Director's Office/Intergovernmental Affairs are considered as 2 separate programs by DHS; namely, the Office of the Director; and Intergovernmental Affairs and Legislative Services. The program displayed by the JLBC Staff as Support Services is considered by DHS to be 2 separate programs: Administration and Financial Services; and Information and Technology Services.

The Executive has recommended an appropriation based on the DHS organization of programs. The JLBC Staff has chosen to display this recommendation and the agency request in the same format as the JLBC Staff recommendation. The JLBC Staff recommendation is for a Modified Lump Sum by Program, with the choice of programs to be made by the Legislature based on those it believes to be most suitable.

Other Issues for Legislative Consideration

- **Prenatal Outreach (Un Comienzo Sano, or Health Start)**
The Executive recommends an additional 2 FTE positions and \$1,000,700 for this program. This issue is part of the Success by Six program, and would significantly expand the use of lay workers to perform outreach services largely centering on prenatal care.
- **Medical Malpractice/Obstetrical Services and Loan Forgiveness Program**
The Executive recommends a reduction of \$(25,000) in funding for subsidizing malpractice insurance for Community Mental Health Centers due to increased federal coverage. The Executive then recommends increasing the appropriation by \$100,000 to establish a School Loan Forgiveness Program for doctors in rural areas of the state, in addition to over \$100,000 recommended for the same purpose in the Medical Student Loans Board budget. The JLBC Staff did not recommend the DHS changes, but concurs with the added Medical Student Loan Board funding. It may be premature to reduce malpractice insurance subsidies until the full effects of the new legislation are experienced. With respect to medical student loans for rural areas, the JLBC Staff has continued to budget for these expenditures in the Medical Student Loans Board budget, and at a recommended level of \$114,600 for FY 1995.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Health Services
 PROGRAM: Behavioral Health

JLBC ANALYST: Bradley/Reddy
 OSPB ANALYST: Chapko

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	1,134.0	1,083.5	1,084.8	1,048.5	1,047.4	
OPERATING BUDGET						
Personal Services	21,777,000	24,040,200	26,495,900	4,122,400	21,691,100	
Employee Related Expenditures	6,259,200	5,556,800	6,737,900	832,900	5,427,800	
Professional/Outside Services	3,272,400	4,422,600	4,474,100	2,463,800	4,006,300	
Travel - In State	93,000	107,400	123,300	62,100	104,700	
Travel - Out of State	16,600	13,100	15,900	8,000	12,200	
Food	834,900	751,800	751,800	18,700	764,000	
Other Operating Expenditures	4,533,800	2,742,900	2,802,400	1,720,800	2,386,600	
Equipment	218,000	36,000	203,400	79,800	119,500	
All Other Operating Subtotal	8,968,700	8,073,800	8,370,900	4,353,200	7,393,300	
OPERATING SUBTOTAL	37,004,900	37,670,800	41,604,700	9,308,500	34,512,200	
SPECIAL LINE ITEMS						
Region Resid./Psych. Beds	5,713,500	5,713,500	5,713,500	5,713,500	5,713,500	
Childrens' Behavioral Health Services	11,800,600	12,288,800	17,288,800	12,288,800	13,667,000	
Seriously Mentally Ill Services	51,457,900	55,349,300	79,377,600	62,268,700	61,060,600	
Mental Health Services	9,682,800	9,745,300	9,745,300	9,745,300	0	
Substance Abuse	13,058,400	13,357,100	14,893,700	13,357,100	0	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Health Services
 PROGRAM: Behavioral Health

JLBC ANALYST: Bradley/Reddy
 OSPB ANALYST: Chapko

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Mental Health & Substance Abuse	0	0	0	0	17,493,800	
SMI Medications	2,535,800	0	0	0	0	
Transitional Living Unit	60,900	0	0	0	0	
Geriatric Residential Beds	1,550,800	2,190,000	2,190,000	2,190,000	2,190,000	
SMI Clozaril Program	486,800	487,100	487,100	487,100	487,100	
EPSDT-DES	0	1,038,000	1,038,000	1,038,000	0	
Seriously Emotionally Handicapped Children	3,805,800	4,332,200	4,332,200	4,332,200	4,332,200	
Children's Match (XIX)	10,536,600	11,543,300	14,806,600	13,000,100	20,621,300	
Third Party Payor Costs	0	0	0	0	2,248,900	
Childrens' Respite Care	0	0	0	0	250,000	
Court Monitoring	0	0	0	441,400	441,400	
Client Satisfaction Incentive Program	0	0	0	0	100,000	
Southern AZ Mental Health Center	0	0	0	0	3,688,400	
PASARR	0	0	60,200	60,200	0	
Arizona State Hospital	0	0	0	28,787,400	0	
Project SLIM Reductions	0	0	0	-951,900	-951,900	
Psychiatric Review Board	0	0	0	0	80,000	
Special Item Subtotal	110,689,900	116,044,600	149,933,000	152,757,900	131,422,300	
PROGRAM TOTAL	147,694,800	153,715,400	191,537,700	162,066,400	165,934,500	
BY FUND SOURCE						
General Fund	140,408,700	139,732,200	177,554,500	149,628,100	151,773,000	
Other Funds	7,286,100	13,983,200	13,983,200	12,438,300	14,161,500	
Other Non-Appropriated Funds	3,054,600	3,147,000	3,228,300	--	3,228,300	
PROGRAM TOTAL - ALL SOURCES	150,749,400	156,862,400	194,766,000	162,066,400	169,162,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Health Services
 PROGRAM: Behavioral Health

Program Description - *The Behavioral Health Division administers most mental health services for the state including both adult and children's behavioral health, substance abuse, and seriously emotionally handicapped children. The division also operates the Arizona State Hospital (ASH) which provides primarily residential treatment to both adults and children and the Southern Arizona Mental Health Center (SAMHC) which provides primarily outpatient treatment services. Most services are provided through contracts with 6 Regional Behavioral Health Authorities (RBHA's) which then subcontract for provision of services with a provider network.*

The JLBC Staff recommends a total appropriation of \$165,934,500 -- a net increase of \$12,219,100, or 7.9% to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$151,773,000 -- a net increase of \$12,040,800, or 8.6%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$14,161,500 -- a net increase of \$178,300 or 1.3%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ 26,900 GF
 Maintains a vacancy factor of 3%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 3%.
- **ERE Rate Changes** 411,600 GF
- **Intra-agency Transfers** (67,400) GF
 A total of 1.6 FTE positions and \$67,400 and is transferred to the Director's Office/Intergovernmental Affairs Program as part of the department's reorganization. The net effect of all of the intra-agency transfers is a reduction of \$(2,000).
- **One-time Funding Adjustment** 500,000 GF
(500,000) OF

Laws 1993, Chapter 6, appropriated \$1,500,000 of Arizona State Hospital (ASH) medicaid recoveries and \$500,000 of Southern Arizona Mental Health Center (SAMHC) medicaid recoveries and other revenue to the Special Revenue Fund (SRF). The sum of \$2,000,000 was then appropriated from the SRF to offset the costs of operating ASH and SAMHC. In the absence of such legislation being repeated, any future recoveries will be deposited into the general fund. The department is currently experiencing difficulty in recovering sufficient reimbursements to deposit a full \$2,000,000 into the SRF. The JLBC Staff recommends repeating this appropriation of federal fund recoveries at a level of \$1,500,000 for FY 1995. The appropriation of these funds as an offset encourages the department to actively pursue these recoveries. The lower amount requires an "add back" of General Fund monies in the amount of \$500,000. The Executive added back \$400,000.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Increased Non-Capitalized Equipment Costs** 47,000 GF
The increase is primarily for furnishings for the patients at the Arizona State Hospital (ASH). In the past, furnishings have been almost exclusively purchased from ASH land endowment funds. However, these funds are currently insufficient to maintain the ASH living quarters at a level conducive to treatment. A certain standard of environment must also be met in order to maintain JCAHO accreditation as a mental health hospital.
- **Increased Capitalized Equipment Replacement Costs** 99,500 GF
These expenditures are primarily for replacement laboratory and treatment equipment at the Arizona State Hospital.
- **Increased Food Costs** 12,200 GF
The food expenditures at ASH have been a point of concern for the last three years. The agency has appeared to make strides towards a more efficient and cost effective operation. As a result, a clearer picture of raw food costs has been established. The recommended amount raises per meal funding from \$1.24 in the current year to \$1.32 per meal for FY 1995. The recommended amount is based on an average daily census of 450 patients at ASH (492,750 regular meals and 86,295 nourishment equivalents) and 16,828 staff purchased meals. The combination of an average of 80 less patients per day at ASH from those funded in FY 1994, and an increase in per meal food funding results in a \$12,200, or 1.6%, increase in total costs.
- **Third Party Payor Costs** -0- GF
The JLBC Staff recommends transferring existing funding for third party payor costs from certain Special Line Items to a new Special Line Item. The department contracts with a third party payor to process behavioral health provider claims. Since these expenditures are made from program line items, such as SMI Services, the full cost is not readily apparent, and monies available for services are overstated. The JLBC Staff recommends that these costs should be shown separately to better reflect where costs are incurred. The department estimates these costs to be \$2,248,900 for FY 1995. The funds to pay for this expense come from Seriously Mentally Ill Services (\$1,347,300), Children's Behavioral Health Subvention (\$371,800), and Substance Abuse (\$529,800).
- **Court Monitoring Costs** -0- GF
The department pays for the cost of the Office of the Monitor for the Arnold vs. Sarn lawsuit. The JLBC Staff recommends transferring existing funding for court monitoring costs from SMI Services to a new Special Line Item. Since these expenditures are made from a program line item, namely SMI Services, the full cost is not readily apparent, and monies available for services are overstated. The JLBC Staff recommends that these costs should be shown separately to better reflect where costs are incurred. The department estimates these costs to be \$441,400 for FY 1995. The funding for these expenses will come from the Seriously Mentally Ill Services line item.

Children's Behavioral Health Issues

The JLBC Staff recommends an increase of \$5 million for Title XIX Children's Behavioral Health, \$2 million for Non-Title XIX Children's Behavioral Health, and a consolidation of state matching funds resulting in a transfer in of \$3,040,000.

- **Children's Behavioral Health Subvention Funding** 1,750,000 GF
The Legislature has continued to express support for subvention, (or 100% state-only), funding. The JLBC Staff recommends an additional \$750,000 for population growth and \$1,000,000 for increased prevention funding. Although both Title XIX and non-Title XIX children each account for about 7½% of the behavioral client population, when considering federal funds, Title XIX children receive over 21% of the resources while non-XIX children receive less than 5% of the resources. This disparity has resulted in an increasing amount of service

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

rationing. At current costs per client, an increase of \$750,000 will allow approximately 460 more children to be served. Current population is around 6,500 state-only children statewide. The Executive did not recommend any additional resources.

The JLBC Staff recommends that an additional \$1,000,000 be added for children's prevention programs. The department is required by law to ask for at least 20% of their Children's Behavioral Health funding to be for prevention. However, the law does not require that this actually be spent for that purpose. The proper use of prevention programs such as suicide prevention, substance abuse and other mental illness prevention programs, can greatly reduce future system costs.

- **Children's Respite Care** 250,000 GF
The JLBC Staff recommends \$250,000 for children's behavioral health respite services. Respite care provides temporary in-home counseling and supervision of clients with the goal of retaining family integrity and avoiding costly residential care. Respite care can result in substantial savings by avoiding the need to remove a client to 24 hour supervisory care due to temporary conditions. Respite care is also more effective as a treatment modality because it avoids institutionalization. The Executive did not recommend this issue.
- **EPSDT-DES Funding** -0- GF
The line item of EPSDT-DES was originally a part of the Department of Economic Security (DES) budget, and was then transferred to DHS. The line item provides Title XIX matching funds for developmentally disabled children that are dually-diagnosed with a mental illness. The original intent was to count these expenditures separately. However, this has never occurred, and it is unlikely it ever will. Instead, each year this money is transferred by DHS into the Children's Title XIX Match line item. The JLBC Staff recommends that the appropriation be adjusted to reflect this fact.
- **Children's Behavioral Health Title XIX Matching Funds** 5,000,000 GF
The JLBC Staff recommends a \$5,000,000 increase in state matching funds for Title XIX Children's Behavioral Health. This recommendation is based upon adjusting the FY 1995 base by \$3,500,000 to reflect the supplemental need for FY 1994 due to an increase of around 20% in the monthly capitation rate. The remaining \$1,500,000 increase is recommended to fund an increase in population from an estimated 7,100 clients at the end of FY 1994 to some 7,900 clients by the end of FY 1995, as well as the likelihood of a slight increase in the capitation rate for FY 1995. These estimates are based on limited data and therefore may be adjusted as more information becomes available. The Executive recommends \$2,000,000, including \$1,615,000 in the DHS budget, and \$385,000 in other agencies. Based upon current estimates of a shortfall in FY 1994 of some \$3.5 million, the Executive recommendation would require a reduction in services of at least \$1.5 million in FY 1995 assuming no further client growth. It is unclear how this reduction would be accomplished.
- **Consolidation of All Children's Behavioral Health Title XIX Matching Funds** 3,040,000 GF
The JLBC Staff recommends the consolidation of all Children's Behavioral Health Title XIX matching funds. Currently, several agencies have matching funds which contribute to the state's total match for a program operated by DHS but also overseen by AHCCCS. The result is that agencies devote resources to counting where each child is from, what services they received, and then bill other agencies for the matching costs. It is very difficult to track expenses in this way since children might be involved with several agencies at various times, may go in and out of eligibility for Title XIX, and because data gathering is very poor. This inevitably results in interagency arguments over how much is owed by each agency. In an environment of frequent supplementals, this problem has been exacerbated. To streamline the system and free up scarce resources for more productive pursuits, the JLBC Staff recommends that all matching funds be consolidated at DHS. After this transfer, all Title XIX matching funds will be the responsibility of DHS and no other agencies will be charged.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The transfer consists of \$2,800,000 from the Department of Economic Security, \$200,000 from the Courts, and \$40,000 from the Department of Youth Treatment and Rehabilitation. The net effect to the state is no cost. However, savings will result in freed up staff time which will increase the efficiency of the involved agencies. The Executive did not address this issue.

Adult Mental Health Issues

The JLBC Staff recommends an increase of \$7,500,000 for Seriously Mentally Ill clients, and adjusts both the DHS and AHCCCS budgets for the implementation of General Mental Health and Substance Abuse Coverage under Title XIX beginning October 1, 1994.

- **Seriously Mentally Ill Funding** 7,500,000 GF
The JLBC Staff recommends an additional \$7,500,000 of funding for the Seriously Mentally Ill (SMI). There are several reasons for this increase, which include: requirements of the Arnold vs Sarn lawsuit; possible increases in the monthly capitation rate (this will likely be known in March and will likely be effective upon submission to the Health Care Financing Administration (HCFA); slight increases in overall client counts; and continued outreach and efforts to improve services. Unfortunately, there continues to be a great deal of uncertainty with several important budget factors and there is an insufficient historical database to properly predict costs. Currently, this program serves approximately 5,700 Title XIX clients and 12,900 non-Title XIX clients for a statewide total of 18,600 SMI clients. The Executive recommends \$7,360,800 for this issue.

- **Combine Substance Abuse and General Mental Health Funding** -0- GF
The JLBC Staff recommends combining the line items of Mental Health Services and Substance Abuse into 1 line item. These programs will be included in the state's Title XIX program effective October 1, 1994. The funding should be combined so accurate comparisons can be made between the Title XIX population and the state-only clients.

- **Implementation of Title XIX for General Mental Health** (5,078,800) GF
On October 1, 1994 the waiver expires for not providing general mental health and substance abuse services in Arizona under the Title XIX program. The JLBC Staff recommends that the Title XIX program be located in the AHCCCS budget, and that funding be adjusted to reflect this. The JLBC Staff estimates that over 30% of the clients currently served will become Title XIX eligible. The reduction of \$(5,078,800) reflects savings from clients that will now be served in the AHCCCS budget. The figure represents 30% of 9 months funding for these individuals. The table below shows that under the JLBC Staff recommendation total funding should increase.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

	<u>FY 1994</u>	<u>FY 1995</u>	<u>Change</u>
DEPARTMENT OF HEALTH SERVICES			
Mental Health Services	\$ 9,745,300	\$ -0-	\$(9,745,300)
Substance Abuse	13,357,100	-0-	(13,357,100)
Administrative Costs	(529,800)	-0-	529,800
General Mental Health Subvention	<u>-0-</u>	<u>17,493,800</u>	<u>17,493,800</u>
Subtotal	<u>\$22,572,600</u>	<u>\$17,493,800</u>	<u>\$(5,078,800)</u>
AHCCCS			
General Mental Health Match	-0-	2,519,900	2,519,900
Federal Funds	<u>-0-</u>	<u>5,000,000</u>	<u>5,000,000</u>
Subtotal	<u>\$ -0-</u>	<u>\$ 7,519,900</u>	<u>\$7,519,900</u>
TOTAL	<u>\$22,572,600</u>	<u>\$25,013,700</u>	<u>\$2,441,100</u>

1/ Estimate of federal match.

Although the Executive has recommended an increase of \$2,811,500 in the AHCCCS budget (comparable to the JLBC Staff recommendation of \$2,519,900), no corresponding adjustment was made for those clients currently served in the DHS program that will now be served in the AHCCCS program. Therefore, the Executive is \$5,078,800 higher than the JLBC Staff recommendation for this program.

Other Behavioral Health Changes

The JLBC Staff also recommends the behavioral health changes shown below.

- **Psychiatric Review Board** 80,000 GF
 The JLBC Staff recommends an additional 2 FTE positions and \$80,000 to fund the Psychiatric Review Board created last year by Laws 1993, Chapter 256. The board reviews those persons committed to the Arizona State Hospital under "Not Guilty By Reason of Insanity" (NGBI). NGBI's are evaluated to determine if they should be released from treatment or retained. The funding provides 2 support positions for the board's activities. The Executive did not recommend this issue.
- **Privatize SAMHC** -0- GF
 The JLBC Staff recommends that the Southern Arizona Mental Health Center (SAMHC) be privatized. SAMHC is unique in that it competes with private non-profit organizations in Pima County for the provision of mental health services. The JLBC Staff recommends moving funding for 81.8 FTE positions and \$3,688,400 to a below-the-line item which can be used for either operation of the facility as a state or private non-profit operation for FY 1995. For FY 1996, all funding would be transferred to the appropriate service line items. This allows the department a full year to transition SAMHC to the private sector. The disposition of the facilities whether sold or leased to another provider would be determined by the department. All resources currently used to support SAMHC would remain in the same geographical area. The Executive did not address this issue.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

• ASH Disproportionate Share Fund Increased Offset

678,300 OF
(678,300) GF

The JLBC Staff has revised upward the estimates for Disproportionate Share payments from the federal government for both FY 1994 and FY 1995. In addition, \$3,144,900 was used in FY 1994 by depleting the ending balance of the Arizona State Hospital Disproportionate Share Fund (ASHDSF), and this money must be replaced in FY 1995. The net effect is a reduction of \$(3,144,900) in available funds from one-time ending balance and an increase in new funds of \$3,823,200 for a net change of \$678,300.

Arizona State Hospital Disproportionate Share Fund

<u>FY 1992</u>	<u>Change</u>	<u>DSF Balance</u>
General Fund to DSF	\$2,128,800	\$2,128,800
Federal Payment to DSF	3,564,600	5,693,400
Less: Appropriations to DHS ^{1/}	(1,955,300)	3,738,100
<u>FY 1993</u>		
General Fund to DSF (originally from DHS, now from AHCCCS) ^{2/}	1,942,000	5,680,100
Federal Payment to DSF	3,751,400	9,431,500
Less: Appropriation for Capital Imp. at ASH	(2,000,000)	7,431,500
Less: Appropriation for ASH Operations	(7,431,500)	-0-
Added General Fund to DSF ^{2/}	1,072,700	1,072,700
Added Federal Payment to DSF ^{2/}	2,072,200	3,144,900
<u>FY 1994</u>		
AHCCCS General Fund Payment to DSF	1,942,000	5,086,900
Federal Payment to DSF	3,751,400	8,838,300
AHCCCS General Fund Payment to DSF	1,072,700	9,911,000
Federal Payment to DSF	2,072,200	11,983,200
Less: Appropriation to DHS	(11,983,200)	-0-
Added General Fund to DSF ^{2/}	458,600	458,600
Added Federal Payment to DSF ^{2/}	888,700	1,347,300
<u>FY 1995</u>		
AHCCCS General Fund Payment to DSF	3,801,600	5,148,900
Federal Payment to DSF	7,512,600	12,661,500
Less: JLBC Staff Recommended FY 1995 Appropriation	(12,661,500)	-0-

^{1/} DHS was required to revert \$1,955,300 from their FY 1992 General Fund operating Appropriation. Therefore appropriation balances out the equal revertment, and zero is the net impact for FY 1992.

^{2/} Reflects changes made by Laws 1993, Chapter 6, (H.B. 2007), Second Special Session.

^{3/} Reflects the JLBC Staff Recommendation for revised Disproportionate Share Funding distribution.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **ASH as a Separate Cost Center** -0- GF
The JLBC Staff recommends that the Legislature consider appropriating Arizona State Hospital (ASH) funding as a separate cost center. It is difficult to accurately view ASH expenditures when they are contained within other Behavioral Health program operating funds. The Executive recommended that ASH be appropriated as a Special Line Item.
- **Client Satisfaction Incentive Program** 100,000 GF
Provides funding for small monetary awards to providers that have very high client satisfaction scores according to monthly client surveys. The use of client satisfaction incentives was a recommendation of the Joint Ad Hoc Committee on Behavioral Health Services. The Executive did not recommend this issue.
- **Project SLIM Reductions** (951,900) GF
Project SLIM is completing its review of the Department of Health Services (DHS). Both DHS and Project SLIM have identified 50 FTE positions and \$1.3 million to be eliminated in FY 1995. Although these savings have been identified primarily in the business office areas, they have not been specifically detailed by program. The savings for this program includes the elimination of 36.5 FTE positions and \$(951,900). The JLBC Staff has allocated these savings by program on a pro rata basis. The Executive has elected to show the savings on an agency-wide basis. The JLBC Staff recommends the legislative allocate the savings by program in order to insure savings are taken where intended. However, since more detailed information is not currently available, the reductions that are prorated by the JLBC Staff may need to be adjusted based upon receipt of more information from the department.

JLBC Staff Recommended Format -- Modified Lump Sum by Program

JLBC Staff Recommended Footnotes

Standard Footnotes

- The amount appropriated for Children's Behavioral Health Services shall be used to provide services for non-Title XIX eligible children. The amount shall not be used to pay for either federally or non-federally-reimbursed services for Title XIX eligible children, unless a transfer of monies is approved by the Joint Legislative Budget Committee. *(This footnote was added to protect non-Title XIX funding from being absorbed by Title XIX clients without the knowledge of the Legislature).*

Other Issues for Legislative Consideration

- **Joint Ad Hoc Committee on Behavioral Health Recommendations**
The Joint Ad Hoc Committee on Behavioral Health Services has made a number of recommendations for reorganizing and reforming the system. If one or more of these recommendations are adopted it may dramatically impact the location of funding and the level of funding for various programs.
- **Transfer of PASARR from AHCCCS**
The Executive recommends that all DHS related expenditures in AHCCCS be transferred to DHS. This is inconsistent with the long-standing policy to reflect these costs in AHCCCS, as with the DES associated costs. Note that this is the same issue discussed under AHCCCS/DHS funding in the Director's Office/Intergovernmental Affairs Program. For several years, the department has requested these expenditures be moved and the Legislature has consistently determined that the existing location of costs was the preferred method. Therefore, the JLBC Staff does not recommend this transfer in keeping with long-standing legislative intent concerning this issue.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Children's Behavioral Health Council**

The Executive recommends an additional 2 FTE positions and \$82,700 for funding for the Children's Behavioral Health Council. The JLBC Staff does not recommend this issue. At the time the Council was created the discussion by the Legislature showed it was intended that the department utilize existing resources for this function.

- **Income Testing for Subvention Programs**

The Legislature may want to consider the use of income testing, residency requirements and income limits for state-only behavioral health programs. While the state-only population for medical services in AHCCCS must qualify under stringent eligibility standards, there is no corresponding requirement for the state-only behavioral health population. The use of such criteria would standardize who receives services from county to county within Arizona and stabilize of population growth.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Health Services
 PROGRAM: Laboratory Services

JLBC ANALYST: Bradley/Reddy
 OSPB ANALYST: Chapko

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	60.0	55.5	55.5	53.0	53.0	
OPERATING BUDGET						
Personal Services	1,438,100	1,393,500	1,496,600	1,393,500	1,395,000	
Employee Related Expenditures	354,000	306,300	365,200	306,900	331,900	
Professional/Outside Services	100	3,000	3,000	3,000	3,000	
Travel - In State	11,300	22,200	22,200	22,200	22,200	
Travel - Out of State	4,300	11,400	11,400	11,400	11,400	
Other Operating Expenditures	491,000	503,600	503,600	503,600	503,600	
Equipment	190,300	391,900	626,800	471,800	301,200	
All Other Operating Subtotal	697,000	932,100	1,167,000	1,012,000	841,400	
OPERATING SUBTOTAL	2,489,100	2,631,900	3,028,800	2,712,400	2,568,300	
SPECIAL LINE ITEMS						
Project SLIM Reductions	0	0	0	-64,000	-64,000	
Special Item Subtotal	0	0	0	-64,000	-64,000	
PROGRAM TOTAL	2,489,100	2,631,900	3,028,800	2,648,400	2,504,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Health Services
PROGRAM: Laboratory Services

JLBC ANALYST: Bradley/Reddy
OSPB ANALYST: Chapko

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	2,489,100	2,631,900	3,028,800	2,648,400	2,504,300	_____
Other Non-Appropriated Funds	340,800	534,300	534,300	--	534,300	_____
PROGRAM TOTAL - ALL SOURCES	<u>2,829,900</u>	<u>3,166,200</u>	<u>3,563,100</u>	<u>2,648,400</u>	<u>3,038,600</u>	<u>_____</u>

Program Description - *The Division of Laboratory Services provides laboratory testing for other state agencies in addition to water testing, public health tests, and other health related testing. The division also monitors and evaluates the quality of laboratory testing statewide.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$2,504,300 -- a net decrease of \$(127,600), or (4.8)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ 1,900 GF
Maintains a vacancy factor of 1.5%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 2%.
- ERE Rate Changes 25,200 GF
- Reduced Capital Equipment Replacement Costs (90,700) GF
- Project SLIM Reductions (64,000) GF
Project SLIM is completing its review of the Department of Health Services (DHS). Both DHS and Project SLIM have identified 50 FTE positions and \$1.3 million to be eliminated in FY 1995. Although these savings have been identified primarily in the business office areas, they have not been specifically detailed by program. Savings for this program include the elimination of (2.5) FTE positions and \$(64,000). The JLBC Staff has allocated these savings by program on a pro rata basis. The Executive has elected to show the savings on an agency-wide basis. The JLBC Staff recommends the Legislature allocate the savings by program in order to insure savings are taken where intended. However, since more detailed information is not currently available, the reductions that are prorated by the JLBC Staff may need to be adjusted based upon receipt of more information from the department.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Format -- Modified Lump Sum by Program

The Department of Health Services (DHS) has undergone a reorganization. The programs displayed by the JLBC Staff as Public Health, Family Health and Laboratory Services are all considered Medical and Public Health by DHS. The program displayed by the JLBC Staff as Director's Office/Intergovernmental Affairs are considered as 2 separate programs by DHS; namely, the Office of the Director; and Intergovernmental Affairs and Legislative Services. The program displayed by the JLBC Staff as Support Services is considered by DHS to be 2 separate programs: Administration and Financial Services; and Information and Technology Services.

The Executive has recommended an appropriation based on the DHS organization of programs. The JLBC Staff has chosen to display this recommendation and the agency request in the same format as the JLBC Staff recommendation. The JLBC Staff recommendation is for a Modified Lump Sum by Program, with the choice of programs to be made by the Legislature based on those it believes to be most suitable.

Other Issues for Legislative Consideration

- **State Laboratory Space**

As part of the capital appropriation process, the JLBC Staff is recommending funding for Architectural and Engineering (A&E) fees for a new state laboratory. The JLBC Staff recommends that the new lab be designed and built with additional capacity to facilitate future workload expansion and consolidation of some laboratory functions at other agencies in order to reduce duplication and increase efficiency.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Council for the Hearing Impaired

JLBC ANALYST: Reddy
OSPb ANALYST: Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	5.0	5.0	5.0	5.0	5.0	
OPERATING BUDGET						
Personal Services	130,500	133,800	133,800	133,800	133,800	
Employee Related Expenditures	29,800	34,100	37,500	35,000	35,000	
Professional/Outside Services	6,400	8,100	8,100	16,100	4,100	
Travel - In State	2,900	3,000	3,000	3,000	6,800	
Travel - Out of State	2,600	2,000	2,000	2,000	2,000	
Other Operating Expenditures	16,900	26,300	26,300	31,800	25,800	
Equipment	3,400	0	0	0	0	
All Other Operating Subtotal	32,200	39,400	39,400	52,900	38,700	
AGENCY TOTAL	192,500	207,300	210,700	221,700	207,500	
BY FUND SOURCE						
General Fund	192,500	207,300	210,700	221,700	207,500	
Federal Funds	25,000	50,000	50,000	--	50,000	
Other Non-Appropriated Funds	2,132,900	4,109,600	4,751,100	--	4,751,100	
AGENCY TOTAL - ALL SOURCES	2,350,400	4,366,900	5,011,800	221,700	5,008,600	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Council for the Hearing Impaired

Agency Description - *The agency acts as an information and referral resource for the hearing impaired and administers a statewide telephone access program. The agency also provides educational materials to the general public.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$207,500 -- a net increase of \$200, or 0.1%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 0%.
- **ERE Rate Changes** 900 GF
- **Professional and Outside Services** (200) GF
The JLBC Staff recommends transferring \$4,000 for council member travel to the Travel - In State line item. The JLBC Staff also recommends reducing that amount by \$(200) to reflect actual expenditures.
- **Other Operating Expenditures** (500) GF
Decrease in risk management charges.

JLBC Staff Recommended Format -- Lump Sum by Agency

Other Issues for Legislative Consideration

- **Open Captions**
The Executive recommends \$8,000 to provide open captions for the agency's weekly television program "Sign Out." The agency currently contracts with an outside provider for this service with monies from its Donations Fund. The JLBC Staff does not recommend this issue because the fund contains sufficient monies to continue the contract through FY 1995.
- **Quarterly News Bulletin**
Due to budget reductions, the agency currently prints its quarterly news bulletin twice a year. The Executive recommends \$6,000 to print 2 additional issues of the bulletin.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Commission of Indian Affairs

JLBC ANALYST: Reddy
OSPb ANALYST: Marsio

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	4.0	4.0	5.0	4.0	4.0	
OPERATING BUDGET						
Personal Services	99,300	101,600	136,700	101,600	101,600	
Employee Related Expenditures	21,400	24,900	36,900	26,600	26,600	
Travel - In State	7,300	6,800	12,000	6,800	6,800	
Other Operating Expenditures	25,300	27,900	33,300	28,200	28,200	
Equipment	0	0	14,200	0	0	
All Other Operating Subtotal	32,600	34,700	59,500	35,000	35,000	
AGENCY TOTAL	153,300	161,200	233,100	163,200	163,200	
BY FUND SOURCE						
General Fund	153,300	161,200	233,100	163,200	163,200	
Other Non-Appropriated Funds	4,700	3,000	3,000	--	3,000	
AGENCY TOTAL - ALL SOURCES	158,000	164,200	236,100	163,200	166,200	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Commission of Indian Affairs

Agency Description - *The agency studies policy issues involving the Indian tribes, attempts to facilitate better working relationships between the tribes and government agencies, and promotes an understanding of Indian history and culture through statewide forums and other educational activities.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$163,200 -- a net increase of \$2,000, or 1.2% to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 0%.
- **ERE Rate Changes** 1,700 GF
- **Other Operating Expenditures** 300 GF
Includes an increase of \$300 for risk management charges.

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Pioneers' Home

JLBC ANALYST: Cawley
OSPb ANALYST: Kearns

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	107.4	107.4	110.0	107.4	107.4	
OPERATING BUDGET						
Personal Services	1,999,800	2,097,300	2,547,500	2,097,300	2,097,300	
Employee Related Expenditures	625,800	683,200	912,800	707,300	707,300	
Food	0	185,000	202,100	185,000	185,000	
Other Operating Expenditures	0	0	203,700	0	100,000	
Equipment	0	0	11,500	0	0	
All Other Operating Subtotal	0	185,000	417,300	185,000	285,000	
AGENCY TOTAL	2,625,600	2,965,500	3,877,600	2,989,600	3,089,600	
BY FUND SOURCE						
General Fund	2,625,600	1,769,600	3,877,600	1,785,100	1,885,100	
Other Funds	0	1,195,900	0	1,204,500	1,204,500	
Other Non-Appropriated Funds	1,258,400	1,600,100	910,000	--	910,000	
AGENCY TOTAL - ALL SOURCES	3,884,000	4,565,600	4,787,600	2,989,600	3,999,600	

Agency Description - The Pioneer's Home provides a home and long-term nursing and medical care for Arizona pioneers and long-time residents and disabled miners.

The JLBC Staff recommends a total appropriation of \$3,089,600 -- a net increase of \$124,100, or 4.2%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$1,885,100 -- a net increase of \$115,500, or 6.5%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$1,204,500 -- a net increase of \$8,600, or 0.7%, to the FY 1994 appropriation.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
Maintains a vacancy factor of 2%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 2%.

- **ERE Rate Changes** 15,500 GF
8,600 OF

- **Other Operating Expenditures** 100,000 GF
Provides for the upgrade of the electrical system to meet the needs of the Pioneers' Home's medical equipment, computers, and maintenance machines. The Executive recommends \$100,000 in the capital budget.

JLBC Staff Recommended Format -- Lump Sum by Agency

JLBC Staff Recommended Footnotes

Standard Footnotes

- In addition to the amount appropriated, earnings on state lands and interest on the investment of the permanent land funds are appropriated for the Pioneers' Home and the hospital for disabled miners in compliance with the Enabling Act and the Constitution.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Rangers' Pensions

JLBC ANALYST: Reddy
OSPb ANALYST: Marsio

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	0.0	0.0	0.0	0.0	0.0	
OPERATING BUDGET						
Other Operating Expenditures	9,500	9,800	10,100	10,100	10,100	
All Other Operating Subtotal	9,500	9,800	10,100	10,100	10,100	
AGENCY TOTAL	9,500	9,800	10,100	10,100	10,100	
BY FUND SOURCE						
General Fund	9,500	9,800	10,100	10,100	10,100	
AGENCY TOTAL - ALL SOURCES	9,500	9,800	10,100	10,100	10,100	

Agency Description - Provides a monthly benefit for one surviving spouse of an Arizona Ranger.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$10,100 -- a net increase of \$300, or 3.1%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- General Inflation

\$300 GF

This appropriation provides a monthly pension to the sole remaining spouse of a former Arizona Ranger. The appropriation includes a 2.6% adjustment for inflation, as per the provisions of A.R.S. § 41-951B, which states: "The department of administration shall annually adjust the amount of pensions according to the annual changes in the GDP price deflator as defined in A.R.S. § 41-563." The increase is higher than the 2.6% GDP Price Deflator due to rounding.

JLBC Staff Recommended Format -- Lump Sum

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Veteran's Service Commission
Agency Summary

JLBC ANALYST: Siegarth
OSP ANALYST: Silver

HOUSE SUBCOMMITTEE CHAIR: Groskost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	35.0	36.0	123.0	123.0	37.0	
BY PROGRAM/ORGANIZATION						
Veterans' Affairs	749,700	797,400	817,400	796,400	799,100	
Veterans' Conservatorship	332,100	428,400	433,400	426,100	431,400	
Veterans' Home	0	25,000	2,111,300	2,047,200	45,500	
AGENCY TOTAL	1,081,800	1,250,800	3,362,100	3,269,700	1,276,000	
OPERATING BUDGET						
Personal Services	614,200	751,300	1,100,000	1,049,200	751,800	
Employee Related Expenditures	163,100	196,700	314,100	287,100	205,300	
Professional/Outside Services	100	0	2,400	2,400	0	
Travel - In State	28,400	28,500	28,500	28,500	28,500	
Travel - Out of State	4,000	4,800	4,800	4,800	4,800	
Food	0	0	6,100	6,100	0	
Other Operating Expenditures	216,100	199,200	1,106,000	1,112,700	213,300	
Equipment	19,900	5,300	714,700	713,400	6,800	
All Other Operating Subtotal	268,500	237,800	1,862,500	1,867,900	253,400	
OPERATING SUBTOTAL	1,045,800	1,185,800	3,276,600	3,204,200	1,210,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Veteran's Service Commission
Agency Summary

JLBC ANALYST: Siegwarth
OSPB ANALYST: Silver

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
SPECIAL LINE ITEMS						
Veterans' Organization Contracts	36,000	40,000	60,000	40,000	40,000	
Veterans' Home	0	25,000	25,500	25,500	25,500	
Special Item Subtotal	36,000	65,000	85,500	65,500	65,500	
AGENCY TOTAL	1,081,800	1,250,800	3,362,100	3,269,700	1,276,000	
BY FUND SOURCE						
General Fund	749,700	797,400	2,903,200	2,818,100	819,100	
Other Funds	332,100	453,400	458,900	451,600	456,900	
Federal Funds	161,000	210,400	210,400	--	210,400	
Other Non-Appropriated Funds	0	49,400	0	--	0	
AGENCY TOTAL - ALL SOURCES	1,242,800	1,510,600	3,572,500	3,269,700	1,486,400	

Agency Description - *The agency assists veterans in developing and filing claims for federal entitlements, acts as a guardian or conservator for incapacitated veterans or their families and supervises state educational and training programs for veterans.*

The JLBC Staff recommends a total appropriation of \$1,276,000 -- a net increase of \$25,200, or 1.6%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$819,100 -- a net increase of \$21,700, or 2.5%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$456,900 -- a net increase of \$3,500, or 0.8%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ 9,700 GF
Includes a new vacancy factor of 0%, which is the standard rate applied to programs with this number of FTE positions. The FY 1994 General Fund vacancy factor was 1.6%. The Executive recommends a vacancy factor of 0%.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- ERE Rate Changes 4,000 GF
2,500 OF
- Base Adjustment - Personal Services/ERE (28,300) GF
(2,000) OF
- Nursing Home Administrator 20,000 GF
Provides 3 months of funding for 1 FTE position to assist in the opening of the Nursing Home.
- FTE Position Classification Upgrades 7,700 GF
- Other Operating Expenditures 8,600 GF
2,500 OF
The recommended amount represents an increase of risk management of \$1,700 (GF) and \$1,100 (OF) and an increase of \$6,900 (GF) and \$1,400 (OF) for rent.
- Veterans' Home 500 OF
The recommended amount represents an increase in estimated revenues from the sale of veteran's license plates.

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Veteran's Service Commission
 PROGRAM: Veterans' Affairs

JLBC ANALYST: Siegwarth
 OSPB ANALYST: Silver

HOUSE SUBCOMMITTEE CHAIR: Grosco
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	21.0	22.0	22.0	22.0	22.0	
OPERATING BUDGET						
Personal Services	421,700	487,300	470,100	471,000	476,900	
Employee Related Expenditures	111,800	123,600	131,200	126,400	127,100	
Professional/Outside Services	100	0	0	0	0	
Travel - In State	24,400	22,800	22,800	22,800	22,800	
Travel - Out of State	2,900	4,800	4,800	4,800	4,800	
Other Operating Expenditures	132,900	113,600	123,200	127,400	122,200	
Equipment	19,900	5,300	5,300	4,000	5,300	
All Other Operating Subtotal	180,200	146,500	156,100	159,000	155,100	
OPERATING SUBTOTAL	713,700	757,400	757,400	756,400	759,100	
SPECIAL LINE ITEMS						
Veterans' Organization Contracts	36,000	40,000	60,000	40,000	40,000	
Special Item Subtotal	36,000	40,000	60,000	40,000	40,000	
PROGRAM TOTAL	749,700	797,400	817,400	796,400	799,100	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Veteran's Service Commission
 PROGRAM: Veterans' Affairs

JLBC ANALYST: Siegarth
 OSPB ANALYST: Silver

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	749,700	797,400	817,400	796,400	799,100	
Federal Funds	161,000	210,400	210,400	--	210,400	
Other Non-Appropriated Funds	0	49,400	0	--	0	
PROGRAM TOTAL - ALL SOURCES	910,700	1,057,200	1,027,800	796,400	1,009,500	

Program Description - *The division assists veterans, their dependents and/or survivors in developing and filing claims for federal entitlements from the U.S. Department of Veterans' Affairs in areas of disability, pension, insurance, and burial.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$799,100 -- a net increase of \$1,700, or 0.2%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ 9,700 GF
 Includes a new vacancy factor of 0%, which is the standard rate applied to programs with this number of FTE positions. The FY 1994 vacancy factor was 1.6%. The Executive recommends a vacancy factor of 0%.

- ERE Rate Changes 4,000 GF

- Base Adjustment - Personal Services/ERE (28,300) GF
 The base adjustment represents newly hired personnel coming in at lower salaries and not qualifying for the FY 1993 pay increase. The Executive recommends a base adjustment of \$(34,200) based on vacant FTE positions being hired at lower salaries.

- FTE Position Classification Upgrades 7,700 GF
 The recommended amount provides funding to replace an Administrative Secretary II with an Administrative Assistant III and to upgrade a Veterans Service Officer I to a Veterans Service Officer II. The Executive concurs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Other Operating Expenditures**

8,600 GF

The recommended amount represents an increase of \$1,700 for risk management, an increase of \$6,800 for rent of private-lease space and an increase of \$100 for rent of state-owned space in Tucson. The Executive recommends an additional \$5,200 for rent of private-lease space based on FY 1994 appropriated amounts as opposed to FY 1994 actual lease amounts.

JLBC Staff Recommended Format -- Lump Sum by Agency

Other Issues for Legislative Consideration

- **Executive Recommendation**

The Executive recommends \$4,000 in equipment, which provides funding for 2 new computers. The JLBC Staff recommendation provides continuation level funding of \$5,300 for partial funding of the department's 3-year automation plan. The department's automation plan details funding needs of \$29,700 in FY 1995.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Veteran's Service Commission
 PROGRAM: Veterans' Conservatorship

JLBC ANALYST: Siegwarth
 OSPB ANALYST: Silver

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	14.0	14.0	14.0	14.0	14.0	
OPERATING BUDGET						
Personal Services	192,500	264,000	262,200	257,700	262,200	
Employee Related Expenditures	51,300	73,100	79,900	74,600	75,400	
Travel - In State	4,000	5,700	5,700	5,700	5,700	
Travel - Out of State	1,100	0	0	0	0	
Other Operating Expenditures	83,200	85,600	85,600	88,100	88,100	
All Other Operating Subtotal	88,300	91,300	91,300	93,800	93,800	
P R O G R A M T O T A L	332,100	428,400	433,400	426,100	431,400	
BY FUND SOURCE						
Other Funds	332,100	428,400	433,400	426,100	431,400	
PROGRAM TOTAL - ALL SOURCES	332,100	428,400	433,400	426,100	431,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Veterans' Service Commission
PROGRAM: Veterans' Conservatorship

Program Description - *The division acts as guardian of an incapacitated veteran, his or her incapacitated spouse, and/or their minor children. A guardian appointment assumes responsibility for financial obligation and physical well-being of the veteran or family member. As a conservator of a veteran's estate, the division may also oversee only the veteran's financial obligations. The program is funded through fees charged to the clients served.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$431,400 -- a net increase of \$3,000, or 0.7%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- OF
Maintains a vacancy factor of 0%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 0%.

- **ERE Rate Changes** 2,500 OF

- **Base Adjustment - Personal Services/ERE** (2,000) OF
The Executive recommends a decrease of \$(7,200) based on vacant FTE positions being hired at lower salaries.

- **Other Operating Expenditures** 2,500 OF
The recommended amount represents an increase of \$1,100 for risk management and an increase of \$1,400 for rent of private-lease space. The Executive concurs.

JLBC Staff Recommended Format -- Lump Sum by Agency

Other Issues for Legislative Consideration

- **Estimated Revenues**
Revenue in FY 1994 and FY 1995 should exceed actual FY 1993 revenues of \$323,000 and provide sufficient funds for the appropriation. Year-to-date estimates would indicate revenues of \$385,000 in FY 1994. However, in January 1994 the department will be accepting new clients, begin assessing an initial set-up fee, and will begin charging for filing and recorder fees previously absorbed by the department, which should further increase revenues. The department is also evaluating other fee schedules currently used in other states for presentation to the commission in February 1994.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Veteran's Service Commission
PROGRAM: Veterans' Home

JLBC ANALYST: Siegarth
OSP ANALYST: Silver

HOUSE SUBCOMMITTEE CHAIR: Groskost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	0.0	0.0	87.0	87.0	1.0	
OPERATING BUDGET						
Personal Services	0	0	367,700	320,500	12,700	
Employee Related Expenditures	0	0	103,000	86,100	2,800	
Professional/Outside Services	0	0	2,400	2,400	0	
Food	0	0	6,100	6,100	0	
Other Operating Expenditures	0	0	897,200	897,200	3,000	
Equipment	0	0	709,400	709,400	1,500	
All Other Operating Subtotal	0	0	1,615,100	1,615,100	4,500	
OPERATING SUBTOTAL	0	0	2,085,800	2,021,700	20,000	
SPECIAL LINE ITEMS						
Veterans' Home	0	25,000	25,500	25,500	25,500	
Special Item Subtotal	0	25,000	25,500	25,500	25,500	
PROGRAM TOTAL	0	25,000	2,111,300	2,047,200	45,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Veteran's Service Commission
 PROGRAM: Veterans' Home

JLBC ANALYST: Siegarth
 OSPB ANALYST: Silver

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	0	0	2,085,800	2,021,700	20,000	
Other Funds	0	25,000	25,500	25,500	25,500	
PROGRAM TOTAL - ALL SOURCES	0	25,000	2,111,300	2,047,200	45,500	

Program Description - *The division will operate and maintain a home for Arizona veterans. Construction of the State Veterans' Nursing Home on the Indian School land is anticipated to begin in FY 1994, with completion estimated in FY 1995 or FY 1996.*

The JLBC Staff recommends a total appropriation of \$45,500 -- a net increase of \$20,500, or 82%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$20,000 -- a net increase of \$20,000 to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$25,500 -- a net increase of \$500, or 2%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
 Maintains a vacancy factor of 0%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 0%.

- **ERE Rate Changes** -0- GF

- **Nursing Home Administrator** 20,000 GF
 The JLBC Staff recommendation provides 3-months funding for 1 FTE position to assist with the opening of the nursing home. The JLBC Staff recommendation would defer the remainder of the department's request to FY 1996. The state appropriated a total of \$5 million from FY 1989, FY 1990, and FY 1991 for the construction of the nursing home. These funds will be matched by \$9.2 million in federal funds. The project has experienced numerous setbacks, as initial construction was estimated to begin in FY 1992 with start-up funding of \$1 million. The current timetable calls for the contract to be awarded on January 27, 1994, after review by the federal government. Construction can then begin on January 31, 1994, with the dedication of the building to occur on June 15, 1995. Any delay in construction could pose problems for equipment delivery and the phase-in of the requested 87 FTE positions, which the department had planned to begin in February 1995.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The Executive recommendation includes \$1,591,000 in one-time start-up costs and \$430,700 to phase-in 87 FTE positions. The Executive recommends funding for start-up costs in order that the department may begin accepting patients in June 1995. The one-time start-up costs are in addition to monies already set aside for equipment in the \$14.2 million of capital funds. The federal government allows up to 10% of construction costs to be used for start-up equipment purchases. The JLBC Staff does not recommend adding new General Fund monies for equipment until we have a better assessment of our ability to use the capital funds for this purpose. The department estimates that an additional \$2,261,700 will be needed in FY 1996 as an operating subsidy until the nursing home becomes self-sufficient.

- **Veterans' Home**

The recommended amount reflects an increase in estimated revenues for FY 1995. The sale of 1,500 license plates is planned to begin in FY 1995. Funds from the sale of veterans' license plates are to be used for the operation and maintenance of state-operated homes for Arizona veterans. The department anticipates that these funds will be used to purchase medical devices needed by the residents of the home. The Executive concurs.

500 OF

JLBC Staff Recommended Format -- Lump Sum by Agency

**INSPECTION AND REGULATION
(IR)**

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Agricultural Employee Relations Board

JLBC ANALYST: Bock
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	3.5	1.0	1.0	1.0	1.0	
OPERATING BUDGET						
Personal Services	58,700	32,500	32,500	32,500	32,500	
Employee Related Expenditures	17,100	6,100	6,700	6,100	6,800	
Professional/Outside Services	0	10,000	10,000	10,000	10,000	
Travel - In State	100	2,500	2,500	2,500	2,500	
Other Operating Expenditures	12,100	6,400	6,400	5,200	5,800	
Equipment	0	6,100	0	0	0	
All Other Operating Subtotal	12,200	25,000	18,900	17,700	18,300	
AGENCY TOTAL	88,000	63,600	58,100	56,300	57,600	
BY FUND SOURCE						
General Fund	88,000	63,600	58,100	56,300	57,600	
AGENCY TOTAL - ALL SOURCES	88,000	63,600	58,100	56,300	57,600	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Agricultural Employment Relations Board

Agency Description - *This board receives and investigates complaints of unfair agricultural labor practices, and arbitrates agricultural labor disputes.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$57,600 -- a net decrease of \$(6,000), or (9.4)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 0%.

- **ERE Rate Changes** 700 GF

- **Other Operating Expenditures** (600) GF
The JLBC Staff recommends this \$(600) decrease to risk management. The total recommended amount is \$0. The Executive concurs.

- **Capitalized Equipment** (6,100) GF
Eliminates the one-time allowance for furniture and equipment which was needed to open the new board's office.

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Agriculture
Agency Summary

JLBC ANALYST: Bock
OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	272.5	270.5	280.5	289.7	274.5	
BY PROGRAM/ORGANIZATION						
Administration	1,075,500	1,483,600	1,311,900	1,929,800	1,464,300	
Animal Services	3,650,400	3,700,000	3,669,900	3,456,300	3,456,300	
Plant Industries	3,783,100	4,207,100	4,720,100	4,096,100	4,162,400	
Chemicals/Environmental	953,800	1,170,700	1,194,600	1,083,500	1,065,700	
Agricultural Lab	951,000	990,800	1,335,100	1,212,400	1,188,100	
AGENCY TOTAL	10,413,800	11,552,200	12,231,600	11,778,100	11,336,800	
OPERATING BUDGET						
Personal Services	5,314,600	5,595,500	5,899,100	5,732,200	5,688,600	
Employee Related Expenditures	1,472,100	1,523,600	1,722,300	1,634,400	1,622,300	
Professional/Outside Services	206,000	390,400	274,900	224,900	216,300	
Travel - In State	456,400	566,600	607,600	523,400	566,600	
Travel - Out of State	25,900	25,100	33,000	27,100	28,600	
Other Operating Expenditures	1,472,500	1,481,600	1,531,000	1,025,800	1,042,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Agriculture
Agency Summary

JLBC ANALYST: Bock
OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Equipment	23,400	44,600	385,000	148,800	174,300	
All Other Operating Subtotal	2,184,200	2,508,300	2,831,500	1,950,000	2,027,800	
OPERATING SUBTOTAL	8,970,900	9,627,400	10,452,900	9,316,600	9,338,700	
SPECIAL LINE ITEMS						
Reduction In Force Cost	44,300	0	0	0	0	
Wine Commission	0	200,000	0	0	0	
Rent/Relocation	0	0	0	316,900	289,600	
Aquaculture	5,000	13,600	13,600	13,400	13,400	
Egg Inspection	179,400	228,800	232,000	231,700	231,700	
Fruit/Veg Standardization	693,300	894,100	932,600	910,400	899,400	
Commercial Feed	170,300	190,900	191,500	177,200	177,700	
Fertilizer	170,600	190,400	192,200	184,500	183,000	
Pesticide	180,000	207,000	216,800	192,300	203,300	
Africanized Honey Bee	0	0	0	435,100	0	
Special Item Subtotal	1,442,900	1,924,800	1,778,700	2,461,500	1,998,100	
AGENCY TOTAL	10,413,800	11,552,200	12,231,600	11,778,100	11,336,800	
BY FUND SOURCE						
General Fund	9,015,200	9,627,400	10,452,900	10,068,600	9,628,300	
Other Funds	1,398,600	1,924,800	1,778,700	1,709,500	1,708,500	
Federal Funds	340,500	436,300	382,800	--	382,800	
Other Non-Appropriated Funds	4,480,400	3,633,900	3,223,400	--	3,223,400	
AGENCY TOTAL - ALL SOURCES	15,234,700	15,622,400	15,837,800	11,778,100	14,943,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Agriculture
Agency Summary

Agency Description - *The Department of Agriculture administers and enforces agriculture-related statutes, which regulate, protect, and promote Arizona's agricultural industries. The department regulates certain phases of food production (such as milking, butchering, and harvesting) to protect public health and to ensure product quality. The department administers programs to protect livestock and crops from diseases and to protect farm-workers who handle agricultural chemicals. It also tests certain non-food agricultural products to ensure product quality and content, and provides administrative support to several product-promotion groups.*

The JLBC Staff recommends a total appropriation of \$11,336,800 -- a net decrease of \$(215,400), or (1.9)%, from the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$9,628,300 -- a net increase of \$900, or 0.01%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$1,708,500 -- a net decrease of \$(216,300) or (11.2)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments**
Maintains a vacancy factor of 3.0%, which is the standard rate applied to programs with this number of FTE positions.

\$ 1,000 GF
- **ERE Rate Changes**

72,200 GF
- **Miscellaneous Adjustments**
Includes a decrease of \$(125,700) for risk management and a decrease of \$(27,800) for building operations and maintenance.

(153,500) GF
- **Equipment**
Increases include \$23,500 for early replacement of vehicles with excess mileage, \$100,000 for laboratory equipment, and \$6,200 for office equipment.

129,700 GF
- **Dairy Contract**
Net increase of \$1,500 for Employee Related Expenditures. Includes money shifted from Professional and Outside Services in Animal Services to 4 added FTE positions in the Lab. This corrects a long-standing discrepancy between budgeted and actual use of monies.

1,500 GF
- **Eliminate Contract Legal Services**

(50,000) GF
- **All Special 90/10 Funds**
For technical adjustments such as Employee Related Expenditures and risk management.

(16,300) OF
- **Wine Commission - FY 1994 Start-Up**

(200,000) OF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Format -- Modified Lump Sum by Agency. *(In the FY 1994 budget, the department had a lump sum format with special line items. The department has had some form of lump sum format since its inception in 1990, to facilitate the implementation of the new organization. With that implementation now complete, the JLBC Staff recommends a modified lump sum format, which is typical of agencies this size.)*

Other Issues for Legislative Consideration

- **Executive Recommendation**

The Executive recommends 1 new FTE position for the Office of Commodities Development, and 1 new FTE position for agriculture education. In addition, the Executive recommends 14 new FTE positions and \$435,100 to combat africanized honey bees. See the Administration and Chemical/Environmental Divisions.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Agriculture
 PROGRAM: Administration

JLBC ANALYST: Bock
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	24.5	24.5	24.5	39.5	24.5	
OPERATING BUDGET						
Personal Services	678,700	695,600	702,600	714,200	695,800	
Employee Related Expenditures	141,800	168,500	189,800	185,400	180,400	
Professional/Outside Services	28,000	114,300	114,300	64,300	64,300	
Travel - In State	8,300	10,500	10,500	17,500	10,500	
Travel - Out of State	7,600	8,500	8,500	10,500	8,500	
Other Operating Expenditures	204,500	264,800	264,800	164,500	170,300	
Equipment	0	21,400	21,400	21,400	44,900	
All Other Operating Subtotal	248,400	419,500	419,500	278,200	298,500	
OPERATING SUBTOTAL	1,068,900	1,283,600	1,311,900	1,177,800	1,174,700	
SPECIAL LINE ITEMS						
Wine Commission	0	200,000	0	0	0	
Reduction In Force Cost	6,600	0	0	0	0	
Rent/Relocation	0	0	0	316,900	289,600	
Africanized Honey Bee	0	0	0	435,100	0	
Special Item Subtotal	6,600	200,000	0	752,000	289,600	
PROGRAM TOTAL	1,075,500	1,483,600	1,311,900	1,929,800	1,464,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Agriculture
 PROGRAM: Administration

JLBC ANALYST: Bock
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	1,075,500	1,283,600	1,311,900	1,929,800	1,464,300	
Other Funds	0	200,000	0	0	0	
Federal Funds	340,500	436,300	382,800	--	382,800	
Other Non-Appropriated Funds	3,165,500	2,307,700	2,059,500	--	2,059,500	
PROGRAM TOTAL - ALL SOURCES	4,581,500	4,227,600	3,754,200	1,929,800	3,906,600	

Program Description - *This program includes executive management and central business functions as well as the Office of Commodities Development.*

The JLBC Staff recommends a total appropriation of \$1,464,300 -- a net decrease of \$(19,300), or (1.3)%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$1,464,300 -- a net increase of \$180,700, or 14.1%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$0 -- a net decrease of \$(200,000) or (100)%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ 200 GF
 Maintains a vacancy factor of 1%, which is the standard rate applied to programs with this number of FTE positions.
- ERE Rate Changes 11,900 GF
- Other Operating Expenditures (13,500) GF
 The JLBC Staff recommends this decrease for risk management. The Executive concurs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Rent** 208,600 GF
The JLBC Staff recommends that all General Fund rent charges for state-owned space be moved from the department's various programs into a special line item in this division. The total amount for General Fund central office rent is \$289,600, an increase to this division of \$208,600. The department will move into private, leased office space temporarily while the Department of Administration (DOA) renovates the historic state-owned building that the Arizona Department of Agriculture (ADA) has occupied. The renovation may take a year, or longer. ADA will use its rent budget for moving expenses, additional telephone system charges, computer installation, and similar expenses as well as for lease payments from January 1994 to March 1995. The Executive concurs in principle, but recommends \$316,900 for this line item.

- **Equipment** 23,500 GF
The JLBC Staff recommends adding \$23,500 for DOA charges to replace high-mileage vehicles.

- **Legal Contract Services** (50,000) GF
The JLBC Staff recommends that the amount for intergovernmental legal services be eliminated. These services are provided for through the Attorney General's budget. The Executive concurs.

- **Wine Commission** (200,000) OF
The JLBC Staff recommends eliminating the amount for the Wine Commission, which was appropriated from the Community Economic Development Commission Fund in FY 1994. This was a one-time, start-up appropriation for the Wine Commission. The commission is to be funded from excise taxes on Arizona wine products.

Other Issues for Legislative Consideration

- **Executive Recommendation**
The Executive recommends adding \$39,400 and 1 FTE position for the Office of Commodity Development. The JLBC Staff does not recommend such a program expansion at this time. The department already has 2.5 FTE positions dedicated to commodities promotion, and there are 5 independent councils for promoting specific commodities.

In addition, the Executive recommends \$435,100 and 14 new FTE positions for a 2-year program to educate the public and various emergency service providers about africanized honey bees (AHB). The department currently regulates beekeepers, who are concerned about AHB mixing in with regular honey bees. There were 3 FTE positions and \$117,000 in apiary inspection in FY 1993. For FY 1994, ADA has allowed a maximum of 17 additional FTE positions to respond to inquiries on AHB, and currently is using 8 such positions, which are being re-assigned from pest-exclusion and other programs. The additional AHB activity includes lab analysis to identify AHB, public education, responding to phone inquiries, and responding to swarms that may be AHB. The information and emergency response functions should be the responsibility of local first responders such as police, sheriff, and fire departments. Therefore, an alternative option would be to add 1 FTE position for one year to develop standard, written guidelines about emergency response to the bees and to notify local first responders (police, fire stations, sheriffs, etc.) about the plan. The position could be placed with the Department of Emergency and Military Affairs, which has expertise in coordinating with local first responders. Emergency response to the bees is made by such local first responders.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Agriculture
 PROGRAM: Animal Services

JLBC ANALYST: Bock
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	95.1	95.1	95.1	95.1	95.1	
OPERATING BUDGET						
Personal Services	2,118,000	2,105,400	2,148,400	2,105,700	2,105,700	
Employee Related Expenditures	573,400	576,700	624,500	601,300	601,300	
Professional/Outside Services	146,700	189,100	65,000	65,000	65,000	
Travel - In State	295,000	316,000	316,000	316,000	316,000	
Travel - Out of State	8,400	7,000	7,000	7,000	7,000	
Other Operating Expenditures	283,800	263,400	263,400	116,200	116,200	
Equipment	3,000	0	0	0	0	
All Other Operating Subtotal	736,900	775,500	651,400	504,200	504,200	
OPERATING SUBTOTAL	3,428,300	3,457,600	3,424,300	3,211,200	3,211,200	
SPECIAL LINE ITEMS						
Reduction In Force Cost	37,700	0	0	0	0	
Aquaculture	5,000	13,600	13,600	13,400	13,400	
Egg Inspection	179,400	228,800	232,000	231,700	231,700	
Special Item Subtotal	222,100	242,400	245,600	245,100	245,100	
PROGRAM TOTAL	3,650,400	3,700,000	3,669,900	3,456,300	3,456,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Agriculture
 PROGRAM: Animal Services

JLBC ANALYST: Bock
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	3,466,000	3,457,600	3,424,300	3,211,200	3,211,200	
Other Funds	184,400	242,400	245,600	245,100	245,100	
Other Non-Appropriated Funds	778,100	781,600	768,400	--	768,400	
PROGRAM TOTAL - ALL SOURCES	4,428,500	4,481,600	4,438,300	3,456,300	4,224,700	

Program Description - *This division records livestock brands, investigates livestock losses, and regulates livestock sales, meat and poultry processing, dairy production, egg processing, and aquaculture. It also conducts livestock disease control programs and participates in wild animal damage control efforts.*

The JLBC Staff recommends a total appropriation of \$3,456,300 -- a net decrease of \$(243,700), or (6.6)%, from the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$3,211,200 -- a net decrease of \$(246,400), or (7.1)%, from the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$245,100 -- a net increase of \$2,700 or 1.1%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ 400 GF
 Maintains a vacancy factor of 1.5%, which is the standard rate applied to programs with this number of FTE positions.
- **ERE Rate Changes** 24,500 GF
- **Other Operating Expenditures** (147,200) GF
 The JLBC Staff recommends a decrease of \$(47,300) for risk management. The rent amount is moved to a new special line in the Administration division, a \$(99,900) decrease here. The Executive concurs.
- **Dairy Contract** (124,100) GF
 The JLBC Staff recommends that funding for laboratory analysis of dairy products be shifted to the Agriculture Laboratory division. The Executive concurs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Aquaculture** (200) OF
The adjustment is for ERE Rate Changes.
- **Egg Control** 2,900 OF
The adjustment includes a \$7,000 increase for ERE Rate Changes and a \$(4,100) reduction for risk management. The Executive concurs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Agriculture
 PROGRAM: Plant Industries

JLBC ANALYST: Bock
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	112.0	111.0	117.0	110.2	111.0	
OPERATING BUDGET						
Personal Services	1,954,800	2,079,800	2,241,200	2,080,200	2,080,200	
Employee Related Expenditures	617,600	587,300	676,100	613,400	613,300	
Professional/Outside Services	7,000	8,000	16,600	16,600	8,000	
Travel - In State	139,900	220,600	261,800	170,600	220,600	
Travel - Out of State	3,600	3,000	3,000	3,000	3,000	
Other Operating Expenditures	359,100	391,100	441,200	274,500	308,500	
Equipment	7,800	23,200	147,600	27,400	29,400	
All Other Operating Subtotal	517,400	645,900	870,200	492,100	569,500	
OPERATING SUBTOTAL	3,089,800	3,313,000	3,787,500	3,185,700	3,263,000	
SPECIAL LINE ITEMS						
Fruit/Veg Standardization	693,300	894,100	932,600	910,400	899,400	
Special Item Subtotal	693,300	894,100	932,600	910,400	899,400	
PROGRAM TOTAL	3,783,100	4,207,100	4,720,100	4,096,100	4,162,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Agriculture
PROGRAM: Plant Industries

JLBC ANALYST: Bock
OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	3,089,800	3,313,000	3,787,500	3,185,700	3,263,000	
Other Funds	693,300	894,100	932,600	910,400	899,400	
Other Non-Appropriated Funds	200,000	267,800	253,800	--	253,800	
PROGRAM TOTAL - ALL SOURCES	3,983,100	4,474,900	4,973,900	4,096,100	4,416,200	

Program Description - *This division's programs include: plant quarantine, including border inspections, for pest exclusion; pest survey, control, and eradication; integrated pest management planning; nursery regulation; seed and hay broker regulation; apiary regulation; native plant harvest regulation; and fruit and vegetable standardization.*

The JLBC Staff recommends a total appropriation of \$4,162,400 -- a net decrease of \$(44,700), or (1.1)%, from the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$3,263,000 -- a net decrease of \$(50,000), or (1.5)%, from the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$899,400 -- a net increase of \$5,300, or 0.6%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments**
Maintains a vacancy factor of 1.5%, which is the standard rate applied to programs with this number of FTE positions. \$ 400 GF
- **ERE Rate Changes** 26,000 GF
- **Other Operating Expenditures** (82,600) GF
The JLBC Staff recommends a decrease of \$(49,500) for risk management. The rent amount is shifted to the special line item in the Administration Division, a \$(33,100) decrease here. The Executive recommends an additional decrease of \$(34,000).
- **Equipment** 6,200 GF
The JLBC Staff recommends adding a net \$6,200 for one-time replacement of office equipment. The total equipment amount is \$29,400. The Executive recommends a total of \$27,400 for Equipment.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Citrus, Fruit and Vegetable Standardization

5,300 OF

The JLBC Staff recommends a total of \$899,400 for the Citrus, Fruit, and Vegetable Standardization program, a net increase of \$5,300. This includes an increase of \$9,100 for ERE Rate Changes, a decrease of \$(1,100) for risk management, a decrease of \$(1,700) for contract services, and a \$(1,000) decrease for equipment. The Executive concurs with the changes and also recommends adding \$11,000 for a replacement photo copier, for a total program amount of \$910,400.

JLBC Staff Recommended Format -- Modified Lump Sum by Agency with Special Line Items

JLBC Staff Recommended Footnotes

Deletion of New FY 1994 Footnotes

- It is the intent of the Legislature that the Department of Agriculture reestablish an effective border inspection program by operating, with department personnel, at least four border stations. *(The stations have been re-opened and are operating as intended. Therefore, the footnote is no longer needed.)*

Other Issues for Legislative Consideration

- Executive Recommendation

The Executive recommends \$8,600 in Professional and Outside Services for additional fire ant control efforts. The Arizona Department of Agriculture budget already includes funding for pest control.

The Executive also recommends reducing Travel-In State by \$(50,000), partly to offset other increases, and partly to conform to the FY 1993 actual expenditure. FY 1993 was a year of significant budget reductions for this agency, however, and agency management had to suspend staff inspectors' travel in order to meet critical expenses. Although border stations are operating again, they are more limited than before, and field offices and interior inspections will still require significant travel. Therefore, the JLBC Staff recommends no reduction at this time.

- Border Inspections

The FY 1994 appropriation included \$918,500 and up to 33.2 FTE positions to re-open 4 border stations, which are part of the department's pest exclusion program. The 4 stations are currently operating 24 hours a day with 33.2 FTE positions. Although staff levels are now half what they were prior to shutting down the stations 2 years ago, the department reports that rejection rates are 3-4 times higher. (The rejection rate is the percent of vehicles inspected that are turned back due to the presence of a quarantined pest.)

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Agriculture
 PROGRAM: Chemicals/Environmental

JLBC ANALYST: Bock
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	24.9	23.9	23.9	24.9	23.9	
OPERATING BUDGET						
Personal Services	242,800	317,100	317,100	342,300	317,100	
Employee Related Expenditures	57,500	87,900	99,600	97,500	90,500	
Professional/Outside Services	2,900	59,000	59,000	59,000	59,000	
Travel - In State	8,400	13,500	13,300	13,300	13,500	
Travel - Out of State	1,000	600	5,000	600	600	
Other Operating Expenditures	107,700	104,300	100,100	16,800	21,000	
Equipment	12,600	0	0	0	0	
All Other Operating Subtotal	132,600	177,400	177,400	89,700	94,100	
OPERATING SUBTOTAL	432,900	582,400	594,100	529,500	501,700	
SPECIAL LINE ITEMS						
Commercial Feed	170,300	190,900	191,500	177,200	177,700	
Fertilizer	170,600	190,400	192,200	184,500	183,000	
Pesticide	180,000	207,000	216,800	192,300	203,300	
Special Item Subtotal	520,900	588,300	600,500	554,000	564,000	
PROGRAM TOTAL	953,800	1,170,700	1,194,600	1,083,500	1,065,700	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Agriculture
 PROGRAM: Chemicals/Environmental

JLBC ANALYST: Bock
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	432,900	582,400	594,100	529,500	501,700	
Other Funds	520,900	588,300	600,500	554,000	564,000	
PROGRAM TOTAL - ALL SOURCES	953,800	1,170,700	1,194,600	1,083,500	1,065,700	

Program Description - This division registers pesticides and regulates their use; licenses commercial feed dealers and fertilizer products; and enforces labeling and content laws for pesticide, feed, and fertilizer products. The division also includes the Office of Agricultural Worker Safety, which promotes the safe handling of agricultural chemicals.

The JLBC Staff recommends a total appropriation of \$1,065,700 -- a net decrease of \$(105,000), or (9.0)%, from the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$501,700 -- a net decrease of \$(80,700), or (13.9)%, from the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$564,000 -- a net decrease of \$(24,300), or (4.1)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ -0- GF
 Maintains a vacancy factor of 0%, which is the standard rate applied to programs with this number of FTE positions.
- ERE Rate Changes 2,600 GF
- Other Operating Expenditures (83,300) GF
 The JLBC Staff recommends a decrease of \$(7,700) for risk management. The General Fund rent amount is moved to a new special line item in Administration, a \$(75,600) reduction here. The Executive concurs.
- Pesticide Fund (3,700) OF
 The net change consists of a \$(1,400) decrease for ERE Rate Changes and a \$(2,600) decrease for risk management. In addition, \$3,100 is added for database maintenance and \$(2,800) is eliminated from Travel - In State. The Executive concurs with these changes but also reduces Other Operating Expenditures by \$(9,000).

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Fertilizer Materials** (7,400) OF
The net change consists of an \$(800) decrease for ERE Rate Changes, a \$(2,100) decrease for risk management, and \$(4,500) in other decreases, consistent with actual expenditure patterns. The Executive concurs.
- **Commercial Feed** (13,200) OF
The net change consists of an \$(800) decrease for ERE Rate Changes, a \$(2,100) decrease for risk management, and \$(10,300) in other decreases, consistent with actual expenditure patterns. The Executive concurs.

Other Issues for Legislative Consideration

- **Executive Recommendation**
The Executive recommends adding 1 new FTE position and \$32,200 for agriculture education.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Agriculture
 PROGRAM: Agricultural Lab

JLBC ANALYST: Bock
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	16.0	16.0	20.0	20.0	20.0	
OPERATING BUDGET						
Personal Services	320,300	397,600	489,800	489,800	489,800	
Employee Related Expenditures	81,800	103,200	132,300	136,800	136,800	
Professional/Outside Services	21,400	20,000	20,000	20,000	20,000	
Travel - In State	4,800	6,000	6,000	6,000	6,000	
Travel - Out of State	5,300	6,000	9,500	6,000	9,500	
Other Operating Expenditures	517,400	458,000	461,500	453,800	426,000	
Equipment	0	0	216,000	100,000	100,000	
All Other Operating Subtotal	548,900	490,000	713,000	585,800	561,500	
PROGRAM TOTAL	951,000	990,800	1,335,100	1,212,400	1,188,100	
BY FUND SOURCE						
General Fund	951,000	990,800	1,335,100	1,212,400	1,188,100	
Other Non-Appropriated Funds	336,800	276,800	141,700	--	141,700	
PROGRAM TOTAL - ALL SOURCES	1,287,800	1,267,600	1,476,800	1,212,400	1,329,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Agriculture
 PROGRAM: Agricultural Lab

Program Description - *This division provides laboratory analyses for several department inspection and regulation programs, as well as for certain other state agencies.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$1,188,100 -- a net increase of \$197,300, or 19.9%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
 Maintains a vacancy factor of 0%, which is the standard rate applied to programs with this number of FTE positions.
- **ERE Rate Changes** 7,200 GF
- **Other Operating Expenditures** (35,500) GF
 The JLBC Staff recommends a \$(7,700) decrease for risk management. The amount includes \$0 net change for lease-purchase payments for the Agriculture Laboratory. The total payment will be \$183,000, a decrease of \$(119,000) from the FY 1994 appropriated amount, but this \$119,000 has been allocated to other laboratory operating needs such as chemicals and lab supplies. The amount also includes \$106,400, a decrease of \$(27,800), for operations and maintenance (O&M) charges for this building. This O&M charge will be transferred to the Department of Administration, which will be responsible for providing the service either directly or under contract. The Executive does not make the decrease for O&M.
- **Dairy Contract** 125,600 GF
 The JLBC Staff recommends shifting \$125,600 from the Animal Services Division to the Laboratory. When the Livestock Board and the State Chemist (Agricultural Laboratory) were separate agencies, dairy analysis was performed through an interagency agreement. Since the personnel performing this lab work are actually state employees, however, the monies now should be shown in Personal Services and Employee Related Expenditures, and 4 FTE positions should be added to this division. The net agencywide increase of \$1,500 is for Employee Related Expenditures. The Executive concurs.
- **Equipment** 100,000 GF
 The JLBC Staff recommends adding \$100,000 for one-time replacement equipment, including chemical analysis and gas chromatography equipment. The Executive concurs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Banking Department

JLBC ANALYST: Child
 OSPB ANALYST: Benberou

HOUSE SUBCOMMITTEE CHAIR: Grosco
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	55.0	54.2	55.2	55.2	55.0	
OPERATING BUDGET						
Personal Services	1,315,100	1,446,900	1,628,800	1,491,800	1,548,200	
Employee Related Expenditures	297,700	303,700	376,100	338,000	349,900	
Professional/Outside Services	69,700	21,400	47,600	21,400	21,400	
Travel - In State	48,100	43,000	55,000	55,000	55,000	
Travel - Out of State	11,300	16,000	16,000	16,000	16,000	
Other Operating Expenditures	272,600	118,500	297,500	342,900	343,600	
All Other Operating Subtotal	401,700	198,900	416,100	435,300	436,000	
OPERATING SUBTOTAL	2,014,500	1,949,500	2,421,000	2,265,100	2,334,100	
SPECIAL LINE ITEMS						
Receiverships	149,700	175,600	0	176,200	99,000	
Special Item Subtotal	149,700	175,600	0	176,200	99,000	
AGENCY TOTAL	2,164,200	2,125,100	2,421,000	2,441,300	2,433,100	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Banking Department

JLBC ANALYST: Child
OSPB ANALYST: Benberou

HOUSE SUBCOMMITTEE CHAIR: Grosco
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	2,164,200	2,125,100	2,421,000	2,441,300	2,433,100	
Other Non-Appropriated Funds	139,100	764,300	314,300	--	314,300	
AGENCY TOTAL - ALL SOURCES	2,303,300	2,889,400	2,735,300	2,441,300	2,747,400	

Agency Description - The department regulates state-chartered financial entities in order to assure financial soundness. These entities include money transmitters, motor vehicle dealers, holding companies, trust companies, sales finance companies, collection agencies, escrow agents, debt management companies, consumer lenders, mortgage bankers, mortgage brokers, premium finance companies, savings and loan associations, credit unions, and banks.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$2,433,100 -- a net increase of \$308,000, or 14.5%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
 Maintains a vacancy factor of 1.5%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 1%.
- **ERE Rate Changes** 25,000 GF
- **Add 1 Administrative Services Officer II Position** 45,800 GF
 Laws 1992, Chapter 203 (H.B. 2489) amended various sections of law relating to the regulation of escrow and title insurance agents, including provisions of law relating to the transfer of responsibility for the regulation and examination of escrow rates from the Department of Insurance to the Banking Department effective January 1, 1994. Through an inter-agency agreement, 1 Administrative Services Officer II position was funded by the Department of Insurance through FY 1994. The recommended amount includes \$38,000 for Personal Services and \$7,800 for Employee Related Expenditures for the Administrative Services Officer II position. An offsetting position is recommended for elimination in the Department of Insurance. The Executive concurs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Transfer 2 FTE Positions from Receivership Division** -0- GF
 The JLBC Staff recommends the transfer of 2 Senior Financial Institution Examiner positions from the Receivership Division. This transfer will give the Superintendent greater flexibility in making work assignments and will allow the agency to fulfill their statutory obligations without the addition of new personnel. While the agency's receivership activity has been declining, the agency has experienced an increase in workload in other areas due to a statutory change in the frequency the agency must examine escrow agents, as well as new responsibilities to regulate premium finance companies and advance fee loan brokers. As examiners of solvent enterprises, these examiners will be able to bill for their time to offset the cost of their salaries. The associated amount includes \$63,300 for Personal Services and \$14,000 for Employee Related Expenditures. The Executive recommendation does not include this transfer of positions.
- **Eliminate 0.2 FTE Position** (600) GF
 The JLBC Staff recommends the number of appropriated FTE positions be rounded to 55, eliminating 0.2 of a FTE position and \$(600) in Employee Related Expenditures. The Executive does not recommend this reduction.
- **Travel - In State** 12,000 GF
 Represents movement of monies from Other Operating Expenditures to Travel - In State per agency request. The Executive concurs.
- **Other Operating Expenditures** 225,100 GF
 The recommended amount includes an increase of \$94,600 for a share of the lease-purchase payment for the Sun State Savings Building and an increase of \$60,400 for operations and maintenance (O&M) charges for this building. In FY 1994, these costs were included in the Department of Administration's (DOA) budget as a transition measure during agency relocation. The O&M charge will be transferred to DOA, which will be responsible for providing the service, either directly or under contract. The recommended amount also includes an increase of \$83,200 for risk management payments, a decrease of \$(1,100) for elimination of private storage space, and a decrease of \$(12,000) representing movement of monies from Other Operating Expenditures to Travel - In State.
- **Receiverships Special Line Item** 700 GF
 The JLBC Staff recommended appropriation includes a total of \$99,000 and 3 FTE positions for the Receivership Division, reflecting an increase of \$700 for ERE adjustments. Two Senior Financial Institution Examiner positions have been transferred out of the Receivership Division. The Executive recommendation does not include this transfer of positions.

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Agency

JLBC Staff Recommended Footnotes

Modification of Standard Footnote

- The Banking Department shall set and assess fees to ensure that the funds deposited to the General Fund will equal or exceed its expenditure from the General Fund. *(The FY 1994 footnote contained additional language regarding the payment by DOA of rent for the Banking Department, which is no longer applicable.)*

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- From the amount appropriated for Receiverships, the department shall revert, at fiscal year end, \$1 for each \$1 over \$75,000 credited to the Banking Department Receivership Revolving Fund during the fiscal year pursuant to A.R.S. § 6-131.01. *(Historically, this footnote contained a more complicated formula fashioned to deal with appropriations greater than \$250,000. The recommended FY 1995 appropriation for the Receivership Division is \$99,000, so a sliding scale for larger sums is unnecessary. It is the intent of this footnote that the Receivership Division receive in FY 1995 a total of approximately \$175,000 from appropriated and non-appropriated sources.)*

Deletion of New FY 1994 Footnote

- The Department of Administration (DOA) shall pay the Banking Department's pro rata share of private lease space if the Banking Department is unable to relocate to state-owned space because the Sun States Savings Building is not ready for occupancy. DOA shall also pay all costs associated with occupying and maintaining the Sun States Savings Building for FY 1994. *(The Banking Department's relocation is complete and funds have been recommended in the Banking Department's budget to cover its FY 1995 lease-purchase payment.)*

Other Issues for Legislative Consideration

- **Modified FY 1995 Request**

In mid-December, the Banking Department submitted a modified request for FY 1995. The modification consisted primarily of a request for 3 additional Financial Examiners. The JLBC Staff does not recommend additional funding for new positions. The JLBC Staff believes the movement of 2 FTE positions from the Receivership Division will enable the Banking Department fulfill its statutory obligations. The Executive recommendation also does not include additional funding for new positions.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona State Boxing Commission

JLBC ANALYST: Case
 OSPB ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	1.0	1.5	2.0	2.0	1.5	
OPERATING BUDGET						
Personal Services	36,400	36,600	47,900	44,300	36,600	
Employee Related Expenditures	7,900	8,700	12,300	13,400	10,600	
Professional/Outside Services	0	500	500	500	500	
Travel - In State	0	3,000	6,700	3,200	3,400	
Travel - Out of State	0	700	5,100	700	700	
Other Operating Expenditures	4,300	9,500	9,500	9,800	9,800	
All Other Operating Subtotal	4,300	13,700	21,800	14,200	14,400	
AGENCY TOTAL	48,600	59,000	82,000	71,900	61,600	
BY FUND SOURCE						
General Fund	48,600	59,000	82,000	71,900	61,600	
AGENCY TOTAL - ALL SOURCES	48,600	59,000	82,000	71,900	61,600	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona State Boxing Commission

Agency Description - *The Boxing Commission licenses, investigates and regulates the professional boxing and kick-boxing industry in Arizona. The Department of Racing is responsible for the collection and accounting of Boxing Commission revenues.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$61,600 -- a net increase of \$2,600, or 4.4%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments**
Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 0%. \$ -0- GF
- **ERE Rate Changes** 1,900 GF
- **Travel - In State** 400 GF
Commission members' FY 1994 travel costs are projected to be higher than originally anticipated, due to a small increase in the number of boxing events. This increased workload is expected to carry over into FY 1995.
- **Other Operating Expenditures** 300 GF
The recommended amount includes an increase of \$300 for risk management.

JLBC Staff Recommended Format -- Lump Sum by Agency

JLBC Staff Recommended Footnotes

Standard Footnotes

- The Boxing Commission shall report to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Senate and House of Representatives Appropriation Committees, and the Staff Director of the Joint Legislative Budget Committee on a semi-annual basis. The report shall contain the number of boxing events, gross receipts, state revenues and license fee collections.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Other Issues for Legislative Consideration

- **Executive Recommendation**

The Executive adds \$7,700 in Personal Services and \$2,800 in ERE for an additional 0.5 FTE support staff position to help manage an increase in the number of boxing events. While the number of boxing events in the state grew from 13 in FY 1992 to 20 in FY 1993 (with an average of 5 to 6 fights per event), it is uncertain whether this growth will be sustained. The Executive points to the 11 events which have been held in the first quarter of FY 1994 as evidence of an increase; however, historically, the first quarter has been the commission's busiest, with 9 events in FY 1993. In addition, the JLBC Staff believes that the commission has sufficient capacity to handle an increased workload, the existing 0.5 FTE support staff position having been restored in FY 1994.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Building & Fire Safety

JLBC ANALYST: Reddy
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	70.2	69.2	69.7	69.2	69.2	
OPERATING BUDGET						
Personal Services	1,701,000	1,797,600	1,869,800	1,821,500	1,804,300	
Employee Related Expenditures	454,700	459,600	525,300	473,700	468,700	
Professional/Outside Services	900	0	0	0	0	
Travel - In State	180,700	196,700	199,200	196,700	196,700	
Travel - Out of State	3,800	6,000	6,000	6,000	6,000	
Other Operating Expenditures	296,100	295,700	297,200	390,200	392,200	
Equipment	22,000	22,300	9,800	9,800	11,800	
All Other Operating Subtotal	503,500	520,700	512,200	602,700	606,700	
OPERATING SUBTOTAL	2,659,200	2,777,900	2,907,300	2,897,900	2,879,700	
SPECIAL LINE ITEMS						
Fire Training	30,000	30,000	30,000	30,000	30,000	
Special Item Subtotal	30,000	30,000	30,000	30,000	30,000	
AGENCY TOTAL	2,689,200	2,807,900	2,937,300	2,927,900	2,909,700	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Building & Fire Safety

JLBC ANALYST: Reddy
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	2,689,200	2,807,900	2,937,300	2,927,900	2,909,700	
Federal Funds	8,000	6,800	8,000	--	8,000	
Other Non-Appropriated Funds	325,500	754,300	754,300	--	754,300	
AGENCY TOTAL - ALL SOURCES	3,022,700	3,569,000	3,699,600	2,927,900	3,672,000	

Agency Description - *The agency enforces safety standards for manufactured homes, mobile homes, factory-built buildings and recreational vehicles. The agency also includes the Office of the State Fire Marshal, which enforces the state fire codes and provides training and education for fire personnel and the general public.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$2,909,700 -- a net increase of \$101,800, or 3.6%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ 9,400 GF
 Includes a new vacancy factor of 2.7%. The FY 1994 vacancy factor was 3.5%. The recommended amount restores \$19,700 in vacancy savings to fund the reclassification of an existing vacant position as a 0.5 Deputy Fire Marshal I to service Yuma and La Paz Counties. Currently those counties are serviced by inspectors from Phoenix and Bullhead City. Thirty nursing homes and fifty-eight schools did not receive regular inspections last year. Funding this position will ensure that all necessary inspections will be conducted and will also free up inspector time in both the Phoenix and Bullhead City offices.

The Executive recommends restoring \$32,900 in vacancy savings to reduce the agency's current vacancy factor to 1.5%, the standard vacancy factor for an agency with this number of FTE positions. The agency achieved its FY 1993 lump sum reduction by increasing its vacancy savings. Since the Legislature had intended that the agency take a permanent reduction, the JLBC Staff does not recommend this issue.

The JLBC Staff also recommends a reduction of \$(9,000) in Personal Services and \$(1,300) in ERE to reflect the department's filling an FTE position at a lower salary level. The Executive essentially concurs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **ERE Rate Changes** 6,400 GF
- **Other Operating Expenditures** 96,500 GF
Includes an increase of \$96,500 for risk management charges.
- **Equipment** (10,500) GF
Reduces Equipment spending from \$22,300 to \$11,800, which will permit the department to purchase 5 computers and software, as outlined in its 2-year automation plan. The Executive recommends a decrease of \$(12,500).

JLBC Staff Recommended Format -- Modified Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Registrar of Contractors

JLBC ANALYST: Reddy
 OSPB ANALYST: Benberou

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	103.5	109.3	117.5	109.5	111.3	
OPERATING BUDGET						
Personal Services	2,302,900	2,520,500	2,804,800	2,558,000	2,597,200	
Employee Related Expenditures	565,800	575,900	647,400	681,200	686,500	
Professional/Outside Services	12,500	16,000	94,400	103,400	16,000	
Travel - In State	173,900	181,500	208,100	184,000	197,200	
Travel - Out of State	2,600	1,100	6,100	1,100	1,100	
Other Operating Expenditures	658,100	762,000	970,500	660,100	659,000	
Equipment	9,700	116,700	705,600	241,700	113,200	
All Other Operating Subtotal	856,800	1,077,300	1,984,700	1,190,300	986,500	
OPERATING SUBTOTAL	3,725,500	4,173,700	5,436,900	4,429,500	4,270,200	
SPECIAL LINE ITEMS						
Automation	0	0	0	0	164,400	
Imaging	0	0	0	343,800	0	
Special Item Subtotal	0	0	0	343,800	164,400	
AGENCY TOTAL	3,725,500	4,173,700	5,436,900	4,773,300	4,434,600	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Registrar of Contractors

JLBC ANALYST: Reddy
OSPb ANALYST: Benberou

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC-STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	3,725,500	4,173,700	0	0	0	
Other Funds	0	0	5,436,900	4,773,300	4,434,600	
Other Non-Appropriated Funds	1,755,500	1,990,600	2,024,600	--	2,024,600	
AGENCY TOTAL - ALL SOURCES	5,481,000	6,164,300	7,461,500	4,773,300	6,459,200	

Agency Description - The agency licenses, regulates and conducts examinations of residential and commercial construction contractors. A statutory change per Laws 1993, Chapter 116, converts the agency from a General Fund agency into a "90/10" agency beginning in FY 1995. The agency will split its generated revenue between the newly established Registrar of Contractors Fund and the General Fund as follows: in the first year, 70/30, in the second year 80/20, and in the third year, 90/10.

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$4,434,600 -- a net increase of \$260,900 or 6.3%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments** \$ (2,400) OF
 Maintains a vacancy factor of 2%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 1.5%.
- ERE Rate Changes** 92,300 OF
- Travel - In State** 12,000 OF
 Increase to fund the expansion of the agency's sweep operations which target unlicensed contractors. The Executive does not recommend funding this issue.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Other Operating Expenditures** (36,800) OF
The recommended amount includes \$3,000 for lease-purchase payments for the Kingman Building. The amount also includes \$3,400 for operations and maintenance (O & M) charges. This O & M charge will be transferred to the Department of Administration, which will be responsible for providing the service, either directly or under contract. The amount also includes decreases of \$(4,400) for private rent costs and \$(35,500) for risk management.

The recommended amount includes a decrease of \$(4,300) to adjust for start-up costs incurred by the office in Lake Havasu City and an increase of \$1,000 to purchase replacement non-capitalized equipment.
- **Equipment** 11,500 OF
Includes an increase in funding from \$28,500 in FY 1994 to \$51,900 in FY 1995. The recommended amount will fund 2 copiers, 1 call attendant system, and 1 mail machine. The amount also includes a decrease of \$(11,900) to reflect the completion of lease-purchase payments for an upgrade to the agency's computer system. The Executive essentially concurs.
- **In-house Testing** (191,100) OF
The agency received 4 FTE positions and \$259,700 in FY 1994 to move the testing program in-house. After further discussions with the Legislature, the agency decided to continue contracting with an outside vendor for testing services. It retained \$74,100 from the original appropriation to hire and equip 2 FTE positions to monitor the activities of the vendor. The agency abolished the 2 other FTE positions and reverted the remaining \$185,600 to the General Fund. (The FY 1994 estimate column, however, reflects the appropriated amount and does not include the reversion.) The recommendation removes this same amount, \$(185,600), from the appropriated base and includes a decrease of \$(5,500) to adjust for one-time start-up costs.
- **Automation Upgrade** 164,400 OF
The recommended amount includes funding for an upgrade to the agency's computer system. The system cannot meet the demands of its users. It slows down during peak usage times and its available disk storage space has dropped to 10%. The proposed upgrade will satisfy the agency's current needs and will allow it to move into open systems technology in the future. The Executive concurs.
- **Sierra Vista Office** 85,500 OF
The JLBC Staff recommends funding to open a new office in Sierra Vista. The recommended amount includes \$37,800 in Personal Services and \$11,300 in Employee Related Expenditures for an inspector/investigator and a secretary, \$13,700 for operating costs (including \$3,700 for Travel - In State) and \$22,700 for start-up costs associated with the new office. The agency's Tucson office handled 148 complaints and 89 investigations in the Sierra Vista area in FY 1993. With the number of building permits issued in the area increasing by 27.4% annually, the agency needs this field office to effectively monitor licensed and unlicensed contractor activity. The Executive recommends \$81,500 in funding.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Hearing Officer** 44,700 OF
Eighty-one percent of the cases received by the agency are resolved at the inspections level within 2 to 3 months. If a case cannot be resolved at the inspections level, an administrative hearing will be set, adding 4 to 6 months to the expected resolution time for the complaint. A case typically only reaches the hearing level when the contractor, after many attempts, fails to correct a piece of substandard work. The JLBC Staff recommends \$33,700 in Personal Services, \$7,700 in Employee Related Expenditures, and \$3,300 in Other Operating Expenditures to fund a Hearing Officer III position in order to reduce the complaint resolution time. The Executive does not recommend funding for this issue.
- **Legal Secretary - Tucson** 27,500 OF
Currently the hearing officer in Tucson sends all of his paperwork to the Phoenix office to be processed and filed, resulting in unnecessary delays and errors. In addition, when the hearing officer is conducting a hearing, there is no one available in the Tucson office to respond to calls concerning legal matters. The JLBC Staff recommends \$18,600 in Personal Services, \$5,600 in Employee Related Expenditures, and \$3,300 in Other Operating Expenditures to fund a Legal Secretary I position. This position will handle all the paperwork and calls associated with the Tucson caseload and will also free up some of the Phoenix legal support staff's time to meet the needs of the new Phoenix hearing officer. The Executive does not recommend funding for this issue.
- **LAN Installation** 21,700 OF
The recommended amount will provide funding for a LAN network, which will allow the agency's existing computers to share access to software and printers. The amount also includes funding for 2 additional computers for the agency's accounting department. The Executive does not recommend funding for this issue.
- **Automation** 26,300 OF
The recommended amount will fund 9 computers, 5 tables, 1 laser printer, and cabling for the agency's inspections and investigations departments. Currently, 15 inspectors, 13 investigators, and 1 hearing officer in the agency's Phoenix, Mesa, and Tucson offices share 6 terminals. The Executive recommends \$19,100 as part of a three-year automation plan to fund the purchase of laptop computers for the Phoenix inspectors and investigators.
- **Yuma Telephone System** 5,300 OF
Increase to fund a two-line system for the Yuma field office. Callers have difficulty reaching the office during business hours because the current system cannot handle the volume of incoming and outgoing calls.

JLBC Staff Recommended Format -- Lump Sum by Agency

JLBC Staff Recommended Footnotes

Deletion of New FY 1994 Footnotes

- Prior to the expenditures of funds for the purchase of new automation equipment for testing, the registrar shall present an expenditure plan to a meeting of the joint legislative budget committee for their review. *(The agency continued to contract with an outside vendor for testing services and reverted the monies appropriated for automation equipment.)*

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Other Issues for Legislative Consideration

- **Imaging System**

The Executive recommends \$343,800 for an imaging system. DOA is conducting a study to determine if the agency needs an imaging system, and if so, what type of system is required. The JLBC Staff recommends postponing any funding decision pending completion of the study.

- **Public Service Announcements**

The Executive recommends \$81,000 for television and radio advertising to increase public awareness of the agency's existence.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Corporation Commission
Agency Summary

JLBC ANALYST: Child
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	225.0	222.0	222.0	222.0	222.0	
BY PROGRAM/ORGANIZATION						
Administration/Hearing	1,884,900	1,985,600	1,898,500	1,891,800	1,800,200	
Corporations	1,177,600	1,178,700	1,208,000	1,209,400	1,209,400	
Securities	1,545,800	1,559,700	1,721,400	1,604,300	1,604,500	
Railroad Safety	397,800	347,800	547,800	356,400	356,400	
Utilities	4,809,700	4,548,700	4,877,000	4,601,200	4,692,100	
Legal	931,100	944,900	975,000	967,400	967,800	
AGENCY TOTAL	10,746,900	10,565,400	11,227,700	10,630,500	10,630,400	
OPERATING BUDGET						
Personal Services	6,494,300	6,672,500	6,831,900	6,674,900	6,674,900	
Employee Related Expenditures	1,474,700	1,369,600	1,536,700	1,603,700	1,604,300	
Professional/Outside Services	251,600	230,500	143,700	129,700	129,700	
Travel - In State	179,900	177,200	181,300	177,200	177,200	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Corporation Commission
Agency Summary

JLBC ANALYST: Child
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Travel - Out of State	48,900	59,900	59,900	59,900	59,900	_____
Other Operating Expenditures	1,649,800	1,661,400	1,729,900	1,590,300	1,591,600	_____
Equipment	103,900	17,500	17,500	17,500	15,500	_____
All Other Operating Subtotal	2,234,100	2,146,500	2,132,300	1,974,600	1,973,900	_____
OPERATING SUBTOTAL	10,203,100	10,188,600	10,500,900	10,253,200	10,253,100	_____
SPECIAL LINE ITEMS						
Railroad Warning Systems	48,100	0	200,000	0	0	_____
Arizona Arts Trust Fund	26,100	26,800	26,800	27,300	27,300	_____
Audits and Rate Hearings	390,000	350,000	500,000	350,000	350,000	_____
Pipeline Safety Revolving Fund	79,600	0	0	0	0	_____
Special Item Subtotal	543,800	376,800	726,800	377,300	377,300	_____
AGENCY TOTAL	10,746,900	10,565,400	11,227,700	10,630,500	10,630,400	_____
BY FUND SOURCE						
General Fund	4,980,000	5,045,000	5,348,900	5,034,600	4,837,900	_____
Other Funds	5,766,900	5,520,400	5,878,800	5,595,900	5,792,500	_____
Federal Funds	118,600	107,300	82,600	--	82,600	_____
Other Non-Appropriated Funds	1,154,600	1,920,000	1,907,000	--	1,907,000	_____
AGENCY TOTAL - ALL SOURCES	12,020,100	12,592,700	13,217,300	10,630,500	12,620,000	_____

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Corporation Commission
Agency Summary

Agency Description - *The Arizona Corporation Commission was established by Article 15 of the Arizona Constitution and consists of 3 statewide elected Commissioners, each serving 6 year terms. The commission's primary responsibilities include the review and establishment of public utility rates, regulating the sale of securities in Arizona, and administering the Arizona Corporations Code. As part of its responsibilities related to corporations, the commission serves as the repository of corporate annual reports and other publicly-available documents filed by corporations in accordance with state law.*

The JLBC Staff recommends a total appropriation of \$10,630,400 -- a net increase of \$65,000, or 0.6%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$4,837,900 -- a net decrease of \$(207,100), or (4.1)%, from the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$5,792,500 -- a net increase of \$272,100, or 4.9%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (500) GF
3,300 OF
- ERE Rate Changes 116,100 GF
118,700 OF
- Allocation of Administrative Personnel (105,300) GF
105,300 OF

The General Fund has historically funded the agency's Administration/Hearing Division. The JLBC Staff recommends that Other Funds be used to pay a pro rata share of salaries for those administrative personnel not prohibited by statute from being paid by Other Funds. The Executive recommendation does not include this fund sourcing.
- Professional and Outside Services (100,800) GF

Reflects the agency's FY 1994 purchase from non-appropriated funds of a minicomputer, eliminating their Department of Administration Data Center charges. The Executive concurs.
- Other Operating Expenditures (116,600) GF
46,800 OF

Total rent payments for FY 1995 include \$241,100 for rent of state-owned space at 1300 W. Washington, \$380,100 for rent of state-owned space at 1200 W. Washington, \$65,200 for lease-purchase payments for the Tucson Office Building, and \$2,700 for private lease space in Prescott. The JLBC Staff recommends a total appropriation of \$287,200 from the General Fund, a decrease of \$(85,500), and a total appropriation of \$366,800 from Other Funds, an increase of \$77,900. This reflects a more accurate fund allocation of the space occupied by the Administration/Hearing Division. The Executive recommendation does not include this change in fund sourcing. The recommended amount also reflects a decrease of \$(11,800) in General Fund risk management payments and a decrease of \$(31,100) in Other Funds risk management payments. The General Fund portion also includes a decrease of \$(19,300) in reduced repair and maintenance costs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

• **Replacement Equipment**

The JLBC Staff recommends from Other Funds a decrease of \$17,500 for one-time equipment purchases and an increase of \$14,000 for the purchase of 7 replacement computers and \$1,500 for the purchase of a laser printer. The net Other Fund decrease for replacement equipment is \$(2,000). The Executive recommends \$17,500 for replacement equipment.

(2,000) OF

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Corporation Commission
 PROGRAM: Administration/Hearing

JLBC ANALYST: Child
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	30.0	29.0	29.0	29.0	29.0	
OPERATING BUDGET						
Personal Services	980,200	1,017,300	1,027,900	1,017,200	1,017,200	
Employee Related Expenditures	218,400	201,600	224,000	234,000	233,700	
Professional/Outside Services	161,600	105,800	5,000	5,000	5,000	
Travel - In State	7,600	11,000	11,000	11,000	11,000	
Travel - Out of State	13,300	16,000	16,000	16,000	16,000	
Other Operating Expenditures	475,300	633,900	614,600	608,600	517,300	
Equipment	28,500	0	0	0	0	
All Other Operating Subtotal	686,300	766,700	646,600	640,600	549,300	
PROGRAM TOTAL	1,884,900	1,985,600	1,898,500	1,891,800	1,800,200	
BY FUND SOURCE						
General Fund	1,884,900	1,985,600	1,898,500	1,891,800	1,694,900	
Other Funds	0	0	0	0	105,300	
PROGRAM TOTAL - ALL SOURCES	1,884,900	1,985,600	1,898,500	1,891,800	1,800,200	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Corporation Commission
PROGRAM: Administration/Hearing

Program Description - *The Administration/Hearing program, while treated as one budgetary unit, represents 2 distinct elements of the commission. The Administration Division is responsible for preparation of the annual budget request, financial management for all divisions, and other administrative services required by all divisions. The Commissioners and their support staff are located within the Administration Division. The Hearings Division is responsible for conducting public utility rate hearings, analyzing evidence, and drafting recommended commission orders regarding decisions on utility rates.*

The JLBC Staff recommends a total appropriation of \$1,694,900 -- a net decrease of \$(185,400), or (9.3)%, from the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$1,694,900 -- a net decrease of \$(290,700), or (14.6)%, from the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$105,300, which is a new fund source for this program.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments**
Maintains a vacancy factor of 1%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 1%.
 - **ERE Rate Changes**
 - **Allocation of Administrative Personnel**

\$ (200) GF

32,200 GF

(105,300) GF
105,300 OF
- **Professional and Outside Services**
Reflects the agency's FY 1994 purchase from non-appropriated funds of a minicomputer, eliminating their Department of Administration Data Center charges. The Executive concurs.

(100,800) GF
- **Other Operating Expenditures**
The recommended amount includes a decrease of \$(85,500) for the General Fund portion of the agency's rental payments, and a decrease of \$(11,800) for the General Fund's portion of risk management payments. Also reflects a decrease of \$(19,300) in repair and maintenance costs.

(116,600) GF

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Corporation Commission
 PROGRAM: Corporations

JLBC ANALYST: Child
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	43.0	42.0	42.0	42.0	42.0	
OPERATING BUDGET						
Personal Services	746,700	762,000	769,700	761,900	761,900	
Employee Related Expenditures	195,700	195,800	217,400	226,100	226,100	
Professional/Outside Services	21,900	20,000	20,000	20,000	20,000	
Travel - In State	700	600	600	600	600	
Travel - Out of State	3,500	3,500	3,500	3,500	3,500	
Other Operating Expenditures	174,900	170,000	170,000	170,000	170,000	
Equipment	8,100	0	0	0	0	
All Other Operating Subtotal	209,100	194,100	194,100	194,100	194,100	
OPERATING SUBTOTAL	1,151,500	1,151,900	1,181,200	1,182,100	1,182,100	
SPECIAL LINE ITEMS						
Arizona Arts Trust Fund	26,100	26,800	26,800	27,300	27,300	
Special Item Subtotal	26,100	26,800	26,800	27,300	27,300	
PROGRAM TOTAL	1,177,600	1,178,700	1,208,000	1,209,400	1,209,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Corporation Commission
PROGRAM: Corporations

JLBC ANALYST: Child
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	1,151,500	1,151,900	1,181,200	1,182,100	1,182,100	
Other Funds	26,100	26,800	26,800	27,300	27,300	
Other Non-Appropriated Funds	201,100	579,700	738,700	--	738,700	
PROGRAM TOTAL - ALL SOURCES	1,378,700	1,758,400	1,946,700	1,209,400	1,948,100	

Program Description - *The Corporations Division is responsible for administering the corporations code. The Corporations Division receives and maintains for public access corporate annual reports, articles of incorporation, and corporate status change documents.*

The JLBC Staff recommends a total appropriation of \$1,209,400 -- a net increase of \$30,700, or 2.6%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$1,182,100 -- a net increase of \$30,200, or 2.6%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$27,300 -- a net increase of \$500, or 1.9%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (100) GF
Maintains a vacancy factor of 1%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 1%.
- **ERE Rate Changes** 30,300 GF
- **Arts Trust Fund Administration** 500 OF
The total recommended amount of \$27,300 includes an Other Fund increase of \$500 for ERE adjustments. The Executive concurs.

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Corporation Commission
PROGRAM: Securities

JLBC ANALYST: Child
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	40.0	39.0	39.0	39.0	39.0	
OPERATING BUDGET						
Personal Services	1,279,500	1,303,100	1,327,900	1,303,000	1,303,000	
Employee Related Expenditures	266,100	256,600	287,600	301,300	301,500	
Professional/Outside Services	0	0	14,000	0	0	
Travel - In State	0	0	4,100	0	0	
Other Operating Expenditures	200	0	87,800	0	0	
All Other Operating Subtotal	200	0	105,900	0	0	
OPERATING SUBTOTAL	1,545,800	1,559,700	1,721,400	1,604,300	1,604,500	
SPECIAL LINE ITEMS						
Special Item Subtotal	0	0	0	0	0	
PROGRAM TOTAL	1,545,800	1,559,700	1,721,400	1,604,300	1,604,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Corporation Commission
PROGRAM: Securities

JLBC ANALYST: Child
OSP ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	1,545,800	1,559,700	1,721,400	1,604,300	1,604,500	
Other Non-Appropriated Funds	953,500	1,340,300	1,168,300	--	1,168,300	
PROGRAM TOTAL - ALL SOURCES	2,499,300	2,900,000	2,889,700	1,604,300	2,772,800	

Program Description - *The Securities Division regulates the sale of securities in Arizona, including the registration of securities and the licensing of securities brokers. The Securities Division also takes enforcement actions against persons violating provisions of the Arizona Securities Act. The division is comprised of 5 sections: Corporation Finance, Trading and Markets, Laws and Policy, Enforcement, and Financial Analysis.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$1,604,500 -- a net increase of \$44,800, or 2.9%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (200) GF
 Maintains a vacancy factor of 1%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 1%.
- **ERE Rate Changes** 45,000 GF

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Corporation Commission
 PROGRAM: Railroad Safety

JLBC ANALYST: Child
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	8.0	8.0	8.0	8.0	8.0	
OPERATING BUDGET						
Personal Services	226,100	233,000	233,000	233,000	233,000	
Employee Related Expenditures	52,600	48,600	48,600	57,200	57,200	
Travel - In State	48,000	44,000	44,000	44,000	44,000	
Travel - Out of State	6,800	6,800	6,800	6,800	6,800	
Other Operating Expenditures	16,200	15,400	15,400	15,400	15,400	
All Other Operating Subtotal	71,000	66,200	66,200	66,200	66,200	
OPERATING SUBTOTAL	349,700	347,800	347,800	356,400	356,400	
SPECIAL LINE ITEMS						
Railroad Warning Systems	48,100	0	200,000	0	0	
Special Item Subtotal	48,100	0	200,000	0	0	
PROGRAM TOTAL	397,800	347,800	547,800	356,400	356,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Corporation Commission
 PROGRAM: Railroad Safety

JLBC ANALYST: Child
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	397,800	347,800	547,800	356,400	356,400	
PROGRAM TOTAL - ALL SOURCES	<u>397,800</u>	<u>347,800</u>	<u>547,800</u>	<u>356,400</u>	<u>356,400</u>	

Program Description - *The Railroad Safety program is a unit within the Utilities Division and is responsible for the inspection of railroad track, equipment, operating practices, hazardous material loading and unloading, and rail-highway grade crossings. Through an agreement with the Federal Railroad Administration, this division also conducts inspection of interstate railroads.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$356,400 -- a net increase of \$8,600, or 2.5%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
 Maintains a vacancy factor of 0%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 0%.
- **ERE Rate Changes** 8,600 GF

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Agency

Other Issues for Legislative Consideration

- **Railroad Warning Systems**
 The Railroad Warning Systems special line is a non-reverting General Fund appropriation to be used exclusively for the 10% federal matching requirement under the Federal Highway Acts for railroad-highway projects approved for federal funding. The actual railroad crossing upgrades are constructed by the railroads involved and the agency is subsequently billed for 10% of the costs incurred. According to the agency, the railroads are behind in both construction of the upgrades and in billing of the agency. The agency currently has outstanding obligations of \$279,300 for upgrades authorized between FY 1991 and FY 1994. The current balance of \$321,100 is sufficient to cover the agency's obligations through FY 1994. If the billing and construction history of the railroads follows the pattern of the last 6 years, the current balance will also be sufficient to cover the agency's obligations through FY 1995. The Executive concurs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Corporation Commission
PROGRAM: Utilities

JLBC ANALYST: Child
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	87.5	87.5	87.5	87.5	87.5	
OPERATING BUDGET						
Personal Services	2,601,200	2,680,200	2,781,500	2,682,900	2,682,900	
Employee Related Expenditures	619,500	544,900	621,900	640,500	640,800	
Professional/Outside Services	49,200	85,000	85,000	85,000	85,000	
Travel - In State	118,700	118,100	118,100	118,100	118,100	
Travel - Out of State	15,700	20,000	20,000	20,000	20,000	
Other Operating Expenditures	876,200	733,000	733,000	687,200	779,800	
Equipment	59,600	17,500	17,500	17,500	15,500	
All Other Operating Subtotal	1,119,400	973,600	973,600	927,800	1,018,400	
OPERATING SUBTOTAL	4,340,100	4,198,700	4,377,000	4,251,200	4,342,100	
SPECIAL LINE ITEMS						
Audits and Rate Hearings	390,000	350,000	500,000	350,000	350,000	
Pipeline Safety Revolving Fund	79,600	0	0	0	0	
Special Item Subtotal	469,600	350,000	500,000	350,000	350,000	
PROGRAM TOTAL	4,809,700	4,548,700	4,877,000	4,601,200	4,692,100	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Corporation Commission
PROGRAM: Utilities

JLBC ANALYST: Child
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	4,809,700	4,548,700	4,877,000	4,601,200	4,692,100	_____
Federal Funds	118,600	107,300	82,600	--	82,600	_____
PROGRAM TOTAL - ALL SOURCES	<u>4,928,300</u>	<u>4,656,000</u>	<u>4,959,600</u>	<u>4,601,200</u>	<u>4,774,700</u>	<u>_____</u>

Program Description - *The Utilities Division monitors the operations of approximately 500 public service corporations within the State of Arizona. The Utilities Division participates as an independent party in all utility-related proceedings before the commission and provides the Commissioner with recommendations. The Utilities Division also monitors compliance with commission rate decisions and attempts to resolve disputes between utilities and their customers. The Utilities Division is also responsible for the inspection of gas pipelines and the operation of a pipeline safety program.*

The JLBC Staff recommends a total or Other Fund (OF) appropriation of \$4,692,100 -- a net increase of \$143,400, or 3.2%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments**
Includes a new vacancy factor of 1.5%, which is the standard rate applied to programs with this number of FTE positions. The FY 1994 vacancy factor was 1.6%. The Executive recommends a vacancy factor of 1.5%.

\$ 3,300 OF
- **ERE Rate Changes**

95,300 OF
- **Other Operating Expenditures**
Reflects an Other Fund decrease in risk management charges of \$(31,100) and an increase of \$77,900 for rent.

46,800 OF
- **Replacement Equipment**
The JLBC Staff recommends from Other Funds a decrease of \$17,500 for one-time equipment purchases and an increase of \$14,000 for the purchase of 7 replacement computers and \$1,500 for the purchase of a laser printer. The net decrease for replacement equipment is \$(2,000). The Executive recommendation includes no reduction.

(2,000) OF

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Other Issues for Legislative Consideration

- **Utility Assessment**

A.R.S. § 40-401 provides the following formula for calculating assessments on public utilities:

1. Determine the amount appropriated by the legislature;
2. Multiply this amount by 1.2;
3. Subtract the monies estimated to remain unexpended in the Utility Regulation Revolving Fund at the end of the current fiscal year.

The agency has typically used a relatively conservative number to estimate the unexpended monies referred to in part (3). The true unexpended amount has historically been slightly larger. The difference between the estimated unexpended monies and the actual unexpended monies has not been taken into account to lower the assessment for the following year, but rather has accumulated in the Utility Regulation Revolving Fund because the agency does not have expenditure authority. As a remedy, the JLBC Staff suggests that the Legislature consider modifying the statute to instruct the agency, every few years, to take account of the excess unexpended monies to lower the utility assessment for the following year.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Corporation Commission
PROGRAM: Legal

JLBC ANALYST: Child
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	16.5	16.5	16.5	16.5	16.5	
OPERATING BUDGET						
Personal Services	660,600	676,900	691,900	676,900	676,900	
Employee Related Expenditures	122,400	122,100	137,200	144,600	145,000	
Professional/Outside Services	18,900	19,700	19,700	19,700	19,700	
Travel - In State	4,900	3,500	3,500	3,500	3,500	
Travel - Out of State	9,600	13,600	13,600	13,600	13,600	
Other Operating Expenditures	107,000	109,100	109,100	109,100	109,100	
Equipment	7,700	0	0	0	0	
All Other Operating Subtotal	148,100	145,900	145,900	145,900	145,900	
PROGRAM TOTAL	931,100	944,900	975,000	967,400	967,800	
BY FUND SOURCE						
Other Funds	931,100	944,900	975,000	967,400	967,800	
PROGRAM TOTAL - ALL SOURCES	931,100	944,900	975,000	967,400	967,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Corporation Commission
PROGRAM: Legal

Program Description - *The Legal Division provides legal representation to the Corporation Commission in the performance of all its duties, except for areas associated with the Securities Division. Securities-related legal cases are litigated by the Attorney General's office.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$967,800 -- a net increase of \$22,900, or 2.4%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- OF
Maintains a vacancy factor of 0%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 0%.

- **ERE Rate Changes** 22,900 OF

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Industrial Commission of Arizona
Agency Summary

JLBC ANALYST: Reddy
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	260.0	261.0	269.0	262.0	265.0	
BY PROGRAM/ORGANIZATION						
Administration	2,720,900	2,879,400	3,739,300	3,343,500	4,476,900	
Claims	2,462,600	2,725,000	2,636,400	2,593,500	2,604,500	
Administrative Law Judge	3,619,400	3,649,900	4,040,200	3,801,000	3,799,000	
Labor	414,600	432,400	455,700	436,000	436,000	
Special Fund	420,900	464,200	576,800	537,600	549,100	
Occupational Safety/Health	1,572,900	1,664,400	1,688,400	1,637,900	1,634,800	
Legal Counsel	663,900	666,300	908,400	734,700	870,400	
AGENCY TOTAL	11,875,200	12,481,600	14,045,200	13,084,200	14,370,700	
OPERATING BUDGET						
Personal Services	6,103,200	6,543,900	6,738,100	6,479,000	6,588,100	
Employee Related Expenditures	1,440,600	1,428,200	1,616,300	1,504,800	1,529,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Industrial Commission of Arizona
Agency Summary

JLBC ANALYST: Reddy
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Professional/Outside Services	1,531,400	1,627,100	1,951,100	1,773,100	1,755,100	
Travel - In State	133,400	155,400	177,100	170,700	167,300	
Travel - Out of State	12,500	11,900	16,100	11,400	11,900	
Other Operating Expenditures	2,342,500	2,690,100	3,527,500	3,145,200	2,590,800	
Equipment	311,600	25,000	19,000	0	19,000	
All Other Operating Subtotal	4,331,400	4,509,500	5,690,800	5,100,400	4,544,100	
OPERATING SUBTOTAL	11,875,200	12,481,600	14,045,200	13,084,200	12,661,200	
SPECIAL LINE ITEMS						
Automation	0	0	0	0	1,709,500	
Special Item Subtotal	0	0	0	0	1,709,500	
AGENCY TOTAL	11,875,200	12,481,600	14,045,200	13,084,200	14,370,700	
BY FUND SOURCE						
Other Funds	11,875,200	12,481,600	14,045,200	13,084,200	14,370,700	
Federal Funds	1,189,500	1,260,600	1,260,600	--	1,260,600	
Other Non-Appropriated Funds	117,500	137,500	137,500	--	137,500	
AGENCY TOTAL - ALL SOURCES	13,182,200	13,879,700	15,443,300	13,084,200	15,768,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Industrial Commission of Arizona
PROGRAM: Agency Summary

Program Description - *The Industrial Commission regulates the workers' compensation insurance industry. The commission is also responsible for child labor issues, occupational safety and health issues, wage claim dispute resolutions, licensing of private employment agencies and providing workers' compensation coverage for claimants of uninsured employers or insolvent carriers and self-insured employers.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$14,370,700 -- a net increase of \$1,889,100, or 15.1%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

• Personal Services/ERE Adjustments	\$ (101,600) OF
• ERE Rate Changes	92,100 OF
• Professional and Outside Services	(37,000) OF
• Other Operating Expenditures	(174,500) OF
• Equipment	(25,000) OF
• Automation	1,709,500 OF
• Hearing Costs	159,300 OF
• Caseload Growth	110,300 OF
• Tucson Building	62,100 OF
• Rehabilitation Nurse	52,000 OF
• Investigations Backlog	41,900 OF
• FTE Adjustment	-0- OF

JLBC Staff Recommended Format -- Varies by Program

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Industrial Commission of Arizona
 PROGRAM: Administration

JLBC ANALYST: Reddy
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	43.0	42.0	42.0	42.0	42.0	
OPERATING BUDGET						
Personal Services	1,013,400	1,056,300	1,052,600	1,036,800	1,042,100	
Employee Related Expenditures	240,800	227,600	250,000	237,500	239,000	
Professional/Outside Services	40,000	78,700	92,700	92,700	78,700	
Travel - In State	19,600	17,800	28,700	28,700	17,800	
Travel - Out of State	5,100	4,500	4,000	4,000	4,500	
Other Operating Expenditures	1,201,300	1,494,500	2,311,300	1,943,800	1,385,300	
Equipment	200,700	0	0	0	0	
All Other Operating Subtotal	1,466,700	1,595,500	2,436,700	2,069,200	1,486,300	
OPERATING SUBTOTAL	2,720,900	2,879,400	3,739,300	3,343,500	2,767,400	
SPECIAL LINE ITEMS						
Automation	0	0	0	0	1,709,500	
Special Item Subtotal	0	0	0	0	1,709,500	
PROGRAM TOTAL	2,720,900	2,879,400	3,739,300	3,343,500	4,476,900	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Industrial Commission of Arizona
PROGRAM: Administration

JLBC ANALYST: Reddy
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	2,720,900	2,879,400	3,739,300	3,343,500	4,476,900	_____
PROGRAM TOTAL - ALL SOURCES	<u>2,720,900</u>	<u>2,879,400</u>	<u>3,739,300</u>	<u>3,343,500</u>	<u>4,476,900</u>	<u>_____</u>

Program Description - *The Administration Division provides general administrative services, including personnel, building maintenance and data processing. The division also evaluates funding criteria and applications and renewals of applications for self-insured employers, as well as provides medical and compensation payments for uninsured claimants. In addition, the division provides an Ombudsman to assist claimants and to resolve difficulties associated with filing workers' compensation claims.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$4,476,900 -- a net increase of \$1,597,500, or 55.5%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (17,100) OF
Maintains a vacancy factor of 1.0%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 1.5%. The decrease reflects a one-time adjustment to the Personal Services base.
- **ERE Rate Changes** 14,300 OF
- **Other Operating Expenditures** (171,300) OF
Includes a decrease of \$(99,700) to reflect lower maintenance costs associated with the new automation system. The recommended amount also includes decreases of \$(55,300) to reflect the purchase of supplies for the optical disk system and \$(16,300) for risk management.
- **Automation** 1,709,500 OF
Increase to fund the replacement of the agency's mainframe system and the expansion of its optical disk system to other divisions within the Commission. The Executive recommends an increase of \$460,000 to purchase a replacement for the mainframe system.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Tucson Building**

Increase to fund the expansion of the department's Tucson space by 4,600 square feet to allow it to provide hearing room facilities comparable to the facilities in the Phoenix office. The Executive recommends an increase of \$143,100, which will fund 10,600 square feet of additional space. The agency currently occupies 8,800 square feet of space in Tucson.

62,100 OF

JLBC Staff Recommended Format -- Modified Lump Sum for the Program

Other Issues for Legislative Consideration

- **All Other Operating Expenditures Reduction**

The Executive recommends a 4% reduction in All Other Operating Expenditures.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Industrial Commission of Arizona
PROGRAM: Claims

JLBC ANALYST: Reddy
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	83.0	83.0	82.0	82.0	82.0	
OPERATING BUDGET						
Personal Services	1,304,400	1,458,100	1,408,000	1,379,800	1,386,400	
Employee Related Expenditures	338,600	377,400	400,900	386,200	390,600	
Professional/Outside Services	301,100	400,000	363,000	363,000	363,000	
Travel - In State	400	1,000	1,000	1,000	1,000	
Travel - Out of State	1,900	2,000	2,000	2,000	2,000	
Other Operating Expenditures	416,200	461,500	461,500	461,500	461,500	
Equipment	100,000	25,000	0	0	0	
All Other Operating Subtotal	819,600	889,500	827,500	827,500	827,500	
PROGRAM TOTAL	2,462,600	2,725,000	2,636,400	2,593,500	2,604,500	
BY FUND SOURCE						
Other Funds	2,462,600	2,725,000	2,636,400	2,593,500	2,604,500	
Other Non-Appropriated Funds	117,500	137,500	137,500	--	137,500	
PROGRAM TOTAL - ALL SOURCES	2,580,100	2,862,500	2,773,900	2,593,500	2,742,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Industrial Commission of Arizona
PROGRAM: Claims

Program Description - *The Claims Division regulates activities of insurance carriers and self-insured employers that process industrial injury claims. The division also assesses penalties or increases in insurance benefits for bad faith or unfair claims processes.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$2,604,500 -- a net decrease of \$(120,500), or (4.4)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (45,300) OF
Includes a vacancy factor of 1.5%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy rate of 2.0%. The decrease reflects a one-time adjustment to the Personal Services base.
- **ERE Rate Changes** 28,400 OF
- **Professional and Outside Services** (37,000) OF
Decrease reflects actual Department of Administration data processing charges. The Executive concurs.
- **Equipment** (25,000) OF
Decrease reflects the one-time purchase of a server and software package upgrade. The Executive concurs.
- **FTE Adjustment** (41,600) OF
The JLBC Staff recommends transferring 1 FTE position from the Claims Division to the Special Fund Division, as requested by the agency. The transfer will result in no net change to the overall budget. The Executive concurs.

JLBC Staff Recommended Format -- Modified Lump Sum for the Program

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Industrial Commission of Arizona
 PROGRAM: Administrative Law Judge

JLBC ANALYST: Reddy
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	54.0	54.0	54.0	54.0	54.0	
OPERATING BUDGET						
Personal Services	1,819,800	1,915,400	1,917,700	1,888,900	1,888,900	
Employee Related Expenditures	403,500	363,600	400,400	379,400	379,900	
Professional/Outside Services	1,044,800	1,031,200	1,363,200	1,185,200	1,181,200	
Travel - In State	25,400	25,000	28,400	28,400	28,700	
Travel - Out of State	0	600	600	600	600	
Other Operating Expenditures	325,900	314,100	329,900	318,500	319,700	
All Other Operating Subtotal	1,396,100	1,370,900	1,722,100	1,532,700	1,530,200	
OPERATING SUBTOTAL	3,619,400	3,649,900	4,040,200	3,801,000	3,799,000	
SPECIAL LINE ITEMS						
Special Item Subtotal	0	0	0	0	0	
PROGRAM TOTAL	3,619,400	3,649,900	4,040,200	3,801,000	3,799,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Industrial Commission of Arizona
 PROGRAM: Administrative Law Judge

JLBC ANALYST: Reddy
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	3,619,400	3,649,900	4,040,200	3,801,000	3,799,000	
PROGRAM TOTAL - ALL SOURCES	3,619,400	3,649,900	4,040,200	3,801,000	3,799,000	

Program Description - *The Administrative Law Judge Division adjudicates disputed workers' compensation claims. The division issues citations and cease and desist orders, as well as assesses penalties for the OSHA and Labor Divisions.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$3,799,000 -- a net increase of \$149,100, or 4.1%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (32,000) OF
 Includes a vacancy factor of 1.5%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 1.5%. The decrease reflects a one-time adjustment to the Personal Services base.
- **ERE Rate Changes** 21,800 OF
- **Hearing Costs** 159,300 OF
 Over the last 3 years, the division has experienced a 10.8% annual increase in caseload and fees for court reporters and medical witnesses. The recommended amount includes a total of \$150,000 (a 14.5% increase) in court reporter and medical witness fees to respond to a corresponding estimated increase in caseload in FY 1995. The recommended amount also includes increases of \$5,600 in Other Operating Expenditures and \$3,700 in Travel - In State. The Executive recommends an increase of 161,800.

JLBC Staff Recommended Format -- Modified Lump Sum for the Program

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Industrial Commission of Arizona
PROGRAM: Labor

JLBC ANALYST: Reddy
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	14.0	14.0	15.0	14.0	14.0	
OPERATING BUDGET						
Personal Services	278,500	288,000	300,900	287,400	287,400	
Employee Related Expenditures	65,700	69,500	79,900	73,700	73,700	
Professional/Outside Services	200	200	200	200	200	
Travel - In State	4,900	7,500	7,500	7,500	7,500	
Travel - Out of State	500	1,400	1,400	1,400	1,400	
Other Operating Expenditures	55,600	65,800	65,800	65,800	65,800	
Equipment	9,200	0	0	0	0	
All Other Operating Subtotal	70,400	74,900	74,900	74,900	74,900	
PROGRAM TOTAL	414,600	432,400	455,700	436,000	436,000	
BY FUND SOURCE						
Other Funds	414,600	432,400	455,700	436,000	436,000	
PROGRAM TOTAL - ALL SOURCES	414,600	432,400	455,700	436,000	436,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Industrial Commission of Arizona
PROGRAM: Labor

Program Description - *The Labor Division provides for the administration of labor laws relating to the resolution of wage complaint disputes. The division is responsible for enforcing child labor statutes and regulations, as well as licensing and regulating private employment agencies.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$436,000 -- a net increase of \$3,600, or .8%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (700) OF
Maintains a vacancy factor of 0%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 0%. The decrease reflects a one-time adjustment to the Personal Services base.
- ERE Rate Changes 4,300 OF

JLBC Staff Recommended Format -- Lump Sum for the Program

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Industrial Commission of Arizona
 PROGRAM: Special Fund

JLBC ANALYST: Reddy
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	15.0	15.0	18.0	17.0	17.0	
OPERATING BUDGET						
Personal Services	280,400	320,100	392,900	373,100	373,100	
Employee Related Expenditures	76,100	75,900	102,500	95,300	92,700	
Professional/Outside Services	21,100	15,700	15,700	15,700	15,700	
Travel - In State	0	1,000	4,700	2,000	5,100	
Other Operating Expenditures	43,300	51,500	51,500	51,500	53,000	
Equipment	0	0	9,500	0	9,500	
All Other Operating Subtotal	64,400	68,200	81,400	69,200	83,300	
OPERATING SUBTOTAL	420,900	464,200	576,800	537,600	549,100	
SPECIAL LINE ITEMS						
Special Item Subtotal	0	0	0	0	0	
PROGRAM TOTAL	420,900	464,200	576,800	537,600	549,100	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Industrial Commission of Arizona
PROGRAM: Special Fund

JLBC ANALYST: Reddy
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	420,900	464,200	576,800	537,600	549,100	
PROGRAM TOTAL - ALL SOURCES	420,900	464,200	576,800	537,600	549,100	

Program Description - *The Special Fund Division processes all claims and provides benefits for injured workers when the employer fails to provide workers' compensation insurance. The benefits paid are non-appropriated. The majority of benefits relate to pre-1973 permanent injuries; prior to then, insurance carriers were not required to provide workers' compensation benefits. The division also provides rehabilitation for permanently injured workers.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$549,100 -- a net increase of \$84,900, or 18.3 %, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (13,400) OF
 Maintains a vacancy factor of 0%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 0%. The recommended amount includes decreases of \$(11,900) in Personal Services and \$(1,500) in ERE to reflect the hiring of new employees at lower salary levels.
- **ERE Rate Changes** 4,700 OF
- **FTE Adjustment** 41,600 OF
 The JLBC Staff recommends transferring 1 FTE position to the Special Fund Division from the Claims Division, as requested by the agency. The transfer will result in no net change to the budget. The Executive concurs.
- **Rehabilitation Nurse** 52,000 OF
 The recommended amount provides \$30,400 in Personal Services, \$6,500 in ERE, and \$1,500 in Other Operating Expenditures for a rehabilitation nurse. The nurse will assist the claimant obtain appropriate medical services and minimize time lost from work. The Executive essentially concurs.

The amount also includes \$9,500 in Equipment and \$4,100 in Travel - In State for a vehicle to be shared between the division's two investigators and the nurse. The Executive does not recommend funding for this issue.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Format -- Lump Sum for the Program

JLBC Staff Recommended Footnotes

Standard Footnotes

- It is the intent of the Legislature that the Industrial Commission allocate \$200,000 from the Special Fund to fund an interagency service agreement with the department of economic security to assist injured workers eligible for workers' compensation.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Industrial Commission of Arizona
 PROGRAM: Occupational Safety/Health

JLBC ANALYST: Reddy
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	36.0	38.0	39.0	38.0	38.0	
OPERATING BUDGET						
Personal Services	1,000,500	1,077,900	1,079,100	1,043,400	1,043,400	
Employee Related Expenditures	235,000	224,900	247,700	233,000	233,000	
Professional/Outside Services	49,500	47,100	47,100	47,100	47,100	
Travel - In State	74,100	95,400	95,400	95,400	95,400	
Travel - Out of State	3,900	2,900	2,900	2,900	2,900	
Other Operating Expenditures	208,200	216,200	216,200	216,100	213,000	
Equipment	1,700	0	0	0	0	
All Other Operating Subtotal	337,400	361,600	361,600	361,500	358,400	
OPERATING SUBTOTAL	1,572,900	1,664,400	1,688,400	1,637,900	1,634,800	
SPECIAL LINE ITEMS						
Special Item Subtotal	0	0	0	0	0	
PROGRAM TOTAL	1,572,900	1,664,400	1,688,400	1,637,900	1,634,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Industrial Commission of Arizona
 PROGRAM: Occupational Safety/Health

JLBC ANALYST: Reddy
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	1,572,900	1,664,400	1,688,400	1,637,900	1,634,800	
Federal Funds	1,189,500	1,260,600	1,260,600	--	1,260,600	
PROGRAM TOTAL - ALL SOURCES	2,762,400	2,925,000	2,949,000	1,637,900	2,895,400	

Program Description - *The Occupational Safety and Health Division, which is certified by the U.S. Department of Labor, administers the Arizona occupational safety and health laws. The division also is responsible for ensuring that elevators and boilers are safe and in operable working condition.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$1,634,800 -- a net decrease of \$(29,600) or (1.8)%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (39,900) OF
 Includes a vacancy factor of 1.0%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 1.0%. The decrease reflects a one-time adjustment to the Personal Services base.
- **ERE Rate Changes** 13,500 OF
- **Other Operating Expenditures** (3,200) OF
 Decrease reflects risk management charges.

JLBC Staff Recommended Format -- Lump Sum for the Program

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Industrial Commission of Arizona
 PROGRAM: Legal Counsel

JLBC ANALYST: Reddy
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	15.0	15.0	19.0	15.0	18.0	
OPERATING BUDGET						
Personal Services	406,200	428,100	586,900	469,600	566,800	
Employee Related Expenditures	80,900	89,300	134,900	99,700	120,100	
Professional/Outside Services	74,700	54,200	69,200	69,200	69,200	
Travel - In State	9,000	7,700	11,400	7,700	11,800	
Travel - Out of State	1,100	500	5,200	500	500	
Other Operating Expenditures	92,000	86,500	91,300	88,000	92,500	
Equipment	0	0	9,500	0	9,500	
All Other Operating Subtotal	176,800	148,900	186,600	165,400	183,500	
PROGRAM TOTAL	663,900	666,300	908,400	734,700	870,400	
BY FUND SOURCE						
Other Funds	663,900	666,300	908,400	734,700	870,400	
PROGRAM TOTAL - ALL SOURCES	663,900	666,300	908,400	734,700	870,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Industrial Commission of Arizona
PROGRAM: Legal Division

Program Description - *The Legal Division represents the Industrial Commission when litigating cases involving the enforcement and collection of penalties associated with employees not having workers' compensation insurance. The division provides legal opinions and advice to the director of the commission concerning policy and procedural matters.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$870,400 -- a net increase of \$204,100, or 30.6%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ 46,800 OF
Maintains a vacancy factor of 0%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 0%. The recommended amount includes an increase of \$41,500 in Personal Services and \$5,300 in ERE to fund the reclassification of 3 attorney positions. The Executive concurs.
- **ERE Rate Changes** 5,100 OF
- **Caseload Growth** 110,300 OF
Over the last five years, the division's caseload has increased 55.6% without any corresponding increase in staff. The recommended amount includes \$75,700 in Personal Services, \$15,100 in ERE, and \$3,000 in Other Operating Expenditures to hire and equip an Attorney IV position and a Legal Secretary II position. The amount also includes \$15,000 in Professional and Outside Services and \$1,500 in Other Operating Expenditures to adjust for caseload growth. The Executive recommends \$15,000 in Professional and Outside Services and \$1,500 in Other Operating Expenditures.
- **Investigations Backlog** 41,900 OF
The Legal Division can investigate and collect damages from uninsured employers whose employees have received payment from the Special Fund for work-related injuries. The backlog of cases numbers 433 and dates back to 1991. The recommended amount includes \$21,500 in Personal Services, \$5,300 in ERE, \$4,100 in Travel - In State, \$1,500 in Other Operating Expenditures, and \$9,500 in Equipment for a vehicle to fund an Investigator III position. The Executive does not recommend funding for this issue.

JLBC Staff Recommended Format -- Lump Sum for the Program

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Insurance

JLBC ANALYST: Smith
OSPB ANALYST: Silver

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	86.0	86.9	92.0	86.9	86.9	
OPERATING BUDGET						
Personal Services	1,790,900	2,097,000	2,376,500	2,113,300	2,102,800	
Employee Related Expenditures	453,100	461,900	575,900	500,100	502,900	
Professional/Outside Services	180,500	33,700	33,700	33,700	33,700	
Travel - In State	3,500	4,800	9,200	9,200	9,200	
Travel - Out of State	10,700	10,600	10,800	10,600	10,600	
Other Operating Expenditures	615,100	389,500	901,800	865,300	927,300	
Equipment	29,900	25,000	19,700	6,000	4,400	
All Other Operating Subtotal	839,700	463,600	975,200	924,800	985,200	
OPERATING SUBTOTAL	3,083,700	3,022,500	3,927,600	3,538,200	3,590,900	
SPECIAL LINE ITEMS						
Auto Insurance Rate Publication	0	0	0	40,000	0	
Special Item Subtotal	0	0	0	40,000	0	
AGENCY TOTAL	3,083,700	3,022,500	3,927,600	3,578,200	3,590,900	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Insurance

JLBC ANALYST: Smith
OSPb ANALYST: Silver

HOUSE SUBCOMMITTEE CHAIR: Grosco
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	3,083,700	3,022,500	3,927,600	3,578,200	3,590,900	
Other Non-Appropriated Funds	6,975,500	7,278,200	7,970,900	--	7,970,900	
AGENCY TOTAL - ALL SOURCES	10,059,200	10,300,700	11,898,500	3,578,200	11,561,800	

Agency Description - *The department regulates the insurance industry. The department's major duties include solvency regulation, collection and audit of insurance premium taxes, agent licensing, company certification, consumer assistance, complaint resolution, rate and policy form regulation, and administration of companies in receivership.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$3,590,900 -- a net increase of \$568,400, or 18.8%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
 Maintains a vacancy factor of 1.5%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 1.5%.
- **ERE Rate Changes** 40,300 GF
- **Other Operating Expenditures** 486,100 GF
 The recommended amount includes an increase of \$266,000 for a share of the lease-purchase payment for the Sun State Savings Building and \$170,600 for operations and maintenance (O&M) charges for this building. In FY 1994, these costs were included in the Department of Administration (DOA) as a transition measure during agency relocation. This O&M charge will be transferred to DOA, which will be responsible for providing the service, either directly or under contract. Restoration of occupancy costs to the agency budget generates a 14.4% increase to the FY 1994 appropriation, with the net increase from all other issues representing a 4.4% increase. The Executive recommendation includes an increase of \$266,000 for the lease-purchase payment and \$164,300 for O&M charges.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The recommended amount also includes an increase of \$54,400 for risk management charges, an increase of \$11,600 for replacement of non-capitalized equipment, and a one-time adjustment of \$(16,500) for non-capitalized equipment purchased in FY 1994. The Executive recommendation includes an increase of \$54,100 for risk management charges and removes funding for replacement of non-capitalized equipment.

- **Accountable Health Plans** 89,600 GF
Includes an additional 2 FTE positions and associated increases of \$64,600 in Personal Services, \$13,700 in Employee Related Expenditures, \$8,900 in Other Operating Expenditures, and \$2,400 in Equipment. Of these amounts, \$3,900 in Other Operating Expenditures and \$2,400 in Equipment are one-time expenditures for start-up costs. These positions are required to implement the provisions of Laws 1993, Chapter 231 (S.B. 1109), which mandates licensure and regulation of insurers which provide small group health insurance policies (accountable health plans). The Executive recommends increases of 2 FTE positions and \$86,600.
- **Solvency Analyst** 53,800 GF
Includes an increase of 1 FTE position (grade 24) and associated increases of \$40,600 in Personal Services, \$7,900 in ERE, \$3,300 in Other Operating Expenditures, and \$2,000 in Equipment to address increased national guidelines for solvency regulation. The Executive recommends an increase of 1 FTE position (grade 23) and an associated \$50,900.
- **Automobile Insurance Reform** 44,400 GF
Includes increases of \$4,400 in Travel - In State and \$40,000 in Other Operating Expenditures to implement the provisions of Laws 1993, 5th Special Session, Chapter 1 (H.B. 2001), which require the department to hold public hearings in at least 5 geographical areas, report on the profit or loss of auto insurance, compile auto insurance premium comparisons and complaint ratios, and provide copies of the premium comparisons and complaint ratios to the Department of Transportation for distribution to the public. The Executive concurs with the JLBC Staff recommendation but lists the increase in a special line item.
- **Computer Fund** (74,700) GF
Reflects a reduction of (2) FTE positions and associated reductions of \$(61,400) in Personal Services and \$(13,300) in ERE to remove 2 positions appropriated in FY 1994. The FY 1994 General Appropriation Act required the elimination of these positions if the department's Computer System Fund was reinstated. This non-appropriated fund was extended through December 31, 1995 by Laws 1993, Chapter 59, and therefore will support these 2 positions. The Executive concurs with the JLBC Staff recommendation.
- **Escrow Analyst** (46,100) GF
Reflects elimination of (1) FTE position and associated decreases of \$(38,000) in Personal Services, \$(7,600) in Employee Related Expenditures, and \$(500) in Other Operating Expenditures to implement the provisions of Laws 1992, Chapter 203, which transferred the department's responsibilities for examination of escrow agents to the State Banking Department. The Executive concurs with the JLBC Staff recommendation.
- **Telephone System** (25,000) GF
Reflects a one-time adjustment for equipment purchased in FY 1994. The Executive concurs with the JLBC Staff recommendation.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Format -- Lump Sum by Agency

JLBC Staff Recommended Footnotes

Deletion of New FY 1994 Footnotes

- Included in the lump sum appropriation is \$73,900, which shall revert to the General Fund if legislation is enacted to reinstate the department's Computer System Fund. Included in the FTE position appropriation of 86.9 FTE positions are 2 FTE positions which shall be eliminated if legislation is enacted to reinstate the department's Computer System Fund. *(This footnote is no longer required as the Computer System Fund has been reinstated. See the Computer Fund bullet.)*
- The Department of Administration (DOA) shall pay the Insurance Department's pro rata share of private lease space if the Insurance Department is unable to relocate to state-owned space because of the Sun States Savings Building is not ready for occupancy. DOA shall also pay all costs associated with occupying and maintaining the Sun States Savings Building for FY 1994. *(This footnote is no longer required as funding for occupancy has been restored to the department. See the Other Operating Expenditures bullet.)*
- In fulfilling the requirements of A.R.S. § 20-167, it is the intent of the Legislature that the department define its appropriated amount to include the amount expended by DOA for all costs associated with the Department of Insurance's occupancy during FY 1994, excluding moving expenses. *(This footnote is no longer required as funding for occupancy has been restored to the department. See the Other Operating Expenditures bullet.)*
- It is the intent of the Legislature that upon relocation of the Department of Insurance, the department shall acquire and install a new telephone system. Included in the lump sum appropriation is \$25,000 for the first payment on the system. This \$25,000 shall revert to the General Fund if the department does not relocate during FY 1994 or if other funding becomes available. Prior to finalizing any agreement to purchase a telephone system, the department shall submit to the Joint Legislative Budget Committee a plan detailing the design, scope of services, capital costs and projected operating costs. *(This footnote is no longer required as the telephone system was purchased in FY 1994 using rent collections from the Sun State Savings Building. See the Telephone System bullet.)*

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Liquor Licenses & Control

JLBC ANALYST: Child
 OSPB ANALYST: Silver

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	54.0	50.0	61.0	53.0	51.0	
OPERATING BUDGET						
Personal Services	1,119,100	1,166,600	1,414,500	1,222,300	1,200,600	
Employee Related Expenditures	287,700	279,300	372,500	306,400	298,100	
Professional/Outside Services	25,600	34,800	40,700	34,800	34,800	
Travel - In State	60,900	56,000	112,800	74,600	93,800	
Travel - Out of State	1,100	0	2,400	0	1,000	
Other Operating Expenditures	387,400	338,800	383,200	358,600	338,500	
Equipment	0	0	95,600	31,200	9,500	
All Other Operating Subtotal	475,000	429,600	634,700	499,200	477,600	
OPERATING SUBTOTAL	1,881,800	1,875,500	2,421,700	2,027,900	1,976,300	
SPECIAL LINE ITEMS						
Liquor Board	23,900	24,800	24,800	24,800	0	
Special Item Subtotal	23,900	24,800	24,800	24,800	0	
AGENCY TOTAL	1,905,700	1,900,300	2,446,500	2,052,700	1,976,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Liquor Licenses & Control

JLBC ANALYST: Child
OSPB ANALYST: Silver

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	1,905,700	1,900,300	2,446,500	2,052,700	1,976,300	
Other Non-Appropriated Funds	19,600	899,800	549,600	--	549,600	
AGENCY TOTAL - ALL SOURCES	1,925,300	2,800,100	2,996,100	2,052,700	2,525,900	

Agency Description - *The department licenses, investigates, and regulates the production, distribution, and sale of alcoholic beverages throughout the state.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$1,976,300 -- a net increase of \$76,000, or 4%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (100) GF
 Maintains a vacancy factor of 1%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 1.5%.
- **ERE Rate Changes** 12,400 GF
- **Add 1 Investigator III Position** 37,600 GF
 The JLBC Staff recommends \$21,500 for Personal Services, \$5,600 for Employee Related Expenditures, \$1,000 for Travel - In State, and \$9,500 for Capitalized Equipment for the funding of 1 additional Investigator III position to return the department to their former (FY 1991 and FY 1992) investigator level. The additional investigator may be used by the agency to supplement the investigator recently assigned to the Colorado River region. Two investigators, or 13% of the agency's investigative force, will enable the agency to deal with the alcohol-related problems which have become more prevalent in Lake Havasu City and other fast-growing regions along the Colorado River. The JLBC Staff believes that the establishment of a satellite office will result in a more efficient use of agency resources. The investigators whose area currently includes the Colorado River region work from the Phoenix office. The ability to work from a satellite office should reduce travel time and increase the efficiency of the investigators in the area.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The Executive instead requests 3 Investigator III positions to be assigned at the agency's discretion based on a survey where they estimated the national average ratio of investigators to licensees to be approximately 300:1. The Executive included the investigators working for the Department of Public Safety's Investigations and Liquor Enforcement Division when calculating Arizona's ratio and excluded the Department of Liquor Licenses & Control's 3 supervisory positions. The JLBC Staff does not make this exclusion and maintains that the addition of 1 Investigator III position will enable the agency's investigator/licensee ratio to remain approximately 300:1. Further, because the number of active liquor licenses in the state has remained unchanged from the previous year, a lack of increase in workload does not warrant the addition of 3 Investigator III positions.

- **Travel - In State** 7,900 GF
Represents an increase in per diem and lodging expenses of \$1,500 for special accommodations for the director when he travels, plus an increase of \$6,400 for motor pool costs associated with fee and mileage charges for use of an accessible van. The Executive concurs.
- **Other Operating Expenditures** (300) GF
Includes a decrease of \$(28,300) for private lease payments due to decreased space requirements and an increase of \$28,000 for risk management payments.
- **Racketeering Influenced Corrupt Organizations (RICO) Funds** 18,500 GF
The agency has been involved with RICO activities since FY 1991 with varying success. Use of RICO monies is restricted to law enforcement activities. The current director has shifted the focus of the department away from law enforcement activities to regulatory activities. The departmental position formerly participating in RICO activities has been re-assigned within the agency. Consequently, the agency will no longer be receiving RICO monies. The JLBC Staff recommends an increase for Travel - In State of \$17,500 to fund the monthly fee and mileage charges for 4 Department of Administration fleet vehicles to replace discarded RICO vehicles. The recommended amount also includes restored funding for Travel - Out of State, a total of \$1,000. The Executive recommendation does not include either increase.
- **Liquor Board** -0- GF
The JLBC Staff recommends the \$24,800 intended to fund Liquor Board expenses be moved above-the-line, requiring no net increase. The Executive does not recommend this change.

JLBC Staff Recommended Format -- Lump Sum by Agency

JLBC Staff Recommended Footnotes

Deletion of Standard Footnotes

- **Liquor Board Footnote**

Of the \$1,998,700 recommended appropriation, \$24,800 is intended for Liquor Board expenses. *(The JLBC Staff recommends this footnote be deleted because there is no important rationale for retaining these expenses below-the-line.)*

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Other Issues for Legislative Consideration

- **General Fund's Share of Liquor License Fees**

Prior to the 1993 legislative session, A.R.S. § 4-115B provided that 1/3 of liquor license fees collected by the agency, unless otherwise provided, be returned to the county of origin and the remaining 2/3 be deposited in the state's General Fund. A.R.S. § 4-115B was amended during the 1993 legislative session to provide funding to the agency for the purchase of an automated records filing and retrieval system. A portion of the license fees, which were formerly returned to Maricopa and Pima County, is now authorized to be retained by the agency for this purpose. Maricopa and Pima County now receive \$3,000 per liquor license issued in an unincorporated area, up to an annual maximum of \$150,000 each. The statute, however, was also inadvertently amended to provide for the agency retaining the General Fund's 2/3 share of the remainder. The JLBC Staff recommends that A.R.S. § 4-115B be amended so 2/3 of all license fees collected by the agency will again be deposited in the General Fund. The JLBC Staff also recommends the agency be required to reimburse the General Fund for its 2/3 share of all fees retained in FY 1993 and FY 1994. Finally, the JLBC Staff recommends that the monies for the automated file and retrieval system become subject to legislative appropriation July 1, 1994.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Mine Inspector

JLBC ANALYST: Bahl
 OSPB ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Graham
 SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	10.5	10.0	11.5	14.0	11.0	
OPERATING BUDGET						
Personal Services	324,700	316,100	351,700	412,500	339,300	
Employee Related Expenditures	72,700	67,900	84,100	91,800	73,800	
Professional/Outside Services	2,800	0	5,400	0	0	
Travel - In State	38,000	43,400	44,900	108,200	75,800	
Travel - Out of State	600	1,400	4,600	1,700	1,400	
Other Operating Expenditures	179,200	107,400	114,400	79,800	76,700	
Equipment	0	5,300	26,000	15,400	8,300	
All Other Operating Subtotal	220,600	157,500	195,300	205,100	162,200	
AGENCY TOTAL	618,000	541,500	631,100	709,400	575,300	
BY FUND SOURCE						
General Fund	618,000	541,500	631,100	709,400	575,300	
Federal Funds	273,800	368,000	349,800	---	349,800	
AGENCY TOTAL - ALL SOURCES	891,800	909,500	980,900	709,400	925,100	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Mine Inspector

Agency Description - *The State Mine Inspector is an elected constitutional officer. The Mine Inspector inspects the health conditions and safety of mining operations, investigates mining accidents, identifies abandoned mines, and conducts safety certification classes for mine employees.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$575,300 -- a net increase of \$33,800 , or 6.2% , to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments**
Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 0%.

\$ -0- GF
- **ERE Rate Changes**

200 GF
- **Other Operating Expenditures**
The JLBC Staff recommends a reduction of \$(32,800) for risk management.

(32,800) GF
- **Equipment**
The JLBC Staff recommends replacing 2 dust monitors, costing \$3,200 each. The agency no longer has serviceable dust monitors approved for compliance enforcement of the mining code. Currently, Deputy Mine Inspectors must make qualitative judgement decisions regarding dust violations without actual approved measurement data. The Executive concurs. The total equipment recommendation includes a decrease of \$(5,300) for a computer purchase in FY 1994. The Executive also recommends replacing a 1992 photocopy machine.

1,100 GF
- **Deputy Mine Inspector**
The JLBC Staff recommends creating 1 additional Deputy Mine Inspector position, at a cost of \$65,300. Currently, there are 4 Deputy Mine Inspectors. One additional deputy inspector should increase the frequency and length of inspections by providing approximately 300 additional health/safety inspections and 25 dust and noise sampling surveys annually. Added inspections may improve health and safety conditions and reduce serious accidents and fatalities. The increase of \$65,300 includes: Personal Services, \$23,200; ERE, \$5,700; Travel-In State, \$32,400 (includes the one-time purchase of a motor pool vehicle, \$20,000); Other Operating Expenditures, \$2,100; and, Equipment, \$1,900. See also Executive Recommendation below.

65,300 GF

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Other Issues for Legislative Consideration

- Executive Recommendation

The Executive recommends an increase of \$193,600 to augment the safety inspection division which inspects the health and safety conditions of the 726 active mining operations in the state. This increase includes the addition of 4 FTE positions (2 Deputy Mine Inspectors, 1 accountant, and 1 secretary) and \$73,800 in All Other Operating Expenditures. In FY 1990, the Legislature eliminated these 4 FTE positions following a 1988 "Mini-Grace" Commission study. The Commission recommended that the state consider discontinuing its State Mine Inspection Division in favor of the existing federal program. Currently, Arizona mines are inspected by both federal and state officials. The federal inspectors examine only the mines, while the state inspects all phases of mining-related operations (i.e., smelters, asphalt hot plants, cement batch plants, and explosive manufacturing and storage) including mines.

The JLBC Staff does not recommend increasing the agency's safety inspection division by 4 FTE positions. There does not appear to be a strong enough correlation between the number of inspections and the accident or fatality rate to warrant the addition of 2 Deputy Mine Inspector positions. Between CY 1984 and 1989, there were between 6 and 9 inspectors and the average accident rate (number of serious accidents per 1,000 employees) was 12.5. The average rate increased slightly to 14.2 between CY 1990 and 1993, when there were between 4 and 5 inspectors. Therefore, the 1 additional deputy we have recommended should provide an adequate number of health and safety inspections to improve mining conditions. Further, the Executive's recommendation of the addition of 1 accountant or 1 secretary position would not greatly affect the health and safety conditions of active mining operations in Arizona.

The Executive also recommends a \$300 increase in Travel - Out of State to fully fund trips to the National Safety Council and Arizona Rock Products Association meetings. The JLBC Staff does not recommend this increase.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Occupational Safety & Health Review Board

JLBC ANALYST: Reddy
OSPb ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	0.0	0.0	0.0	0.0	0.0	
OPERATING BUDGET						
Personal Services	200	700	700	700	700	
Professional/Outside Services	7,900	7,400	7,400	7,400	7,400	
Travel - In State	700	900	900	900	900	
All Other Operating Subtotal	8,600	8,300	8,300	8,300	8,300	
OPERATING SUBTOTAL	8,800	9,000	9,000	9,000	9,000	
SPECIAL LINE ITEMS						
Special Item Subtotal	0	0	0	0	0	
AGENCY TOTAL	8,800	9,000	9,000	9,000	9,000	
BY FUND SOURCE						
General Fund	8,800	9,000	9,000	9,000	9,000	
AGENCY TOTAL - ALL SOURCES	8,800	9,000	9,000	9,000	9,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Occupational Safety and Health Board

Agency Description - *The board reviews cases involving OSHA violations. The cases start with an information conference with the Industrial Commission's OSHA Division Director. If not resolved, the employer can request a hearing before an Industrial Commission Administrative Law Judge. If either the Director of OSHA or the employer disagrees, the ruling can be appealed before the OSHA Review Board.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$9,000 -- a net increase of \$0, or 0%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments**
Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 0%. \$ -0- GF

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Racing
Agency Summary

JLBC ANALYST: Case
OSPb ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Groscof
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	69.7	69.7	85.7	84.2	84.2	
BY PROGRAM/ORGANIZATION						
County Fair Racing	265,200	344,900	353,200	279,900	279,900	
State Gaming Agency	193,200	664,700	1,361,400	1,311,600	1,286,600	
Commercial Racing	2,355,900	2,441,100	2,649,000	2,475,700	2,468,800	
AGENCY TOTAL	2,814,300	3,450,700	4,363,600	4,067,200	4,035,300	
OPERATING BUDGET						
Personal Services	1,395,000	1,843,200	2,276,900	2,162,000	2,160,800	
Employee Related Expenditures	324,000	441,500	604,800	517,300	517,200	
Professional/Outside Services	558,600	601,000	730,300	90,900	90,900	
Travel - In State	140,200	218,600	315,500	295,300	289,800	
Travel - Out of State	13,700	24,900	54,800	54,800	44,800	
Other Operating Expenditures	279,900	276,300	314,200	272,500	272,500	
Equipment	102,900	45,200	67,100	72,200	57,100	
All Other Operating Subtotal	1,095,300	1,166,000	1,481,900	785,700	755,100	
OPERATING SUBTOTAL	2,814,300	3,450,700	4,363,600	3,465,000	3,433,100	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Racing
Agency Summary

JLBC ANALYST: Case
OSPb ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Grosco
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
SPECIAL LINE ITEMS						
Animal Testing	0	0	0	439,500	439,500	
Yuma Greyhound Park	0	0	0	122,700	122,700	
Arbitration Expense	0	0	0	40,000	40,000	
Special Item Subtotal	0	0	0	602,200	602,200	
AGENCY TOTAL	2,814,300	3,450,700	4,363,600	4,067,200	4,035,300	
BY FUND SOURCE						
General Fund	2,355,900	2,441,100	2,649,000	2,475,700	2,468,800	
Other Funds	458,400	1,009,600	1,714,600	1,591,500	1,566,500	
Other Non-Appropriated Funds	1,484,200	1,523,500	1,458,800	--	1,458,800	
AGENCY TOTAL - ALL SOURCES	4,298,500	4,974,200	5,822,400	4,067,200	5,494,100	

Agency Description - The department regulates the Arizona racing industry through supervision of race meetings, screening of license applicants, collection of taxes and fees, and assessment of fines or other penalties. The department also carries out the responsibilities of the State Gaming Agency in compacts with Indian tribes, and collects revenues for the Boxing Commission.

The JLBC Staff recommends a total appropriation of \$3,992,000 -- a net increase of \$541,300, or 15.7%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$2,468,800 -- a net increase of \$27,700, or 1.1%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$1,566,500 -- a net increase of \$556,900, or 55.2%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (200) GF
Maintains a vacancy factor of 1.0% for Commercial Racing, which is the standard rate applied to agencies with its number of FTE positions. The other cost centers maintain a vacancy factor of 0%, which is the standard vacancy rate for agencies with their number of FTE positions.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

• ERE Rate Changes	(1,400) GF (1,200) OF
• Personal Services/ERE Reductions in County Fair Racing	(46,700) OF
• Annualization and reclassification of State Gaming Agency positions	88,300 OF
• Additional FTE Positions Greyhound Industry Regulation State Gaming Agency	44,800 GF 375,300 OF
• Professional and Outside Services	4,200 OF
• Travel - In State	65,500 OF
• Travel - Out of State	(100) GF 20,000 OF
• Other Operating Expenditures	(13,900) GF 10,100 OF
• Equipment	(1,500) GF 1,400 OF
• New Special Line Item - State Gaming Agency	40,000 OF

JLBC Staff Recommended Format -- Operating Lump Sum by Program with Special Line Items. *(In the FY 1994 budget, the department had a lump sum budget format. Given the growing resources and the distinct responsibilities of the State Gaming Agency, the JLBC Staff recommends budgeting by program in FY 1995. In addition, we recommend highlighting certain expenses in Special Line Items.)*

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Racing
 PROGRAM: Commercial Racing

JLBC ANALYST: Case
 OSPB ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	49.2	49.2	51.2	50.2	50.2	
OPERATING BUDGET						
Personal Services	1,167,200	1,345,200	1,400,500	1,329,400	1,328,200	
Employee Related Expenditures	277,800	316,600	362,500	311,400	311,200	
Professional/Outside Services	509,600	521,400	606,500	7,100	7,100	
Travel - In State	69,800	79,500	90,700	90,700	85,200	
Travel - Out of State	10,500	4,900	4,800	4,800	4,800	
Other Operating Expenditures	249,800	172,000	172,000	158,100	158,100	
Equipment	71,200	1,500	12,000	12,000	12,000	
All Other Operating Subtotal	910,900	779,300	886,000	272,700	267,200	
OPERATING SUBTOTAL	2,355,900	2,441,100	2,649,000	1,913,500	1,906,600	
SPECIAL LINE ITEMS						
Animal Testing	0	0	0	439,500	439,500	
Yuma Greyhound Park	0	0	0	122,700	122,700	
Special Item Subtotal	0	0	0	562,200	562,200	
PROGRAM TOTAL	2,355,900	2,441,100	2,649,000	2,475,700	2,468,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Racing
PROGRAM: Commercial Racing

JLBC ANALYST: Case
OSPB ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	2,355,900	2,441,100	2,649,000	2,475,700	2,468,800	_____
Other Non-Appropriated Funds	749,300	808,500	757,100	--	757,100	_____
PROGRAM TOTAL - ALL SOURCES	<u>3,105,200</u>	<u>3,249,600</u>	<u>3,406,100</u>	<u>2,475,700</u>	<u>3,225,900</u>	<u>_____</u>

Program Description - Licenses, investigates and regulates pari-mutuel horse and greyhound racing within the state.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$2,468,800 -- a net increase of \$27,700, or 1.1%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments**
Maintains a vacancy factor of 1.0%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 1.0%.

\$ (200) GF
- **ERE Rate Changes**

(1,400) GF
- **Shift Resources to Yuma Greyhound Park Special Line Item**
Yuma Greyhound Park ceased running live races in FY 1994 but may race again in FY 1995. We recommend transferring \$122,700 from the operating budget to a special line item to facilitate reverting these funds if racing does not resume. The amount includes \$74,800 for animal testing, \$38,300 in Personal Services for 1.6 FTE positions, and \$9,600 in ERE. The Executive concurs.

-0- GF
- **Greyhound Facilities Investigator**
Laws 1993, Chapter 253 (H.B. 2357) was enacted as a result of public awareness of the maltreatment of racing greyhounds, highlighted by the discovery of a large number of burned carcasses in the desert. Chapter 253 requires that greyhound kenneling, training, and breeding facilities be licensed and inspected, and that financial assistance procedures be established for promoting the adoption of racing greyhounds as domestic pets. Licensing will be conducted by existing staff, and the licensing fees will support the adoption program. The JLBC Staff recommends 1 FTE position for an Investigator III to conduct inspections of the estimated 200 greyhound facilities located in the state. The recommended amount includes \$21,500 for Personal Services, \$5,600 for ERE, \$12,000 for a van to transport the inspector, and \$5,700 for Travel - In State. The Executive concurs.

44,800 GF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Travel - Out of State** (100) GF
The recommended decrease of \$(100) is based on the location of conferences to be attended.
- **Other Operating Expenditures** (13,900) GF
The recommended amount includes a reduction of \$(13,900) for risk management.
- **Equipment** (1,500) GF
One-time equipment adjustment.
- **Animal Testing Special Line Item** -0- GF
A.R.S § 5-105 requires the testing of racing horses and greyhounds for the presence of illegal substances. Historically, the department has underspent its animal testing appropriation due to the running of fewer races than predicted. In FY 1993, \$544,900 was appropriated and \$488,300 was spent. The JLBC Staff recommends preserving the FY 1994 appropriation (minus \$74,800 moved to the Yuma Greyhound Park special line item), and moving the appropriation below-the-line in order to better track the costs of animal testing. The Executive concurs.

JLBC Staff Recommended Format -- Operating Lump Sum by Program with Special Line Items

JLBC Staff Recommended Footnotes

New FY 1995 Footnotes

- If live racing is not held at Yuma Greyhound Park, \$122,700 shall revert to the General Fund and 1.6 FTE positions are eliminated.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Racing
 PROGRAM: County Fair Racing

JLBC ANALYST: Case
 OSPB ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Grosco
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	6.5	6.5	6.5	6.0	6.0	
OPERATING BUDGET						
Personal Services	112,100	162,900	162,900	123,000	123,000	
Employee Related Expenditures	22,000	40,300	44,300	33,100	33,100	
Professional/Outside Services	48,700	47,800	47,900	47,900	47,900	
Travel - In State	62,300	82,600	89,300	69,100	69,100	
Other Operating Expenditures	16,000	8,800	8,800	6,800	6,800	
Equipment	4,100	2,500	0	0	0	
All Other Operating Subtotal	131,100	141,700	146,000	123,800	123,800	
PROGRAM TOTAL	265,200	344,900	353,200	279,900	279,900	
BY FUND SOURCE						
Other Funds	265,200	344,900	353,200	279,900	279,900	
Other Non-Appropriated Funds	734,900	715,000	701,700	--	701,700	
PROGRAM TOTAL - ALL SOURCES	1,000,100	1,059,900	1,054,900	279,900	981,600	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Racing
 PROGRAM: County Fair Racing

Program Description - Licenses, investigates and regulates pari-mutuel county fair horse racing within the state. The program is funded from the County Fair Racing Fund, which receives 3.5% of pari-mutuel racing receipts.

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$279,900 -- a net decrease of \$(65,000) or 18.8%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- OF
 Maintains a vacancy factor of 0%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 0%.
- **ERE Rate Changes** (400) OF
- **Personal Services/ERE Reductions** (46,700) OF
 The recommended amount reflects historical spending patterns and revised department spending plans. The amount includes decreases of \$(39,900) for Personal Services and \$(6,800) for ERE, and eliminates a 0.5 FTE position. The Executive concurs.
- **Professional and Outside Services** 100 OF
 The recommended amount includes a decrease of \$(2,200) for animal testing due to a projected drop in the number of county fair races in FY 1995 and an increase of \$2,300 for hauling the county fair trailer.
- **Travel - In State** (13,500) OF
 The recommended amount reflects historical spending patterns and revised department spending plans. The Executive concurs.
- **Other Operating Expenditures** (2,000) OF
 The recommended amount reflects a decrease of \$(2,000) in risk management.
- **Equipment** (2,500) OF
 Zero-based equipment.

JLBC Staff Recommended Format -- Lump Sum by Program

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Racing
 PROGRAM: State Gaming Agency

JLBC ANALYST: Case
 OSPB ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	14.0	14.0	28.0	28.0	28.0	
OPERATING BUDGET						
Personal Services	115,700	335,100	713,500	709,600	709,600	
Employee Related Expenditures	24,200	84,600	198,000	172,800	172,900	
Professional/Outside Services	300	31,800	75,900	35,900	35,900	
Travel - In State	8,100	56,500	135,500	135,500	135,500	
Travel - Out of State	3,200	20,000	50,000	50,000	40,000	
Other Operating Expenditures	14,100	95,500	133,400	107,600	107,600	
Equipment	27,600	41,200	55,100	60,200	45,100	
All Other Operating Subtotal	53,300	245,000	449,900	389,200	364,100	
OPERATING SUBTOTAL	193,200	664,700	1,361,400	1,271,600	1,246,600	
SPECIAL LINE ITEMS						
Arbitration Expense	0	0	0	40,000	40,000	
Special Item Subtotal	0	0	0	40,000	40,000	
PROGRAM TOTAL	193,200	664,700	1,361,400	1,311,600	1,286,600	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Department of Racing
 PROGRAM: State Gaming Agency

JLBC ANALYST: Case
 OSPB ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	193,200	664,700	1,361,400	1,311,600	1,286,600	
PROGRAM TOTAL - ALL SOURCES	193,200	664,700	1,361,400	1,311,600	1,286,600	

Program Description - *In conjunction with tribal gaming agencies, the State Gaming Agency regulates Indian gaming activities authorized by tribal-state compacts. The program is funded through the permanent Tribal-State Compact Fund, which receives licensing and enforcement fees from gaming employees and tribes.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$1,286,600 -- a net increase of \$621,900, or 93.6%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- OF
 Maintains a vacancy factor of 0%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 0%.
- **ERE Rate Changes** (800) OF
- **Annualization and Reclassification of Positions** 88,300 OF
 The JLBC Staff recommends the annualization of costs associated with FTE positions phased-in over FY 1994. The recommended amount includes \$16,700 for Personal Services to fund the reclassification of the Deputy Director position, \$21,000 for Personal Services to annualize 6 Investigator III positions, \$40,100 for Personal Services to annualize a variety of other positions, and \$10,500 for ERE. With the growth of Indian gaming and the program, the Deputy Director's position has been reclassified from a grade 22 to a grade 24. The Executive concurs.
- **Add 4 Program Compliance Auditors and 1 Auditor Supervisor** 143,900 OF
 The agency estimates that the number of gaming machines in operation will increase from 2,748 in FY 1994 to 5,298 in FY 1995. The JLBC Staff recommends the addition of 4 Program Compliance Auditor FTE positions and 1 Auditor Supervisor FTE position to verify the compliance of gaming machines with the specifications indicated in the tribal-state compacts. The Compliance Auditors will travel at least bi-monthly to each site to audit machine performance. The recommended amount includes \$114,600 for Personal Services and \$29,300 for ERE. The Executive concurs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Add 3 Investigator Positions and 1 Secretarial Position** 112,700 OF
The agency estimates that the number of Indian gaming casinos in operation will increase from 9 in FY 1994 to 14 in FY 1995. The increased number of operational casinos will coincide with increased activity at existing casinos. The JLBC Staff recommends 3 additional Investigator FTE positions to compliment 3 existing Investigators. In addition, 1 Secretarial FTE position is recommended. The Investigators will monitor all aspects of Indian gaming and investigate suspected improprieties to ensure the fairness and legality of the industry. The recommended amount includes \$89,600 in Personal Services and \$23,100 for ERE. The Executive concurs.
- **Add 1 Programmer Positions and 1 Fiscal Services Specialist Position** 54,300 OF
The JLBC Staff recommends 1 EDP Programmer FTE position to develop and maintain the computer hardware and software needs of the State Gaming Agency, and 1 Fiscal Services Specialist FTE position to perform accounting functions and prepare financial reports for the agency. The recommended amount includes \$43,000 in Personal Services and \$11,300 in ERE. The Executive concurs.
- **Add 3 Examiner Technician Positions** 64,400 OF
The agency estimates that it will certify 2,130 new Indian gaming employees in FY 1995 and renew 1,721. The JLBC Staff recommends the addition of 3 Examiner Technician FTE positions to process the certification applications. The recommended amount includes \$49,500 in Personal Services and \$14,900 in ERE. The Executive concurs.
- **Professional and Outside Services** 4,100 OF
The recommended amount includes an increase of \$4,100 for court reporting to handle an expected increase in the number of hearings associated with the certification and enforcement activities. The Executive concurs.
- **Travel - In State** 79,000 OF
The recommended amount includes an increase of \$79,000 associated with increased visits to casinos and elsewhere for auditing, investigative, legal, and administrative purposes. The Executive concurs.
- **Travel - Out of State** 20,000 OF
The recommended amount includes an increase of \$20,000 to expand travel for investigative, certification, and educational purposes. By statute, all manufacturers and distributors of gaming devices must be certified regardless of where they are located. The Executive recommends a \$30,000 increase.
- **Other Operating Expenditures** 12,100 OF
The recommended amount includes a decrease of \$(19,400) for risk management and an increase of \$31,500 for telecommunications, operating supplies, and other costs associated with the 14 new FTE positions. The Executive concurs.
- **New Equipment** 45,100 OF
The recommended amount is for office equipment, furniture, and 3 motor pool cars for the new positions. The Executive recommends \$60,200 for the same equipment.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Equipment** (41,200) OF
One-time equipment adjustment.
- **Arbitration Special Line Item** 40,000 OF
The tribal-state compacts require that unresolved disputes between the state and Indian tribes be adjudicated through arbitration. The compacts also require the state to bear one-half of the costs of arbitration. If no arbitration occurs in FY 1995, the funds shall be reverted to the Permanent Tribal-State Compact Fund. The Executive concurs.

JLBC Staff Recommended Format -- Operating Lump Sum by Program with Special Line Item

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Radiation Regulatory Agency
Agency Summary

JLBC ANALYST: Reddy
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	22.0	22.0	22.0	22.0	22.0	
BY PROGRAM/ORGANIZATION						
Evaluation and Compliance	1,302,700	969,000	993,400	978,900	991,800	
Med Radiologic Tech Board	87,700	93,000	100,600	99,300	100,300	
AGENCY TOTAL	1,390,400	1,062,000	1,094,000	1,078,200	1,092,100	
OPERATING BUDGET						
Personal Services	588,400	676,500	676,700	676,700	676,800	
Employee Related Expenditures	139,600	149,400	168,900	156,800	155,200	
Professional/Outside Services	40,200	9,000	9,000	9,000	9,000	
Travel - In State	26,600	31,500	31,500	29,700	31,500	
Travel - Out of State	3,300	5,800	5,800	5,800	4,000	
Other Operating Expenditures	196,200	189,800	195,100	193,200	215,600	
Equipment	5,700	0	0	0	0	
All Other Operating Subtotal	272,000	236,100	241,400	237,700	260,100	
OPERATING SUBTOTAL	1,000,000	1,062,000	1,087,000	1,071,200	1,092,100	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Radiation Regulatory Agency
Agency Summary

JLBC ANALYST: Reddy
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
SPECIAL LINE ITEMS						
ARRT Exams	0	0	7,000	7,000	0	_____
Nuclear Emergency Management Fund	390,400	0	0	0	0	_____
Special Item Subtotal	390,400	0	7,000	7,000	0	_____
AGENCY TOTAL	<u>1,390,400</u>	<u>1,062,000</u>	<u>1,094,000</u>	<u>1,078,200</u>	<u>1,092,100</u>	_____
BY FUND SOURCE						
General Fund	912,300	969,000	993,400	978,900	991,800	_____
Other Funds	478,100	93,000	100,600	99,300	100,300	_____
Federal Funds	36,700	108,800	117,400	--	117,400	_____
AGENCY TOTAL - ALL SOURCES	<u>1,427,100</u>	<u>1,170,800</u>	<u>1,211,400</u>	<u>1,078,200</u>	<u>1,209,500</u>	_____

Agency Description - *The department regulates the use, storage, and disposal of sources of radiation. This includes licensing or certifying users, inspecting x-ray equipment, developing emergency response capability, and monitoring environmental radiation.*

The JLBC Staff recommends a total appropriation of \$1,092,100 -- a net increase of \$30,100, or 2.8%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$991,800 -- a net increase of \$22,800, or 2.4%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$100,300 -- a net increase of \$7,300, or 7.8%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (300) GF
(1,100) OF
- ERE Rate Changes 5,400 GF
300 OF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Travel - Out of State (1,800) GF
- Other Operating Expenditures 17,800 GF
500 OF
- Examinations 7,500 OF
- On-Call Duty Compensation 1,700 GF
100 OF

JLBC Staff Recommended Format -- Varies by Program

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Radiation Regulatory Agency
 PROGRAM: Evaluation and Compliance

JLBC ANALYST: Reddy
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	20.0	20.0	20.0	20.0	20.0	
OPERATING BUDGET						
Personal Services	545,300	620,800	622,000	622,000	622,000	
Employee Related Expenditures	129,500	136,300	154,700	143,500	141,900	
Professional/Outside Services	28,100	8,500	8,500	8,500	8,500	
Travel - In State	25,500	28,500	28,500	26,700	28,500	
Travel - Out of State	3,300	4,100	4,100	4,100	2,300	
Other Operating Expenditures	174,900	170,800	175,600	174,100	188,600	
Equipment	5,700	0	0	0	0	
All Other Operating Subtotal	237,500	211,900	216,700	213,400	227,900	
OPERATING SUBTOTAL	912,300	969,000	993,400	978,900	991,800	
SPECIAL LINE ITEMS						
Nuclear Emergency Management Fund	390,400	0	0	0	0	
Special Item Subtotal	390,400	0	0	0	0	
PROGRAM TOTAL	1,302,700	969,000	993,400	978,900	991,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Radiation Regulatory Agency
 PROGRAM: Evaluation and Compliance

JLBC ANALYST: Reddy
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	912,300	969,000	993,400	978,900	991,800	
Other Funds	390,400	0	0	0	0	
Federal Funds	36,700	108,800	117,400	--	117,400	
PROGRAM TOTAL - ALL SOURCES	1,339,400	1,077,800	1,110,800	978,900	1,109,200	

Program Description - *The Radiation Evaluation and Compliance program responsibilities include administrative services, regulation, licensing, inspection, emergency response, and environmental monitoring.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$991,800 -- a net increase of \$22,800, or 2.4%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (300) GF
 Maintains a vacancy factor of 2.7%. The Executive recommends a vacancy factor of 0%. The decrease reflects the hiring of new personnel at lower salary levels.
- **ERE Rate Changes** 5,400 GF
- **Travel - Out of State** (1,800) GF
 Decrease reflects the actual cost of the trips scheduled and the fact that the agency can obtain some of the necessary training locally.
- **Other Operating Expenditures** 17,800 GF
 Includes increases of \$3,800 for rent, \$800 for utilities and \$1,500 for risk management. The recommended amount also includes an increase of \$11,700 in non-capitalized equipment for a new telephone system. The agency purchased its current telephone system with 5 incoming lines, plus 2 additional lines dedicated to a facsimile machine and a modem in 1984. This system cannot adequately handle the demands of 22 users. In addition, the agency cannot obtain a service contract for the system. The Executive does not recommend this issue.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **On-Call Duty Compensation** 1,700 GF
Includes \$1,500 in Personal Services and \$200 in Employee Related Expenditures for on-call duty compensation, as required by Personnel Rule R2-5-307. On-call duties primarily involve the Palo Verde Nuclear Generating Station, but also could include radiological emergencies that occur elsewhere in the state. The Executive concurs.

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items for the Program

Other Issues for Legislative Consideration

- **Nuclear Emergency Management Fund (NEMF)**
In order to cover the cost of monitoring the Palo Verde Nuclear Generating Station, the Legislature annually approves a separate bill which appropriates the necessary General Fund monies to the Department of Emergency and Military Affairs (DEMA), the Arizona Radiation Regulatory Agency (ARRA), and Maricopa County and then assesses the monitoring cost against the consortium of public service and municipal corporations that operate the station. Those reimbursement monies are deposited in the General Fund. The JLBC Staff recommends that the Legislature consider changing A.R.S. § 26-306.01 to allow DEMAs to assess the cost of operating the station against the consortium and to require the consortium to pay the assessment by June 30th of the preceding fiscal year. The Legislature could then appropriate those monies in the General Appropriation Act, thereby eliminating the need for a separate bill.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Radiation Regulatory Agency
 PROGRAM: Med Radiologic Tech Board

JLBC ANALYST: Reddy
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	2.0	2.0	2.0	2.0	2.0	
OPERATING BUDGET						
Personal Services	43,100	55,700	54,700	54,700	54,800	
Employee Related Expenditures	10,100	13,100	14,200	13,300	13,300	
Professional/Outside Services	12,100	500	500	500	500	
Travel - In State	1,100	3,000	3,000	3,000	3,000	
Travel - Out of State	0	1,700	1,700	1,700	1,700	
Other Operating Expenditures	21,300	19,000	19,500	19,100	27,000	
All Other Operating Subtotal	34,500	24,200	24,700	24,300	32,200	
OPERATING SUBTOTAL	87,700	93,000	93,600	92,300	100,300	
SPECIAL LINE ITEMS						
ARRT Exams	0	0	7,000	7,000	0	
Special Item Subtotal	0	0	7,000	7,000	0	
PROGRAM TOTAL	87,700	93,000	100,600	99,300	100,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Radiation Regulatory Agency
 PROGRAM: Med Radiologic Tech Board

JLBC ANALYST: Reddy
 OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	87,700	93,000	100,600	99,300	100,300	
PROGRAM TOTAL - ALL SOURCES	87,700	93,000	100,600	99,300	100,300	

Program Description - *The Medical Radiologic Technology Board of Examiners (MRTBE) conducts examinations and certifies operators of x-ray equipment. MRTBE certification is not required for licensed physicians, including dentists, chiropractors, podiatrists, and veterinarians.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$100,300 -- a net increase of \$7,300, or 7.8%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (1,100) OF
 Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 0%. The \$1,100 decrease reflects filling an administrative secretary position at a lower salary level.
- **ERE Rate Changes** 300 OF
- **Other Operating Expenditures** 500 OF
 Includes increases of \$300 for rent, \$100 for utilities and \$100 for risk management charges.
- **Examinations** 7,500 OF
 The recommended amount will allow the agency to contract with the American Registry of Radiologic Technicians (ARRT) to provide a Practical Technologist exam to an estimated 150 applicants. The agency will collect the ARRT exam fee from each applicant and deposit those monies into the MRTBE Fund. The Executive recommends providing \$7,000 in funding in a special line item for exams.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

100 OF

- **On-Call Duty Compensation**
Includes \$100 in Personal Services for on-call duty compensation, as required by Personnel Rule R2-5-307. On-call duties primarily involve the Palo Verde Nuclear Generating Station, but also could include radiological emergencies that occur elsewhere in the state. The Executive concurs.

JLBC Staff Recommended Format -- Lump Sum for the Program

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Real Estate Department

JLBC ANALYST: Smith
OSPB ANALYST: Silver

HOUSE SUBCOMMITTEE CHAIR: Groscoast
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	72.0	67.5	67.5	67.5	68.0	
OPERATING BUDGET						
Personal Services	1,670,300	1,702,400	1,724,900	1,699,000	1,702,400	
Employee Related Expenditures	409,200	387,500	431,900	431,300	433,400	
Professional/Outside Services	82,200	55,800	60,100	60,100	55,800	
Travel - In State	50,900	66,000	66,000	66,000	66,000	
Travel - Out of State	12,300	5,300	6,600	5,300	5,300	
Other Operating Expenditures	424,300	329,700	603,800	594,300	596,800	
Equipment	31,400	700	1,500	0	0	
All Other Operating Subtotal	601,100	457,500	738,000	725,700	723,900	
AGENCY TOTAL	2,680,600	2,547,400	2,894,800	2,856,000	2,859,700	
BY FUND SOURCE						
General Fund	2,680,600	2,547,400	2,894,800	2,856,000	2,859,700	
Other Non-Appropriated Funds	268,700	277,500	239,600	---	239,600	
AGENCY TOTAL - ALL SOURCES	2,949,300	2,824,900	3,134,400	2,856,000	3,099,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Real Estate Department

Agency Description - *The department issues licenses for real estate, cemetery, and membership campground sales. The department also regulates the real estate industry, including licensees, developers, subdividers, and real estate schools.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$2,859,700 -- a net increase of \$312,300, or 12.3%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments**
Maintains a vacancy factor of 1.5%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 1.5%.

\$ -0- GF

- **ERE Rate Changes**

45,900 GF

- **Filing Clerk**
The recommended amount includes an additional 0.5 FTE position to hire a Clerk Typist I (grade 8) to resolve a filing backlog. To pay for this position, the JLBC Staff recommends that the department reallocate monies previously spent on clerical pool support and overtime pay. The department requests 0.5 FTE position and an associated \$8,500. (This request is in addition to the "FY 1995 Agency Request" shown above, as it does not meet the Executive's guidelines for inclusion in the budget submission.) The Executive recommendation does not include an increase for this issue.

-0- GF

- **Other Operating Expenditures**
The recommended amount includes an increase of \$173,600 for a share of the lease-purchase payment for the Sun State Savings Building and \$111,000 for operations and maintenance (O&M) charges for this building. In FY 1994, these costs were included in the Department of Administration (DOA) as a transition measure during agency relocation. The O&M charge will be transferred to the DOA, which will be responsible for providing the service either directly or under contract. Restoration of occupancy costs to the agency budget generates an 11.2% increase to the FY 1994 appropriation, with the net increase from all other issues representing a 1.1% increase. The Executive recommendation includes an increase of \$173,600 for the lease-purchase payment and \$106,900 for O&M charges.

The recommended amount also includes an increase of \$100 for a share of the lease-purchase payment for the Tucson State Office Building, a decrease of \$(6,500) for savings achieved by the agency, a decrease of \$(8,200) for risk management charges, and a one-time adjustment of \$(2,900) for non-capitalized equipment purchased in FY 1994. The Executive recommends an increase of \$4,300 for computer software contracts, a decrease of \$(7,700) for savings achieved by the agency, and a decrease of \$(8,200) for risk management charges.

267,100 GF

- **Equipment**
The recommended amount reflects a one-time adjustment for FY 1994 purchases. The Executive concurs with the Staff recommendation.

(700) GF

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Footnotes

Deletion of New FY 1994 Footnotes

- The Department of Administration (DOA) shall pay the State Real Estate Department's pro rata share of private lease space if the State Real Estate Department is unable to relocate to state-owned space because the Sun States Savings Building is not ready for occupancy. DOA shall also pay all costs associated with occupying and maintaining the Sun States Savings Building for FY 1994. *(This footnote is no longer required as funding for occupancy has been restored to the department. See the Other Operating Expenditures bullet.)*
- In fulfilling the requirements of A.R.S. § 32-2103, it is the intent of the Legislature that the department shall define its appropriated amount to include the amount expended by DOA for all costs associated with the State Real Estate Department's occupancy during FY 1994, excluding moving expenses. *(This footnote is no longer required as funding for occupancy has been restored to the department. See the Other Operating Expenditures bullet.)*

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Residential Utility Consumer Office

JLBC ANALYST: Child
OSPB ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	12.0	12.0	12.0	12.0	11.0	
OPERATING BUDGET						
Personal Services	384,300	451,300	449,400	444,900	418,500	
Employee Related Expenditures	74,600	86,700	97,200	101,600	94,600	
Professional/Outside Services	274,200	329,400	329,400	309,400	0	
Travel - In State	10,400	10,000	10,000	10,000	10,000	
Travel - Out of State	5,700	4,600	4,600	4,600	4,600	
Other Operating Expenditures	101,600	109,300	110,900	107,000	107,000	
Equipment	11,600	14,400	0	0	0	
All Other Operating Subtotal	403,500	467,700	454,900	431,000	121,600	
OPERATING SUBTOTAL	862,400	1,005,700	1,001,500	977,500	634,700	
SPECIAL LINE ITEMS						
Professional Witnesses	0	0	0	0	323,900	
Special Item Subtotal	0	0	0	0	323,900	
AGENCY TOTAL	862,400	1,005,700	1,001,500	977,500	958,600	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Residential Utility Consumer Office

JLBC ANALYST: Child
OSPb ANALYST: Seymour

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	862,400	1,005,700	1,001,500	977,500	958,600	
AGENCY TOTAL - ALL SOURCES	862,400	1,005,700	1,001,500	977,500	958,600	

Agency Description - *The Residential Utility Consumer Office (RUCO) serves as an advocate for residential customers of public utilities in rate hearings held before the Arizona Corporation Commission. Through its technical staff and expert consultants, RUCO analyzes utility company data to determine appropriate positions to take and present on behalf of residential rate payers. The RUCO Director is appointed by the Governor and is advised by a 5 member citizen board.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$958,600 -- a net decrease of \$(47,100), or (4.7)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (2,200) OF
 Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 1%. Also reflects a base adjustment decrease of \$(2,200) to bring the appropriation in line with actual salaries. The Executive concurs.
- **ERE Rate Changes** 15,700 OF
- **Eliminate 1 FTE Position** (38,400) OF
 The JLBC Staff recommends the elimination of the Senior Rate Analyst position which has remained vacant since July 1992. The Executive does not recommend the elimination of this position.
- **Professional and Outside Services/Professional Witness Special Line** (5,500) OF
 The JLBC Staff recommends a non-reverting special line for professional witnesses be added to the agency's budget, similar to the Audits and Studies special line for the Corporation Commission. This movement of funds results in the elimination of funding for Professional and Outside Services, offset through creation of the Professional Witness special line, reflecting a decrease of \$(5,500) based on funding needs for the particular FY 1995 rate cases expected to be filed. The Executive recommendation includes a decrease of \$(20,000) in Professional and Outside Services.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Other Operating Expenditures (2,300) OF
Reflects an increase in lease-purchase payments for the Supreme Court Building of \$1,600 and an increase of \$300 for risk management payments. Also includes a decrease of \$(4,200) to reflect lower repair and maintenance contract expenditures. The Executive concurs.
- Eliminate One-Time Capitalized Equipment (14,400) OF

JLBC Staff Recommended Format -- Detailed Line Item by Agency. *(In the FY 1994 budget, RUCO had a lump sum format. The JLBC Staff has recommended a Detailed Line Item format for FY 1995 because of concerns with the agency's previous expenditure of excess professional witness funding, and in particular, their spending on equipment.)*

JLBC Staff Recommended Footnote

New FY 1995 Footnote

- This appropriation (Professional Witness Special Line Item) is exempt from A.R.S. § 35-190, relating to the lapsing of appropriations. *(See above for explanation.)*

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Weights & Measures

JLBC ANALYST: Smith
OSPB ANALYST: Silver

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	66.1	65.0	56.0	46.0	42.0	
OPERATING BUDGET						
Personal Services	1,210,200	1,483,700	1,351,700	1,092,400	1,057,200	
Employee Related Expenditures	338,200	406,300	391,200	275,100	258,000	
Professional/Outside Services	26,400	113,100	216,600	216,600	216,600	
Travel - In State	67,000	183,100	183,100	134,000	144,600	
Travel - Out of State	10,300	15,000	7,000	7,000	5,900	
Other Operating Expenditures	610,700	590,300	468,400	417,000	433,700	
Equipment	188,400	112,500	50,000	50,000	25,000	
All Other Operating Subtotal	902,800	1,014,000	925,100	824,600	825,800	
OPERATING SUBTOTAL	2,451,200	2,904,000	2,668,000	2,192,100	2,141,000	
SPECIAL LINE ITEMS						
Reduction in Force	0	0	0	0	32,400	
Special Item Subtotal	0	0	0	0	32,400	
AGENCY TOTAL	2,451,200	2,904,000	2,668,000	2,192,100	2,173,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Weights & Measures

JLBC ANALYST: Smith
OSPb ANALYST: Silver

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	1,862,800	1,879,800	1,803,300	1,445,300	1,396,000	_____
Other Funds	588,400	1,024,200	864,700	746,800	777,400	_____
Federal Funds	23,500	26,500	0	--	0	_____
AGENCY TOTAL - ALL SOURCES	2,474,700	2,930,500	2,668,000	2,192,100	2,173,400	_____

Agency Description - *The department regulates the determination and representation of quantity in the marketplace. The General Services program maintains state standards for weights and measures, inspects commercial establishments to ensure that packaged products are bought and sold at their correct weight or measure, and inspects weighing and measuring devices to ensure their accuracy. The Oxygenated Fuel program tests the oxygen content in gasoline to ensure that it meets established standards. The Used Oil Testing program tests used oil to determine its classification for sale or disposal. The Vapor Recovery program inspects gasoline dispensing devices to ensure that they meet established standards. All programs investigate consumer complaints.*

The JLBC Staff recommends a total appropriation of \$2,173,400 -- a net decrease of \$(730,600), or (25.2)%, from the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$1,396,000 -- a net decrease of \$(483,800), or (25.7)%, from the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$777,400 - a net decrease of \$(246,800), or (24.1)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ 10,400 GF
 Includes a new General Fund vacancy factor of 1%, which is the standard rate applied to agencies with this number of FTE positions. The FY 1994 General Fund vacancy factor was 1% Maintains an Other Fund vacancy factor of 0%. The Executive recommends a General Fund vacancy factor of 1% and an Other Fund vacancy factor of 0%.
- ERE Rate Changes (12,100) GF
(15,300) OF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Other Operating Expenditures

(77,700) GF
(19,400) OF

The recommended amount includes a decrease of \$(24,400) GF and a decrease of \$(11,000) OF for lease-purchase payments for the Doubletree building. The amount also includes a decrease of \$(7,000) GF and a decrease of \$(3,200) OF for operations and maintenance (O&M) charges for this building. This O&M charge will be transferred to the Department of Administration (DOA), which will be responsible for providing the service, either directly or under contract. These reductions are due primarily to relocation of the Structural Pest Control Commission into vacant space previously funded through the Department of Weights and Measures' appropriation. The recommended amount also includes decreases of \$(46,300) GF and \$(5,200) OF due to a reduction in risk management charges. The Executive recommendation includes a decrease of \$(35,800) GF and an increase of \$100 OF for lease-purchase payments. The Executive concurs with the Staff recommendation for risk management charges.

- Privatize Petroleum Laboratory

(68,300) GF
(113,400) OF

In accordance with the department's decision to privatize its petroleum laboratory, the recommended amount reflects the following reductions:

General Services -- a reduction of (2) FTE positions and associated reductions of \$(42,800) in Personal Services, \$(11,400) in ERE, and \$(19,200) in Other Operating Expenditures. The recommended amount also includes a one-time increase of \$5,100 for costs associated with a reduction in force. The net change for the program is a decrease of \$(68,300). The Executive recommendation includes decreases of (2) FTE positions and \$(73,100).

Oxygenated Fuel -- a reduction of (2) FTE positions and associated reductions of \$(68,300) in Personal Services and \$(14,900) in ERE. The recommended amount also includes a one-time increase of \$8,200 for costs associated with a reduction in force and an increase of \$90,500 in Professional and Outside Services for private laboratory testing charges. The net change for the program is an increase of \$15,500. The Executive recommendation includes an increase of \$78,500 for private laboratory testing charges and decreases of (2) FTE positions and \$(83,200).

Used Oil -- a reduction of (8) FTE positions and associated reductions of \$(143,300) in Personal Services, \$(41,700) in ERE and \$(27,900) in Other Operating Expenditures. The recommended amount also includes an increase of \$84,000 in Professional and Outside Services for private laboratory testing charges. Due to current vacancies, no reduction in force will be necessary. The recommended amount provides funding for 2 Inspector II positions. The net change for the program is a decrease of \$(128,900). The Executive recommendation includes a decrease of (7) FTE positions and \$(107,900) as follows: an increase of \$84,000 for private laboratory testing charges, decreases of (5) FTE positions and \$(148,600) due to privatization, and decreases of (2) FTE positions and \$(43,300) to streamline agency operations.

General Services Program

- Auditor General's 1992 Performance Audit of the Department of Weights and Measures' Enforcement Division

(254,800) GF

The JLBC Staff recommends eliminating (11) FTE positions to complete implementation of an inspection strategy recommended in an October 1992 performance audit. The Auditor General recommended reducing inspections from approximately 9,000 to 3,000 per year, thus eliminating the need for 16 inspector and 3 supervisor positions in the Enforcement Division. To replace frequent inspections of all vendors, the Auditor General recommended inspecting a large random sample of vendors, imposing civil penalties for noncompliance, and targeting violators for 5 years of follow up inspections. The Auditor General also recommended the department hire an experienced data analyst to implement and manage the strategy.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

To phase in implementation of this recommendation, the Legislature eliminated or transferred (7) FTE positions and associated funding from the GF portion of the FY 1994 appropriation. The JLBC Staff recommends completing implementation in FY 1995 by eliminating an additional (11) FTE inspection positions and associated \$(180,400) in Personal Services, \$(55,000) in ERE, and \$(38,500) in Travel-In State. The recommended amount also includes an increase of \$19,100 for costs associated with a reduction in force.

The Executive recommends a reduction of (7) FTE positions and \$(211,800) GF to continue phasing in the random inspection strategy. The Executive also recommends a reduction of (1) FTE position and \$(39,400) OF to implement a random inspection strategy in the Used Oil Testing program. (This latter position was eliminated by the Staff as part of the petroleum lab privatization change.)

- **Professional and Outside Services** (31,200) GF
Includes a one-time reduction of \$(31,200) due to replacement of Department of Administration Data Center services with an agencywide local area network. The Executive concurs with the Staff recommendation.
 - **Travel - Out of State** (1,100) GF
Reflects funding of 2 conferences and 1 metrology training seminar. The Executive recommends continuation of the FY 1994 funding level.
 - **Other Operating Expenditures** (4,000) GF
Includes a reduction of \$(4,000) for postage and delivery services no longer needed by the agency. The Executive concurs with the Staff recommendation.
 - **Equipment** (45,000) GF
Reflects a reduction of \$(45,000) for one-time FY 1994 equipment purchases. The remaining \$25,000 provides funding for the second year of a 5-year lease-purchase of a diesel truck. The Executive recommendation includes a total of \$50,000 for capitalized equipment.
- Oxygenated Fuel Program*
- **Base Reallocation** -0- OF
Reallocates \$12,000 from Professional and Outside Services to Other Operating Expenditures, to reflect the appropriated FY 1994 base for occupancy charges.
- Used Oil Testing Program*
- **Relocation** (12,800) OF
Includes a one-time reduction of \$(12,800) in Professional and Outside Services for removal of waste oil at the department's prior location. The Executive concurs with the Staff recommendation.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Non-capitalized Equipment** (2,000) OF
Reflects a one-time adjustment for non-capitalized equipment purchased in FY 1994. The Executive recommends continuation of the FY 1994 funding level.

Vapor Recovery Program

- **Start-up Costs** (83,900) OF
Reflects a one-time adjustment for FY 1994 start-up costs comprised of the following reductions: \$(18,400) in Non-capitalized Equipment, \$(42,500) in Equipment, \$(15,000) in Professional and Outside Services, and \$(8,000) in Out-of-State Travel. The Executive concurs with the Staff recommendation.

Program Detail

<u>FY 1995</u>	<u>General Services (General Fund)</u>	<u>Oxygenated Fuel (Air Quality Fund)</u>	<u>Used Oil Testing (Used Oil Fund)</u>	<u>Vapor Recovery (Air Quality Fund)</u>
FTE Positions	28.0	6.0	2.0	6.0
Personal Services	768,100	119,700	44,300	125,100
Employee Related Exp.	182,000	30,700	11,600	33,700
Prof. & Outside Services	6,600	126,000	84,000	-0-
Travel - In State	83,200	5,200	36,500	19,700
Travel - Out of State	3,900	-0-	-0-	2,000
Other Operating Exp.	303,000	29,400	33,700	67,600
Equipment	25,000	-0-	-0-	-0-
All Other Operating Exp.	421,700	160,600	154,200	89,300
Reduction in Force	24,200	8,200	-0-	-0-
TOTAL APPROPRIATIONS	1,396,000	319,200	210,100	248,100

JLBC Staff Recommended Format -- Lump Sum by Program. *(The JLBC Staff recommends that the appropriation format be changed from Lump Sum by Agency to Lump Sum by Program with a special line item for Reduction in Force. This would have the same effect as the prior years' footnote, which specified the dollar amount of Air Quality Fund monies to be spent on each program.)*

JLBC Staff Recommended Footnotes

Deletion of Standard Footnotes

- Of the Air Quality Fund appropriation, \$351,400 is to be used only for expenditures associated with either the Maricopa or Pima County Oxygenated Fuel Testing programs and \$301,600 is to be used only for expenditures associated with the Vapor Recovery program. *(The JLBC Staff recommends that this footnote be replaced by a change in appropriations format to Lump Sum by Program.)*

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Deletion of New FY 1994 Footnotes

- Of the amount appropriated from the Air Quality Fund, the amount appropriated for vapor recovery will revert to the Air Quality Fund if legislation is not enacted to deposit the vapor recovery fees into the Air Quality Fund. *(The JLBC Staff recommends that this footnote be replaced with a statutory change requiring that vapor recovery application fees and one half of nozzle fees be deposited into the Air Quality Fund.)*

Other Issues for Legislative Consideration

- **Vapor Recovery**

The department is conducting preliminary negotiations with Maricopa County for the county, rather than the department, to conduct the Stage II Vapor Recovery program. County expenditure estimates are not yet available. The county currently operates a Stage I Vapor Recovery program for the department. Maricopa County salaries are approximately 25% higher than for comparable state FTE positions; however, the county may be able to realize savings due to its ability to expand the Stage I program rather than run a separate Stage II program.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

**OCCUPATIONAL AND LICENSING AGENCIES (90/10's)
SUMMARY OF EMPLOYEE RELATED EXPENDITURES (ERE) AND RISK MANAGEMENT PREMIUMS
FOR FISCAL YEAR 1995**

The FY 1994 General Appropriation Act included appropriations for both FY 1994 and FY 1995 for the 26 "90/10" agencies. The JLBC Staff recommends adjusting the FY 1995 budgets for updated Employee Related Expenditures and Risk Management charges. Overall funding for this adjustment, \$44,400, would be included in a single section at the end of the FY 1995 General Appropriation Act. The JLBC Staff would determine and the Department of Administration would allocate the specific adjustments. The following chart lists the recommended agency-by-agency adjustments.

<u>Agency</u>	<u>FY 1995 Original ERE</u>	<u>Net ERE Change</u>	<u>FY 1995 Revised ERE</u>	<u>FY 1995 Orig. Risk Mgt.</u>	<u>Net Risk Mgt. Change</u>	<u>FY 1995 Revised Risk Mgt.</u>	<u>Total Change</u>
Accountancy, State Board of	\$ 54,500	\$ (7,100)	\$ 47,400	\$ 2,400	\$ (1,400)	\$ 1,000	(8,500)
Appraisal, State Board of	25,100	1,400	26,500	400	600	1,000	2,000
Barbers, Board of	17,700	900	18,600	1,500	(500)	1,000	400
Behavioral Health Examiners, Board of	38,200	2,900	41,100	300	700	1,000	3,600
Chiropractic Examiners, State Board of	24,000	(600)	23,400	1,200	(200)	1,000	(800)
Cosmetology, Board of	82,300	10,400	92,700	3,000	(2,000)	1,000	8,400
Dental Examiners, State Board of	46,800	7,700	54,500	2,900	(1,900)	1,000	5,800
Funeral Directors & Embalmers, State Board of	19,000	(100)	18,900	900	100	1,000	0
Homeopathic Medical Examiners, Board of	1,100	1,000	2,100	300	700	1,000	1,700
Medical Examiners, Board of	256,700	26,700	283,400	22,200	(16,300)	5,900	10,400
Naturopathic Physicians Board of Medical Examiners	1,900	(600)	1,300	300	4,700	5,000	4,100
Nursing, Board of	129,200	4,300	133,500	4,900	8,900	13,800	13,200
Nursing Care Institution Administrators & Adult Care Home Managers, Bd. of Examiners of	5,400	300	5,700	500	500	1,000	800
Occupational Therapy Examiners, Board of	13,800	(3,100)	10,700	300	700	1,000	(2,400)
Opticians, State Board of Dispensing	4,700	300	5,000	700	300	1,000	600
Optometry, State Board of	8,500	1,200	9,700	800	200	1,000	1,400
Osteopathic Examiners, Arizona Board of	35,000	(1,000)	34,000	2,400	(1,100)	1,300	(2,100)
Pharmacy, Arizona State Board of	91,300	(2,900)	88,400	2,900	(1,900)	1,000	(4,800)
Physical Therapy Examiners, Board of	5,700	100	5,800	500	500	1,000	600
Podiatry Examiners, State Board of	5,100	100	5,200	300	700	1,000	800
Private Postsecondary Education, State Board of	17,900	1,700	19,600	1,200	(200)	1,000	1,500
Psychologist Examiners, State Board of	16,700	1,100	17,800	800	200	1,000	1,300
Respiratory Care Examiners, Board of	11,400	500	11,900	300	700	1,000	1,200
Structural Pest Control Commission	142,500	16,100	158,600	16,000	(7,400)	8,600	8,700
Technical Registration, State Board of	82,900	1,000	83,900	7,600	(6,600)	1,000	(5,600)
Veterinary Medical Examining Board, Arizona State	19,900	2,000	21,900	900	100	1,000	2,100
TOTAL	\$1,157,300	\$64,300	\$1,221,600	\$75,500	\$(19,900)	\$55,600	\$44,400

**EDUCATION
(ED)**

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Commission on the Arts

JLBC ANALYST: Reddy
OSP ANALYST: Marsio

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	11.5	11.5	11.5	12.5	12.5	
OPERATING BUDGET						
Personal Services	308,500	315,800	316,300	330,300	323,000	
Employee Related Expenditures	69,000	63,800	70,300	73,000	70,800	
Professional/Outside Services	500	0	0	0	0	
Travel - In State	13,200	13,100	13,100	13,100	13,100	
Travel - Out of State	600	800	800	800	700	
Other Operating Expenditures	76,200	90,400	90,400	88,000	89,600	
Equipment	1,200	0	0	0	0	
All Other Operating Subtotal	91,700	104,300	104,300	101,900	103,400	
OPERATING SUBTOTAL	469,200	483,900	490,900	505,200	497,200	
SPECIAL LINE ITEMS						
Community Service Project Grants	836,100	775,000	775,000	975,000	775,000	
Special Item Subtotal	836,100	775,000	775,000	975,000	775,000	
AGENCY TOTAL	1,305,300	1,258,900	1,265,900	1,480,200	1,272,200	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Commission on the Arts

JLBC ANALYST: Reddy
OSP ANALYST: Marsio

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	1,305,300	1,258,900	1,265,900	1,480,200	1,272,200	
Federal Funds	794,800	890,300	694,400	--	694,400	
Other Non-Appropriated Funds	1,446,400	1,334,800	1,255,600	--	1,225,600	
AGENCY TOTAL - ALL SOURCES	3,546,500	3,484,000	3,215,900	1,480,200	3,192,200	

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

The JLBC Staff recommends a total General Fund (GF) appropriation of \$1,272,200 -- a net increase of \$13,300, or 1.1%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ -0- GF
 Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 0%.
- ERE Rate Changes 4,900 GF
- Travel - Out of State (100) GF
- Other Operating Expenditures (1,600) GF
 The recommended amount includes a decrease of \$(1,100) for lease-purchase payments for the Corpstein Building. The amount also includes \$20,000 for operations and maintenance (O&M) charges for this building. This O&M charge will be transferred to the Department of Administration, which will be responsible for providing the service, either directly or under contract. The recommended amount also includes a decrease of \$(500) in risk management charges.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Accounting Clerk II**

10,100 GF

The JLBC Staff recommends funding 1 Accounting Tech II FTE position to help the agency meet the demands of the new USAS system. Since the agency receives nearly 50% of its funding from the Arts Trust Fund (excluding federal grants), the JLBC Staff recommends splitting funding for the position equally between the General Fund and the Arts Trust Fund. The Executive recommends that the position be funded entirely out of General Fund monies.

JLBC Staff Recommended Format -- Lump Sum by Agency

Other Issues for Legislative Consideration

- **Community Service Projects**

The Executive recommends an increase of \$200,000 for project grants.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Board of Directors for Community Colleges

JLBC ANALYST: Groll
OSP ANALYST: Mabry

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	11.0	11.0	11.5	11.0	11.0	
OPERATING BUDGET						
Personal Services	462,600	477,000	572,100	533,800	534,300	
Employee Related Expenditures	83,300	82,600	108,900	90,600	91,500	
Professional/Outside Services	2,900	6,000	26,000	6,000	6,000	
Travel - In State	36,800	34,600	38,500	35,100	30,300	
Travel - Out of State	1,700	0	6,000	0	0	
Other Operating Expenditures	25,100	41,600	73,500	48,300	48,300	
Equipment	500	0	0	0	0	
All Other Operating Subtotal	67,000	82,200	144,000	89,400	84,600	
OPERATING SUBTOTAL	612,900	641,800	825,000	713,800	710,400	
SPECIAL LINE ITEMS						
Operating State Aid (M&O)	68,917,400	69,004,700	86,581,300	72,930,300	70,045,300	
Capital Outlay State Aid	10,319,000	10,319,000	19,217,600	13,786,700	12,719,100	
Equalization Aid	6,267,200	6,611,600	7,139,500	7,102,200	7,103,700	
Economic Development Training	150,000	150,000	0	0	0	
Special Item Subtotal	85,653,600	86,085,300	112,938,400	93,819,200	89,868,100	
AGENCY TOTAL	86,266,500	86,727,100	113,763,400	94,533,000	90,578,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Board of Directors for Community Colleges

JLBC ANALYST: Groll
OSP ANALYST: Mabry

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	86,266,500	86,727,100	113,763,400	94,533,000	90,578,500	
Federal Funds	2,576,500	2,866,800	2,866,800	--	2,866,800	
Other Non-Appropriated Funds	232,600	234,600	125,100	--	125,100	
AGENCY TOTAL - ALL SOURCES	89,075,600	89,828,500	116,755,300	94,533,000	93,570,400	

Agency Description - *The Arizona community college system is comprised of a state board of directors and 10 community college districts. The board consists of 15 members--one from each county, appointed by the Governor; a representative of the Arizona Board of Regents; and the Superintendent of Public Instruction or the Superintendent's designee. The state board: a) enacts ordinances for the government of the community colleges; b) sets standards for their operation; c) arranges for certification of community college teachers and fixes and collects fees for issuance and renewal of certificates; and d) fixes student tuition and fees. The community colleges provide programs not exceeding 2 years' training in the arts, sciences and humanities beyond the 12th grade of public or private high school course of study or vocational education.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$90,578,500 -- a net increase of \$3,851,400, or 4.4%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 0%.
- **ERE Rate Changes** 2,200 GF
- **Travel - In State** (4,300) GF
The board has reduced its meeting schedule by 1 month, which reduces mileage and lodging costs. To reduce the amount of time members spend in meetings, the board has changed its meeting format to a consent agenda; thus reducing the number of days per meeting from 2 to 1 for FY 1995. The consent agenda allows the board to approve "routine" agenda items where consensus exists with one motion. Members may remove any consent agenda item for full board discussion prior to the vote. Board member absenteeism averages

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

2+/meeting. The JLBC Staff recommends for FY 1995 a net reduction of \$(4,300), or (12.4)%, to the FY 1994 appropriation. The Executive recommends a \$500 increase for In State Travel.

- **Other Operating Expenditures - Risk Management** 6,700 GF
 The agency's risk management charges for FY 1995 are estimated by Department of Administration - Risk Management to be \$12,100 -- a net increase of \$6,700, or 124.1%, to the FY 1994 risk management charges. The JLBC Staff recommendation represents the amount necessary to fund the General Fund share of the agency's risk management requirement in FY 1995.

- **Operating State Aid** 1,104,600 GF
 Laws 1992, Chapter 345, established a new formula for calculating and allocating operating state aid to community college districts. The formula allocates state aid on a two-step "base-plus" methodology (A.R.S. § 15-1466) where: (1) each district's current year appropriation is first adjusted for inflation per the GDP Price Deflator as provided in A.R.S. § 15-901; and then (2) each district receives an adjustment for the growth or decline in actual full-time student equivalent (FTSE) enrollment. This formula is calculated by multiplying the change in the 2 most recent year's actual FTSE for each district by the average state aid per FTSE appropriated in the current fiscal year. The JLBC Staff recommends an inflation adjustment of \$1,035,100 based upon a 1.5% inflator (which is the same level that JLBC Staff is recommending for the Department of Education). Funding the formula using the 2.6% estimated GDP Price Deflator would require an additional increase of \$759,000 for a total inflationary adjustment of \$1,794,100.

**FULL TIME STUDENT EQUIVALENT COUNT (FTSE)
Arizona Community Colleges**

<u>District</u>	<u>FY 1992 Actual</u>	<u>FY 1993 Actual</u>	<u>Change: FY 1992-FY 1993</u>	
	<u>Combined FTSE *</u>	<u>Combined FTSE *</u>	<u>Combined FTSE *</u>	<u>%</u>
Cochise	3,334	3,307	(27)	(0.8)%
Coconino	491	1,023	532	108.4
Graham	2,436	2,708	272	11.2
Maricopa	45,560	44,452	(1,108)	(2.4)
Mohave	1,960	2,030	70	3.6
Navajo	2,243	2,002	(241)	(10.7)
Pima	15,364	15,585	221	1.4
Pinal	3,053	3,244	191	6.3
Yavapai	2,402	2,364	(38)	(1.6)
Yuma/La Paz	<u>2,585</u>	<u>2,793</u>	<u>208</u>	<u>8.0</u>
Total	79,428	79,508	80	0.1%

* Combined FTSE includes basic actual (operational), additional short-term, operating/open exit and skill center classes.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The second component of the formula increase, enrollment change, provides additional funding based on system-wide actual FTSE growth of 80, or 0.1%, between FY 1992 and FY 1993, at an average rate of \$868/FTSE. The cost to fully fund student growth is \$69,500. This rate of FTSE growth is a substantial departure from the average increase of 4% over the 3-year period FY 1989-FY 1992. The overall change in FTSE formula encompasses wide differences in state aid change from (10.7)% for Navajo to +108.4% for Coconino and is significantly influenced by the (1,108) FTSE decrease in Maricopa. The JLBC Staff recommendation fully funds student growth by community college district.

This legislation also states that each district has the option of using up to 20% of its total Capital Outlay Aid appropriation for Operating Aid purposes. The law gives districts greater flexibility in spending, and any given reduction in Operating Aid below FY 1994 levels can be offset by a transfer from Capital Aid.

OPERATING AID RECOMMENDATION

<u>Districts</u>	<u>FY 1994 Operating Aid</u>	<u>FY 1995 Fully Fund Student Growth</u>	<u>FY 1995 JLBC Rec. 1.5% GDP Inflator</u>	<u>FY 1994-FY 1995 % Change</u>	<u>FY 1994-FY 1995 \$ Change</u>
Cochise	\$ 4,357,900	\$ 4,447,800	\$ 4,399,900	1.0%	\$ 42,000
Coconino	1,047,200	1,536,100	1,524,600	45.6	477,400
Graham	3,695,800	4,028,000	3,987,300	7.9	291,500
Maricopa	29,736,300	29,547,800	29,220,700	(1.7)	(515,600)
Mohave	2,579,300	2,707,100	2,678,800	3.9	99,500
Navajo	3,262,400	3,138,100	3,102,200	(4.9)	(160,200)
Pima	12,881,600	13,408,300	13,266,600	3.0	385,000
Pinal	4,458,300	4,740,000	4,691,000	5.2	232,700
Yavapai	3,400,900	3,456,300	3,418,900	0.5	18,000
Yuma/La Paz	<u>3,585,000</u>	<u>3,858,700</u>	<u>3,819,300</u>	<u>6.5</u>	<u>234,300</u>
Total	\$69,004,700	\$70,868,300	\$70,109,300	1.6%	\$1,104,600

The Executive recommends a \$3,925,600 operating aid increase: \$69,500 for student growth at 0.1%; a \$1,380,000 inflation adjustment using a 2% inflator; and \$2,476,100 to fund 50% of the unfunded portion of the FY 1994 operating aid formula requirement.

• **Governmental Affairs Position**

The Governmental Affairs position was established primarily for district community relations, public information and lobbying in behalf of the districts. An adjustment to reduce the district's operating aid base and increase the State Board's operating budget would provide permanent funding for the position with resources from the primary beneficiaries—the districts. The JLBC Staff recommends a \$(64,000) proportionate reduction and reallocation from the districts' FY 1995 Operating Aid appropriations to the State Board operating budget to fully fund the Governmental Affairs position including Employee Related Expenditures.

The Executive recommends a \$63,400 increase to the State Board operating budget to fully fund the Governmental Affairs position.

-0- GF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

• Capital Outlay State Aid

2,400,100 GF

The current statutory capital outlay formula provides inflation adjusted per capita funding to districts based on the district's size and most recent year's actual FTSE. Districts with 5,000 or less FTSE would receive \$212/FTSE, while districts with greater than 5,000 FTSE would receive \$162/FTSE for FY 1995 based upon the 2.6% estimated GDP Price Deflator adjustment. The cost of fully funding the Capital Outlay State Aid components is \$3,548,800: \$3,197,300 for FTSE growth and \$351,500 for inflation.

For FY 1995, the JLBC Staff recommends a net increase in Capital Outlay State Aid of \$2,400,100, or 23.3%, to the FY 1994 appropriation. This sum is derived by: (1) funding the statutory formula whereby districts with 5,000 or less FTSE receive \$210/FTSE and districts with greater than 5,000 FTSE receive \$160/FTSE based upon a 1.5% inflator (which is the same level that JLBC Staff is recommending for the Department of Education), for a \$148,700 inflation adjustment; and (2) proportionately adjusting each district's capital aid to provide an additional \$2,210,900 increase to the FY 1994 appropriation, effectively providing approximately 70% of the full funding increase.

The FY 1994 and FY 1993 appropriations held funding at the FY 1992 level, only 1/2 of the Capital Outlay State Aid increase required by A.R.S. § 15-1464. The JLBC Staff recommendation funds 2/3 of the statutory capital aid increase. The formula is constructed in a way that requires the state to make up for prior years' underfunding, which accounts for such a substantial net increase.

CAPITAL OUTLAY AID RECOMMENDATION

<u>Districts</u>	<u>FY 1994 Capital Outlay Aid</u>	<u>FY 1995 Fully Fund Student FTSE</u>	<u>FY 1995 JLBC Rec. 1.5% GDP + \$2.2M</u>	<u>FY 1994-FY 1995 % Change</u>	<u>FY 1994-FY 1995 \$ Change</u>
Cochise	\$ 535,400	\$ 702,300	\$ 644,200	20.3%	\$ 108,800
Coconino	207,000	217,300	199,300	(3.7)	(7,700)
Graham	441,300	575,100	527,500	19.5	86,200
Maricopa	5,315,500	7,206,000	6,609,100	24.3	1,293,600
Mohave	250,700	431,100	395,400	57.7	144,700
Navajo	365,800	425,200	390,000	6.6	24,200
Pima	1,857,600	2,526,500	2,317,200	24.7	459,600
Pinal	530,300	689,000	631,900	19.2	101,600
Yavapai	385,500	502,100	460,500	19.5	75,000
Yuma/La Paz	429,900	593,200	544,000	26.5	114,100
Total	\$10,319,000	\$13,867,800	\$12,719,100	23.3%	\$2,400,100

The Executive recommends a \$3,467,700 capital outlay aid increase: a net \$3,197,500 for student growth at 0.1% and rate change and a \$270,200 inflation adjustment using a 2% inflator.

• Equalization Aid

492,100 GF

Laws 1992, Chapter 345, amended the previous statutes regarding Equalization Aid. The law established a new minimum assessed valuation required to establish a community college district (\$448,017,200) and provided that this amount would increase by the average percentage increase in total assessed valuation for all rural districts for the 2 most recent years for which actual data is available in FY 1994 and

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

beyond. Equalization Aid is provided to districts with assessed valuations less than the statutory minimum, based on the difference between the district's prior year actual assessed valuation and the minimum assessed valuation at the lesser of \$1.37/\$100 AV or the district's levy.

The JLBC Staff recommends fully funding this component of the statutory formula for FY 1995. The net increased cost of full funding of Equalization Aid is \$492,100, or 7.4%, to the FY 1994 appropriation. Two districts, Graham and Cochise, are eligible to receive equalization aid in FY 1995.

EQUALIZATION AID RECOMMENDATION

<u>Districts</u>	<u>FY 1994 Equalization Aid</u>	<u>Fully Fund Equalization Aid</u>	<u>FY 1995 JLBC Rec.</u>	<u>FY 1994-FY 1995 % Change</u>	<u>FY 1994-FY 1995 \$ Change</u>
Cochise	\$1,070,400	\$1,292,300	\$1,292,300	20.7%	\$221,900
Graham	5,541,200	5,811,400	5,811,400	4.9	270,200
Total	\$6,611,600	\$7,103,700	\$7,103,700	7.4%	\$492,100

The Executive recommends \$490,600.

The following table represents the Total JLBC Staff recommendation for Operating State Aid, Capital Outlay Aid and Equalization Aid:

TOTAL FY 1995 JLBC STAFF RECOMMENDATION

<u>Districts</u>	<u>FY 1994 Total</u>	<u>Operating State Aid</u>	<u>Capital Outlay</u>	<u>Equalization Aid</u>	<u>Total</u>	<u>FY 1994-1995 % Change</u>	<u>FY 1994-1995 \$ Change</u>
Cochise	\$ 5,963,700	\$ 4,399,900	\$ 644,200	\$1,292,300	\$ 6,336,400	6.3%	\$ 372,700
Coconino	1,254,200	1,524,600	199,300	0	1,723,900	37.5	469,700
Graham	9,678,300	3,987,300	527,500	5,811,400	10,326,200	6.7	647,900
Maricopa	35,051,800	29,220,700	6,609,100	0	35,829,800	2.2	778,000
Mohave	2,830,000	2,678,800	395,400	0	3,074,200	8.6	244,200
Navajo	3,628,200	3,102,200	390,000	0	3,492,200	(3.8)	(136,000)
Pima	14,739,200	13,266,600	2,317,200	0	15,583,800	5.7	844,600
Pinal	4,988,600	4,691,000	631,900	0	5,322,900	6.7	334,300
Yavapai	3,786,400	3,418,900	460,500	0	3,879,400	2.5	93,000
Yuma/La Paz	4,014,900	3,819,300	544,000	0	4,363,300	8.7	348,400
Total	\$85,935,300	\$70,109,300	\$12,719,100	\$7,103,700	\$89,932,100	4.7%	\$3,996,800

• **Economic Development Training**

The Legislature's 3-year commitment for funding \$150,000 per year for a specialized workforce recruitment and training program provided by the Maricopa Community College District to a major interstate banking firm has been fulfilled. Therefore, the JLBC Staff recommends eliminating the \$150,000 General Fund appropriation.

(150,000) GF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Format -- Operating Lump Sum with District-by-District Special Line Items

Other Issues for Legislative Consideration

- Certification Fund

The JLBC Staff recommends eliminating the Certification Fund—hence, the teacher certification requirement—and transferring the estimated \$100,000 FY 1994 ending fund balance into the Les Aire Memorial Fund which provides scholarships to community college students. The net impact to the General Fund is \$0.

Community college teacher certification occurs nationally in only 2 other states: Wisconsin and Minnesota. Considered part of the state's system of higher education (as opposed to K-12), eliminating certification is consistent with faculty requirements at Arizona's universities. As currently structured, continuation of the certification process does not adequately serve the best interests of the state. The process is largely perfunctory and duplicates to a large extent the credential and experiential reviews conducted by districts in the hiring process.

Furthermore, the agency has been expending funds from the Certification Fund to subsidize various General Fund operating expenditures including salaries, travel, and other operating expenses. An \$18,000 increase was recommended by JLBC Staff and approved by the Legislature for FY 1994 to fully fund the state General Fund share for office rent and to provide relief to the Certification Fund. Transfers for General Fund operating expenses that exceed reasonable indirect costs have continued in spite of this FY 1994 General Fund appropriation increase. Moreover, the cost of teacher certification is approximately 1/2 of the annual certification revenues. A.R.S. § 15-1425 (7) clearly states "the state board shall use [the certification fund] for the purpose of defraying the costs of certification." The fee revenues above actual costs and reasonable indirect costs appear to be used by the board for purposes other than those intended by law. Specifically: full funding salary and Employee Related Expenditures for the Governmental Relations position; partial funding of the Executive Director's salary; travel expenses; legal fees; and office rent subsidies. Please refer to the FY 1995 Non-Appropriated Funds annual budget for additional details.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona State Schools for the Deaf & Blind
Agency Summary

JLBC ANALYST: Fusak
OSPB ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	493.2	486.8	597.1	500.8	515.3	
BY PROGRAM/ORGANIZATION						
Phoenix Day School	4,380,400	4,492,800	6,233,100	4,828,600	5,210,900	
Diagnostic Testing/Ed Center	1,755,000	1,655,700	2,124,200	2,004,400	1,895,200	
Tucson Campus	13,759,500	13,883,500	18,075,300	14,089,900	14,275,700	
AGENCY TOTAL	19,894,900	20,032,000	26,432,600	20,922,900	21,381,800	
OPERATING BUDGET						
Personal Services	12,705,500	12,780,800	15,824,200	13,090,600	13,502,700	
Employee Related Expenditures	2,742,600	2,729,400	3,940,000	2,880,000	2,981,600	
Professional/Outside Services	338,500	305,900	427,700	375,400	378,200	
Travel - In State	63,400	57,300	74,000	61,800	61,900	
Travel - Out of State	100	0	0	0	0	
Food	113,500	110,000	117,900	117,000	115,100	
Other Operating Expenditures	3,838,200	3,929,000	4,483,700	3,630,500	3,698,000	
Equipment	93,100	119,600	1,565,100	104,200	644,300	
All Other Operating Subtotal	4,446,800	4,521,800	6,668,400	4,288,900	4,897,500	
OPERATING SUBTOTAL	19,894,900	20,032,000	26,432,600	20,259,500	21,381,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona State Schools for the Deaf & Blind
Agency Summary

JLBC ANALYST: Fusak
OSP ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
SPECIAL LINE ITEMS						
Out-of-State Tuition	0	0	0	111,000	0	_____
Vehicle Replacement	0	0	0	552,400	0	_____
Special Item Subtotal	0	0	0	663,400	0	_____
AGENCY TOTAL	19,894,900	20,032,000	26,432,600	20,922,900	21,381,800	_____
BY FUND SOURCE						
General Fund	14,778,700	15,263,700	21,457,500	15,633,600	16,189,800	_____
Other Funds	5,116,200	4,768,300	4,975,100	5,289,300	5,192,000	_____
Federal Funds	701,100	947,900	729,700	--	729,700	_____
Other Non-Appropriated Funds	253,400	251,700	147,500	--	147,500	_____
AGENCY TOTAL - ALL SOURCES	20,849,400	21,231,600	27,309,800	20,922,900	22,259,000	_____

Agency Description - The Arizona State Schools for the Deaf and the Blind (ASDB) provides comprehensive educational programs for visually and hearing impaired students. ASDB has 2 campuses, a day school in Phoenix and a residential campus in Tucson. System-wide, ASDB serves approximately 539 students at the schools.

ASDB receives funding from the following 4 sources: General Fund, Voucher Fund, Endowment Earnings Fund and Out-of-State Tuition monies. The voucher monies are received from the Arizona Department of Education (ADE). ADE is appropriated funding through a special line item called Permanent Special Education Institutional Vouchers for the special education costs of students attending ASDB and developmentally disabled programs operated by the Department of Economic Security, in accordance with A.R.S. § 15-1202. ASDB must submit an application to be approved by the Division of Special Education at ADE to receive voucher funding based on amounts set, by disability category, in statute. The Other Appropriated funds in the ASDB budget represent these voucher monies as well as the endowment earnings monies. The dollar amount in the FY 1995 JLBC Staff recommendation for vouchers is based upon current enrollment at ASDB with the exception of the Multiple Disabilities with Severe Sensory Impairments student count, where we are projecting 12 new students. ASDB will receive voucher funding for FY 1995 based on actual enrollment in that year. If their student count increases or decreases from the FY 1995 enrollment estimate, their voucher funding will change accordingly.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The JLBC Staff recommends a total appropriation of \$21,381,800 -- a net increase of \$1,349,800, or 6.7%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$16,189,800 -- a net increase of \$926,100, or 6.1%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$5,192,000 -- a net increase of \$423,700 or 8.9%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

• Personal Services/ERE Adjustments	\$ 3,700 GF (3,000) OF
• ERE Rate Changes	53,600 GF 37,000 OF
• Salary Equity Adjustment	220,100 GF
• Demographic/Deflator Changes	(29,700) GF 219,400 OF
• 2 New MDSSI Classes	94,700 GF 150,800 OF
• Vehicle Replacements	542,100 GF
• All Other Operating Expenditures	(272,300) GF
• Bus Aides	121,400 GF
• Mainstreaming	97,900 GF
• Preschool/Regional Services Program	84,700 GF
• Extended School Year	29,400 GF
• Endowment Earnings	(19,500) GF 19,500 OF

JLBC Staff Recommended Format -- Modified Lump Sum by Program

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Footnotes

Modification of New FY 1994 Footnotes

- It is the intent of the legislature that the Schools for the Deaf and the Blind report quarterly all Travel - Out of State expenditures to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. *(The change requires ASDB to submit its Travel - Out of State report to OSPB.)*

Other Issues for Legislative Consideration

- ASDB Vehicle Fleet

ASDB is technically unable to own its own vehicle fleet per A.R.S. § 41-803. The JLBC Staff recommends revising the statute and adding ASDB to the list of agencies excluded from mandatory participation in the state motor vehicle fleet. DOA has submitted a proposal which would transfer fleet ownership from ASDB to DOA. DOA would require an initial one-time payment of \$2.1 million to replace vehicles beyond their useful life based on a DOA replacement schedule. Under DOA's proposal, ASDB would continue to maintain the vehicles, however, ownership and purchasing would be controlled by DOA. The JLBC Staff does not recommend the ownership transfer.

- Salary Adjustments

ASDB is requesting increased Personal Services funding to address a number of salary related issues as follows:

- \$53,600 for pay inequities related to past reclassifications, educational grade advancements and Master Teacher status.
- \$48,400 for educational advancements for instructional staff for FY 1995 and Master Teacher status for FY 1995.
- \$225,200 for ASDB's Accountability Pay Plan (APP), which provides step increases based on performance in the classroom and grade advancements based on continued education. The APP is a merit-based program similar to the Arizona Department of Education Career Ladder Program. However, unlike Career Ladders, APP is not part of a statutory formula and funding is discretionary. The APP was first funded in the budget in FY 1985 and has only been funded 6 out of the 10 past years.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona State Schools for the Deaf & Blind
 PROGRAM: Phoenix Day School

JLBC ANALYST: Fusak
 OSPB ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Graham
 SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	125.5	122.1	157.4	123.4	137.4	
OPERATING BUDGET						
Personal Services	3,109,900	3,293,100	4,114,800	3,310,200	3,585,000	
Employee Related Expenditures	683,700	698,200	958,700	720,400	789,900	
Professional/Outside Services	54,900	50,100	63,800	50,100	62,600	
Travel - In State	12,900	7,600	8,300	7,600	7,600	
Food	28,200	30,000	30,900	30,000	30,900	
Other Operating Expenditures	450,700	413,800	525,700	424,300	427,500	
Equipment	40,100	0	530,900	13,000	307,400	
All Other Operating Subtotal	586,800	501,500	1,159,600	525,000	836,000	
OPERATING SUBTOTAL	4,380,400	4,492,800	6,233,100	4,555,600	5,210,900	
SPECIAL LINE ITEMS						
Vehicle Replacement	0	0	0	273,000	0	
Special Item Subtotal	0	0	0	273,000	0	
PROGRAM TOTAL	4,380,400	4,492,800	6,233,100	4,828,600	5,210,900	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona State Schools for the Deaf & Blind
 PROGRAM: Phoenix Day School

JLBC ANALYST: Fusak
 OSPB ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Graham
 SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	2,681,700	2,800,700	4,466,700	2,986,500	3,301,200	
Other Funds	1,698,700	1,692,100	1,766,400	1,842,100	1,909,700	
Federal Funds	164,600	134,800	117,300	--	117,300	
Other Non-Appropriated Funds	11,400	2,000	2,000	--	2,000	
PROGRAM TOTAL - ALL SOURCES	4,556,400	4,629,600	6,352,400	4,828,600	5,330,200	

Program Description - *The Phoenix Day School for the Deaf (PDSD) provides a comprehensive educational program for hearing impaired students. PDSD is projected to serve 220 students in the following categories: 178 hearing impaired, 18 multiply disabled and 24 multiply disabled with severe sensory impairments students.*

The JLBC Staff recommends a total appropriation of \$5,210,900 -- a net increase of \$718,100, or 16%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$3,301,200 -- a net increase of \$500,500, or 17.9%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$1,909,700 -- a net increase of \$217,600 or 12.9%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (1,500) GF
(1,800) OF
 - Maintains a vacancy factor of 1%. The Executive recommends a vacancy factor of 1%.

- ERE Rate Changes 8,300 GF
8,600 OF

- Salary Equity Adjustment 58,800 GF
 - Laws 1988, Chapter 237, provides that the Department of Administration (DOA) shall conduct salary equity studies for teachers, credentialed specialists, and other personnel unique to the Arizona State Schools for the Deaf and Blind (ASDB). Every summer, DOA's Personnel Division examines salary increases in 3 specific school districts: Tucson Unified, Mesa Unified, and Washington Elementary. In addition, once every 5 years DOA conducts a full study by analyzing salary structures for similar personnel in school districts in the

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

state providing significant programs for sensory impaired children. DOA examines all ASDB positions because DOA considers all ASDB staff to be unique. The law provides that the JLBC Staff shall use the results in making its recommendations for Personal Services 1 year in arrears.

The 5-year study was conducted in June 1993 and, with the exception of a few positions, recommended no change to any of the grades or salary levels for certified, classified or administrative positions at ASDB.

The annual salary study of the 3 school districts found that the districts will provide the following average salary increases: 1.5% increase for classified positions; 1.8% increase for certified positions; and 1% for administrative positions. The JLBC Staff recommends funding the average increases as required by law. The Executive recommends that ASDB receive any state-wide employee pay increase in lieu of the salary equity funding.

- **Salaries for Physical/Occupational Therapists**

3,600 GF

The JLBC Staff recommends increasing the recruitment rates for Physical Therapists (PT) and Occupational Therapists (OT) by \$3,200 per full-time position. In FY 1993, ASDB received funding to hire 1.5 PT/OT FTE positions. However, ASDB has not been able to fill the positions because of the higher market rates these positions command. The 1993 Joint Governmental Salary and Benefits Survey demonstrated the disparity between state rates and "other" employer rates for these positions. DOA has acknowledged the problem but indicated that it has no plans for a Classification Maintenance Review at this time. Many students at ASDB require these services which are part of their Individualized Education Programs (IEP). Additionally, the federal government requires that these services be provided to eligible students. The Executive does not recommend this issue.

- **Demographic/Deflator Changes**

(17,600) GF
135,400 OF

The JLBC Staff recommends annualizing 5 FTE positions (2 Teachers and 3 Instructional Aides) ASDB will receive through excess vouchers in FY 1994. PDSB has 10 new students in the current fiscal year with Multiple Disabilities with Severe Sensory Impairments (MDSSI). As can be seen in the table below, the JLBC Staff is projecting an increase of 6 additional MDSSI students on top of the 10 new students enrolled in FY 1994 for a total count of 16 MDSSI students in FY 1995. The MDSSI category generates the largest dollar per student funding (\$12,575.34) due to the special requirements necessary to provide educational services for those students. The voucher funding assumes a GDP Implicit Price Deflator of 1.5% which results in a slight decrease in General Fund monies.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

**PHOENIX DAY SCHOOL FOR THE DEAF (PDSB)
STUDENT COUNTS**

	<u>FY 1994</u> <u>Student Count</u>	<u>FY 1995</u> <u>Student Count *</u>	<u>Difference</u>
Multiple Disabilities with Severe Sensory Impairments	8	24	16
Multiple Disabilities Hearing Impaired	20	18	(2)
	<u>177</u>	<u>178</u>	<u>1</u>
Total	205	220	15

* The FY 1994 student count reflects the actual FY 1993 school year enrollment. The FY 1995 student count reflects the FY 1994 school year enrollment with the exception of the MDSSI category, which represents a projected student count. ASDB is able to open new classes for students with less severe disabilities with excess voucher funding. The costs of opening a new MDSSI class, however, greatly exceeds the voucher funding received from the Department of Education, and therefore, funding for these types of classes is needed before the school year starts (please see MDSSI Class bullet below).

• **MDSSI Class**

13,500 GF
75,400 OF

The JLBC Staff recommends funding 1 new MDSSI class, based on a projected increase in enrollment. The funding provides 3 FTE positions (1 Teacher, 1 Instructional Aide, and 1 Site Trainer) to fund 1 secondary level MDSSI class.

The bulk of the cost of the new class will be paid from an increase in voucher funding. The ratio of teachers to students for a secondary MDSSI class is 1:6. Therefore, ASDB will receive an additional \$75,400 (6 students at a rate of \$12,575.34) in voucher funding. The total cost of the new class is \$88,900, with the difference funded from the General Fund. The Executive does not recommend the new class.

• **Bus Aides**

97,200 GF

The JLBC Staff recommends an increase of 6 Bus Aide FTE positions so that all existing PDSB bus routes will have aides. A number of incidents involving inappropriate student-to-student behavior have occurred on bus rides (many of which are over a hour in duration one way) to and from school. The students on the buses range in age from 6 to 21. Also, many students have complicating conditions which require special attention. The Executive does not recommend this issue.

• **Mainstreaming**

22,800 GF

The JLBC Staff concurs with the Executive recommendation. The increase provides 1.25 FTE positions (1 Interpreter and a 0.25 Bus Driver) to meet federal and state special education requirements which mandate a continuation of program placement options be available to meet the needs of disabled children. Regulations require that children with disabilities be educated with children who are not disabled to the maximum extent possible.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Other Operating Expenditures** 10,000 GF
 The JLBC Staff recommends an increase of \$10,000 for non-capitalized equipment which includes 2/3 funding for the educational equipment requirement and 1/3 funding for the non-educational equipment requirement (a total of \$35,000 for educational equipment and a total of \$22,300 for non-educational equipment). The Executive recommends 1/3 funding for both educational and non-educational equipment.

- **Capitalized Equipment/Vehicle Replacement** 305,400 GF
 The JLBC Staff recommends an increase of \$305,400 for capitalized equipment based on the following:
 - \$12,500 for 2/3 funding of specialized educational replacement equipment.
 - \$6,900 for 1/3 funding of non-educational replacement equipment.
 - \$286,000 to replace 7 school buses and 1 van.

DOA's Risk Management Loss Control Division conducted an evaluation, in July 1993, of ASDB's motor vehicle program. The evaluation found that ASDB has a vehicle problem stemming from a lack of funding for aged vehicle replacement. Specifically, PDSD's vehicle problem is due to the high mileage on its school buses. The report states that ASDB's policy for vehicle replacement is considerably more conservative than either the Arizona Department of Transportation (ADOT), or DOA. ADOT replaces vehicles between 80,000 and 100,000 miles, while DOA replaces vehicles on a 5 year, 80,000 mile schedule. The report concludes by stating that "failure to remove these vehicles with continued usage will result in injury, and potential lawsuits for the state. The agency's current policy and procedure for vehicle replacement would work if funding for the policy was available."

	<u>ASDB Current Replacement Cycle</u>
Compact Cars	90,000 miles/8 yrs.
Half Ton Suburban	110,000 miles/9 yrs.
3/4 Ton Suburban	120,000 miles/9 yrs.
Large Buses	125,000 miles/9 yrs.
Small Buses	100,000 miles/9 yrs.

ASDB's new replacement cycle will be more in line with DOA's cycle, for general transportation vehicles. The Executive recommends \$273,000 in a Special Line Item to replace 7 school buses.

JLBC Staff Recommended Format -- Modified Lump Sum by Program

JIBC Staff Recommended Footnotes

Modification of Standard Footnotes

- Prior to the expenditure of any voucher funding in excess of the amount approved, the Schools for the Deaf and the Blind shall report the intended use of the funds to the Joint Legislative Budget Committee and the Governor's Office on Strategic Planning and Budgeting. *(The change requires ASDB to submit its Excess Voucher Report to OSPB.)*

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

New FY 1995 Footnotes

- PDSB must have a total of 24 MDSSI students enrolled before it can open the secondary MDSSI class. If less than 24 MDSSI students enroll, \$13,500 reverts to the General Fund.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona State Schools for the Deaf & Blind
 PROGRAM: Diagnostic Testing/Ed Center

JLBC ANALYST: Fusak
 OSPB ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Graham
 SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	61.5	60.4	69.9	69.9	65.9	
OPERATING BUDGET						
Personal Services	1,360,400	1,288,700	1,555,100	1,489,700	1,424,700	
Employee Related Expenditures	283,700	304,000	403,200	360,200	355,800	
Professional/Outside Services	54,900	43,300	94,000	92,500	82,800	
Travel - In State	1,500	800	800	800	800	
Food	0	0	7,000	7,000	4,200	
Other Operating Expenditures	53,800	18,900	35,900	28,200	24,900	
Equipment	700	0	28,200	26,000	2,000	
All Other Operating Subtotal	110,900	63,000	165,900	154,500	114,700	
P R O G R A M T O T A L	1,755,000	1,655,700	2,124,200	2,004,400	1,895,200	
BY FUND SOURCE						
General Fund	1,145,000	1,077,500	1,422,100	1,289,800	1,236,800	
Other Funds	610,000	578,200	702,100	714,600	658,400	
Federal Funds	77,200	140,900	140,900	--	140,900	
Other Non-Appropriated Funds	1,100	1,800	1,800	--	1,800	
PROGRAM TOTAL - ALL SOURCES	1,833,300	1,798,400	2,266,900	2,004,400	2,037,900	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona State Schools for the Deaf and Blind
 PROGRAM: Diagnostic Testing/Ed Center

Program Description - *The Arizona Diagnostic Testing and Education Center (ADTEC), which is located on the Tucson campus, provides diagnostic evaluation and educational programming for Multiple Disabilities with Severe Sensory Impairments (MDSSI) students as referred by school districts throughout the state. ADTEC is projected to serve 55 students in FY 1995 in the following categories: 49 MDSSI students, 5 multiple disabilities students and 1 visually impaired student.*

The JLBC Staff recommends a total appropriation of \$1,895,200 -- a net increase of \$239,500, or 14.5%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$1,236,800 -- a net increase of \$159,300, or 14.8%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$658,400 -- a net increase of \$80,200, or 13.9%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (900) GF
100 OF
 Maintains a vacancy factor of 1%. The Executive recommends a vacancy factor of 1%.
- ERE Rate Changes 2,600 GF
18,300 OF
- Salary Equity Adjustment 23,300 GF

Laws 1988, Chapter 237, provides that the Department of Administration (DOA) shall conduct salary equity studies for teachers, credentialed specialists, and other personnel unique to the Arizona State Schools for the Deaf and Blind (ASDB). Every summer, DOA's Personnel Division examines salary increases in 3 specific school districts: Tucson Unified, Mesa Unified, and Washington Elementary. In addition, once every 5 years DOA conducts a full study by analyzing salary structures for similar personnel in school districts in the state providing significant programs for sensory impaired children. DOA examines all ASDB positions because DOA considers all ASDB staff to be unique. The law provides that the JLBC Staff shall use the results in making its recommendations for Personal Services 1 year in arrears.

The 5-year study was conducted in June 1993 and, with the exception of a few positions, recommended no change to any of the grades or salary levels for certified, classified or administrative positions at ASDB.

The annual salary study of the 3 school districts found that the districts will provide the following average salary increases: 1.5% increase for classified positions; 1.8% increase for certified positions; and 1% for administrative positions. The JLBC Staff recommends funding the average increases as required by law. The Executive recommends that ASDB receive any state-wide employee pay increase in lieu of the salary equity funding.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

• Demographic/Deflator Changes

13,600 GF
(13,600) OF

The recommendation is based on no change in the non-MDSSI student count from FY 1994 to FY 1995 and a projected increase of 6 MDSSI students (see bullet below). As can be seen in the table below, without the projected increase of 6 new MDSSI students, the total FY 1995 student count would not have changed from the FY 1994 count of 49 students. The voucher funding assumes a GDP Implicit Price Deflator of 1.5%.

**ARIZONA DIAGNOSTIC TESTING AND EDUCATION CENTER (ADTEC)
STUDENT COUNTS**

	<u>FY 1994 Student Count</u>	<u>FY 1995 Student Count *</u>	<u>Difference</u>
Multiple Disabilities with Severe Sensory Impairments	44	49	(5)
Multiple Disabilities	4	5	1
Visually Impaired	<u>1</u>	<u>1</u>	<u>0</u>
Total	49	55	6

* The FY 1994 student count reflects the actual FY 1993 school year enrollment. The FY 1995 student count reflects the FY 1994 school year enrollment with the exception of the MDSSI category, which represents a projected student count. ASDB is able to open new classes for students with less severe disabilities with excess voucher funding. The costs of opening a new MDSSI class, however, greatly exceeds the voucher funding received from the Department of Education, and therefore, funding for these types of classes is needed before the school year starts (please see MDSSI Class bullet below).

• MDSSI Class

81,200 GF
75,400 OF

The JLBC Staff recommends 5.5 FTE positions (1 Teacher, 1 Instructional Aide, 1 Site Trainer, 1 Teaching Parent and 1.5 Support positions) to fund 1 secondary level MDSSI class.

There are currently 8 students in 8th grade that will move into high school next year. Only 2 students will be graduating from high school, which necessitates funding a new high school class. The 8 elementary student slots will be filled by 8 new students currently identified in the diagnostic testing program. Of the total \$156,600 needed for the new class, \$75,400 will be funded from new voucher funds. The ratio of teachers to students for a secondary MDSSI class is 1:6. Therefore, ASDB will receive an additional \$75,400 (6 students at a rate of \$12,575.34) in voucher funding. The Executive recommends funding 2 classes, 1 elementary and 1 secondary class at a cost of \$295,000 (\$171,100 General Fund and \$123,900 voucher funds).

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Mainstreaming**

39,500 GF

The JLBC Staff recommends \$39,500 for tuition costs associated with mainstreaming ASDB students into public schools. The funding will put ASDB in compliance with federal and state special education mandates that require a continuation of program placement options be available to meet the needs of disabled children. Regulations require that children with disabilities be educated with children who are not disabled to the maximum extent possible. The Executive recommends \$49,200 for this issue.

JLBC Staff Recommended Format -- Modified Lump Sum by Program

JLBC Staff Recommended Footnotes

Modification of Standard Footnotes

- Prior to the expenditure of any voucher funding in excess of the amount approved, the Schools for the Deaf and the Blind shall report the intended use of the funds to the Joint Legislative Budget Committee and the Governor's Office on Strategic Planning and Budgeting. *(The change requires ASDB to submit its Excess Voucher Report to OSPB.)*

New FY 1995 Footnote

- ADTEC must have a total of 49 MDSSI students enrolled before it can open the secondary MDSSI class. If less than 49 MDSSI students enroll, \$81,200 reverts to the General Fund.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona State Schools for the Deaf & Blind
 PROGRAM: Tucson Campus

JLBC ANALYST: Fusak
 OSPB ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Graham
 SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	306.2	304.3	369.8	307.6	312.1	
OPERATING BUDGET						
Personal Services	8,235,200	8,199,000	10,154,300	8,290,700	8,493,000	
Employee Related Expenditures	1,775,200	1,727,200	2,578,100	1,799,400	1,835,900	
Professional/Outside Services	228,700	212,500	269,900	232,800	232,800	
Travel - In State	49,000	48,900	64,900	53,400	53,500	
Travel - Out of State	100	0	0	0	0	
Food	85,300	80,000	80,000	80,000	80,000	
Other Operating Expenditures	3,333,700	3,496,300	3,922,100	3,178,000	3,245,600	
Equipment	52,300	119,600	1,006,000	65,200	334,900	
All Other Operating Subtotal	3,749,100	3,957,300	5,342,900	3,609,400	3,946,800	
OPERATING SUBTOTAL	13,759,500	13,883,500	18,075,300	13,699,500	14,275,700	
SPECIAL LINE ITEMS						
Out-of-State Tuition	0	0	0	111,000	0	
Vehicle Replacement	0	0	0	279,400	0	
Special Item Subtotal	0	0	0	390,400	0	
PROGRAM TOTAL	13,759,500	13,883,500	18,075,300	14,089,900	14,275,700	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona State Schools for the Deaf & Blind
PROGRAM: Tucson Campus

JLBC ANALYST: Fusak
OSPB ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	10,952,000	11,385,500	15,568,700	11,357,300	11,651,800	
Other Funds	2,807,500	2,498,000	2,506,600	2,732,600	2,623,900	
Federal Funds	459,300	672,200	471,500	--	471,500	
Other Non-Appropriated Funds	240,900	247,900	143,700	--	143,700	
PROGRAM TOTAL - ALL SOURCES	14,459,700	14,803,600	18,690,500	14,089,900	14,890,900	

Program Description - *The Tucson Campus provides a comprehensive residential educational program for visually and hearing impaired students. The school currently serves 264 students in the following categories: 163 hearing impaired, 70 visually impaired, 17 multiple disabilities with severe sensory impairments and 14 multiple disabilities students.*

The JLBC Staff recommends a total appropriation of \$14,275,700 -- a net increase of \$392,200, or 2.8%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$11,651,800 -- a net increase of \$266,300, or 2.3%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$2,623,900 -- a net increase of \$125,900 or 5%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (2,900) GF
(1,300) OF
 Maintains a vacancy factor of 1%. The Executive recommends a vacancy factor of 1%.
- ERE Rate Changes 42,700 GF
10,100 OF
- Salary Equity Adjustment 138,000 GF
 Laws 1988, Chapter 237, provides that the Department of Administration (DOA) shall conduct salary equity studies for teachers, credentialed specialists, and other personnel unique to the Arizona State Schools for the Deaf and Blind (ASDB). Every summer, DOA's Personnel Division examines salary increases in 3 specific school districts: Tucson Unified, Mesa Unified, and Washington Elementary.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

In addition, once every 5 years DOA conducts a full study by analyzing salary structures for similar personnel in school districts in the state providing significant programs for sensory impaired children. DOA examines all ASDB positions because DOA considers all ASDB staff to be unique. The law provides that the JLBC Staff shall use the results in making its recommendations for Personal Services 1 year in arrears.

The 5-year salary study was conducted in June 1993 and, with the exception of a few positions, recommended no change to any of the grades or salary levels for certified, classified or administrative positions at ASDB.

The annual salary study of the 3 school districts found that the districts will provide the following average salary increases: 1.5% increase for classified positions; 1.8% increase for certified positions; and 1% for administrative positions. The JLBC Staff recommends funding the average increases as required by law. The Executive recommends that ASDB receive any state-wide employee pay increase in lieu of the salary equity funding.

- Salaries for Physical/Occupational Therapists

5,400 GF

The JLBC Staff recommends increasing the recruitment rates for Physical Therapists (PT) and Occupational Therapists (OT) by \$3,200 per full-time position. In FY 1993, ASDB received funding to hire 1.5 PT/OT FTE positions. However, ASDB has not been able to fill the positions because of the higher market rates these positions command. The 1993 Joint Governmental Salary and Benefits Survey demonstrated the disparity between state rates and "other" employer rates for these positions. DOA has acknowledged the problem but indicated that it has no plans for a Classification Maintenance Review at this time. Many students at ASDB require these services which are part of their Individualized Education Programs (IEP). Additionally, the federal government requires that these services be provided to eligible students. The Executive does not recommend this issue.

- Demographic/Deflator Changes

(25,700) GF
97,600 OF

The JLBC Staff recommends annualizing 3 FTE positions (1 Teacher, 1 Instructional Aide and 1 Special Support position) ASDB will receive through excess vouchers in FY 1994 due to an increase of 7 students. The increase in voucher funding results in a slight decrease in General Fund monies. The recommendation assumes a GDP Price Deflator of 1.5%.

TUCSON CAMPUS STUDENT COUNTS

	<u>FY 1994</u> <u>Student Count</u>	<u>FY 1995</u> <u>Student Count</u>	<u>Difference</u>
Multiple Disabilities with Severe Sensory Impairments	15	17	2
Multiple Disabilities	13	14	1
Visually Impaired	66	70	4
Hearing Impaired	<u>163</u>	<u>163</u>	<u>0</u>
Total	257	264	7

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Preschool/Regional Services Program** 84,700 GF
The JLBC Staff recommends 2 FTE positions (1 Preschool Teacher and 1 Outreach Coordinator/Low Vision Specialist) for the preschool and regional services programs. Demographic projections show that 20 children needing an early intervention program in the infant population will turn 3 years of age in the 1994-1995 school year. The growth is primarily in Phoenix and Tucson where ASDB operates 5 preschool programs which are understaffed by approximately 5 teachers. The Low Vision Specialist position is needed to replace a position currently funded from a grant which will expire in August 1994. The position will serve children residing on the Navajo reservation. The Executive recommends the Low Vision Specialist FTE position and \$45,100.
- **Mainstreaming** 35,600 GF
The JLBC Staff concurs with the Executive Recommendation. The increase provides 1.25 bus driver FTE positions to meet federal and state special education mandates that require a continuation of program placement options be available to meet the needs of disabled children. Regulations require that children with disabilities be educated with children who are not disabled to the maximum extent possible.
- **Extended School Year** 29,400 GF
The JLBC Staff concurs with the Executive Recommendation. The increase will provide extended school year (ESY) services to students requiring special educational services during the summer months and at other times when school is not in session. The program is designed to limit the loss of knowledge or skills over the school breaks and is part of a student's Individualized Education Program (IEP). Services are provided in the students' home community by local personnel with program supervision and consultation by ASDB Staff.
- **Bus Aides** 24,200 GF
The JLBC Staff recommends an increase of 1.5 Bus Aide FTE positions so that all existing Tucson bus routes will have aides. A number of incidents involving inappropriate student-to-student behavior have occurred on bus rides (many of which are over a hour in duration one way) to and from school. The students on the buses range in age from 6 to 21. Also, many students have complicating conditions which require special attention. The Executive does not recommend this issue.
- **Other Operating Expenditures** (260,900) GF
The JLBC Staff recommends the following major changes:
 - \$20,500 for a net increase for building lease-purchase payments and rental payments.
 - \$(319,700) decrease to reflect the completion of lease-purchase payments for ASDB's modular buildings.
 - \$(85,200) decrease for risk management.
 - \$123,500 increase for non-capitalized equipment which funds 1/3 of the educational equipment requirement and funds 1/3 of the non-educational equipment requirement (for a total of \$111,600 for educational equipment and a total of \$89,300 for non-educational equipment).
- **Capitalized Equipment/Vehicle Replacement** 215,300 GF
The JLBC Staff recommends an increase of \$215,300 for a total of \$334,900 based on the following:
 - \$34,900 for 2/3 funding for specialized educational replacement equipment.
 - \$43,900 for 1/3 funding for non-educational replacement.
 - \$256,100 to purchase/replace 13 vehicles (3 cars, 1 pickup truck, and 9 lift vans/suburbans).

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DOA's Risk Management Loss Control Division conducted an evaluation, in July 1993, of ASDB's motor vehicle program. The evaluation found that ASDB has a vehicle problem stemming from a lack of funding for aged vehicle replacement. Specifically, the Tucson Campus vehicle problem is due to the high mileage on its vans, suburbans, and small vehicles used to transport students. The report states that ASDB's policy for vehicle replacement is considerably more conservative than either the Arizona Department of Transportation (ADOT) or DOA. ADOT replaces vehicles between 80,000 and 100,000 miles, while DOA replaces vehicles on a 5 year, 80,000 mile schedule. The report concludes by stating that "failure to remove these vehicles with continued usage will result in injury, and potential lawsuits for the state. The agency's current policy and procedure for vehicle replacement would work if funding for the policy was available."

	<u>ASDB Current Replacement Cycle</u>
Compact Cars	90,000 miles/8 yrs.
Half Ton Suburban	110,000 miles/9 yrs.
3/4 Ton Suburban	120,000 miles/9 yrs.
Large Buses	125,000 miles/9 yrs.
Small Buses	100,000 miles/9 yrs.

ASDB's new replacement cycle will be more in line with DOA's cycle for general transportation vehicles. The Executive recommends \$279,400 in a Special Line Item to replace 18 vehicles.

• **Endowment Earnings**

(19,500) GF
19,500 OF

The JLBC Staff estimates that endowment earnings for FY 1995 will be \$294,500. The FY 1994 appropriation was based on an estimate of \$275,000. The Executive recommendation includes \$283,600 for endowment earnings.

JLBC Staff Recommended Format -- Modified Lump Sum by Program

JLBC Staff Recommended Footnotes

Modification of Standard Footnotes

- Prior to the expenditure of any voucher funding in excess of the amount approved, the Schools for the Deaf and the Blind shall report the intended use of the funds to the Joint Legislative Budget Committee and the Governor's Office on Strategic Planning and Budgeting. *(The change requires ASDB to submit its Excess Voucher Report to OSPB.)*

New FY 1995 Footnotes

- All out-of-state tuition collections paid into the State Treasury are appropriated for operating expenditures and authorized capital outlay projects.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Other Issues for Legislative Consideration

- **Tuition Monies**

Currently by law (A.R.S. § 15-1345), ASDB is allowed to admit non-resident students if classroom capacity exists. An Attorney General opinion written in 1980 (I80-033) suggests that ASDB must deposit all tuition monies into the General Fund and can expend the tuition for operating expenses and capital as provided by a footnote which was in the General Appropriations Act every year prior to FY 1984 as follows:

In conformity with the Education Institution Act of 1934, collections paid into the State Treasury are appropriated for operating expenditures and authorized capital outlay projects.

However, the FY 1984 General Appropriations Act deleted the footnote, and ASDB has deposited the revenue into their Endowment Earnings Fund ever since, which violates the law. The Executive recommends appropriating the tuition monies in FY 1995 and clarifying A.R.S. § 15-1345 by stating that all tuition revenue must be deposited into the General Fund. The JLBC Staff recommends restoring an updated version of the FY 1983 footnote to continuously appropriate the tuition monies to ASDB. Also, the JLBC Staff does not believe that A.R.S. § 15-1345 needs to be amended to clarify where the funds should be deposited. If a statutory citation does not specify where monies are to be deposited, they must automatically be deposited into the General Fund. A.R.S. § 15-1345 states that the Superintendent may collect tuition payments, but the statute does not say where the funding shall be deposited, thereby automatically forcing the funding into the General Fund.

- **Medical Center**

The Executive recommends 1 nurse FTE position and \$37,700 for the Student Medical Center. The JLBC Staff does not concur with the increase.

- **Severely Emotionally Disturbed Children**

ASDB requests 11 FTE positions and \$423,200 to develop a coordinated program to meet the needs of students with severe emotional problems. Neither the JLBC Staff nor the Executive recommends this issue.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Education
Agency Summary

JLBC ANALYST: Fusak
OSPB ANALYST: Mabry

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	231.2	224.7	228.9	176.1	224.9	
BY PROGRAM/ORGANIZATION						
State Board of Education	135,900	139,000	143,100	140,300	140,300	
General Services Admin	8,158,500	8,594,400	9,437,900	8,498,200	8,588,700	
Assistance to Schools	1,372,231,000	1,434,162,500	1,648,808,700	1,582,058,200	1,570,630,100	
Vocational Education	1,277,500	1,279,300	1,299,700	1,269,500	1,279,300	
AGENCY TOTAL	1,381,802,900	1,444,175,200	1,659,689,400	1,591,966,200	1,580,638,400	
OPERATING BUDGET						
Personal Services	5,025,600	5,225,400	5,600,700	5,225,400	5,242,000	
Employee Related Expenditures	1,135,700	1,083,100	1,274,800	1,177,300	1,194,300	
Professional/Outside Services	151,300	154,200	204,700	154,200	159,200	
Travel - In State	87,600	110,200	118,700	110,200	111,700	
Travel - Out of State	11,500	27,500	33,000	27,500	27,500	
Other Operating Expenditures	1,539,300	1,762,500	1,843,200	1,605,900	1,658,800	
Equipment	102,800	0	105,000	0	35,000	
All Other Operating Subtotal	1,892,500	2,054,400	2,304,600	1,897,800	1,992,200	
OPERATING SUBTOTAL	8,053,800	8,362,900	9,180,100	8,300,500	8,428,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Education
 Agency Summary

JLBC ANALYST: Fusak
 OSPB ANALYST: Mabry

HOUSE SUBCOMMITTEE CHAIR: Graham
 SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
SPECIAL LINE ITEMS						
Achievement Testing	1,163,000	1,279,900	1,428,800	1,336,700	1,308,700	
Education Comm. of the States	43,100	45,000	49,300	49,300	49,300	
SLIAG Administration	14,100	5,600	0	0	0	
Special Education Audit	198,800	219,300	222,500	221,500	221,800	
School Restructuring	98,500	100,000	0	0	0	
Basic State Aid	1,063,495,400	1,131,142,800	1,350,972,500	1,288,107,700	1,416,140,300	
Prior Year State Aid	143,196,400	143,196,400	143,196,400	143,196,400	0	
Additional State Aid	124,263,600	117,349,300	112,000,000	108,741,700	112,363,400	
Assistance to School Districts	552,900	520,000	608,300	604,100	600,000	
Certificates of Educational Convenience	7,645,600	9,298,900	9,767,000	8,548,400	8,626,700	
Permanent Education Vouchers	2,505,600	3,071,600	2,764,000	2,741,200	2,668,100	
Perm. Spec. Ed. Inst. Voucher	5,172,200	5,311,400	5,689,000	6,309,700	6,419,400	
Academic Contest Fund	47,100	50,000	50,000	50,000	50,000	
Academic Decathlon	96,800	81,900	82,400	82,300	82,400	
Adult Education Assistance	3,042,600	3,045,600	3,048,400	3,047,500	3,047,800	
Az Humanities Council	40,000	40,000	40,000	40,000	40,000	
Az Principals' Academy	25,200	25,200	25,200	25,200	25,200	
Az Teacher Evaluation	385,000	395,100	298,200	297,000	297,800	
ASSET	234,000	234,000	234,000	234,000	234,000	
Chemical Abuse	816,800	835,700	839,900	838,500	838,900	
Dropout Prevention	2,028,800	2,183,400	2,184,600	2,186,200	2,182,000	
Extended School Year	357,800	500,000	500,000	500,000	500,000	
Full-Day Kindergarten	1,389,700	1,402,900	1,404,300	1,404,100	1,403,700	
Gifted Support	996,200	1,002,200	1,003,200	953,000	953,000	
K-3 Support	5,380,600	5,453,700	5,453,700	5,452,500	5,455,200	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Education
Agency Summary

JLBC ANALYST: Fusak
OSPb ANALYST: Mabry

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Preschool Disabilities	764,100	0	0	0	0	
SLIAG Outreach	600	0	0	0	0	
Preschool At-Risk Program	2,581,900	2,602,600	2,603,600	2,603,300	2,603,400	
Residential Placement	82,500	100,000	100,000	100,000	100,000	
School Breakfast Program	-1,000	0	0	0	0	
SLIAG Adult Education	1,192,600	375,800	0	0	0	
Tuition Fund	100,000	100,000	100,000	100,000	100,000	
Vocational Ed. Assistance	2,835,000	2,835,000	2,835,000	2,835,000	2,835,000	
Voc. Ed. Prog. Support	1,003,700	1,009,000	1,009,000	1,010,400	1,013,800	
Voc. & Tech. Education	1,999,900	2,000,000	2,000,000	2,000,000	2,000,000	
Arizona Geographic Alliance	0	0	0	50,000	50,000	
Special Item Subtotal	1,373,749,100	1,435,812,300	1,650,509,300	1,583,665,700	1,572,209,900	
AGENCY TOTAL	1,381,802,900	1,444,175,200	1,659,689,400	1,591,966,200	1,580,638,400	
BY FUND SOURCE						
General Fund	1,381,802,900	1,444,175,200	1,659,689,400	1,591,966,200	1,580,638,400	
Federal Funds	241,348,300	353,429,400	367,510,800	--	367,510,800	
Other Non-Appropriated Funds	52,710,400	58,385,600	54,715,600	--	57,785,800	
AGENCY TOTAL - ALL SOURCES	1,675,861,600	1,855,990,200	2,081,915,800	1,591,966,200	2,005,935,000	

Agency Description - *The Department of Education is headed by the Superintendent of Public Instruction, an elected constitutional officer. The department oversees 227 school districts in their provision of public education from pre-school through 12th grade.*

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The JLBC Staff recommends a total General Fund (GF) appropriation of \$1,580,638,400 -- a net increase of \$136,463,200, or 9.4%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

• Teacher Certification		\$ 50,700	GF
• Achievement Testing		28,800	GF
• School Restructuring		(100,000)	GF
• All Other Operating Changes		16,100	GF
• Basic State Aid/Prior Year State Aid		141,801,100	GF
-- Demographic adjustments to reflect 35% growth in preschool disabled students, 3.5% growth in elementary students and 3.3% growth in high school students	\$ 79,798,900		
-- 1.5% GDP Implicit Price Deflator	36,577,200		
-- Cash Balance Reversion from 18% in FY 1994 to 0% in FY 1995	18,000,000		
-- CLRL Restoration	9,355,700		
-- Retirement Recapture	9,109,400		
-- Base adjustments to the FY 1994 adjusted appropriation to reflect the FY 1994 funding requirements	7,334,200		
-- Sudden Growth at 100%	4,000,000		
-- Rollover Elimination	(696,400)		
-- Other Changes	(2,480,100)		
-- Career Ladders Step Increase/QTR Increase	(9,286,600)		
-- 1% Increase in Assessed Valuation	(9,911,200)		
Total	\$ 141,801,100		
• Additional State Aid (Homeowners' Rebate)		(4,985,900)	GF
• Other Statutory Programs		(397,600)	GF
• Geographic Alliance		50,000	GF

JLBC Staff Recommended Format -- Varies by Program

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Education
 PROGRAM: State Board of Education

JLBC ANALYST: Fusak
 OSPB ANALYST: Mabry

HOUSE SUBCOMMITTEE CHAIR: Graham
 SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	2.0	2.0	2.0	2.0	2.0	
OPERATING BUDGET						
Personal Services	52,500	53,300	53,300	53,300	53,300	
Employee Related Expenditures	13,700	11,500	12,600	12,800	12,800	
Professional/Outside Services	13,200	23,500	25,400	23,500	23,500	
Travel - In State	100	700	700	700	700	
Travel - Out of State	400	0	0	0	0	
Other Operating Expenditures	54,300	50,000	51,100	50,000	50,000	
Equipment	1,700	0	0	0	0	
All Other Operating Subtotal	69,700	74,200	77,200	74,200	74,200	
PROGRAM TOTAL	135,900	139,000	143,100	140,300	140,300	
BY FUND SOURCE						
General Fund	135,900	139,000	143,100	140,300	140,300	
PROGRAM TOTAL - ALL SOURCES	135,900	139,000	143,100	140,300	140,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Education
PROGRAM: State Board of Education

Program Description - *The 9-member State Board of Education establishes programs, initiates policies and enforces laws and regulations relating to schools and the educational development of the individual child as provided in A.R.S. § 15-203. The board members are appointed by the Governor (other than the Superintendent of Public Instruction) for 4 year terms.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$140,300 -- a net increase of \$1,300, or 0.9%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ -0- GF
Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 0%.

- ERE Rate Changes 1,300 GF

JLBC Staff Recommended Format -- Lump Sum for the Program.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Education
 PROGRAM: General Services Administration

JLBC ANALYST: Fusak
 OSPB ANALYST: Mabry

HOUSE SUBCOMMITTEE CHAIR: Graham
 SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	159.8	153.3	158.8	147.8	154.8	
OPERATING BUDGET						
Personal Services	4,122,700	4,268,200	4,643,500	4,268,200	4,284,800	
Employee Related Expenditures	937,800	867,100	1,037,300	969,800	986,800	
Professional/Outside Services	45,800	51,000	99,600	51,000	56,000	
Travel - In State	65,600	88,100	96,600	88,100	89,600	
Travel - Out of State	11,100	27,500	33,000	27,500	27,500	
Other Operating Expenditures	1,380,700	1,642,700	1,722,300	1,486,100	1,529,200	
Equipment	76,700	0	105,000	0	35,000	
All Other Operating Subtotal	1,579,900	1,809,300	2,056,500	1,652,700	1,737,300	
OPERATING SUBTOTAL	6,640,400	6,944,600	7,737,300	6,890,700	7,008,900	
SPECIAL LINE ITEMS						
Achievement Testing	1,163,000	1,279,900	1,428,800	1,336,700	1,308,700	
Educ. Comm. of the States	43,100	45,000	49,300	49,300	49,300	
SLIAG Administration	14,100	5,600	0	0	0	
Special Education Audit	198,800	219,300	222,500	221,500	221,800	
School Restructuring	98,500	100,000	0	0	0	
SLIAG Outreach	600	0	0	0	0	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Education
 PROGRAM: General Services Administration

JLBC ANALYST: Fusak
 OSPB ANALYST: Mabry

HOUSE SUBCOMMITTEE CHAIR: Graham
 SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Special Item Subtotal	1,518,100	1,649,800	1,700,600	1,607,500	1,579,800	
PROGRAM TOTAL	8,158,500	8,594,400	9,437,900	8,498,200	8,588,700	
BY FUND SOURCE						
General Fund	8,158,500	8,594,400	9,437,900	8,498,200	8,588,700	
Other Non-Appropriated Funds	2,603,800	2,597,800	2,601,800	--	2,601,800	
PROGRAM TOTAL - ALL SOURCES	10,762,300	11,192,200	12,039,700	8,498,200	11,190,500	

Program Description - The General Services Administration program is divided into a number of units including, School Finance, Data Processing, Career Ladders, Teacher Certification and Special Education, which provide for the ongoing operation of the Department of Education. The State Superintendent for Public Instruction is funded through this cost center.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$8,588,700 -- a net decrease of \$(5,700), or (.07)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (300) GF
 Maintains a vacancy factor of 2%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 2%.
- ERE Rate Changes 112,200 GF
- Teacher Certification 50,700 GF
 The JLBC Staff recommends 2 FTE positions for the Teacher Certification Unit. Included in the total is \$15,000 for computer automation. The unit is responsible for processing certificates and fingerprint information, administering the teacher proficiency exam, and assisting

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

the State Board of Education in the review and revocation of certificates. The number of revocation cases has increased from 8 cases in FY 1980 to over 66 cases since FY 1990. The recommendation is contingent on the State Board of Education increasing certification fees to offset the increase in the appropriation. A.R.S. § 15-531 requires the State Board of Education to fix fees within the following ranges:

New Certificates = minimum of \$20, maximum of \$30
 Renewals = minimum of \$10, maximum of \$20

The State Board currently charges the minimum of \$20 for a new certificate and \$10 for renewals. The board proposes raising the fees, which are deposited into the General Fund, to the maximum amount permitted by law which will more than offset the cost of the \$50,700 increase. The Executive does not recommend this issue.

• Rent

38,300 GF

The JLBC Staff recommends an increase of \$44,000 for rent for the Education Building and a decrease of \$(5,700) for rent for the Court's Building.

In FY 1993, the department changed its methodology for accounting for space from an estimated average square footage per FTE approach (the total number of FTE's -- federal, state and revolving -- divided by the total building square footage) to an actual square footage per FTE. The result was an increase in the General Fund requirement for the Education Building, because the state programs occupy more space than the federal programs. However, the increase was not funded in FY 1994. The \$44,000 increase reflects the change in the rent allocation methodology.

It should also be noted that the FY 1994 budget assumed that the federal programs would pay the state rate of \$11 per square foot. The federal programs, however, will only be paying \$8.31 per square foot for office space and \$1.17 for storage space according to the statewide cost allocation plan. The Department of Administration (DOA) actually bills the department for \$11 per square foot for office space and \$4.50 for storage space. The department plans to pay DOA only what it receives for rent from its federal programs and not the state rate of \$11.

GENERAL FUND REQUIREMENT

	<u>FY 1994</u>	<u>FY 1995</u>	<u>Difference</u>
Education Building	\$396,600	\$440,600	\$44,000
Courts Building	73,300	67,600	(5,700)
Tucson State Office Building	31,800	31,800	-0-
Other	<u>2,600</u>	<u>2,600</u>	<u>-0-</u>
Total	\$504,300	\$542,600	\$38,300

The Executive recommends no change for rent and lease-purchase payments.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- All Other Operating Expenditures (136,600) GF
 The JLBC Staff recommendation includes a reduction of \$(156,600) for risk management which dropped from \$239,600 to \$83,000. The JLBC Staff recommends an increase of \$20,000 in Capitalized Equipment to replace 10 micro computers which are unable to run newer versions of software used by the department, such as the new AFIS II Accounting System.

- Achievement Testing 28,800 GF
 The JLBC Staff recommends the following for achievement testing:
 - A decrease of \$(122,900) for a total of \$38,900 for Norm Referenced Testing (NRT) based on full testing of grades 4, 7, and 10. The reduction reflects a three year contract with Riverside Publishing Company for testing the 3 grades.
 - An increase of \$151,700 for a total of \$1,269,800 for the Arizona Student Assessment Plan (ASAP) essential skills testing, with full testing for grades 3, 8, and 12.

ASAP scoring and reporting will increase by \$51,300 due to a four year Riverside Publishing contract which includes an increase each year for inflation. The costs of developing Test D, which will be in English and Spanish, will increase by \$17,700. The department will continue to need funding for development costs to establish an ASAP test inventory so that tests may be rotated from year to year. Tests A, B, C were developed using federal dollars and were distributed to the school districts in FY 1992. Once the state mandated the ASAP program (Laws 1990, Chapter 233), federal dollars could no longer be used to fund development costs. Also included is an increase of \$82,700 for operating costs associated with ASAP. The bulk of the costs include a printing contract with the Department of Corrections. Last year the achievement testing line item did not contain funding for the contract and the print charges were paid from the Arizona Teacher Evaluation line item. The FY 1995 recommendation for the Arizona Teacher Evaluation line includes a reduction of \$(100,000) and therefore, the line item will not have sufficient funding to pay for the contract again.

ACHIEVEMENT TESTING

	Estimated FY 1994			Recommended FY 1995			Difference		
	<u>NRT</u>	<u>ASAP</u>	<u>Total</u>	<u>NRT</u>	<u>ASAP</u>	<u>Total</u>	<u>NRT</u>	<u>ASAP</u>	<u>Total</u>
Scoring and Reporting	\$161,800	\$680,300	\$842,100	\$38,900	\$731,600	\$770,500	\$(122,900)	\$51,300	\$(71,600)
Development	--	437,800	437,800	--	455,500	455,500	--	17,700	17,700
Operating Costs	--	-0-	-0-	--	82,700	82,700	--	82,700	82,700
Total	\$161,800	\$1,118,100	\$1,279,900	\$38,900	\$1,269,800	\$1,308,700	\$(122,900)	\$151,700	\$28,800

The Executive recommends an increase of \$56,800 for achievement testing.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **School Restructuring** (100,000) GF
The JLBC Staff concurs with the departmental request to eliminate funding for the School Restructuring program per statute. Laws 1990, Chapter 357 (S.B. 1552) created the School Restructuring Incentives Pilot Program from FY 1991 to FY 1994. The \$100,000 was used for the evaluation of the program. Since the program will not be in existence in FY 1995, the evaluation funding will no longer be needed. According to the department, the program has achieved its purpose, which was to offer opportunities for selected schools to establish goals in 6 major areas and implement activities to support them.

Schools wishing to participate in the program were required to submit program proposals to the committee by October 15, 1990. No more than 16 schools could be approved for participation by the committee. Schools that received approval to participate in the program were allowed to increase their Base Support Levels (BSL) by up to \$40,000, depending on their student count. The Executive also recommends a reduction of \$(100,000).
- **Education Commission of the States** 4,300 GF
The JLBC Staff recommends an increase of \$4,300 for the state's assessment of the Education Commission of the States. The State Commission consists of 7 members. Four of the members are from the Legislature (with 2 members appointed by the President of the Senate and 2 selected by the Speaker of the House of Representatives). The remaining 3 members are appointed by the Governor.
- **SLIAG (State Legalization Impact Assistance Grants) Administration** (5,600) GF
The recommendation reflects a decrease of a 0.5 FTE position and \$(5,600) due to the end of in State Legalization Impact Assistance Grants (SLIAG) program on September 30, 1993. The SLIAG grant monies were provided to applying states which offered educational services to certain illegal aliens who have become legal residents of the United States under the amnesty program established by Congress in 1986. The state General Fund was reimbursed annually by the federal SLIAG grants for this "up front" funding.
- **Special Education Audit** 2,500 GF
Includes an increase of \$2,500 for ERE rate adjustments.

JLBC Staff Recommended Format -- Modified Lump Sum by Program with Special Line Items

JLBC Staff Recommended Footnotes

New FY 1995 Footnotes

- Of the amount appropriated for FY 1995, \$50,700 shall revert to the General Fund if teacher certification fees are not increased to a level sufficient to cover the costs of the Teacher Certification Program expansion.

Deletion of Standard Footnotes

- The appropriation for State Legalization Impact Assistance Administration shall be available to the extent that the General Fund will be reimbursed for these expenditures by the State Legalization Impact Assistance Grants, authorized by section 204 of P.L. 99-603, the Immigration Reform and Control Act of 1986. It is the intent of the Legislature that the General Fund be fully reimbursed for this appropriation. *(Since the SLIAG program is ending in FY 1994, the administrative line item will be eliminated in FY 1995 and this corresponding footnote will no longer be needed.)*

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Education
 PROGRAM: Assistance to Schools

JLBC ANALYST: Fusak
 OSPB ANALYST: Mabry

HOUSE SUBCOMMITTEE CHAIR: Graham
 SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	43.1	43.1	41.8	0.0	41.8	
SPECIAL LINE ITEMS						
Basic State Aid	1,063,495,400	1,131,142,800	1,350,972,500	1,288,107,700	1,416,140,300	
Prior Year State Aid	143,196,400	143,196,400	143,196,400	143,196,400	0	
Additional State Aid	124,263,600	117,349,300	112,000,000	108,741,700	112,363,400	
Assistance to School Districts	552,900	520,000	608,300	604,100	600,000	
Certificates of Educational Convenience	7,645,600	9,298,900	9,767,000	8,548,400	8,626,700	
Permanent Education Vouchers	2,505,600	3,071,600	2,764,000	2,741,200	2,668,100	
Perm. Spec. Ed. Inst. Voucher	5,172,200	5,311,400	5,689,000	6,309,700	6,419,400	
Academic Contest Fund	47,100	50,000	50,000	50,000	50,000	
Academic Decathlon	96,800	81,900	82,400	82,300	82,400	
Adult Education Assistance	3,042,600	3,045,600	3,048,400	3,047,500	3,047,800	
Az Humanities Council	40,000	40,000	40,000	40,000	40,000	
Az Principals' Academy	25,200	25,200	25,200	25,200	25,200	
Az Teacher Evaluation	385,000	395,100	298,200	297,000	297,800	
ASSET	234,000	234,000	234,000	234,000	234,000	
Chemical Abuse	816,800	835,700	839,900	838,500	838,900	
Dropout Prevention	2,028,800	2,183,400	2,184,600	2,186,200	2,182,000	
Extended School Year	357,800	500,000	500,000	500,000	500,000	
Full-Day Kindergarten	1,389,700	1,402,900	1,404,300	1,404,100	1,403,700	
Gifted Support	996,200	1,002,200	1,003,200	953,000	953,000	
K-3 Support	5,380,600	5,453,700	5,453,700	5,452,500	5,455,200	
Preschool Disabilities	764,100	0	0	0	0	
Preschool At-Risk Program	2,581,900	2,602,600	2,603,600	2,603,300	2,603,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Education
PROGRAM: Assistance to Schools

JLBC ANALYST: Fusak
OSP ANALYST: Mabry

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Residential Placement	82,500	100,000	100,000	100,000	100,000	
School Breakfast Program	-1,000	0	0	0	0	
SLIAG Adult Education	1,192,600	375,800	0	0	0	
Tuition Fund	100,000	100,000	100,000	100,000	100,000	
Vocational Ed. Assistance	2,835,000	2,835,000	2,835,000	2,835,000	2,835,000	
Voc. Ed. Prog. Support	1,003,700	1,009,000	1,009,000	1,010,400	1,013,800	
Voc. & Tech. Education	1,999,900	2,000,000	2,000,000	2,000,000	2,000,000	
Arizona Geographic Alliance	0	0	0	50,000	50,000	
Special Item Subtotal	1,372,231,000	1,434,162,500	1,648,808,700	1,582,058,200	1,570,630,100	
PROGRAM TOTAL	1,372,231,000	1,434,162,500	1,648,808,700	1,582,058,200	1,570,630,100	
BY FUND SOURCE						
General Fund	1,372,231,000	1,434,162,500	1,648,808,700	1,582,058,200	1,570,630,100	
Federal Funds	241,348,300	353,429,400	367,510,800	--	367,510,800	
Other Non-Appropriated Funds	50,106,600	55,787,800	52,113,800	--	55,184,000	
PROGRAM TOTAL - ALL SOURCES	1,663,685,900	1,843,379,700	2,068,433,300	1,582,058,200	1,993,324,900	

Program Description - Assistance to Schools includes 7 formula programs and 20 non-formula programs listed above. The largest line item is Basic State Aid, which provides the state's share of equalization assistance to school districts based on a funding formula set in statute.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$1,570,630,100 -- a net increase of \$136,467,600, or 9.5%, to the FY 1994 appropriation.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Changes from FY 1994

Basic State Aid/Prior Year State Aid

- Base Adjustments

\$7,334,200 GF

These are adjustments to the FY 1994 adjusted appropriation to reflect the FY 1994 funding requirement. Includes an increase of \$4,411,200 to offset the loss of a one-time County Equalization correction for Apache County. Apparently, Apache County neglected to apportion \$3.4 million of County Equalization, paid by the Salt River Project, to school districts in prior years. The remaining \$1 million is for interest on the \$3.4 million county aid. This one-time payment increased the level of County Equalization in FY 1994 (thereby reducing the General Fund requirement), but will not be available again in FY 1995.

- State Aid Deferral ("Rollover")

(696,400) GF

The JLBC Staff recommendation eliminates the \$(142,500,000) K-12 "rollover" in FY 1994. The Executive recommendation reduces the deferral by \$(71,200,000) in FY 1995.

The K-12 "rollover" is a finance technique used to help balance the budget that shifts funding requirements from one fiscal year to the next. The "rollover" is paid on July 1 of the new fiscal year.

For example, the FY 1994 General Appropriation Act (Laws 1993, Chapter 1, 2nd Special Session) appropriated funding for the FY 1994 Basic State Aid requirement for only 11 months. The Act funds the remaining 1-month of payments, \$142,500,000, with an appropriation from FY 1995. In addition, the Act includes an appropriation of \$696,400 for any costs to school districts which may be associated with the reductions in apportionment of Basic State Aid and Additional State Aid. Beyond this language in the General Appropriation Act, Section 10 of Laws 1993, Chapter 8, 2nd Special Session (the Education Omnibus Budget Reconciliation Bill) authorizes the reduction in the state aid apportionment for FY 1994.

To reverse the "rollover" the JLBC Staff recommends:

- 1) Supplementing the FY 1994 Basic State Aid appropriation by \$142.5 million. This supplemental would serve to fund the full 12 months of FY 1994 Basic State Aid payments in FY 1994.
- 2) Repeal the advance FY 1995 appropriation of \$142.5 million for the "rollover" and the \$696,400 for related costs.
- 3) Repeal the Education ORB language.

As a result of eliminating the "rollover", the state will save \$696,400 in "related costs." In addition, there are other costs associated with the "rollover", specifically imputed foregone interest earnings. The fact that the state deferred the payment instead of raising taxes and/or cutting spending to balance the budget has caused State Treasury balances, and thus interest earnings, to be lower than they otherwise would have been. Therefore, eliminating the "rollover" will improve the state's operating cash balances and interest earnings in the future, under the assumption that the \$142.5 million would otherwise be used to increase spending or reduce taxes.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

<u>Fiscal Year</u>	<u>Deferral</u>	<u>Repayment*</u>	<u>Average 6 Month T-Bill Rate</u>	<u>Imputed Foregone Interest Earnings</u>
1988	\$ 56,100,000	--	6.28%	\$1,760,839
1989	80,000,000	\$56,276,000	8.01%	5,452,506
1990	100,000,000	80,250,000	7.66%	6,896,250
1991	142,500,000	100,313,000	6.53%	7,911,563
1992	142,500,000	143,196,400	4.46%	6,348,375
1993	142,500,000	143,196,400	3.14%	4,478,063
1994	142,500,000 **	143,196,400	3.14%	4,470,938
1995	--	--	--	--

* Prior year deferral plus a payment to offset any interest costs associated with deferral.

** The JLBC Staff recommends repealing this deferral, thereby eliminating a FY 1995 repayment. The advance FY 1995 appropriation of \$143,196,400 (\$142.5 million for State Aid and \$696,400 for interest) will be repealed and \$142,500,000 will be added to the FY 1994 budget. The net change is a savings of \$696,400 for the cost of the "rollover".

The FY 1994 estimate column on page ED-42 reflects current law. Elimination of the "rollover" would increase FY 1994 spending by \$142,500,000.

• **Demographic Adjustments**

79,798,900 GF

The JLBC Staff recommendation provides funding for a 35% increase in the Preschool Disabilities Student (PSD) count, a 3.5% increase in the elementary student count, a 3.3% increase in the high school student count and a 3.5% increase in the Group B student count. The estimates are based on population statistics from the Department of Economic Security (DES) and Average Daily Membership (ADM) historic data. The projections show that for FY 1996, high school growth should be around 5%.

State Aid Student Counts For Past 6 Years

<u>Fiscal Year</u>	<u>PSD</u>	<u>% Change</u>	<u>K-8</u>	<u>% Change</u>	<u>9-12</u>	<u>% Change</u>	<u>Total</u>	<u>% Change</u>
1989	0	N/A	402,487	4.2%	162,050	0.4%	564,537	3.1%
1990	464	N/A	419,084	4.1%	160,215	(1.1)%	579,763	2.7%
1991	637	37.3%	430,531	2.7%	158,334	(1.2)%	589,502	1.7%
1992	848	33.1%	444,474	3.2%	159,842	1.0%	605,164	2.7%
1993	1,228	44.8%	458,752	3.2%	166,059	3.9%	626,039	3.4%
1994	1,602	30.5%	474,568	3.4%	170,725	2.8%	646,895	3.3%
1995 Est.	2,072	35.0%	491,426	3.5%	176,358	3.3%	669,856	3.5%

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The Executive recommends an increase of \$81,094,100 based on 38.5% growth in preschool disabilities, 2.5% growth in elementary, 5.9% in high school, and 1% growth for Group B students.

- **Statutory Inflation Adjustment**

36,577,200 GF

A.R.S. § 15-901 provides that, "If the Legislature fails to prescribe the growth rate for the budget year by March 1, the growth rate which shall be utilized to adjust the Base Level for the budget shall be the percentage growth in the GDP Price Deflator from the second preceding calendar year to the calendar year immediately preceding the budget year." The GDP Price Deflator adjustment affects the Base Level, transportation, and capital outlay amounts in the State Aid formula. The adjustment also affects the Permanent Education Vouchers and the Permanent Special Education Institutional Vouchers.

The JLBC Staff recommends funding 1.5% of the estimated 2.6% GDP Price Deflator adjustment for FY 1995. To fully fund the deflator of 2.6%, \$26,851,400 would have to be added to the budget (the total cost of fully funding the deflator is \$63,428,600). In FY 1992, the GDP Price Deflator was funded at 1% (the actual GDP Price Deflator was 4.3%), in FY 1993, a 0.5% adjustment was authorized to be funded for inflation (the actual GDP Price Deflator was 4.1%), and in FY 1994, no adjustment was funded for inflation (the actual GDP Price Deflator was 2.7%). The Executive recommends \$47,882,000 for a 2% deflator adjustment.

- **1% Growth in School District Assessed Valuation**

(8,248,200) GF

Growth in school district assessed valuation increases the "local share" of total formula funding and thus offsets increases in state funding. The JLBC Staff recommendation for Basic State Aid assumes a 1% increase in school district assessed valuation for FY 1995. Statewide assessed value growth has been steadily declining as follows: 1986, 16.3%; 1987, 13.2%; 1988, 7.3%; 1989, 8.9%; 1990, 3.1%; 1991, (0.2)%; 1992, (0.4)%; 1993, (0.7)%. The staff believes the recent market upturn will begin to be seen in FY 1994.

Percent Growth/Decline by Class

Property Class	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
1	(9.3)%	(10.0)%	25.1	29.7%	10.5%	26.8%	22.7%	7.2
2	4.8	22.7	0.7	8.4	(4.1)	(0.3)	(2.9)	(1.1)
3	29.8	12.6	9.7	10.6	9.6	(1.1)	0.1	(1.0)
4	18.2	21.3	12.2	12.7	4.8	(1.5)	(5.9)	(5.8)
5	15.5	11.4	8.6	7.6	3.7	2.4	2.6	3.0
6	12.5	0.3	4.5	1.6	(8.0)	(10.7)	(7.7)	(9.4)
7	11.7	(28.2)	2.2	20.0	17.0	3.5	13.9	(22.7)
8	38.2	45.7	59.5	24.6	8.9	66.3	5.6	17.4
9	--	--	--	--	--	--	6.0	6.7
C	(21.5)	(51.8)	3.3	(28.5)	43.1	4.3	(9.3)	(22.5)
Total	16.3%	13.2%	7.3%	8.9%	3.1%	(0.2)%	(0.4)%	(0.7)%

The Executive recommendation also assumes 1% growth in assessed valuation.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The JLBC Staff considers the trend decline in assessed value and its impact on state financing of K-12 education to be one of the most critical budgetary problems facing the Legislature today. The framers of the Basic State Aid formula did not contemplate a time when assessed value growth would be less than the sum of pupil growth and inflation, yet alone a time when statewide assessed value would actually decline from the prior year as it has 3 consecutive years in a row. This fact is essential to understanding our current and prospective difficulty in fully funding the Basic State Aid formula. In very simple terms, when assessed value grows by more than the sum of pupil growth and inflation (currently 3.5% and 2.6%, respectively, or 6.1% collectively), the state General Fund cost will grow by less than the sum of the two; conversely, when assessed value grows by less than the sum of the two, the state cost increases by more than the sum of pupil growth and inflation. It should be noted that each 1% of assessed value growth is worth over \$9 million (including County Equalization) to the state's cost of Basic State Aid. Thus, if statewide assessed value growth were 6.1% instead of an increase of only 1% as expected, the cost to the state would be reduced by approximately \$50 million.

- **County Equalization** (1,663,000) GF
A.R.S. § 15-994 provides that the County Board of Supervisors shall levy a county equalization tax. The rate is 53 cents per \$100 of assessed value and is assessed against all property just as the state property tax is assessed. County Equalization monies are a deduction from the total equalization requirement and thus lower the General Fund requirement. The JLBC Staff recommendation includes a reduction of \$(118,015,900) for County Equalization. This represents an additional offset of \$(1,663,000) from the FY 1994 level since the JLBC Staff recommendation assumes a 1% increase in assessed value for FY 1995. The Executive recommends a reduction of \$(117,190,500) for County Equalization, which also assumes a 1% increase in assessed value for FY 1995.
- **Increase in Endowment Revenue** (344,700) GF
Endowment earnings of the Permanent State School Fund offset the cost of Basic State Aid. The beginning FY 1994 carrying value of the Permanent State School Fund is approximately \$549,619,000. The beginning FY 1995 carrying value is estimated to be \$579,891,000. The FY 1995 JLBC Staff recommendation includes an offset of \$(55,986,000) for Endowment Earnings, compared to an offset of \$(55,641,300) in FY 1994. This higher offset will decrease the General Fund cost of Basic State Aid by \$(344,700). The Executive recommendation includes an offset of \$(55,579,500) for Endowment Earnings.
- **Retirement Recapture** 9,109,400 GF
Laws 1990, Chapter 310, provided that if the employer contribution rate to the State Retirement Plan is less than 5.09%, for the current year, school district expenditures and State Aid would be reduced to reflect the savings. The JLBC Staff recommendation for Basic State Aid includes an offset of \$(19,100,600) for the "retirement recapture", which is \$9,109,400 higher than the FY 1994 recapture. The retirement recapture offset is based on the retirement contribution rate being raised from 3.14% in FY 1994 to 3.75% in FY 1995. The JLBC Staff recommendation for Additional State Aid includes an offset of \$(625,400) for retirement savings from districts which do not receive Basic State Aid. The JLBC Staff total estimated savings for the retirement recapture is \$(19,726,000). The Executive recommendation includes an offset of \$(19,385,300).
- **District Cash Balance Reversion** 18,000,000 GF
The FY 1994 appropriation included a deduction of \$(18,000,000) to reflect monies reverted from school district cash balances, pursuant to Laws 1992, Chapter 288. The FY 1993 appropriation included a deduction of \$(25,000,000). Chapter 288 required school districts to revert a percentage of their ending cash balances related to State Aid apportionments to a separate account within the County Aid for

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Equalization Assistance for Education Fund. The percentages are: 27% for FY 1993; 18% for FY 1994; and 0% for subsequent years. Therefore the 18% reduction must be restored in FY 1995. The Executive recommendation also eliminates the deduction.

- **Federal Impact Aid PL 81-874** -0- OF
Chapter 288 suspended the deduction of PL 81-874 receipts (Federal Impact Aid) from Basic State Aid for FY 1993 and FY 1994, at a cost of \$15 million per year. The United States Department of Education denied the state's request to be certified as an equalized state for FY 1989 and FY 1990. Certification would have allowed the state to take Federal Impact Aid into consideration in determining Basic State Aid apportionments to school districts. Subsequent to the "de-certification," the Arizona Department of Education (ADE) entered into an agreement with a coalition of Federal Impact Aid districts to suspend deductions from State Aid apportionments for FY 1993 and FY 1994. In addition, the agreement called for joint support of federal legislation which would deem Arizona to have been certified to make reductions in State Aid for FY 1989 through FY 1992. According to the Department of Education, the federal re-authorization is behind schedule and the current impact aid laws and regulations are likely to remain in force for the next fiscal year. Under current regulations, Arizona can not qualify for the deduction.

- **State Juvenile Educational System** 237,800 GF
Laws 1989, Chapter 266, established the State Juvenile Educational System and provided for the calculation and apportionment of equalization assistance for the system beginning in FY 1992. The JLBC Staff recommends \$2,191,500 for the State Juvenile Education System based on a student count of 488.7 under the control of the Department of Youth Treatment and Rehabilitation (DYTR). The 40th day student count for school year 1993-1994 is 465.8, however, the 1992-1993 100th day student count was 543 which makes DYTR eligible for the Rapid Decline adjustment. Under Rapid Decline, DYTR can use 90% of its prior year count of 543, which equals 488.7. The Executive recommends \$2,854,100 based on a student count of 542.6.

- **Sudden Growth** 4,000,000 GF
A.R.S. § 15-948 provides that school districts, after the first 40 days in session of the current year, may determine if they are eligible to increase their budget capacity due to growth in student population. Sudden Growth may be calculated on student growth above 5% (at the full base level) or between 3% and 5% (at one-third the base level). Laws 1993, Chapter 8, limited Sudden Growth funding for FY 1994 to 75% of the actual requirement. The JLBC Staff recommends \$14,875,000 for Sudden Growth, fully funding the actual requirement. The Executive recommendation limits Sudden Growth to 75% of the requirement.

- **Career Ladders Step Increase/QTR Increase** (9,286,600) GF
Career Ladders is a teacher performance compensation program, which allows participating districts to increase their Base Level by percentages stated in statute (A.R.S. § 15-918) depending on the implementation phase the district is in. There are 4 phases with corresponding percentage increases as follows: the Development Phase: 0.5% increase; the Evaluation Phase: 1% increase; Placement Phase: 2.5% increase; and the Effective Career Ladder Phase: 5.5% increase. The Career Ladder program is an optional program and 29 districts currently participate.

The Career Ladder recommendation consists of the following 3 changes:
-- an increase of \$3,829,000 (for a total of \$4,136,000) to cover step increases as districts move to higher phases of the program.
The increase also adjusts for student growth.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- a reduction of \$(12,615,600) to reflect the shift in Career Ladder costs to the Qualifying Tax Rate (QTR). Laws 1993, Chapter 8 (H.B. 2004), shifts the cost of the Career Ladders program from the state to the local QTR over a 3-year period. The reduction represents the second year shift of 1/3 of the program to the QTR. After this adjustment, 2/3 of the program will be funded on the QTR. The Executive recommendation also shifts another 1/3 of the program to the QTR.
- a base reduction of \$(500,000) for Career Ladder expansion monies. Laws 1990, Chapter 319 provides that beginning in fiscal year 1994-1995, the state board is authorized to approve additional districts to budget for a Career Ladder program for the first time until all interested and qualified districts are included, except that the state board may approve additional districts only to the extent that the Legislature appropriates, in advance, sufficient monies to cover the costs of the development phase for such districts. No new districts were approved to enter the program in FY 1994 for the FY 1995 year. The department indicates that 35 new districts are interested in entering the program.

- **CLRL Restoration** 9,355,700 GF
 Laws 1993, Chapter 8 (H.B. 2004), through session law, reduced the Capital Levy Revenue Limit (CLRL) for 1 year by \$15 per student. The increase reflects full restoration of the reduction. The Executive also recommends restoring the \$15 reduction.

- **Other Adjustments** (2,373,200) GF
 The JLBC Staff recommendation includes a reduction of \$(1,306,000) for Rapid Decline. The recommendation includes a decrease of \$(920,600) for the school restructuring program which ends in FY 1994 pursuant to A.R.S. § 15-901. The recommendation includes a reduction of \$(100,000) for student loss, a reduction of \$(246,600) for tuition loss, and an increase of \$200,000 for financial and compliance audits. The changes reflect actual requirements for these Basic State Aid factors.

Total Basic State Aid/Prior Year State Aid Increase **\$141,801,100**

Additional State Aid ("Homeowners' Rebate Program")

The FY 1994 appropriation of \$117,349,300 and the FY 1995 recommendation of \$112,363,400 are based upon the following assumptions:

	<u>Est.</u> <u>FY 1994</u>	<u>JLBC Rec.</u> <u>FY 1995</u>	<u>OSPB Rec.</u> <u>FY 1995</u>
Class 5 Property Growth	1.0%	5.0%*	3.0%
Average School District Tax Rates	3.0%	1.6%**	1.0%
"Buydown" Rate	35.0%	30.0%	30.0%

* Class 5 property assessed value increased by \$199,424,400, or 3%, in 1993.

** Based on historical data.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Laws 1990, Chapter 3, 3rd Special Session, provides that the reduction rate shall be 50% in tax year 1990 and shall decline by 5% every year until it reaches 0% in tax year 2000. Laws 1988, Chapter 271 amended A.R.S. § 15-972 to provide that the maximum state reduction in property taxes for any residential parcel shall not exceed \$500. Although the Homeowners' Rebate is being phased out, it will not disappear entirely after FY 2001 because of a constitutional requirement that residential property taxes not exceed 1% of a property's full cash value. The JLBC Staff recommends an increase of \$2,603,000 for the 1% cap. The JLBC Staff recommendation also includes a reduction of \$(625,400) to reflect estimated savings in employer contributions to the State Retirement System for school district personnel in districts which do not receive equalization assistance ("zero aid" districts). The Additional State Aid adjustments are as follows:

- Statutory Reduction of Buydown Rate from 35% to 30% (17,712,600) GF
 - 5% Increase in Class 5 Property and 1.6% Increase in Average School District Tax Rates for Class 5 Properties 8,194,000 GF
 The Executive recommendation assumes 3% growth in Class 5 property and a 1% increase in local tax rates.
 - Homeowners' Rebate under Constitutional 1% Cap 2,603,000 GF
 The Constitution requires that residential property taxes not exceed 1% of a property's full cash value.
 - Career Ladder Tax 1,645,000 GF
 Includes an increase due to the shift in funding for the Career Ladder program to the Qualifying Tax Rate.
 - Retirement Recapture 284,700 GF
 Includes an estimate of \$(625,400) for non-state aid districts. The FY 1994 budget included \$(910,100) for the Retirement Recapture.
- Total Additional State Aid Decrease* *\$(4,985,900)*
- The Executive recommendation includes a reduction of \$(8,607,600).

Other Statutory Formula Programs

- Statutory Inflation Adjustment 139,300 GF
 The JLBC Staff recommends a 1.5% adjustment for the GDP Price Deflator for the following programs: Certificates of Educational Convenience (funding for reimbursements to school districts providing services for students in unorganized districts, as well as students placed in foster care or correctional institutions); Permanent Education Vouchers (educational vouchers for students placed in private residential institutions); Permanent Special Education Institutional Vouchers (educational vouchers for students attending the Arizona State Schools for the Deaf and Blind); and Assistance to School Districts (tuition for districts educating children whose parents are employed or domiciled at a state institution).
- Demographic Adjustments (27,000) GF
 Includes the Certificates of Educational Convenience, Permanent Education Vouchers, Permanent Special Education Institutional Vouchers and Assistance to School Districts programs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Non-Formula Programs

- **Base Adjustments** (425,800) GF
The base adjustments reflect the reduction in required funding for the Gifted Support program and SLIAG Adult Education. The Gifted Support reduction of \$(50,000) reflects the completion of the gifted demonstration sites. The reduction in SLIAG Adult Education of \$(375,800) reflects the annualization of the phase-out of this program on September 30, 1993.
- **ERE Rate Changes** 15,900 GF
- **Arizona Teacher Evaluation** (100,000) GF
The Department of Education's request includes the elimination of the Arizona Teacher Residency Program.
- **Geographic Alliance** 50,000 GF
The JLBC Staff concurs with the Executive recommendation. The increase adds \$50,000 to fund the Arizona Geographic Alliance. The National Geographic Society assists states in establishing programs designed to increase the geographic and social studies literacy of students in grades K-12. Currently 47 states participate in the alliance. The alliances conduct programs in teacher education, public awareness, materials development and outreach to decision makers. The National Geographic Society will provide \$50,000 each year for the next three years if the state provides matching funds.

JLBC Staff Recommended Format -- Lump Sum for the Program with Special Line Items

JLBC Staff Recommended Footnotes

Standard Footnotes

- **Basic State Aid** - The above General Fund appropriation, when combined with all other monies in the State School Fund, provides basic state support to school districts for maintenance and operations funding as provided by A.R.S. § 15-973.

The General Fund appropriation, when combined with the General Fund appropriation made pursuant to Section 99 of this act, reflects the major portion of the estimated total requirement for Basic State Aid support. The difference between the estimated total amount required and the General Fund amount appropriated will be funded by expendable income derived from the Permanent State Common School Fund together with receipts derived from any source and will be expended, whenever possible, prior to expenditure of General Fund monies.
- **Additional State Aid** - This appropriation is made to enable the state to carry out the requirements of A.R.S. § 15-972.
- **Assistance to School Districts** - The appropriated amount is for assistance to school districts in educating the children of certain state employees as prescribed in A.R.S. § 15-976.
- **Certificates of Educational Convenience** - The appropriated amount is for reimbursement to school districts that have students enrolled under certificates of educational convenience as provided by A.R.S. § 15-825.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Permanent Education Voucher Fund - The appropriated amount is for education costs of students placed in private institutions by the Department of Economic Security, Department of Health Services, Department of Corrections or the Juvenile Courts, as provided by A.R.S. § 15-1182.
- Permanent Special Education Institutional Voucher Fund - The appropriated amount is for special education costs of students attending the Arizona School for the Deaf and the Blind and developmentally disabled programs operated by the Department of Economic Security in accordance with A.R.S. § 15-1202.
- Academic Contest Fund - The appropriated amount is for assistance in sending state level winners of academic contests to the national levels of the contests.
- Academic Decathlon - The appropriated amount shall be used solely for the purpose of paying administrative and material costs incurred in support of the academic decathlon and other academic events.
- Adult Education - The appropriated amount is for classes in adult basic education, general education development and citizenship on a statewide basis.

It is the intent of the Legislature that no more than ten per cent of the appropriation for adult education assistance be used by the Department of Education for operating the Division of Adult Education. It is also the intent of the Legislature that the greatest possible proportion of monies appropriated for adult education programs be devoted to instructional, rather than administrative, aspects of the programs.

- Arizona Humanities Council - The appropriated amount is for assistance to the Arizona Humanities Council for educational outreach services to Arizona school districts.
- Arizona Teacher Evaluation - The appropriated amount is for funding the Arizona Teacher Proficiency Examination and the Arizona Teacher Residency Program, a comprehensive, skill-based program of on-the-job training and observation for graduates of colleges of education.
- Arizona School Services through Educational Technology (ASSET) - The appropriated amount is for funding to assist school districts in enhancing educational instruction through television course work.
- Chemical Abuse - The appropriated amount is for assistance to school districts for programs designed to prevent chemical abuse by pupils in kindergarten programs and grades 1 through 12.
- Dropout Prevention - The appropriated amount is for assistance to school districts providing programs for pupils in grades 7 through 12 who are at-risk of dropping out of school prior to completing high school graduation requirements.
- Extended School Year - The appropriated amount is for assistance to school districts providing extended school year programs to handicapped pupils.
- Full-Day Kindergarten - The appropriated amount is for assistance to school districts providing kindergarten programs serving large numbers of at-risk pupils.
- Gifted Support - The appropriated amount is for assistance to school districts for special programs to meet the needs of gifted pupils.
- K-3 Support - The appropriated amount is for assistance to school districts for programs in kindergarten and grades 1 through 3 for pupils who are at-risk of not succeeding in the educational system.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Preschool Pilots - The appropriation for preschool pilots includes \$500,000 for phase one, \$2,000,000 for phase two and \$102,800 for technical assistance, training, monitoring and evaluation of at-risk preschool pilot projects.

The appropriated amount is for assistance to school districts serving at-risk preschool children.

- Residential Placement - The appropriated amount is for residential placement and shall be used to identify students needing residential placement and to establish a Residential Emergency Fund for the timely placement of students.
- Tuition Fund - The appropriated amount is for tuition assistance to facilitate the appropriate placement of sensory impaired pupils.
- Vocational Education Assistance - The appropriated amount is for assistance to school districts offering vocational education as provided by A.R.S. § 15-787.
- Vocational Education Program Support - The appropriated amount is for assistance to school districts offering vocational education programs emphasizing entry-level skill preparation.
- Vocational Technological Education - The appropriated amount is for assistance to school districts for vocational education pilot programs and for teacher training in vocational and technological education.
- Assistance to Schools - All monies received during the fiscal year from national forests, interest collected on deferred payments on the purchase of state lands, the income from the investment of permanent funds as prescribed by the Enabling Act and the Constitution and all monies received by the Superintendent of Public Instruction from whatever source, except monies received pursuant to A.R.S. § 15-237, when paid into the State Treasury are hereby appropriated for apportionment to the various counties in accordance with law. No expenditures shall be made except as specifically authorized above.

Other Issues for Legislative Consideration

- Eliminate Retirement Recapture/Reduce Base Level or Deflator Funding
The retirement recapture is calculated each year pursuant to A.R.S. § 15-917 (see Retirement Recapture bullet for further explanation). According to the Department of Education, the recapture calculation is time consuming for school districts and unnecessarily complicates the school funding formula. The department proposes eliminating the adjustment, which would increase the General Fund cost by \$19,726,000. Two options could be considered. One, the Base Level in the school funding formula could be reduced by \$34.17 to \$2,412.24 (the Base Level is currently \$2,410.26, however, it would be \$2,446.41 under the JLBC Staff recommendation which includes a 1.5% deflator adjustment). The other option is to exchange deflator funding for the recapture elimination (this option is supported by the Department of Education). Each deflator percentage point is worth approximately \$23.9 million, so the deflator adjustment of 1.5% would be lowered to 0.9% under this option. Both options would not change the overall state and local share of Basic State Aid funding, but would simplify the accounting. The recapture is estimated to be \$(19,726,000) in FY 1995.
- Pre-School At-Risk
The State Board of Education's legislative request for FY 1995 includes an increase of \$10 million for the Preschool At-Risk program to serve an additional 4,000 students. The current appropriation of \$2.6 million serves approximately 1,000 students. The Executive also recommends an increase of \$10 million for the program. However, according to the Federal Funds Information for States (FFIS), Head Start funding (federal funds) will grow from \$30 million to \$43 million in FY 1994 and additional monies for "at-risk" pre-school children will be provided through Chapter 1.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Education
 PROGRAM: Vocational Education

JLBC ANALYST: Fusak
 OSPB ANALYST: Mabry

HOUSE SUBCOMMITTEE CHAIR: Graham
 SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	26.3	26.3	26.3	26.3	26.3	
OPERATING BUDGET						
Personal Services	850,400	903,900	903,900	903,900	903,900	
Employee Related Expenditures	184,200	204,500	224,900	194,700	194,700	
Professional/Outside Services	92,300	79,700	79,700	79,700	79,700	
Travel - In State	21,900	21,400	21,400	21,400	21,400	
Other Operating Expenditures	104,300	69,800	69,800	69,800	79,600	
Equipment	24,400	0	0	0	0	
All Other Operating Subtotal	242,900	170,900	170,900	170,900	180,700	
PROGRAM TOTAL	1,277,500	1,279,300	1,299,700	1,269,500	1,279,300	
BY FUND SOURCE						
General Fund	1,277,500	1,279,300	1,299,700	1,269,500	1,279,300	
PROGRAM TOTAL - ALL SOURCES	1,277,500	1,279,300	1,299,700	1,269,500	1,279,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Education
PROGRAM: Vocational Education

Program Description - *The Vocational Education Program provides technical assistance and resources to educational and training providers. This program has a federal maintenance of effort requirement as well as a "hold harmless" match which requires the department to spend at least the same amount as was spent in the previous year. This requirement also applies to the Assistance to Schools Vocational Education Programs.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$1,279,300 -- no change from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ -0- GF
Maintains a vacancy factor of 1%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 1%.
- ERE Rate Changes (9,800) GF
- Other Operating Expenditures 9,800 GF
The JLBC Staff recommends an increase of \$9,800 to meet the federal maintenance of effort requirement.

JLBC Staff Recommended Format -- Lump Sum for the Program.

JLBC Staff Recommended Footnotes

Modification of Standard Footnotes

- The appropriation is made to enable the state to cooperate with the federal government in carrying out the provisions of the Carl D. Perkins Vocational and Applied Technology Education Act (1990) and acts amendatory and supplementary thereto, providing for the promotion and development of cooperative vocational education. (Updates the act referenced from the 1917 vocational education act to the 1990 amended act.)

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Historical Society

JLBC ANALYST: Bahl
OSP ANALYST: Marsio

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	49.5	48.5	48.5	53.0	53.0	
OPERATING BUDGET						
Personal Services	1,249,700	1,222,600	1,305,500	1,303,800	1,021,000	
Employee Related Expenditures	290,200	255,600	300,100	299,100	233,600	
Professional/Outside Services	49,400	31,300	31,300	67,300	31,000	
Travel - In State	12,100	9,100	9,100	9,100	8,600	
Other Operating Expenditures	1,577,700	1,727,100	1,732,700	1,847,300	447,900	
Equipment	26,900	0	31,100	0	16,300	
All Other Operating Subtotal	1,666,100	1,767,500	1,804,200	1,923,700	503,800	
OPERATING SUBTOTAL	3,206,000	3,245,700	3,409,800	3,526,600	1,758,400	
SPECIAL LINE ITEMS						
Journal of Az History	5,000	5,000	5,000	5,000	5,000	
Historical Society Grants	30,000	30,000	30,000	30,000	30,000	
Library Acquisitions	1,500	1,500	1,500	1,500	1,500	
Papago Park Museum	0	0	0	0	1,800,800	
Special Item Subtotal	36,500	36,500	36,500	36,500	1,837,300	
AGENCY TOTAL	3,242,500	3,282,200	3,446,300	3,563,100	3,595,700	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Historical Society

JLBC ANALYST: Bahl
OSPb ANALYST: Marsio

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	3,242,500	3,282,200	3,446,300	3,563,100	3,595,700	
Other Non-Appropriated Funds	782,000	842,000	809,000	--	809,000	
AGENCY TOTAL - ALL SOURCES	4,024,500	4,124,200	4,255,300	3,563,100	4,404,700	

Agency Description - *The Arizona Historical Society acquires, preserves, maintains, and publicly exhibits archival and museum objects pertaining to the history of Arizona, the West, and the Indian tribes inhabiting the state. The Society's major museums are in Yuma, Flagstaff, Tucson, Phoenix, and Tempe.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$3,595,700 -- a net increase of \$313,500, or 9.6%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ 8,100 GF
Maintains a vacancy factor of 3%. The Executive recommends a vacancy factor of 3%.
- ERE Rate Changes 22,000 GF
- Travel - In State 5,000 GF
The JLBC Staff recommends an increase of \$5,000 for daily and mileage motor pool fees on the new vehicle.
- Other Operating Expenditures 24,700 GF
The JLBC Staff recommends an increase of \$24,700 for risk management.
- Equipment 16,300 GF
The JLBC Staff recommends an increase of \$16,300 to replace the Southern Arizona Divisions' 1985 station wagon, which has over 200,000 miles on it, with a state motor pool vehicle. The Executive does not recommend this equipment.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

• Papago Park Museum

237,400 GF

The JLBC Staff recommends creating a special line item for Papago Park Museum and an increase of \$237,400 and 4.5 FTE positions. The total line item funding of \$1,800,800 and 12 FTE positions includes 2 parts. The first part is a transfer of \$1,563,400 and 7.5 FTE positions from the agency's lump sum appropriation which represents current funding for the museum's operation. The second part is an increase of \$237,400 and 4.5 FTE positions to help fund the partial opening of the Papago Park Museum. See table below.

PAPAGO PARK FUNDING

	<u>Recommended Increase</u>	<u>Transfer From Lump Sum Appropriation</u>	<u>TOTAL</u>
FTE Positions	<u>4.5</u>	<u>7.5</u>	<u>12.0</u>
Personal Services	\$83,700	\$207,800	\$291,500
Employee Related Expenditures	22,200	45,900	68,100
Lease-Purchase Payments of Papago Park	2,900	1,204,900	1,207,800
All Other Operating Expenditures	<u>128,600</u>	<u>104,800</u>	<u>233,400</u>
TOTAL	<u>\$237,400</u>	<u>\$1,563,400</u>	<u>\$1,800,800</u>

The additional 4.5 FTE positions include 1 Custodial Worker; 0.5 History Education Program Manager; 1 Museum Education Curator; 1 Clerk Typist; 0.5 Curatorial Assistant; and, 0.5 Archival Assistant. The increase in All Other Operating Expenditures of \$128,600 consists of a guard service contract, \$36,000; repair maintenance contracts and supplies, \$27,600; and, money to cover full utility costs, \$65,000.

The first floor and outdoor exhibits of the Papago Park Museum should be completed by July 1994 and the agency plans to have a formal opening in October 1994. Private dollars will fund exhibits and the agency estimates the cost of completing the opening exhibits at \$500,000, of which \$135,000 has been raised as of December 1993.

The JLBC Staff would note that this amount of private fund raising is less than the amount committed to at the time the Legislature agreed to an accelerated construction program for the museum through lease-purchase financing in 1988.

The Executive recommends an increase of \$234,500 in the agency's lump sum appropriation on 2 contingencies: 1) a favorable SLIM review of management policies and procedures, and 2) verification that the agency has adequate exhibit funding to open the museum by October 1994.

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Prescott Historical Society of Arizona

JLBC ANALYST: Bahl
 OSPB ANALYST: Marsio

HOUSE SUBCOMMITTEE CHAIR: Graham
 SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	15.5	15.5	15.5	15.5	15.5	
OPERATING BUDGET						
Personal Services	339,600	364,600	364,600	364,600	364,600	
Employee Related Expenditures	86,100	113,300	124,600	117,500	117,500	
Professional/Outside Services	3,300	3,300	3,300	3,300	5,100	
Travel - In State	0	400	400	400	400	
Other Operating Expenditures	64,700	62,100	74,100	65,300	65,300	
Equipment	12,500	0	0	0	0	
All Other Operating Subtotal	80,500	65,800	77,800	69,000	70,800	
AGENCY TOTAL	506,200	543,700	567,000	551,100	552,900	
BY FUND SOURCE						
General Fund	506,200	543,700	567,000	551,100	552,900	
Other Non-Appropriated Funds	98,700	113,100	113,100	--	113,100	
AGENCY TOTAL - ALL SOURCES	604,900	656,800	680,100	551,100	666,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Prescott Historical Society of Arizona

Agency Description - *The Prescott Historical Society preserves and maintains the Old Governor's Mansion, together with the other buildings and properties of the Sharlot Hall Museum located in Prescott. The Society is responsible for acquiring, preserving and publicly exhibiting archival and museum objects pertaining to the history, geological and anthropological life of Arizona and the West.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$552,900 -- a net increase of \$9,200, or 1.7%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 0%.

- **ERE Rate Changes** 4,200 GF

- **Professional and Outside Services** 1,800 GF
The JLBC Staff recommends an increase of \$1,800 to hire a termite exterminator to fumigate the Fremont House and the Ranch House. The Executive does not recommend this increase.

- **Other Operating Expenditures** 3,200 GF
The JLBC Staff recommends a decrease of \$(2,800) for risk management and an increase of \$6,000 to cover higher utility bills. The Executive concurs.

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Board of Medical Student Loans

JLBC ANALYST: Groll
OSPb ANALYST: Barton

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	0.0	0.0	0.0	0.0	0.0	
SPECIAL LINE ITEMS						
Medical Student Loans	1,000	1,000	105,700	105,700	114,600	
Special Item Subtotal	1,000	1,000	105,700	105,700	114,600	
AGENCY TOTAL	1,000	1,000	105,700	105,700	114,600	
BY FUND SOURCE						
General Fund	1,000	1,000	105,700	105,700	114,600	
Other Non-Appropriated Funds	93,900	131,600	159,600	---	159,600	
AGENCY TOTAL - ALL SOURCES	94,900	132,600	265,300	105,700	274,200	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Board of Medical Student Loans

Agency Description - The board is authorized to grant loans to students of the University of Arizona College of Medicine, make a full investigation of the ability, character and qualification of each loan applicant, and administer the loan program. Medical students who participate in the Medical Student Loans program agree to serve the State of Arizona in medically underserved areas for at least 2 years, or 1 year of service for each year of loan support, whichever is longer, upon graduation. As an incentive for service, the board is authorized to impose upon participants who have signed contracts, liquidated damages equal to the full amount borrowed, in addition to repaying the loan at the 7% interest rate.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$114,600 -- a net increase of \$113,600 to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Medical Student Loans

\$ 113,600 GF

The JLBC Staff recommendation funds the legal maximum loan level for 16 medical students. The \$114,600 from the General Fund and an estimated \$159,600 from the Medical Student Loan Fund will provide a total sum available for medical student loans of \$274,200. This sum will provide an average loan amount of \$17,140 for each of the 16 medical students requested by the board (5 students currently receiving loans and 11 students not currently receiving assistance) who, upon graduation, have agreed to serve the State of Arizona in medically underserved areas.

The Arizona Medical Student Loan funded at \$17,140 meets approximately 83% of the average standard cost of education for a medical student (\$20,718 per year). Until FY 1992, the maximum loan amount was \$6,000 per student per year. However, Laws 1992, Chapter 338 (H.B. 2228), authorized the Board of Medical Student Loans to grant the maximum loan amount for tuition of \$6,580, plus no more than \$10,000 for each student in FY 1993. Beginning in FY 1994, and continuing each year thereafter as provided by the law, the maximum loan amount in excess of tuition shall be \$10,000 adjusted for inflation based on the percentage change in the GDP Price Deflator. For FY 1995, based on an inflator of 2.9% for FY 1994 and 2.6% for FY 1995, respectively, this amount is \$10,560. Tuition of \$6,580 plus the \$10,560 stipend equals \$17,140.

The board funded 8 medical student loans at an average loan amount of \$16,580 in FY 1994. For FY 1995, without the additional General Fund support, the board would be able to provide funds for only 9 medical students --- rather than 16 --- at the legal maximum loan amount of \$17,140. However, the board would actually fund fewer medical students. With expected declining future loan repayment revenues and without reasonable assurance from the state of increased support, the board will not be able to fund students' entire medical education. No operating expenses are charged to the program and support staff is provided by the University of Arizona Medical School.

The Executive recommends a total General Fund appropriation of \$105,700. The Executive funds 16 medical students at an average loan amount of \$16,580, which does not include the GDP deflator adjustment of the last years. The higher JLBC Staff recommended amount will allow students to better handle a possible tuition increase.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Format -- Lump Sum by Agency

Other Issues for Legislative Consideration

- Decline of Loan Repayments

Medical students who participate in the Medical Student Loans program agree to serve the State of Arizona in medically underserved areas for at least 2 years, or 1 year of service for each year of loan support, whichever is longer, upon graduation. Until FY 1992, the penalty for non-service was full repayment of the loan amount at 7% interest rate on the outstanding balance. Many graduating Medical Student Loan recipients upon graduation chose repayment rather than fulfill their commitment to public service in medically underserved communities in Arizona. This resulted in unmet medical needs in these communities and a greater amount of loan repayment revenues than anticipated.

Effective October 1992, Laws 1992, Chapter 338 (H.B. 2228) established an incentive for service and authorized the Board of Medical Student Loans to impose, in addition to the full amount borrowed (tuition waivers + monies for other medical education costs), liquidated damages. Participants who have signed contracts under the new law will pay liquidated damages equal to the full amount borrowed, in addition to repaying the loan at the 7% interest rate. Consequently, the base from which current medical student loans are funded--repayment of medical student loans, rather than service--is expected to decline and the number of graduating medical students who will begin service in medically underserved areas in Arizona is expected to increase. As the loan repayment base decreases and medical education costs continue to rise, the Medical Student Loan program will not have the resources to sustain the current number of students or level of support. Viability of this program may depend upon increased state appropriations in future years.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Board of Regents

JLBC ANALYST: Lee
OSP ANALYST: Barton

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	28.1	28.1	28.1	28.1	28.1	
OPERATING BUDGET						
Personal Services	1,134,500	1,161,100	1,219,200	1,161,100	1,161,100	
Employee Related Expenditures	217,200	207,000	256,900	237,400	239,500	
Professional/Outside Services	22,100	22,700	22,700	22,700	22,700	
Travel - In State	3,300	10,900	10,900	10,900	10,900	
Other Operating Expenditures	207,400	302,800	320,800	212,300	212,300	
Equipment	22,100	0	0	0	0	
All Other Operating Subtotal	254,900	336,400	354,400	245,900	245,900	
OPERATING SUBTOTAL	1,606,600	1,704,500	1,830,500	1,644,400	1,646,500	
SPECIAL LINE ITEMS						
Wiche Interstate Office	75,000	75,000	79,000	79,000	79,000	
Wiche Student Subsidy	1,922,000	1,992,400	2,078,800	2,023,400	2,008,400	
Course Equivalency Guide	13,200	13,200	13,200	13,200	13,200	
Student Fin. Aid Trust Fund	1,166,800	1,166,800	1,204,600	1,204,600	1,204,600	
Student Incentive Grants	1,220,800	1,220,800	1,220,800	1,220,800	1,220,800	
TLFF for Deaf and Blind	95,000	95,000	95,000	95,000	95,000	
Area Health Program	887,700	887,700	1,956,500	1,643,700	1,150,200	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Board of Regents

JLBC ANALYST: Lee
OSPb ANALYST: Barton

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Special Item Subtotal	5,380,500	5,450,900	6,647,900	6,279,700	5,771,200	
AGENCY TOTAL	6,987,100	7,155,400	8,478,400	7,924,100	7,417,700	
BY FUND SOURCE						
General Fund	6,987,100	7,155,400	8,478,400	7,924,100	7,417,700	
Federal Funds	1,901,900	2,216,600	2,195,200	--	2,195,200	
Other Non-Appropriated Funds	2,373,400	2,091,800	2,008,400	--	2,008,400	
AGENCY TOTAL - ALL SOURCES	11,262,400	11,463,800	12,682,000	7,924,100	11,621,300	

Agency Description - The board governs the 3 state universities, appoints presidents of the universities, sets the tuition and fees, establishes curricula, awards degrees, prescribes qualifications for admission of all students to the universities. The board also adopts personnel rules and controls the university finances and expenditures including bonding, budget and all non-appropriated funds.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$7,417,700 -- a net increase of \$262,300, or 3.7%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- ERE Rate Changes \$ 32,500 GF
- Risk Management (108,500) GF
Provides a \$108,500 decrease for the Risk Management rate charges.
- Rent 18,000 GF
Provides an additional rent amount due to a rate increase.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **WICHE Interstate Office** 4,000 GF
Provides Arizona's share of WICHE administrative costs as a membership fee in accordance with A.R.S. § 15-1742.
- **WICHE Student Subsidy** 16,000 GF
Provides subsidy requirement for 132 Arizona residents who choose careers in certain health professions for which education is not offered in Arizona. Such health professions include Osteopathy, Dentistry, Veterinary Medicine, Occupational Therapy, and Optometry. The JLBC Staff recommendation provides a \$16,000 increase for the tuition rate adjustment. The Executive recommends an increase of \$31,000, which includes \$16,000 for the tuition rate adjustment and \$15,000 for a new program of Physician's Assistant with 3 participants.
- **Student Financial Aid Trust Fund** 37,800 GF
Provides the state's match amount for the trust fund based on FY 1993 actual student surcharge fees in accordance with A.R.S. § 15-1642.
- **Area Health Education Program** 262,500 GF
The JLBC Staff recommendation provides a \$262,500 increase over the FY 1994 funding level of \$887,700. The increased amount represents a 9-month funding for Central Arizona Area Health Center for which the federal funds will be terminated on September 30, 1994. Laws 1990, Chapter 342 (H.B. 2344), authorized establishment and maintenance of Arizona Area Health Education Centers with intent to transition from the federal support to a state-supported program. The Executive recommendation provides a \$756,000 increase in order to fund Central Arizona Area Health Center, to accommodate the operational needs of the AHEC Project Office, to increase funding for each center, and to support the services of outreach faculty in the primary care departments of the University of Arizona Colleges of Medicine, Nursing and Pharmacy.

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Agency

JLBC Staff Recommended Footnotes

Standard Footnotes

- The \$1,220,800 appropriated for State Student Incentive Grant is to be used to make grants under the Arizona State Student Incentive Grant program administered by the Arizona Commission for Postsecondary Education. Grants may be made according to the provisions of applicable federal and state laws and regulations relating to this program to Arizona residents who demonstrate financial need and who are attending, on at least a half-time basis, an approved program at a properly accredited Arizona postsecondary educational institution.

Each participating institution, public or private, in order to be eligible to receive state matching funds under the State Student Incentive Grant program for grants to students, shall provide an amount of institutional matching funds which shall be equal to the amount of funds provided by the state to the institution for the State Student Incentive Grant program. Administrative expenses incurred by the Board of Regents shall be paid from institutional matching funds and shall not exceed 13% of the funds.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Deletion of New FY 1994 Footnotes

- The Auditor General shall conduct a performance audit, as defined in A.R.S. § 41-1278, of the functions of the universities. The Auditor General shall develop and present, in consultation with the Chairman of the House Education Committee, Chairman of the House Appropriations Committee, Speaker of the House of Representatives, Chairman of the Senate Education Committee, Chairman of the Senate Appropriations Committee and President of the Senate, the scope of the performance audit to the Joint Legislative Audit Committee on or before July 1, 1993. The Auditor General shall present a report of the performance audit to the Governor, Speaker of the House of Representatives and President of the Senate no later than January 1, 1995. *(This footnote is eliminated as it was a one-time footnote.)*

Other Issues for Legislative Consideration

- **Area Health Education Program**
The Executive recommendation includes an additional funding of \$493,500 over the JLBC Staff recommendation .

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona State University - Main Campus

JLBC ANALYST: Lee/Groll
OSP ANALYST: Barton

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	3,815.1	3,838.8	3,993.6	3,785.6	3,878.8	
OPERATING BUDGET						
Personal Services	119,387,400	122,646,800	138,963,100	0	124,079,700	
Employee Related Expenditures	22,811,800	24,038,800	28,669,500	0	25,037,600	
Professional/Outside Services	2,483,600	919,100	1,019,600	0	946,400	
Travel - In State	79,400	260,500	281,400	0	268,700	
Travel - Out of State	968,400	565,600	628,200	0	584,700	
Other Operating Expenditures	26,684,900	25,397,200	28,775,700	0	25,233,900	
Library Acquisitions	4,572,800	3,658,800	4,054,200	0	3,658,800	
Equipment	4,790,300	6,838,000	7,760,800	0	6,961,000	
All Other Operating Subtotal	39,579,400	37,639,200	42,519,900	0	37,653,500	
OPERATING SUBTOTAL	181,778,600	184,324,800	210,152,500	0	186,770,800	
SPECIAL LINE ITEMS						
ASU-East	0	0	2,157,900	0	0	
Executive Recommendation	0	0	0	191,991,100	0	
Special Item Subtotal	0	0	2,157,900	191,991,100	0	
AGENCY TOTAL	181,778,600	184,324,800	212,310,400	191,991,100	186,770,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona State University - Main Campus

JLBC ANALYST: Lee/Groll
OSP ANALYST: Barton

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	181,778,600	184,324,800	212,310,400	191,991,100	186,770,800	
Federal Funds	51,349,000	52,890,000	54,477,000	--	54,477,000	
Other Non-Appropriated Funds	173,379,200	188,830,600	196,725,500	--	196,725,500	
AGENCY TOTAL - ALL SOURCES	406,506,800	426,045,400	463,512,900	191,991,100	437,973,300	

Agency Description - Established in 1885, Arizona State University is one of the 3 state universities governed by the Arizona Board of Regents. Arizona State University - Main Campus offers over 250 degree programs to approximately 40,000 students in 13 colleges and schools, and also provides academic courses at the Downtown Center in Phoenix.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$186,770,800 -- a net increase of \$2,446,000, or 1.3%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (10,300) GF
Includes a new vacancy factor of 3%, which is the standard rate applied to agencies with this number of FTE positions. The FY 1994 vacancy factor (effective rate) was 3.03%. The Executive maintains the FY 1994 vacancy amount.
- **ERE Rate Changes** 716,400 GF
- **Transfer Out of 1 FTE Position to ASU-West for the Learning Enrichment Assistance Program** (20,800) GF
The Executive recommends \$(22,300) for the transfer.
- **Risk Management Charges** (220,300) GF
The Executive recommends a \$(342,600) decrease to cover decreases for all fund sources, including non-appropriated funds.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Student Enrollment Increase** 1,981,000 GF
 Provides funding for 41 new FTE positions based on an additional 792 FTE students in accordance with the funding formula of 22:1:0.5 (student to faculty to support position). The Executive recommends a total of \$2,643,700 and 54 new FTE positions to be added to the Expenditure Authority base.

JLBC Staff Recommended Format -- Lump Sum by Agency

JLBC Staff Recommended Footnotes

Standard Footnotes:

- The appropriated monies are not to be used for scholarships.

Other Issues for Legislative Consideration

- **Market Salary Equity Adjustment for Faculty**
 The Executive recommends \$1,801,000 for faculty salary equity. In the past 6 years between FY 1988 and FY 1993, the public university faculties of 50 states received an average annual salary increase of 4.36%, and Arizona faculty received an annual average of 2.66%. The 6-year cumulative percentage changes in faculty salary increase were 29.1% and 16.76% for 50 states' faculties and Arizona faculty, respectively, as shown below:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>	<u>6-Year Avg. & Cumulative Chgs.</u>	
							<u>Annual Avg.</u>	<u>Cumulative Chg.</u>
50 State Average	4.84%	4.78%	5.28%	6.13%	3.02%	2.10%	4.36%	29.10%
Arizona	1.50%	3.70%	1.50%	8.75%	-0-	0.50%	2.66%	16.76%

The above data are based upon the JLBC Staff survey of 50 states' faculty salary increases at public universities for FY 1988 through FY 1992 and the FY 1993 average faculty salary increase for public doctoral institutions reported by The Chronicle of Higher Education in its April 14, 1993 issue.

According to the JLBC Staff report on Faculty Workload Study for Arizona Universities, ASU faculty worked an average of 55.5 hours a week and allocated 7.6 hours or 13.8% of their weekly workload to regularly scheduled direct classroom instruction during the spring semester of 1992. The study also found that 61.7% of the full-time faculty taught 6 hours or less in the classroom per week. In addition, the JLBC Staff study on Arizona faculty teaching load indicates that during the fall semester of 1990, Arizona ranked faculty at the 3 universities taught only 21.5% of all "100 level" (freshman) courses and 41.5% of all "200 level" (sophomore) courses measured by classroom contact hours.

Accordingly, the Arizona Board of Regents and universities should consider a plan to increase the faculty teaching productivity by as much as 5% and use the savings to fund faculty salary equity in consultation with the Legislature.

- **ASU-East Campus**
 ASU requests \$2,157,900 to plan for a new campus at Williams Air Force Base and the Executive recommends \$1,017,100 for the requested purpose.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Americans with Disabilities Act**
The Executive recommends \$236,300 and 2 new FTE positions for the program.
- **Utility Inflation**
The Executive recommends \$170,500 for utility inflation.
- **Library Acquisitions**
The Executive recommends an additional \$395,200 for library acquisitions.
- **Engineering Excellence**
The Executive recommends \$1,353,600 and 11 new FTE positions to support the growth of the College of Engineering and to contribute to the state's economic development.
- **College of Business**
The Executive recommends \$500,000 and 7.5 new FTE positions to enhance the undergraduate and graduate programs in the College of Business.
- **College of Nursing**
The Executive recommends \$200,000 and 3 new faculty positions to expand the Nurse Practitioner program.
- **Collections Adjustment**
The JLBC Staff recommendation is based upon the General Fund only; whereas the Executive recommendation is based upon the Expenditure Authority, which includes both the General Fund and tuition/fee revenues. Laws 1993, Chapter 8 (H.B. 2004), 2nd Special Session, authorized the "decoupling" of tuition and fee revenue from the legislative appropriation. Thus, the universities have total control of tuition and fee revenue, and the legislative appropriation is limited only to the General Fund. As such, the Legislature approved a General Fund lump sum for each university for FY 1994. Contrary to the intent of the law, however, the Executive recommendation provides a collections fund adjustment resulting in a \$1,660,200 General Fund decrease.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona State University - West Campus

JLBC ANALYST: Lee/Groll
OSPb ANALYST: Barton

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	477.7	527.2	531.3	506.1	528.2	
OPERATING BUDGET						
Personal Services	12,869,100	16,000,000	17,719,000	0	15,956,600	
Employee Related Expenditures	2,500,100	3,129,500	3,633,100	0	3,387,800	
Professional/Outside Services	880,600	379,800	406,800	0	379,800	
Travel - In State	34,600	83,100	88,300	0	83,100	
Travel - Out of State	149,200	179,900	196,300	0	179,900	
Other Operating Expenditures	7,762,800	6,687,700	6,791,500	0	6,692,200	
Library Acquisitions	1,123,200	1,380,900	1,508,700	0	1,380,900	
Equipment	1,455,400	1,761,900	1,877,200	0	1,761,900	
All Other Operating Subtotal	11,405,800	10,473,300	10,868,800	0	10,477,800	
OPERATING SUBTOTAL	26,775,000	29,602,800	32,220,900	0	29,822,200	
SPECIAL LINE ITEMS						
Executive Recommendation	0	0	0	29,748,900	0	
Special Item Subtotal	0	0	0	29,748,900	0	
AGENCY TOTAL	26,775,000	29,602,800	32,220,900	29,748,900	29,822,200	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona State University - West Campus

JLBC ANALYST: Lee/Groll
OSPBA ANALYST: Barton

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	26,775,000	29,602,800	32,220,900	29,748,900	29,822,200	
Federal Funds	127,000	130,000	133,000	--	133,000	
Other Non-Appropriated Funds	6,890,100	6,684,000	6,866,100	--	6,866,100	
AGENCY TOTAL - ALL SOURCES	33,792,100	36,416,800	39,220,000	29,748,900	36,821,300	

Agency Description - Established as a separate budget unit in 1984, Arizona State University - West Campus offers upper division baccalaureate and selective masters' programs to approximately 5,000 students at the 300 acre site in northwestern Phoenix.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$29,822,200 -- a net increase of \$219,400, or 0.7%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$(69,000) GF
Includes a new vacancy factor of 3%, which is the standard rate applied to agencies with this number of FTE positions. The FY 1994 vacancy factor (effective rate) was 2.66%. The Executive maintains the FY 1994 vacancy amount.
- **ERE Rate Changes** 267,600 GF
- **Transfer in of 1 FTE Position from ASU-Main for the Learning Enrichment Assistance Program** 20,800 GF
The Executive recommends \$22,300 for the transfer.

JLBC Staff Recommended Format -- Lump Sum by Agency

JLBC Staff Recommended Footnotes

Standard Footnotes:

- The appropriated monies are not to be used for scholarships.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Other Issues for Legislative Consideration

- **Market Salary Equity Adjustment for Faculty**
The Executive recommends \$209,800 for faculty salary equity.
- **Utility Inflation**
The Executive recommends \$1,100 for utility inflation.
- **Library Acquisitions**
The Executive recommends an additional \$133,200 for library acquisitions.
- **Collections Adjustment**
The JLBC Staff recommendation is based upon the General Fund only; whereas the Executive recommendation is based upon the Expenditure Authority, which includes both the General Fund and tuition/fee revenues. Laws 1993, Chapter 8 (H.B. 2004), 2nd Special Session, authorized the "decoupling" of tuition and fee revenue from the legislative appropriation. Thus, the universities have total control of tuition and fee revenue, and the legislative appropriation is limited only to the General Fund. As such, the Legislature approved a General Fund lump sum for each university for FY 1994. Contrary to the intent of the law, however, the Executive recommendation provides a collections fund adjustment resulting in a \$112,000 General Fund decrease.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Northern Arizona University

JLBC ANALYST: Lee/Groll
OSPB ANALYST: Barton

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	1,516.4	1,637.8	1,679.8	1,586.3	1,645.6	
OPERATING BUDGET						
Personal Services	45,389,900	48,005,700	53,866,900	0	48,259,900	
Employee Related Expenditures	10,124,300	10,639,300	12,689,800	0	10,739,600	
Professional/Outside Services	512,700	422,000	444,600	0	427,200	
Travel - In State	272,100	367,200	381,100	0	368,700	
Travel - Out of State	250,700	289,900	305,000	0	293,500	
Other Operating Expenditures	10,367,700	11,215,500	11,764,800	0	11,202,800	
Library Acquisitions	1,598,400	1,678,500	1,880,300	0	1,678,500	
Equipment	3,938,300	1,560,600	1,667,000	0	1,584,100	
All Other Operating Subtotal	16,939,900	15,533,700	16,442,800	0	15,554,800	
OPERATING SUBTOTAL	72,454,100	74,178,700	82,999,500	0	74,554,300	
SPECIAL LINE ITEMS						
Telecommunications & 2+2	0	0	2,353,500	0	0	
Executive Recommendation	0	0	0	77,508,500	0	
NAU - YUMA	1,035,100	1,352,500	1,434,500	0	1,352,500	
Special Item Subtotal	1,035,100	1,352,500	3,788,000	77,508,500	1,352,500	
AGENCY TOTAL	73,489,200	75,531,200	86,787,500	77,508,500	75,906,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Northern Arizona University

JLBC ANALYST: Lee/Groll
OSP ANALYST: Barton

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	73,489,200	75,531,200	86,787,500	77,508,500	75,906,800	
Federal Funds	21,569,100	20,516,000	21,039,700	--	21,039,700	
Other Non-Appropriated Funds	53,657,100	70,127,700	70,800,700	--	70,800,700	
AGENCY TOTAL - ALL SOURCES	148,715,400	166,174,900	178,627,900	77,508,500	167,747,200	

Agency Description - Established in 1899, Northern Arizona University is one of 3 state universities governed by the Arizona Board of Regents. The university offers 137 degree programs to approximately 18,500 students in 9 colleges and schools and 1 center, and provides academic programs at many instructional sites throughout the state and at an off-campus center in Yuma.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$75,906,800 -- a net increase of \$375,600, or 0.5%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (28,100) GF
Includes a new vacancy factor of 3%, which is the standard rate applied to agencies with this number of FTE positions. The FY 1994 vacancy factor (effective rate) was 2.97%. The Executive maintains the FY 1994 vacancy amount.
- **ERE Rate Changes** 46,900 GF
- **Risk Management Charges** (24,500) GF
The Executive recommends a \$(37,100) decrease to cover decreases for all fund sources, including non-appropriated funds.
- **Student Enrollment Increase** 381,300 GF
Provides funding for 7.8 new FTE positions based on an additional 147 FTE students in accordance with the funding formula of 22:1:0.5 (student to faculty to support positions). The Executive recommends a total of \$499,900 and 10 new FTE positions to be added to the Expenditure Authority base.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Format -- Lump Sum by Agency

JLBC Staff Recommended Footnotes

Standard Footnotes

- The appropriated monies are not to be used for scholarships.

Other Issues for Legislative Consideration

- Market Salary Equity Adjustment for Faculty

The Executive recommends \$693,500 for faculty salary equity. In the past 6 years between FY 1988 and FY 1993, the public university faculties of 50 states received an average annual salary increase of 4.36%, and Arizona faculty received an annual average of 2.66%. The 6-year cumulative percentage changes in faculty salary increase were 29.1% and 16.76% for 50 states' faculties and Arizona faculty, respectively, as shown below:

	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	6-Year Avg. & Cumulative Chgs.	
							Annual Avg.	Cumulative Chg.
50 State Average	4.84%	4.78%	5.28%	6.13%	3.02%	2.10%	4.36%	29.10%
Arizona	1.50%	3.70%	1.50%	8.75%	-0-	0.50%	2.66%	16.76%

The above data are based upon the JLBC Staff survey of 50 states' faculty salary increases at public universities for FY 1988 through FY 1992 and the FY 1993 average faculty salary increase for public doctoral institutions reported by The Chronicle of Higher Education in its April 14, 1993 issue.

According to the JLBC Staff report on Faculty Workload Study for Arizona Universities, NAU faculty worked an average of 54.6 hours a week and allocated 10.9 hours or 19.9% of their weekly workload to regularly scheduled direct classroom instruction during the spring semester of 1992. The study also found that 30.2% of the full-time faculty taught 6 hours or less in the classroom per week. In addition, the JLBC Staff study on Arizona faculty teaching load indicates that during the fall semester of 1990, Arizona ranked faculty at the 3 universities taught only 21.5% of all "100 level" (freshman) courses and 41.5% of all "200 level" (sophomore) courses measured by classroom contact hours.

Accordingly, the Arizona Board of Regents and universities should consider a plan to increase the faculty teaching productivity by as much as 5% and use the savings to fund faculty salary equity in consultation with the Legislature.

- Future Enrollment Growth Management through Telecommunications and 2 + 2

NAU requests \$2,353,500 for future enrollment growth in order to provide instructional options and opportunities through cooperative programs with 2-year institutions and through interactive telecommunication delivery of classroom instruction to rural Arizona. The Executive recommends \$500,000 for the requested purpose.

- Arizonans with Disabilities Act

The Executive recommends \$164,400 and 5.5 new FTE positions for the program.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Utility Inflation**
The Executive recommends \$81,800 for utility inflation.
- **Library Acquisitions**
The Executive recommends an additional \$182,500 for library acquisitions.
- **College of Nursing**
The Executive recommends \$200,000 to add a Master of Science degree in Nursing that would prepare Nurse Practitioners to work in primary care.
- **Collections Adjustment**
The JLBC Staff recommendation is based upon the General Fund only; whereas the Executive recommendation is based upon the Expenditure Authority, which includes both the General Fund and tuition/fee revenues. Laws 1993, Chapter 8 (H.B. 2004), 2nd Special Session, authorized the "decoupling" of tuition and fee revenue from the legislative appropriation. Thus, the universities have total control of tuition and fee revenue, and the legislative appropriation is limited only to the General Fund. As such, the Legislature approved a General Fund lump sum for each university for FY 1994. Contrary to the intent of the law, however, the Executive recommendation provides a collections fund adjustment resulting in a \$113,600 General Fund decrease.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: University of Arizona - Main Campus
Agency Summary

JLBC ANALYST: Lee/Groll
OSPb ANALYST: Barton

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	4,172.5	4,168.9	4,278.7	4,166.2	4,194.0	
BY PROGRAM/ORGANIZATION						
All Standard Programs	168,013,600	167,407,500	191,762,200	207,725,600	170,059,600	
Agriculture	31,322,400	31,560,500	34,066,100	0	31,731,700	
AGENCY TOTAL	199,336,000	198,968,000	225,828,300	207,725,600	201,791,300	
OPERATING BUDGET						
Personal Services	137,152,500	135,012,200	151,356,300	0	136,031,300	
Employee Related Expenditures	26,503,000	25,376,400	29,759,000	0	26,650,400	
Professional/Outside Services	992,400	736,200	811,800	0	753,000	
Travel - In State	432,500	761,200	787,500	0	766,200	
Travel - Out of State	602,500	393,500	426,100	0	405,200	
Other Operating Expenditures	25,401,400	28,289,500	31,171,300	0	28,710,700	
Library Acquisitions	4,339,000	4,262,100	4,827,100	0	4,262,100	
Equipment	3,053,000	3,291,000	3,667,400	0	3,366,500	
All Other Operating Subtotal	34,820,800	37,733,500	41,691,200	0	38,263,700	
OPERATING SUBTOTAL	198,476,300	198,122,100	222,806,500	0	200,945,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: University of Arizona - Main Campus
Agency Summary

JLBC ANALYST: Lee/Groll
OSPB ANALYST: Barton

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
SPECIAL LINE ITEMS						
Minority Recruitment & Retention	859,700	845,900	960,500	0	845,900	_____
Pima County Campus	0	0	2,061,300	0	0	_____
Executive Recommendation	0	0	0	207,725,600	0	_____
Special Item Subtotal	859,700	845,900	3,021,800	207,725,600	845,900	_____
AGENCY TOTAL	199,336,000	198,968,000	225,828,300	207,725,600	201,791,300	_____
BY FUND SOURCE						
General Fund	199,336,000	198,968,000	225,828,300	207,725,600	201,791,300	_____
Federal Funds	113,155,800	116,445,100	117,604,900	--	117,604,900	_____
Other Non-Appropriated Funds	285,547,400	299,301,100	299,574,000	--	299,574,000	_____
AGENCY TOTAL - ALL SOURCES	598,039,200	614,714,200	643,007,200	207,725,600	618,970,200	_____

Agency Description - Established in 1885 as a land grant institution, the University of Arizona is one of the 3 state universities governed by the Arizona Board of Regents. As a land grant Research I institution, the university offers 377 degree programs to approximately 37,000 students in 15 colleges, schools and divisions, and provides academic programs at Sierra Vista Off-Campus Center.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$201,791,300 -- a net increase of \$2,823,300, or 1.4%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments

Includes a new vacancy factor of 3%, which is the standard rate applied to agencies with this number of FTE positions. The FY 1994 vacancy factor (effective rate) was 3.12%. The Executive maintains the FY 1994 vacancy amount.

\$ 154,800 GF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- ERE Rate Changes 1,074,100 GF
- Risk Management Charges 383,500 GF
 The Executive recommends an \$812,500 increase to cover increases for all fund sources, including non-appropriated funds.
- Student Enrollment Increase 1,210,900 GF
 Provides a funding increase for 25.1 FTE positions, based on an enrollment increase of 485 FTE students in accordance with the funding formula of 22:1:0.5 (student to faculty to support position). The Executive recommends a total of \$1,606,000 and 33 new FTE positions to be added to the Expenditure Authority base.

JLBC Staff Recommended Format -- Lump Sum by Agency

JLBC Staff Recommended Footnotes

Standard Footnotes

- The appropriation monies are not to be used for scholarships.

Other Issues for Legislative Consideration

- Market Salary Equity Adjustment for Faculty
 The Executive recommends \$1,972,500 for faculty salary equity. In the past 6 years between FY 1988 and FY 1993, the public university faculties of 50 states received an average annual salary increase of 4.36%, and Arizona faculty received an annual average of 2.66%. The 6-year cumulative percentage changes in faculty salary increase were 29.1% and 16.76% for 50 states' faculties and Arizona faculty, respectively, as shown below:

	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	6-Year Avg. & Cumulative Chgs.	
							Annual Avg.	Cumulative Chg.
50 State Average	4.84%	4.78%	5.28%	6.13%	3.02%	2.10%	4.36%	29.10%
Arizona	1.50%	3.70%	1.50%	8.75%	-0-	0.50%	2.66%	16.76%

The above data are based upon the JLBC Staff survey of 50 states' faculty salary increases at public universities for FY 1988 through FY 1992 and the FY 1993 average faculty salary increase for public doctoral institutions reported by The Chronicle of Higher Education in its April 14, 1993 issue.

According to the JLBC Staff report on Faculty Workload Study for Arizona Universities, UA faculty worked an average of 57 hours a week and allocated 6.9 hours or 12% of their weekly workload to regularly scheduled direct classroom instruction during the spring semester of 1992. The study also found that 65.9% of the full-time faculty taught 6 hours or less in the classroom per week. In addition, the JLBC Staff study on Arizona faculty teaching load indicates that during the fall semester of 1990, Arizona ranked faculty at the 3 universities taught only 21.5% of all "100 level" (freshman) courses and 41.5% of all "200 level" (sophomore) courses measured by classroom contact hours.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Accordingly, the Arizona Board of Regents and universities should consider a plan to increase the faculty teaching productivity by as much as 5% and use the savings to fund faculty salary equity in consultation with the Legislature.

- **Pima County Campus**
The University of Arizona requests \$2,061,300 to plan for a new 4-year undergraduate campus and to accommodate future enrollment growth. The Executive recommends \$501,400 for the requested purpose.
- **Arizonans with Disabilities Act**
The Executive recommends \$316,600 and 10 new FTE positions for the program.
- **Utility Inflation**
The Executive recommends \$777,900 for utility inflation.
- **Library Acquisitions**
The Executive recommends an additional \$467,200 for library acquisitions.
- **Collections Adjustment**
The JLBC Staff recommendation is based upon the General Fund only; whereas the Executive recommendation is based upon the Expenditure Authority, which includes both the General Fund and tuition/fee revenues. Laws 1993, Chapter 8 (H.B. 2004), 2nd Special Session, authorized the "decoupling" of tuition and fee revenue from the legislative appropriation. Thus, the universities have total control of tuition and fee revenue, and the legislative appropriation is limited only to the General Fund. As such, the Legislature approved a General Fund lump sum for each university for FY 1994. Contrary to the intent of the law, however, the Executive recommendation provides a collections fund adjustment resulting in a \$1,760,600 General Fund increase.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: University of Arizona - Health Sciences Center

JLBC ANALYST: Lee/Groll
OSP ANALYST: Barton

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	604.4	604.4	617.9	619.3	604.4	
OPERATING BUDGET						
Personal Services	24,704,500	28,497,600	28,574,700	0	28,409,200	
Employee Related Expenditures	4,134,300	4,771,800	5,003,900	0	5,005,600	
Professional/Outside Services	135,500	53,800	50,900	0	53,800	
Travel - In State	16,700	66,000	62,400	0	66,000	
Travel - Out of State	21,300	22,700	21,500	0	22,700	
Other Operating Expenditures	6,432,000	1,847,900	1,748,900	0	2,463,100	
Library Acquisitions	617,000	621,300	636,200	0	621,300	
Equipment	477,600	588,000	556,400	0	588,000	
All Other Operating Subtotal	7,700,100	3,199,700	3,076,300	0	3,814,900	
OPERATING SUBTOTAL	36,538,900	36,469,100	36,654,900	0	37,229,700	
SPECIAL LINE ITEMS						
Clinical Teaching Support	8,007,200	8,269,100	8,128,900	0	8,269,100	
Executive Recommendation	0	0	0	43,575,900	0	
Special Item Subtotal	8,007,200	8,269,100	8,128,900	43,575,900	8,269,100	
AGENCY TOTAL	44,546,100	44,738,200	44,783,800	43,575,900	45,498,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: University of Arizona - Health Sciences Center

JLBC ANALYST: Lee/Groll
OSP ANALYST: Barton

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	44,546,100	44,738,200	44,783,800	43,575,900	45,498,800	
Federal Funds	43,000,900	43,442,300	43,876,700	--	43,876,700	
Other Non-Appropriated Funds	38,181,400	39,696,800	42,804,000	--	42,804,000	
AGENCY TOTAL - ALL SOURCES	125,728,400	127,877,300	131,464,500	43,575,900	132,179,500	

Agency Description - Beginning in FY 1994, Arizona Health Sciences Center consists of the University of Arizona Colleges of Medicine, Nursing and Pharmacy, and the School of Health Related Professions. Authorized in 1961 by the Arizona Board of Regents, the College of Medicine offers a professional program leading the M.D. degree for 362 medical students and graduate programs leading to the Ph.D. degree in certain medical sciences for 392 graduate students. As a separate budget unit of the University of Arizona, the Arizona Health Sciences Center is governed by the Arizona Board of Regents.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$45,498,800 -- a net increase of \$760,600, or 1.7%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$(104,000) GF
Includes a new vacancy factor of 3%, which is the standard rate applied to agencies with this number of FTE positions. The FY 1994 vacancy factor (effective rate) was 2.7%. The Executive maintains the FY 1994 vacancy amount.
- ERE Rate Changes 249,400 GF
- Risk Management Charges 615,200 GF
The Executive recommends the same increase of \$615,200.

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Other Issues for Legislative Consideration

- **Market Salary Equity Adjustment for Faculty**
The Executive recommends \$323,200 for faculty salary equity.
- **Library Acquisitions**
The Executive recommends an additional \$51,800 for library acquisitions.
- **College of Nursing**
The Executive recommends \$200,000 and 3 new faculty positions for the Nurse Practitioner program.
- **Collections Adjustment**
The JLBC Staff recommendation is based upon the General Fund only; whereas the Executive recommendation is based upon the Expenditure Authority, which includes both the General Fund and tuition/fee revenues. Laws 1993, Chapter 8 (H.B. 2004), 2nd Special Session, authorized the "decoupling" of tuition and fee revenue from the legislative appropriation. Thus, the universities have total control of tuition and fee revenue, and the legislative appropriation is limited only to the General Fund. As such, the Legislature approved a General Fund lump sum for each university for FY 1994. Contrary to the intent of the law, however, the Executive recommendation provides a collections fund adjustment resulting in a \$2,610,300 General Fund decrease.

**PROTECTION AND SAFETY
(PS)**

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Department of Corrections
Agency Summary

JLBC ANALYST: Morris/Martinez
OSPB ANALYST: Tucker

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	6,457.4	6,812.4	7,684.4	7,365.9	7,245.7	
BY PROGRAM/ORGANIZATION						
Adult Institutions	206,628,500	225,752,400	262,776,200	261,048,500	257,156,000	
Administration	13,978,800	19,541,600	23,379,000	21,624,600	19,071,300	
Human Resources/Development	39,576,900	44,642,100	55,166,500	49,733,900	49,326,300	
Community Corrections	7,225,000	13,754,600	17,441,300	16,942,700	13,783,600	
AGENCY TOTAL	267,409,200	303,690,700	358,763,000	349,349,700	339,337,200	
OPERATING BUDGET						
Personal Services	141,368,600	150,833,700	169,841,000	164,532,600	161,477,200	
Employee Related Expenditures	41,543,900	46,033,000	56,978,800	51,743,900	50,770,900	
Professional/Outside Services	21,251,000	22,628,500	29,888,800	25,330,500	24,744,400	
Travel - In State	370,000	475,200	558,100	539,600	513,800	
Travel - Out of State	59,500	82,400	84,500	84,700	84,600	
Other Operating Expenditures	39,265,800	47,760,900	51,867,000	50,405,900	50,234,200	
Equipment	2,838,300	3,278,800	14,386,100	3,498,400	3,430,400	
All Other Operating Subtotal	63,784,600	74,225,800	96,784,500	79,859,100	79,007,400	
OPERATING SUBTOTAL	246,697,100	271,092,500	323,604,300	296,135,600	291,255,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Department of Corrections
Agency Summary

JLBC ANALYST: Morris/Martinez
OSPB ANALYST: Tucker

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
SPECIAL LINE ITEMS						
Discharge Expense	215,500	364,300	381,100	387,500	386,100	
Community Provider Beds	4,300	6,570,000	6,570,000	9,514,300	6,570,000	
Food	16,416,200	19,672,800	20,607,400	20,885,600	19,823,800	
Work Incentive Pay Plan	4,076,100	4,491,100	4,696,900	4,775,400	4,757,900	
COP 1450 Beds	0	0	0	12,084,300	12,084,300	
COP 768 Beds	0	0	0	854,800	747,400	
Apache County Lease	0	0	0	712,200	712,200	
CSO Series Pay Plan	0	1,500,000	2,903,300	4,000,000	3,000,000	
Special Item Subtotal	20,712,100	32,598,200	35,158,700	53,214,100	48,081,700	
AGENCY TOTAL	267,409,200	303,690,700	358,763,000	349,349,700	339,337,200	
BY FUND SOURCE						
General Fund	250,891,100	283,298,200	358,763,000	334,698,400	324,787,500	
Other Funds	16,518,100	20,392,500	0	14,651,300	14,549,700	
Federal Funds	113,000	64,200	64,200	--	64,200	
Other Non-Appropriated Funds	13,990,200	13,230,900	13,634,000	--	13,634,000	
AGENCY TOTAL - ALL SOURCES	281,512,400	316,985,800	372,461,200	349,349,700	353,035,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Department of Corrections
PROGRAM: Agency Summary

Agency Description - *The Department of Corrections maintains and administers a statewide system of prisons for the effective custody, control, correction, treatment and rehabilitation of all adult offenders legally committed to the department. Educational and treatment programs are provided for offenders so they will have opportunities to learn more responsible behaviors and increase their chance of returning to society as law abiding citizens. The department is also responsible for the supervision of offenders on parole or other prison release mechanisms, as specified by law.*

The JLBC Staff recommends a total appropriation of \$339,337,200 -- a net increase of \$35,646,500, or 11.7%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$324,787,500 -- a net increase of \$41,489,300, or 14.6%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$14,549,700 -- a net decrease of \$(5,842,800), or (28.7)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (260,200) GF
- ERE Rate Changes 1,622,400 GF
- Professional and Outside Services (461,400) GF

The amount recommended by the JLBC Staff includes \$1.5 million for data processing services to be provided by the Department of Administration's Data Center. The recommended amount represents a reduction from FY 1994 of \$(461,400). This change reflects the Data Center's announced rate reduction program to be implemented in FY 1994. The amount recommended is based on the Department of Correction's usage in prior years and includes an allowance for normal growth.

The Executive recommendation reflects a net decrease of \$(93,500). That recommendation reduces basic data processing services by \$(300,000). This reduction was offset by an increase of \$146,500 for data processing and legal costs associated with the inmate population growth. The Executive also recommends \$60,000 for water testing to be done by the Department of Health Services.
- Other Operating Expenditures 58,300 GF

The amount includes an \$(808,900) reduction for one-time non-capitalized equipment, an \$872,500 increase for risk management charges, a \$100 increase for the lease-purchase payment of the Tucson Office Building, a \$2,300 increase for the lease-purchase payment of the Kingman Office Building and \$2,100 for operations and maintenance charges, a \$(2,300) reduction for a decrease in DOA rent, and a \$(7,500) reduction for rent of private space.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Equipment** (1,363,700) GF
One-time Equipment: The amount reflects a \$(2,152,700) reduction from one-time equipment costs associated with new prison openings in FY 1994. The Executive concurs.
Replacement Equipment: The amount includes an increase of \$789,000 for a total of \$1,915,100. The Executive concurs.

- **Corrections Fund Offset** 18,585,700 GF
(18,600,000) OF
The amount reflects the elimination of the Corrections Fund as the source of funding for most of the food costs. The Corrections Fund monies will be used to make prison construction lease-purchase payments and other prison lease payments. The difference reflects elimination of non-recurring food costs from opening new prisons in FY 1994.

- **Food Adjustments** (1,000,000) GF
The FY 1992 and FY 1993 actual expenditures for food costs were 9% and 12%, respectively, below the appropriations. The amount reflects readjusting the food costs to the FY 1993 level and providing adequate increases for population and staff increases since that time.

- **COP & Lease Payment Line Items** 12,757,200 OF
The amount includes: \$712,200 for the lease payment to Apache County in FY 1995 for the Apache Prison; \$747,400 for the COP payment for the FY 1994 prison construction project of 768 maximum security beds; an additional \$11,297,600, to bring the total COP payment for the FY 1993 prison construction project of 1,450 beds to \$12,084,300.

- **Opening New Prisons** 15,930,900 GF
The amount reflects partial year funding to support the operation of 3 new prisons to be opened during FY 1995. The opening of these prisons will increase the state prison capacity by 1,050 beds. The amount includes \$32,100 for advertising and travel costs associated with recruitment for these new positions. The Executive recommends a total of \$19,018,100 and 505.5 FTE positions to open new prisons in FY 1995.
 - Meadows Unit - The amount includes \$3,892,700 and 128 FTE positions to open the second 400 beds of the Meadows Unit at Florence on September 1, 1994. The Executive recommends \$4,565,300 and 150 FTE positions.
 - Winchester Unit - The amount includes \$7,086,700 and 185.3 FTE positions to open the 400 treatment bed Winchester Unit at ASPC-Tucson on September 1, 1994. The Executive recommends \$9,027,000 and 255.5 FTE positions. The difference in FTE positions is attributed to the department's increased request for support positions and additional CSO positions from the FY 1994 request.
 - Apache Unit - The amount includes \$4,919,400 and 120 FTE positions to open the 250 bed Apache Unit at ASPC-Winslow. The Executive recommends \$5,425,800 and 130 FTE positions.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Annualization** 3,804,000 GF
The amount is to annualize costs partially funded in FY 1994 for the opening of the first 400 beds of the Meadows Unit in Florence and the 250 female bed Manzanita Unit at Tucson. The annualization amount for the Meadows Unit is \$2,379,400 and for the Manzanita Unit is \$1,424,600.
- **Population Growth** 3,073,300 GF
Represents the incremental costs associated with the projected Average Daily Population (ADP) increase of 1,020 inmates to be incarcerated in the Arizona State Prison system during FY 1995. The Executive recommends \$3,421,600 for a projected ADP increase of 1,087. The Executive projections include funding for an unanticipated ADP growth of 300 additional inmates above the original FY 1994 projections. The Executive projection also excludes 233 inmates resulting from the Executive recommendation to open 400 DWI and 200 RTC private beds.
- **Correctional Service Officer (CSO) Series Pay Plan** 1,500,000 GF
In FY 1994, the Legislature appropriated \$1,500,000 to the department to increase salaries for employees classified within the CSO series. The FY 1994 increase amounted to a \$296 annual increase for each of the 4,479.9 CSO series employees. The FY 1994 increase was the first step in responding to the fact that salaries paid by the Arizona state government are below the amounts paid to similar employees of the federal government, surrounding states, and Maricopa and Pima counties. The current salary structure is causing excessive turnover among these employees. This turnover, which is about 20% per year, is costly and impacts training costs, overtime and the experience level of Arizona Correctional Service employees. This amount would continue to upgrade the CSO pay plan, and if implemented similar to the FY 1994 pay plan, would provide a \$265 annual increase for each of the recommended 4,801.2 CSO series positions. This amount is intended to be in addition to any amount the legislature may provide as a general pay adjustment. The Executive recommends a \$2,500,000 addition to the prior year appropriation, or approximately \$400 per CSO employee.

JLBC Staff Recommended Format -- Modified Lump Sum by Agency

JLBC Staff Recommended Footnotes

Continuation of Standard Footnotes

- Twenty-five percent of land earnings and interest from the State Charitable, Penal and reformatories Land Fund shall be distributed to the Department of Corrections in compliance with Section 25 of the Enabling Act and the Constitution to be used for the support of state penal institutions.
- One hundred percent of land earnings and interest from the Penitentiary Land Fund shall be distributed to the Department of Corrections in compliance with Section 25 of the Enabling Act and the Constitution to be used for the support of state penal institutions.

Modification of New FY 1994 Footnotes

- The amount appropriated for the Correctional Service Officer series pay plan is to be used to increase salaries paid to employees classified within the Correctional Service Officer series and may be used to continue the salary plan approved by the Joint Legislative Budget Committee on October 14, 1993. Any deviations from that plan must be presented to the Joint Legislative Budget Committee for review before the amount appropriated for the Correctional Service Officer series pay plan becomes available for expenditures. (*Updates references to last year's salary plan.*)

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Other Issues for Legislative Consideration

- **Privatized Beds**

The Executive recommends funding to contract for an additional 600 private prison beds in FY 1995. The recommendation includes 200 Return to Custody (RTC) beds, to open in January of 1995, and 400 DWI beds, which would open the following March. The estimated cost of these new beds, in FY 1995, is \$2,944,300. The FY 1995 Executive recommendation carries a \$4.8 million annualization requirement into FY 1996. Before the Executive recommendation can be implemented, 2 legislative actions are needed. First, a legislative change is required so that the Department of Corrections may contract for RTC beds; then both the RTC beds and the DWI beds must be sited by the Legislature. The department may find it difficult to obtain the necessary statutory changes, obtain qualified bids, select a successful bidder, and have these new beds sited so they can be operational in FY 1995.

The Governor's DOC recommendation will provide for 600 more beds at the end of FY 1995 than will the JLBC Staff's recommendation. In contrast, the JLBC Staff recommendation for Adult Probation Enhancement, Adult Intensive Probation, and Community Punishment provides for 2,120 new probationer slots, while the Governor funds no new slots. We recognize that not all new slots will ultimately lead to prison diversions. Only 28.3% (600 of 2,120) of the slots would need to result in prison diversions for the JLBC Staff's recommended bed/slot capacity to equal the Executive's. (Community Corrections Division)

- **Privatization Evaluation**

The Executive recommends 5 FTE positions and \$214,100 to monitor and evaluate the daily operation of private contract prisons. (Community Corrections and Adult Institutions Divisions)

- **Aspen Conversion to Special Program Unit (SPU)**

The Executive recommends 13 FTE positions and \$237,600 to staff the conversion of the Aspen DWI facility into the SPU in March of 1995. This request is dependent on the Legislature approving 600 (400 DWI and 200 Return to Custody) private beds. (Adult Institutions Division)

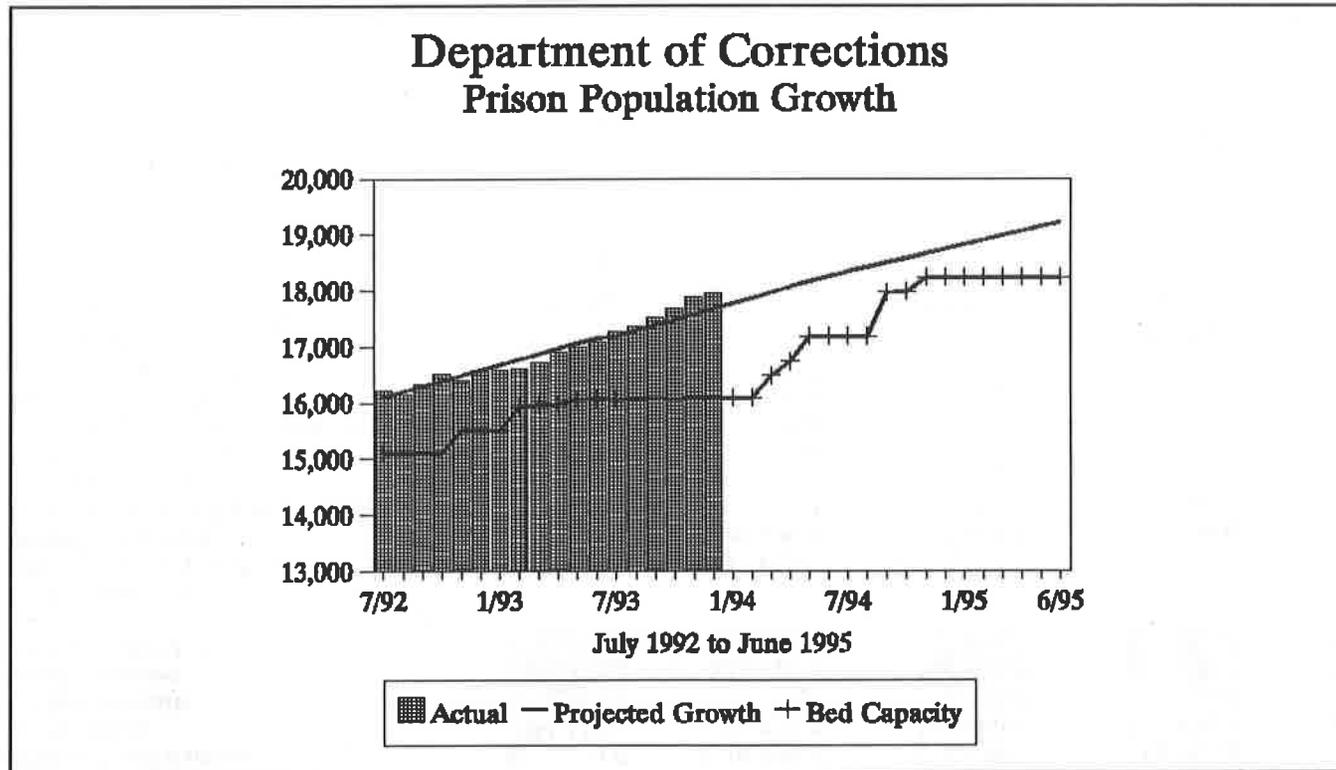
- **Prison Population and Bed Capacity**

Although the operating budget recommendations of the JLBC Staff and Executive are based on an average daily prison population, the number of prison beds required is a function of the total number of inmates committed to the Department of Corrections at any time. The actual inmate population on July 1, 1993, was 17,273. On December 30, 1993, the prison bed shortage was 1,879 beds. That reflects a prison population of 17,968 and a defined bed capacity of 16,089. During the first 6 months of FY 1994, the prison population growth averaged 145 inmates per month. No additional beds will be available until the first 400 at the Meadows Unit are opened in March of 1994. The following month an additional 250 beds for women will open at Tucson and in May, 450 private treatment beds are expected to be activated at Marana. By June 30, 1994, the inmate population is projected to be 18,263, or 1,074 more inmates than the anticipated operational bed capacity of the department.

It is now projected that the total inmate population will grow at the rate of 80.4 additional inmates per month during FY 1995. Based on that estimate, there will be 965 additional inmates added to the prison system in the next fiscal year. In FY 1995, both the JLBC Staff and the Executive recommend opening 1,050 new beds including: the second 400 beds of the Meadows Prison in July; 400 treatment beds at the Winchester Prison in August; 250 beds at the Apache Prison in November. The inmate population on June 30, 1995 is projected to be 19,228, and the operational bed capacity is anticipated to be 18,239 for a bed deficit of (989).

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The following chart provides a summary comparing the actual and estimated population with the designated bed capacity for the department.



- **Corrections Fund and Prison Expansion**

The JLBC Staff and Executive recommend eliminating the Corrections Fund as a funding source for operational costs in FY 1995. The Corrections Fund will be used to make lease-purchase payments for the FY 1993 and FY 1994 prison construction projects as well as the lease payment to Apache County for the Apache Prison. Additionally, the JLBC Staff recommends that \$5 million from the Corrections Fund be allocated to build 450 new prison beds.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The following table summarizes the revenues and expenditures from the Corrections Fund.

Corrections Fund Source & Disposition of Funds (Thousands of Dollars)					
	Actual <u>FY 1985-92</u>	Actual <u>FY 1993</u>	Estimate <u>FY 1994</u>	Estimate <u>FY 1995</u>	Estimate <u>FY 1996</u>
Beginning Fund Balance	\$ 0.0	\$ 10,960.6	\$ 4,659.7	\$ 4,367.8	\$ 6,924.0
Add: Revenues	204,119.0	21,427.9	\$21,430.0	\$21,400.0	\$21,400.0
Other Deposits	3,956.2	0.0	3,000.0	0.0	0.0
Total Revenues	<u>\$208,075.2</u>	<u>\$21,427.9</u>	<u>\$24,430.0</u>	<u>\$21,400.0</u>	<u>\$21,400.0</u>
Total Funds Available	<u>\$208,075.2</u>	<u>\$32,388.5</u>	<u>\$29,089.7</u>	<u>\$25,767.8</u>	<u>\$28,324.0</u>
Deduct Expenditures:					
Prison Construction & Maintenance	\$180,651.8	\$11,685.0	\$ 5,025.0	\$ 0.0	\$ 0.0
Operating Budgets	5,127.0	15,698.7	18,600.0	0.0	0.0
DOA Corrections Facilities Staffing	924.3	345.1	271.8	300.0	300.0
Drug Enforcement Activities	10,411.5	0.0	38.5	0.0	0.0
FY 93 Lease Purchase Payments	0.0	0.0	786.6	12,084.2	12,063.0
FY 94 Lease Purchase Payments	0.0	0.0	0.0	747.4	11,951.6
Apache County Lease Payments	0.0	0.0	0.0	712.2	1,003.8
450 New Beds, FY 1995	0.0	0.0	0.0	5,000.0	0.0
Total Expenditures	<u>\$197,114.6</u>	<u>\$27,728.8</u>	<u>\$24,721.9</u>	<u>\$18,843.8</u>	<u>\$25,318.4</u>
Fund Balance End of Period	<u>\$ 10,960.6</u>	<u>\$ 4,659.7</u>	<u>\$ 4,367.8</u>	<u>\$ 6,924.0</u>	<u>\$ 3,005.6</u>

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Department of Corrections
 PROGRAM: Adult Institutions

JLBC ANALYST: Morris/Martinez
 OSPB ANALYST: Tucker

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	5,536.9	5,849.9	6,583.9	6,343.9	6,239.2	
OPERATING BUDGET						
Personal Services	114,903,300	121,604,200	137,125,100	133,220,400	130,623,300	
Employee Related Expenditures	35,152,100	38,816,700	47,550,600	43,737,700	42,902,100	
Professional/Outside Services	4,425,400	4,119,300	4,241,900	4,288,600	4,278,200	
Travel - In State	248,100	307,900	364,900	363,100	335,100	
Travel - Out of State	37,800	54,500	56,200	56,800	56,700	
Other Operating Expenditures	29,742,500	32,984,100	35,996,100	34,456,500	34,460,700	
Equipment	1,636,000	2,044,600	9,059,800	1,432,700	3,195,300	
All Other Operating Subtotal	36,089,800	39,510,400	49,718,900	40,597,700	42,326,000	
OPERATING SUBTOTAL	186,145,200	199,931,300	234,394,600	217,555,800	215,851,400	
SPECIAL LINE ITEMS						
Discharge Expense	193,500	361,200	378,000	384,400	383,000	
Food	16,287,700	19,506,500	20,441,100	20,719,300	19,657,500	
Work Incentive Pay Plan	4,002,100	4,453,400	4,659,200	4,737,700	4,720,200	
COP 1450 Beds	0	0	0	12,084,300	12,084,300	
COP 768 Beds	0	0	0	854,800	747,400	
Apache County Lease	0	0	0	712,200	712,200	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Department of Corrections
 PROGRAM: Adult Institutions

JLBC ANALYST: Morris/Martinez
 OSPB ANALYST: Tucker

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
CSO Series Pay Plan	0	1,500,000	2,903,300	4,000,000	3,000,000	
Special Item Subtotal	20,483,300	25,821,100	28,381,600	43,492,700	41,304,600	
PROGRAM TOTAL	206,628,500	225,752,400	262,776,200	261,048,500	257,156,000	
BY FUND SOURCE						
General Fund	190,110,400	205,365,700	262,776,200	246,397,200	242,612,100	
Other Funds	16,518,100	20,386,700	0	14,651,300	14,543,900	
Other Non-Appropriated Funds	10,786,700	10,792,100	11,207,200	--	11,207,200	
PROGRAM TOTAL - ALL SOURCES	217,415,200	236,544,500	273,983,400	261,048,500	268,363,200	

Program Description - The Adult Institutions Division provides care and custody for all adult offenders committed to the Department of Corrections by the courts of Arizona. Within the division, offenders are classified relative to their risk to the institution and public safety. The division offers inmate educational and vocational classes, library services, work opportunities, treatment programs, and family assistance services. The division is responsible for the operation of 8 prison complexes located in Phoenix, Perryville, Douglas, Tucson, Winslow, Safford, and Florence which has 2 complexes (Florence and Eyman); as well as 4 stand alone prisons located in Yuma, Globe, Fort Grant, and a new prison to be located near St. Johns. The division operates the Bureau of Offender Services, which maintains inmate records, computes the length of time an inmate must serve in prison, operates the inmate classification system, and administers special services for the Interstate Corrections Compact.

The JLBC Staff recommends a total appropriation of \$257,156,000 -- a net increase of \$31,403,600, or 13.9%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$242,612,100 -- a net increase of \$37,246,400, or 18.1%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$14,543,900 -- a net decrease of \$(5,842,800) or (28.7)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (202,600) GF
 Maintains a vacancy factor of 3.8%. The Executive recommends a vacancy factor of 3.13%. The Executive reduced the vacancy factor to provide the department additional funding to hire 50 Correctional Service Officers.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **ERE Rate Changes** 1,349,100 GF
 The amount includes a \$9,000 increase resulting from the transfer of 3 FTE positions from the Administration Division into the Adult Institutions Division.
- **Other Operating Expenditures** (568,300) GF
 The amount reflects a reduction for one-time non-capitalized equipment costs. The Executive concurs.
- **Equipment** (263,500) GF
 One-time Equipment: The amount reflects a \$(2,044,600) reduction from one-time equipment costs associated with new prison openings in FY 1994. The Executive concurs.

 Replacement Equipment: The amount includes a total of \$1,781,100 for replacement equipment. The Executive and JLBC Staff concur on a total of \$1,915,100 for the entire department. However, the funding is distributed differently among divisions.
- **Annualization** 3,219,700 GF
 The amount is to annualize costs partially funded in FY 1994 for the opening of the first 400 beds of the Meadows Unit in Florence and the 250 female bed Manzanita Unit at Tucson. The annualization amount for the Meadows Unit is \$2,062,700 and for the Manzanita Unit is \$1,157,000. These amounts include \$2,219,200 for Personal Services, \$385,700 for ERE, \$8,900 for Travel-In State, \$585,300 for OOE, and \$20,600 for staff food costs. The Executive recommends \$3,561,000, with primary difference being in ERE.
- **Population Growth** 2,015,600 GF
 It is projected that the adult Average Daily Population (ADP) will increase by 1,020 in FY 1995. The amount includes increases of \$1,079,400 for food, \$266,800 for inmate work incentive pay, and \$486,500 for Other Operating Expenditures. The remaining increase of \$182,900 is for professional services, travel and discharge expenses. This funding reflects the marginal costs incurred by the department for each additional prisoner that enters the prison system when no additional beds have been built. The Executive recommends \$2,147,900 for an additional ADP of 1,087.
- **Opening New Prisons** 12,610,700 GF
 The JLBC Staff recommends partial year funding to support the operation of 3 new prisons to be opened during FY 1995. The opening of these prisons will increase the state prison capacity by 1,050 beds. The Executive recommends a total of \$15,112,400. New prisons to be opened are:

 - Meadows Unit - The amount includes \$3,518,400 and 116 FTE positions to open the second 400 beds of the Meadows Unit at Florence on July 1, 1994. Of this amount, \$2,924,200 is for Personal Services and ERE, \$6,300 is for Travel-In State, \$572,700 is for Other Operating Expenditures, and \$15,200 is for staff food costs. The Meadows Unit is a medium security, level 3 unit. It is anticipated that initial opening and equipment costs for the unit will be incurred in FY 1994. The Executive recommends \$3,941,900 and 131 FTE positions.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Winchester Prison - The amount includes \$4,808,700 and 165.3 FTE positions to open the 400 treatment bed Winchester Unit at ASPC-Tucson on August 1, 1994. Of this amount, \$4,198,400 is for Personal Services and ERE, \$8,200 is for Travel-In State, \$580,300 is for Other Operating Expenditures, and \$21,800 is for staff food costs. The Winchester Prison is a medium security, level 3 prison. It is anticipated that initial opening and equipment costs for the unit will be incurred in FY 1994. The Executive recommends \$6,569,300 and 233 FTE positions.
- Apache Prison - The amount includes \$4,283,600 and 105 FTE positions to open the 250 bed Apache Unit at ASPC-Winslow on November 1, 1994. Of this amount, \$2,230,500 is for Personal Services and ERE, \$3,800 is for Travel-In State, \$606,800 is for Other Operating Expenditures, \$1,414,200 is for equipment, and \$28,300 is for staff food costs. The Apache Prison is a minimum security, level 2 prison. The Executive recommends \$4,601,200 and 114 FTE positions.

- **Correctional Service Officer (CSO) Series Pay Plan** 1,500,000 GF
In FY 1994, the Legislature appropriated \$1,500,000 to the department to increase salaries for employees classified within the CSO series. The FY 1994 increase amounted to a \$296 annual increase for each of the 4,479.9 CSO series employees. The FY 1994 increase was the first step in responding to the fact that salaries paid by the Arizona state government are below the amounts paid to similar employees of the federal government, surrounding states, and Maricopa and Pima counties. The current salary structure is causing excessive turnover among these employees. This turnover, which is about 20% per year, is costly and impacts training costs, overtime and the experience level of Arizona Correctional Service employees. This amount would continue to upgrade the CSO pay plan, and if implemented similar to the FY 1994 pay plan, would provide a \$265 annual increase for the recommended 4,801.2 CSO series positions. This amount is intended to be in addition to any amount the legislature may provide as a general pay adjustment. The Executive recommends \$2,500,000, or approximately \$400 per CSO employee.
- **Corrections Fund Offset** 18,585,700 GF
(18,600,000) OF
The amount reflects the elimination of the Corrections Fund as the source of funding for most of the food costs. The Corrections Fund monies will be used to make prison construction lease-purchase payments and other prison lease payments. The difference reflects elimination of non-recurring food costs from opening new prisons in FY 1994.
- **Food Adjustments** (1,000,000) GF
The FY 1992 and FY 1993 actual expenditures for food costs were 9% and 12%, respectively, below the approved appropriations. The amount reflects readjusting the food costs to the FY 1993 level and providing adequate increases for population and staff increases since that time.
- **COP & Lease Payment Line Items** 12,757,200 OF
The amount includes: \$712,200 for the lease payment to Apache County in FY 1995 for the Apache Prison; \$747,400 for the COP payment for the FY 1994 prison construction project of 768 maximum security beds; an additional \$11,297,600 to bring the total COP payment for the FY 1993 prison construction project of 1,450 beds to \$12,084,300.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Format -- Modified Lump Sum by Agency

Other Issues for Legislative Consideration

- **Aspen Conversion to Special Purpose Unit (SPU)**
The Executive recommends 13 FTE positions and \$237,600 to staff the conversion of the Aspen DWI facility into the SPU in March of 1995. This request is dependent on the Legislature approving 600 (400 DWI and 200 Return to Custody) private beds.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Department of Corrections
 PROGRAM: Administration

JLBC ANALYST: Morris/Martinez
 OSPB ANALYST: Tucker

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	187.0	191.0	206.0	201.0	195.0	
OPERATING BUDGET						
Personal Services	5,485,000	5,275,400	5,618,400	5,504,400	5,391,700	
Employee Related Expenditures	1,279,600	1,324,400	1,569,700	1,460,400	1,426,900	
Professional/Outside Services	1,982,700	2,440,700	2,546,800	2,347,200	1,979,300	
Travel - In State	37,000	51,800	58,000	54,800	53,200	
Travel - Out of State	6,500	17,900	17,900	17,900	17,900	
Other Operating Expenditures	4,423,400	9,277,300	9,319,200	10,311,400	10,149,800	
Equipment	764,600	1,154,100	4,249,000	1,928,500	52,500	
All Other Operating Subtotal	7,214,200	12,941,800	16,190,900	14,659,800	12,252,700	
PROGRAM TOTAL	13,978,800	19,541,600	23,379,000	21,624,600	19,071,300	
BY FUND SOURCE						
General Fund	13,978,800	19,535,800	23,379,000	21,624,600	19,065,500	
Other Funds	0	5,800	0	0	5,800	
Federal Funds	113,000	64,200	64,200	--	64,200	
Other Non-Appropriated Funds	3,203,500	2,438,800	2,426,800	--	2,426,800	
PROGRAM TOTAL - ALL SOURCES	17,295,300	22,044,600	25,870,000	21,624,600	21,562,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Department of Corrections
 PROGRAM: Administration

Program Description - *The Administration Division consists of the Director, his personal staff, the Inspections and Investigations Division, the Bureau of Management and Budget, the Business and Finance Bureau, Facility Management, Information Services, and the Office of Communications Administration. The Administration Division is responsible for the overall operation and management of the department through the Office of the Director and provides direct financial and logistical support to all operating elements. The Inspections and Investigations Division conducts criminal investigations, investigates employee misconduct, gathers criminal intelligence, and is responsible for the inspection of facilities and performs internal audits. There is an Intergovernmental Liaison Officer to coordinate with county attorneys and sheriffs. This position supervises the distribution of the Criminal Justice Enhancement Fund for county jail operations.*

The JLBC Staff recommends a total appropriation of \$19,071,300 -- a net decrease of \$(470,300), or (2.4)%, from the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$19,065,500 -- a net decrease of \$(470,300), or (2.4)%, from the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$5,800 -- no change from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ -0- GF
 Maintains a vacancy factor of 2.4%. The Executive recommends a vacancy factor of 2.4%.
- ERE Rate Changes 71,300 GF
- Other Operating Expenditures 870,200 GF
 Provides \$872,500 to fund the increase of risk management insurance premiums. In FY 1995, risk management premiums are expected to increase from \$6,924,400 to \$7,796,584. Offsetting that increase is a \$(2,300) decrease in rent. The Executive and the JLBC Staff agree on the increase for risk management. The Executive recommends an increase of \$159,600 for rent.
- Professional and Outside Services (461,400) GF
 The amount recommended by the JLBC Staff includes \$1.5 million for data processing services to be provided by the Department of Administration's Data Center. The recommended amount represents a reduction from FY 1994 of \$(461,400). This change reflects the Data Center's announced rate reduction program to be implemented in FY 1994. The amount recommended is based on the Department of Correction's usage in prior years and includes an allowance for normal growth.

 The Executive recommendation reflects a net decrease of \$(93,500). That recommendation reduces basic data processing services by \$(300,000). This reduction was offset by an increase of \$146,500 for data processing and legal costs associated with the inmate population growth. The Executive also recommends \$60,000 for water testing to be done by the Department of Health Services.
- Opening New Prisons 154,100 GF
 The JLBC Staff recommends funding to support the operation of 3 new prisons to be operated in FY 1995. These prisons will increase the state prison capacity by 1,050 beds. New prisons are:

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Meadows Prison - 2 FTE positions, 1 Investigator III and 1 Secretary, and \$48,200 are recommended to support the second 400-bed unit of this prison. The second 400-bed unit is now expected to open late in FY 1994, and the recommended amount requires no future year annualization. The Executive recommends 8 FTE positions and \$207,300 to operate the second 400 beds. The Executive recommendation includes 6 administrative positions to manage the added work resulting from the increase in the prison population. The Meadows Prison is an 800-bed, medium security unit located at the Eyman Complex in Florence. The first 400 beds are expected to open in March of 1994.
- Winchester Prison - 2 FTE positions, 1 Investigator III and 1 Secretary, and \$48,200 are recommended to support this 400-bed treatment facility being constructed at the Arizona State Prison Complex - Tucson. This will be a substance abuse treatment facility that is expected to open in August of 1994. The Executive recommends the same 2 positions and \$49,600.
- Apache Prison - 2 FTE positions, 1 Investigator III and 1 Secretary, and \$57,700 are recommended by the JLBC Staff. The Apache Prison is expected to open in November of 1994. Included in the amount recommended is \$22,400 for start-up expenses and office equipment associated with the 2 new positions. The Executive recommends the same 2 positions and \$63,800. The difference between the 2 recommendations can be traced to the vacancy factor, operating expenditures and equipment costs. This is a 250-bed, minimum security prison that is to be built by Apache County and leased to the State of Arizona.

- Annualization

The amount recommended annualizes costs associated with the first 400 beds of the Meadows Unit located at the Eyman Complex in Florence. The Meadows Unit is scheduled to open in February of 1994 and requires annualization funding of \$14,300. There is also \$12,000 to annualize costs for the new 250-bed women's unit being constructed at the Arizona State Prison Complex - Tucson. The women's unit was funded to open in January of 1994.

26,300 GF

- Elimination of Funding for Replacement Equipment

In FY 1994, the Department of Corrections (DOC) allocated \$1,118,900, or all funding appropriated for replacement equipment, to the Administration program. This was done so that the expenditures could be closely monitored during the year. The JLBC Staff recommends that replacement equipment be funded within each individual program, so that program costs can be reported more accurately. The amount eliminated also includes \$35,200 for the costs associated with the opening of 2 new prisons in FY 1994. The total reduction is offset by an increase of \$34,000, which is recommended for replacement equipment for the Administrative Program. The Executive recommends a net increase of \$789,000 to replace equipment on a department-wide basis.

(1,120,100) GF

- FTE Positions Transferred

There was a net reduction of (2) FTE positions in this program as the result of positions being transferred. One Captain and 2 Hearing Officers, previously assigned to the Inspections and Investigations Division, were transferred to the Adult Institutions program. An Administrative Services Officer was transferred to the Planning Bureau. Two positions previously assigned to the Human Resources and Development Program were transferred to Administration. The \$(6,000) decrease is associated with Employee Related Expenditures and a comparable amount was added to the other programs. No other funds were moved when the positions were transferred.

(6,000) GF

- Non-recurring Other Operating Expenditures

Represents elimination of non-recurring costs approved last year for the operation of new prisons.

(4,700) GF

JLBC Staff Recommended Format -- Modified Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Department of Corrections
 PROGRAM: Human Resources/Development

JLBC ANALYST: Morris/Martinez
 OSPB ANALYST: Tucker

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	580.5	618.5	737.5	663.0	658.5	
OPERATING BUDGET						
Personal Services	16,891,600	19,792,000	22,808,600	21,530,300	21,300,100	
Employee Related Expenditures	3,991,600	4,756,900	6,574,000	5,344,500	5,274,800	
Professional/Outside Services	14,419,600	15,558,400	19,232,300	18,184,600	17,976,800	
Travel - In State	73,800	93,400	112,700	99,100	103,400	
Travel - Out of State	8,300	5,000	5,400	5,000	5,000	
Other Operating Expenditures	3,856,400	4,356,300	5,388,200	4,470,500	4,483,600	
Equipment	335,600	80,100	1,045,300	99,900	182,600	
All Other Operating Subtotal	18,693,700	20,093,200	25,783,900	22,859,100	22,751,400	
PROGRAM TOTAL	39,576,900	44,642,100	55,166,500	49,733,900	49,326,300	
BY FUND SOURCE						
General Fund	39,576,900	44,642,100	55,166,500	49,733,900	49,326,300	
PROGRAM TOTAL - ALL SOURCES	39,576,900	44,642,100	55,166,500	49,733,900	49,326,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Department of Corrections
PROGRAM: Human Resources/Development

Program Description - *The division provides organizational planning, personnel administration, staff development, training, and inmate health services, which include routine and emergency medical care, nursing care, routine and essential dental care, mental health services, pharmacy services, and medical records maintenance.*

The division has recently been reorganized to include only organizational planning, personnel administration, and staff development and training. A new division of health services will assume the responsibility for inmate health services.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$49,326,300 -- a net increase of \$4,684,200, or 10.5%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$(57,600) GF
Maintains a vacancy factor of 6.24%. The Executive recommends a vacancy factor of 2.4% for the Human Resources & Development Division and 6.24% for Health Services Division for total reduction of \$(54,000).
- **ERE Rate Changes** 175,900 GF
The amount includes a \$(3,000) reduction resulting from the transfer of 1 FTE position from this division into the Administration Division.
- **Other Operating Expenditures** (235,800) GF
The amount includes an increase of \$100 for the lease-purchase payment of the Tucson Office Building and a \$(235,900) reduction from one-time non-capitalized equipment costs. Other changes to Other Operating Expenditures are found under Opening Additional Prison Beds. The Executive concurs.
- **Replacement Equipment** 19,900 GF
The amount reflects a \$(72,900) reduction from one-time equipment costs associated with new prison openings in FY 1994 and a \$92,800 increase to provide a total of \$100,000 for replacement equipment.
- **Annualization** 558,000 GF
The amount is to annualize costs partially funded in FY 1994 for the opening of the first 400 beds of the Meadows Unit in Florence and the 250 female bed Manzanita Unit at Tucson. The annualization amount for the Meadows Unit is \$302,400 and for the Manzanita Unit is \$255,600. These amounts include \$479,000 for Personal Services, \$77,300 for ERE, and \$1,700 for Travel-In State. The Executive recommends an additional \$45,400 in ERE for a total of \$603,400 of additional funding.
- **Population Growth** 1,057,700 GF
These funds will provide services to an additional ADP of 1,020 inmates in FY 1995. They are used for outside medical care, ancillary services, as well as hospitalization for inmates. The Executive recommends \$1,127,200 for an additional ADP of 1,087 inmates in FY 1995.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Opening New Prisons

3,166,100 GF

The JLBC Staff recommends partial year funding to support the operation of 3 new prisons to be opened during FY 1995. The opening of these prisons will increase the state prison capacity by 1,050 beds. The Executive recommends a total of \$3,585,000. New prisons to be opened are:

- Meadows Unit - The amount includes \$326,100 and 10 FTE positions to open the second 400 beds of the Meadows Unit at Florence on July 1, 1994. Of this amount, \$317,400 is for Personal Services and ERE, \$500 is for Travel-In State, and \$8,200 is for Other Operating Expenditures. The Meadows Unit is a medium security, level 3 unit. It is anticipated that initial opening and equipment costs for the unit will be incurred in FY 1994. The Executive recommends \$416,100 and 11 FTE positions.
- Winchester Prison - The amount includes \$2,229,800 and 18 FTE positions to open the 400 treatment bed Winchester Unit at ASPC-Tucson on August 1, 1994. Of this amount, \$673,200 is for Personal Services and ERE, \$1,539,100 in Professional & Outside Services is to contract for treatment services at a daily cost of \$11.50 per bed, \$900 is for Travel-In State, and \$16,600 is for Other Operating Expenditures. The Winchester Prison is a medium security, level 3 prison. It is anticipated that initial opening and equipment costs for the unit will be incurred in FY 1994. The Executive recommends \$2,408,100 and 20.5 FTE positions.
- Apache Prison - The amount includes \$578,100 and 13 FTE positions to open the 250 bed Apache Unit at ASPC-Winslow on November 1, 1994. Of this amount, \$360,800 is for Personal Services and ERE, \$500 is for Travel-In State, \$134,200 is for Other Operating Expenditures, and \$82,600 is for equipment. The Apache Prison is a minimum security, level 2 prison. The Executive recommends \$760,800 and 14 FTE positions.

The amount also includes \$32,100 for advertising and travel costs associated with recruitment for these new prisons.

JLBC Staff Recommended Format -- Modified Lump Sum by Agency

Other Issues for Legislative Consideration

- Cost Center Reorganization

The department has reorganized the Human Resources and Development Division into two separate divisions. The 2 new divisions are the Human Services Division, which would primarily deal with inmate related health issues, and the Human Resources and Development Division, which would deal with staff related issues. Pursuant to A.R.S. § 41-1604, the director of the department may create or consolidate new divisions or units.

- Mental Health - Casey v. Lewis Court Case

The department has been found deficient in federal court on certain mental health issues. The department has submitted a plan of correction to the court with an estimated cost of \$5.9 million.

- Privatization Evaluation & Aspen Conversion

The Executive recommends \$1,000 for privatization management and \$9,600 for the conversion of the Aspen Unit to SPU.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Department of Corrections
 PROGRAM: Community Corrections

JLBC ANALYST: Morris/Martinez
 OSPB ANALYST: Tucker

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	153.0	153.0	157.0	158.0	153.0	
OPERATING BUDGET						
Personal Services	4,088,700	4,162,100	4,288,900	4,277,500	4,162,100	
Employee Related Expenditures	1,120,600	1,135,000	1,284,500	1,201,300	1,167,100	
Professional/Outside Services	423,300	510,100	3,867,800	510,100	510,100	
Travel - In State	11,100	22,100	22,500	22,600	22,100	
Travel - Out of State	6,900	5,000	5,000	5,000	5,000	
Other Operating Expenditures	1,243,500	1,143,200	1,163,500	1,167,500	1,140,100	
Equipment	102,100	0	32,000	37,300	0	
All Other Operating Subtotal	1,786,900	1,680,400	5,090,800	1,742,500	1,677,300	
OPERATING SUBTOTAL	6,996,200	6,977,500	10,664,200	7,221,300	7,006,500	
SPECIAL LINE ITEMS						
Discharge Expense	22,000	3,100	3,100	3,100	3,100	
Community Provider Beds	4,300	6,570,000	6,570,000	9,514,300	6,570,000	
Food	128,500	166,300	166,300	166,300	166,300	
Work Incentive Pay Plan	74,000	37,700	37,700	37,700	37,700	
Special Item Subtotal	228,800	6,777,100	6,777,100	9,721,400	6,777,100	
PROGRAM TOTAL	7,225,000	13,754,600	17,441,300	16,942,700	13,783,600	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Department of Corrections
 PROGRAM: Community Corrections

JLBC ANALYST: Morris/Martinez
 OSPB ANALYST: Tucker

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	7,225,000	13,754,600	17,441,300	16,942,700	13,783,600	
PROGRAM TOTAL - ALL SOURCES	7,225,000	13,754,600	17,441,300	16,942,700	13,783,600	

Program Description - Community Corrections provides supervision of all adult offenders on parole or other statutory prison release programs. This includes Home Arrest, that uses electronic surveillance and intensive case management to confine offenders to their residences except for approved activities such as employment and treatment. The program is responsible for the operation of the Correctional Release Centers and supervises the residential community treatment facilities. It is the coordinating authority for interstate parole and probation transfers and administers the Interstate Agreement on Detainers. There is also a Fugitive Services Section that tracks information on offenders who are charged with violations of their release status or new crimes.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$13,783,600 -- a net increase of \$29,000, or 0.2%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
 Maintains a vacancy factor of 2.9%. The Executive recommends a vacancy factor of 2.9%. The Executive recommends a reduction of \$4,900. That is the vacancy factor for the 5 new FTE positions included in the Executive recommendation.

- **ERE Rate Changes** 32,100 GF

- **Other Operating Expenditures** (3,100) GF
 The recommended amount includes an increase of \$2,300 for lease-purchase payments for the Kingman Office Building. The amount also includes \$2,100 for operations and maintenance (O&M) charges for this building, which had not previously been budgeted. This O&M charge will be transferred to the Department of Administration (DOA), which will be responsible for providing the service either directly or under contract. The amount also reflects a decrease of \$3,000 in private rent space by moving into this building. Based upon other rental cost data provided by DOA, the JLBC Staff recommends a further reduction of \$(4,500) for rent of private space.

JLBC Staff Recommended Format -- Modified Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Other Issues for Legislative Consideration

- **Privatized Beds**

The Executive recommends funding to contract for an additional 600 private prison beds in FY 1995. The recommendation includes 200 Return to Custody (RTC) beds to open in January of 1995, and 400 DWI beds which would open the following March. The estimated cost of these new beds, in FY 1995, is \$2,944,300. The FY 1995 Executive recommendation carries a \$4.8 million annualization requirement into FY 1996. Before the Executive recommendation can be implemented, 2 legislative actions are needed. First, a legislative change is required so that the Department of Corrections may contract for RTC beds; then both the RTC beds and the DWI beds must be sited by the Legislature. The department may find it difficult to obtain the necessary statutory change, obtain qualified bids, select a successful bidder, and have these new beds sited so they can be operational in FY 1995.

The Governor's DOC recommendation will provide for 600 more beds at the end of FY 1995 than will the JLBC Staff's recommendation. In contrast, the JLBC Staff recommendation for Adult Probation Enhancement, Adult Intensive Probation, and Community Punishment provides for 2,120 new probationer slots, while the Governor funds no new slots. We recognize that not all new slots will ultimately lead to prison diversions. Only 28.3% (600 of 2,120) of the slots would need to result in prison diversions for the JLBC Staff's recommended bed/slot capacity to equal the Executive's.

- **Privatization Evaluation**

The Executive recommends 5 FTE positions and \$213,100 to monitor and evaluate the daily operation of private contract prisons.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Criminal Justice Commission

JLBC ANALYST: Martinez
OSPb ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	6.0	6.0	6.0	6.0	6.0	
OPERATING BUDGET						
Personal Services	194,400	206,500	206,500	206,500	206,500	
Employee Related Expenditures	32,500	37,900	42,500	42,000	42,100	
Professional/Outside Services	1,400	0	3,000	0	2,300	
Travel - In State	7,900	7,400	9,000	7,400	8,700	
Travel - Out of State	400	0	3,000	0	2,300	
Other Operating Expenditures	64,100	68,400	68,000	68,000	68,000	
Equipment	400	0	0	0	0	
All Other Operating Subtotal	74,200	75,800	83,000	75,400	81,300	
OPERATING SUBTOTAL	301,100	320,200	332,000	323,900	329,900	
SPECIAL LINE ITEMS						
Substance Abuse Surveys	0	25,000	0	25,000	0	
Drug Enforcement Account	2,000,000	1,000,000	1,884,200	1,591,300	1,000,000	
Drug Resource Center	200,000	200,000	200,000	200,000	200,000	
Special Item Subtotal	2,200,000	1,225,000	2,084,200	1,816,300	1,200,000	
AGENCY TOTAL	2,501,100	1,545,200	2,416,200	2,140,200	1,529,900	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Criminal Justice Commission

JLBC ANALYST: Martinez
OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	2,000,000	1,000,000	1,884,200	1,591,300	1,000,000	
Other Funds	501,100	545,200	532,000	548,900	529,900	
Federal Funds	8,913,700	10,668,400	9,239,700	--	9,239,700	
Other Non-Appropriated Funds	5,435,000	5,854,100	5,208,600	--	5,208,600	
AGENCY TOTAL - ALL SOURCES	16,849,800	18,067,700	16,864,500	2,140,200	15,978,200	

Agency Description - *The commission was created to enhance the effectiveness and the coordination of the criminal justice system in Arizona; to monitor the criminal justice system and the progress and implementation of new and continuing criminal justice legislation; to identify needed revisions in the system or legislation; to make appropriate reports on the system and legislation; and to administer special funds for the enhancement of designated criminal justice system programs and activities in the state of Arizona.*

The JLBC Staff recommends a total appropriation of \$1,529,900 -- a net decrease of \$(15,300), or (1)%, from the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$1,000,000 -- no change from the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$529,900 -- a net decrease of \$(15,300), or (2.8)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 0%.
- **ERE Rate Changes** 4,200 OF
- **Professional and Outside Services** 2,300 OF
The amount provides funding for audit fees, travel for non-commission subcommittees, and temporary help. The Executive did not recommend funding for Professional and Outside Services.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Travel - In State** 1,300 OF
The amount reflects a \$1,200 increase to fund mileage costs, and a \$100 increase for lodging expenses. The Executive did not recommend additional funding.
- **Travel - Out of State** 2,300 OF
The amount provides funding for one attendee to the National Crime Victim Compensation Board Conference, the National Organization for Victim Assistance Conference, and the Indian National Conference. The agency requested a total of \$3,000 for these conferences. The Executive did not recommend funding for Travel - Out of State.
- **Other Operating Expenditures** (400) OF
The amount includes a \$(400) reduction to the commission's portion of the lease-purchase payment for the Courts Building.
- **Substance Abuse Surveys** (25,000) OF
Pursuant to A.R.S. § 41-2416, the commission is to conduct an annual drug survey when the Legislature specifically appropriates monies for that purpose. The statute was amended in 1991 to include the appropriation-specific language so that the Legislature could have the flexibility of conducting the survey biennially. The recommended amount provides for the biennial elimination of funding for the drug survey. The Executive recommends continued funding for FY 1995.

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Agency (The commission had a Detailed Line Item format in FY 1994)

JLBC Staff Recommended Footnotes

Standard Footnotes

- The sum of \$1,000,000 shall revert to the General Fund upon receipt of federal funds granted for federal fiscal year 1994-1995 under the Drug Control and System Improvement grant program (as authorized by the Omnibus Drug Initiative Act of 1988), but not later than June 30, 1995.

Other Issues for Legislative Consideration

- **General Fund Appropriation Request**
The agency is requesting a General Fund appropriation of \$884,200 to supplant the 15.4% reduction to the Drug Control and System Improvement grant program as passed by Congress for the 1994 federal fiscal year. The appropriation would allow the agency to maintain the same funding as the current year of \$9.8 million. The conference agreement to the federal appropriation bill noted that additional monies have been appropriated for discretionary grants to local communities to hire additional law enforcement personnel under the economic stimulus supplemental appropriations bill.

The Executive recommends a General Fund appropriation of \$591,300 and no change to the federal funds carry forward balance of \$770,000 to maintain the current program funding level of \$9.8 million. The JLBC Staff does not recommend a General Fund appropriation for this issue as the program can offset the loss of federal funds by drawing down the carry forward balance. Under the JLBC Staff recommendation, there would be a federal funds carry forward of \$178,700 at the end of FY 1995 if the entire offset is from the federal funds carry forward.
- **Agency Carry Forward**
Over the past few years, the beginning balance of the Commission's share of the Criminal Justice Enhancement Fund has been significantly decreasing. At the current levels of expenditures and revenues, the Commission will not have sufficient funding available to cover its operating costs in FY 1996.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Emergency & Military Affairs
Agency Summary

JLBC ANALYST: Martinez
OSPB ANALYST: Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	62.5	62.5	62.5	62.5	62.5	
BY PROGRAM/ORGANIZATION						
Emergency Management	718,100	884,700	827,100	821,400	819,700	
Military Affairs	3,186,900	3,600,700	3,694,600	3,697,100	3,705,700	
AGENCY TOTAL	3,905,000	4,485,400	4,521,700	4,518,500	4,525,400	
OPERATING BUDGET						
Personal Services	1,453,700	1,515,600	1,567,100	1,515,600	1,515,600	
Employee Related Expenditures	351,800	375,400	422,800	387,300	398,800	
Professional/Outside Services	30,000	24,200	24,200	44,200	44,200	
Travel - In State	24,800	30,900	30,900	30,900	30,900	
Travel - Out of State	8,100	9,000	9,000	9,000	9,000	
Other Operating Expenditures	998,300	1,402,900	1,402,900	1,476,700	1,466,600	
Equipment	44,300	1,500	6,000	6,000	1,500	
All Other Operating Subtotal	1,105,500	1,468,500	1,473,000	1,566,800	1,552,200	
OPERATING SUBTOTAL	2,911,000	3,359,500	3,462,900	3,469,700	3,466,600	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Emergency & Military Affairs
Agency Summary

JLBC ANALYST: Martinez
OSPB ANALYST: Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
SPECIAL LINE ITEMS						
Civil Air Patrol	78,100	61,500	61,500	61,500	61,500	_____
Emergency Response Commission	18,800	19,800	19,800	19,800	19,800	_____
Education	40,300	43,000	43,000	43,000	43,000	_____
Unit Allowance	0	10,000	10,000	0	10,000	_____
Service Contracts	852,300	852,300	852,300	852,300	852,300	_____
State Active Duty	2,400	5,300	5,300	5,300	5,300	_____
Uniform Allowance	2,100	3,000	3,000	3,000	3,000	_____
Emergency Response Fund Grants	0	131,000	63,900	63,900	63,900	_____
Special Item Subtotal	994,000	1,125,900	1,058,800	1,048,800	1,058,800	_____
AGENCY TOTAL	3,905,000	4,485,400	4,521,700	4,518,500	4,525,400	_____
BY FUND SOURCE						
General Fund	3,905,000	4,354,400	4,457,800	4,454,600	4,461,500	_____
Other Funds	0	131,000	63,900	63,900	63,900	_____
Federal Funds	28,893,500	22,555,100	20,886,500	--	20,886,500	_____
AGENCY TOTAL - ALL SOURCES	32,798,500	27,040,500	25,408,200	4,518,500	25,411,900	_____

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Emergency & Military Affairs
PROGRAM: Agency Summary

Agency Description - *The department consists of the Emergency Management Division and the Military Affairs Division. The Emergency Management Division prepares and coordinates emergency response plans for the state. The Military Affairs Division operates the Arizona National Guard.*

The JLBC Staff recommends a total appropriation of \$4,525,400 -- a net increase of \$40,000, or 0.9%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$4,461,500 -- a net increase of \$107,100, or 2.5%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$63,900 -- a net decrease of \$(67,100), or (51.2)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ -0- GF
Includes an overall agency vacancy factor of 0.7%.
- ERE Rate Changes 23,400 GF
- Professional and Outside Services 20,000 GF
The amount provides funding for Military Court Judges in the Military Affairs Division.
- Other Operating Expenditures 63,700 GF
The amount represents a \$(100) reduction for risk management charges in the Emergency Management Division and a \$63,800 increase for risk management charges in the Military Affairs Division.
- Emergency Response Grants (67,100) OF
The recommended amount of \$63,900, a decrease of \$(67,100) from FY 1994, represents the total amount of funds that will be available in the Emergency Response Fund in FY 1995. Pursuant to A.R.S. § 49-927, fund monies are used to provide grants for staffing local emergency planning committees and equipping local fire departments, fire districts, and public safety agencies for the development of hazardous materials emergency response teams.

JLBC Staff Recommended Format -- Lump Sum with Special Line Items by Program. *(In the FY 1994 budget, the department had a Lump Sum by Program format. The General Appropriation Act, however, had a footnote restricting the use of certain Special Line Items. The JLBC Staff recommends deleting the footnotes and itemizing the Special Line Items.)*

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Emergency & Military Affairs
 PROGRAM: Emergency Management

JLBC ANALYST: Martinez
 OSPB ANALYST: Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	15.0	15.0	15.0	15.0	15.0	
OPERATING BUDGET						
Personal Services	373,500	410,000	410,000	410,000	410,000	
Employee Related Expenditures	91,200	95,500	100,500	94,900	97,700	
Professional/Outside Services	22,200	20,000	20,000	20,000	20,000	
Travel - In State	2,100	5,900	5,900	5,900	5,900	
Travel - Out of State	6,900	7,000	7,000	7,000	7,000	
Other Operating Expenditures	107,300	134,000	134,000	133,900	133,900	
Equipment	18,000	0	4,500	4,500	0	
All Other Operating Subtotal	156,500	166,900	171,400	171,300	166,800	
OPERATING SUBTOTAL	621,200	672,400	681,900	676,200	674,500	
SPECIAL LINE ITEMS						
Civil Air Patrol	78,100	61,500	61,500	61,500	61,500	
Emergency Response Commission	18,800	19,800	19,800	19,800	19,800	
Emergency Response Fund Grants	0	131,000	63,900	63,900	63,900	
Special Item Subtotal	96,900	212,300	145,200	145,200	145,200	
PROGRAM TOTAL	718,100	884,700	827,100	821,400	819,700	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Emergency & Military Affairs
 PROGRAM: Emergency Management

JLBC ANALYST: Martinez
 OSPB ANALYST: Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	718,100	753,700	763,200	757,500	755,800	
Other Funds	0	131,000	63,900	63,900	63,900	
Federal Funds	13,485,400	4,160,200	2,349,000	---	2,349,000	
PROGRAM TOTAL - ALL SOURCES	14,203,500	5,044,900	3,176,100	821,400	3,168,700	

Program Description - *The division coordinates emergency services with other state agencies, political subdivisions and the federal government to reduce the impact of natural and other disasters.*

The JLBC Staff recommends a total appropriation of \$819,700 -- a net decrease of \$(65,000), or (7.3)%, from the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$755,800 -- a net increase of \$2,100, or 0.3%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$63,900 -- a net decrease of \$(67,100) or (51.2)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
 Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 0%.
- **ERE Rate Changes** 2,200 GF
- **Other Operating Expenditures** (100) GF
 The amount represents a reduction in risk management charges.
- **Emergency Response Grants** (67,100) OF
 The recommended amount of \$63,900 represents the total amount of funds that will be available in the Emergency Response Fund in FY 1995. Pursuant to A.R.S. § 49-927, fund monies are used to provide grants for staffing local emergency planning committees and equipping local fire departments, fire districts, and public safety agencies for the development of hazardous materials emergency response teams.

JLBC Staff Recommended Format -- Lump Sum with Special Line Items for the Program

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Footnotes

Deletion of Standard Footnotes

- Of the total appropriation, \$61,500 is to be used for the Civil Air Patrol and \$19,800 is to be used for the Emergency Response Commission. Any funds not used for these purposes shall revert to the General Fund. *(The recommended appropriation format eliminates the need for the footnote.)*

Deletion of New FY 1994 Footnotes

- The \$131,000 appropriated from the Emergency Response fund is made pursuant to Section 49-927, Subsection C, Arizona Revised Statutes. *(The recommended appropriation format eliminates the need for the footnote.)*

Other Issues for Legislative Consideration

- **Equipment**

The Executive recommends the agency request of \$4,500 for the state's 50% share of costs for 4 laser printers and 1 personal computer.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Emergency & Military Affairs
 PROGRAM: Military Affairs

JLBC ANALYST: Martinez
 OSPB ANALYST: Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	47.5	47.5	47.5	47.5	47.5	
OPERATING BUDGET						
Personal Services	1,080,200	1,105,600	1,157,100	1,105,600	1,105,600	
Employee Related Expenditures	260,600	279,900	322,300	292,400	301,100	
Professional/Outside Services	7,800	4,200	4,200	24,200	24,200	
Travel - In State	22,700	25,000	25,000	25,000	25,000	
Travel - Out of State	1,200	2,000	2,000	2,000	2,000	
Other Operating Expenditures	891,000	1,268,900	1,268,900	1,342,800	1,332,700	
Equipment	26,300	1,500	1,500	1,500	1,500	
All Other Operating Subtotal	949,000	1,301,600	1,301,600	1,395,500	1,385,400	
OPERATING SUBTOTAL	2,289,800	2,687,100	2,781,000	2,793,500	2,792,100	
SPECIAL LINE ITEMS						
Education	40,300	43,000	43,000	43,000	43,000	
Unit Allowance	0	10,000	10,000	0	10,000	
Service Contracts	852,300	852,300	852,300	852,300	852,300	
State Active Duty	2,400	5,300	5,300	5,300	5,300	
Uniform Allowance	2,100	3,000	3,000	3,000	3,000	
Special Item Subtotal	897,100	913,600	913,600	903,600	913,600	
PROGRAM TOTAL	3,186,900	3,600,700	3,694,600	3,697,100	3,705,700	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Emergency & Military Affairs
 PROGRAM: Military Affairs

JLBC ANALYST: Martinez
 OSPB ANALYST: Zelznak

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	3,186,900	3,600,700	3,694,600	3,697,100	3,705,700	
Federal Funds	15,408,100	18,394,900	18,537,500	--	18,537,500	
PROGRAM TOTAL - ALL SOURCES	18,595,000	21,995,600	22,232,100	3,697,100	22,243,200	

Program Description - *The division manages and operates the National Guard of Arizona, which includes the Army and Air National Guard.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$3,705,700 -- a net increase of \$105,000, or 2.9%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
 Maintains a vacancy factor of 1%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 1%.
- **ERE Rate Changes** 21,200 GF
- **Professional and Outside Services** 20,000 GF
 The amount provides funding for Military Court Judges. The court of military appeals was established in 1987 by the Legislature. Since that time, the department has been drafting the military code of conduct. Pursuant to A.R.S. § 26-1067, the judges are eligible to receive compensation equal to that prescribed for judges of the Arizona Court of Appeals. Based on an hourly rate of \$47, the department estimates that \$20,000 will be sufficient to cover expenses for the anticipated workload in FY 1995. The Executive concurs.
- **Other Operating Expenditures** 63,800 GF
 The amount represents an increase in risk management charges.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Format -- Lump Sum with Special Line Items for the Program

JLBC Staff Recommended Footnotes

Standard Footnotes

- Of the total appropriation, \$852,300 is intended for Service Contracts and is exempt from A.R.S. § 35-190 relating to lapsing of appropriations, except that all monies remaining unexpended and unencumbered on October 31, 1995 shall revert to the state General Fund.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Board of Executive Clemency

JLBC ANALYST: Martinez
 OSPB ANALYST: Jones

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	39.0	39.0	41.0	41.0	41.0	
OPERATING BUDGET						
Personal Services	1,053,700	1,107,600	1,141,500	1,138,000	1,136,600	
Employee Related Expenditures	246,500	231,600	268,200	260,200	260,100	
Professional/Outside Services	54,200	65,900	68,400	68,400	68,400	
Travel - In State	30,300	37,800	37,800	36,700	36,700	
Travel - Out of State	1,400	1,400	2,200	2,200	1,400	
Other Operating Expenditures	528,700	443,800	443,800	213,800	209,200	
Equipment	45,800	2,500	5,500	5,500	5,500	
All Other Operating Subtotal	660,400	551,400	557,700	326,600	321,200	
AGENCY TOTAL	1,960,600	1,890,600	1,967,400	1,724,800	1,717,900	
BY FUND SOURCE						
General Fund	1,960,600	1,890,600	1,967,400	1,724,800	1,717,900	
Federal Funds	3,600	7,100	0	-	0	
AGENCY TOTAL - ALL SOURCES	1,964,200	1,897,700	1,967,400	1,724,800	1,717,900	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Board of Executive Clemency

Agency Description - Pursuant to Laws 1993, Chapter 255, the Board of Pardons & Paroles was renamed the Board of Executive Clemency. The board consists of 7 full-time members. The board will continue to conduct home arrest, parole, or work furlough release hearings at all adult prison institutions for prisoners convicted prior to January 1, 1994. The board will also continue to consider executive clemency actions such as pardons, commutations and absolute discharges for all prisoners.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$1,717,900 -- a net decrease of \$(172,700), or (9.1)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
Maintains a vacancy factor of 1%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 1%.

- **ERE Rate Changes** 19,300 GF

- **FTE Position Increases** 43,700 GF
The JLBC Staff recommends 2 Information Processing Specialist II, grade 11 positions. The additional resources will be used to comply with a recent court ruling requiring more effort into locating victims to assure they are properly notified of upcoming hearings. These positions were eliminated in FY 1994 when it was thought that victim notification efforts could be reduced. The recommended amount includes \$29,000 for Personal Services, \$9,200 for ERE, \$2,500 for Professional & Outside Services, and \$3,000 for Equipment. The Executive recommends \$45,600.

- **Travel - In State** (1,100) GF
The amount reflects a \$(400) reduction in mileage charges and a \$(700) reduction in per diem. The amount recommended provides sufficient funding for the agency's travel request.

- **Other Operating Expenditures** (234,600) GF
The amount reflects a \$(230,000) reduction in risk management charges and a \$(4,600) reduction identified by the agency from savings in copying costs and eliminated equipment maintenance agreements.

JLBC Staff Recommended Format -- Lump Sum by Agency

Other Issues for Legislative Consideration

- **Travel - Out of State**
The Executive recommends the agency's request for an additional \$800 to allow the new board chairman to attend a conference in Chicago.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Public Safety
Agency Summary

JLBC ANALYST: Bradley
OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	1,617.0	1,515.0	1,517.0	1,537.0	1,517.0	
BY PROGRAM/ORGANIZATION						
Service Bureau	35,829,300	36,052,400	36,832,100	34,690,000	34,771,900	
Criminal Investigation Bureau	13,758,800	15,298,600	15,888,300	16,446,100	15,274,200	
Highway Patrol Bureau	32,722,000	32,962,400	34,631,100	33,822,900	33,847,900	
AGENCY TOTAL	82,310,100	84,313,400	87,351,500	84,959,000	83,894,000	
OPERATING BUDGET						
Personal Services	50,139,000	53,657,000	55,189,600	54,680,000	54,083,700	
Employee Related Expenditures	11,494,800	11,172,600	12,645,800	12,218,200	12,091,700	
Professional/Outside Services	296,300	357,800	357,800	362,300	357,800	
Travel - In State	516,700	516,100	516,900	531,900	516,900	
Travel - Out of State	146,600	150,100	150,100	160,100	150,100	
Other Operating Expenditures	13,852,900	12,908,100	12,939,600	11,669,800	11,844,400	
Equipment	2,711,600	3,099,400	3,099,400	3,336,700	2,849,400	
All Other Operating Subtotal	17,524,100	17,031,500	17,063,800	16,060,800	15,718,600	
OPERATING SUBTOTAL	79,157,900	81,861,100	84,899,200	82,959,000	81,894,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Public Safety
Agency Summary

JLBC ANALYST: Bradley
OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
SPECIAL LINE ITEMS						
ACJIS	449,900	452,300	452,300	0	0	
AFIN	0	2,000,000	2,000,000	2,000,000	2,000,000	
Dispatch Centers	2,702,300	0	0	0	0	
Special Item Subtotal	3,152,200	2,452,300	2,452,300	2,000,000	2,000,000	
AGENCY TOTAL	82,310,100	84,313,400	87,351,500	84,959,000	83,894,000	
BY FUND SOURCE						
General Fund	35,066,900	34,148,200	40,147,900	36,159,000	34,894,000	
Other Funds	47,243,200	50,165,200	47,203,600	48,800,000	49,000,000	
Federal Funds	6,961,900	7,337,800	6,647,200	--	6,647,200	
Other Non-Appropriated Funds	14,029,300	13,913,600	12,258,200	--	12,508,200	
AGENCY TOTAL - ALL SOURCES	103,301,300	105,564,800	106,256,900	84,959,000	103,049,400	

Agency Description - The Department of Public Safety (DPS) is responsible for the enforcement of state criminal laws and traffic regulations. In addition to the Highway Patrol, DPS operates and maintains statewide communications systems, state crime laboratories and an automated fingerprint identification network, and performs aviation missions, special investigations, and other law enforcement activities.

The JLBC Staff recommends a total appropriation of \$83,894,000 -- a net decrease of \$(419,400), or (0.5)%, from the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$34,894,000 -- a net increase of \$745,800, or 2.4%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$49,000,000 -- a net decrease of \$(1,165,200), or (2.3)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments

\$ (2,400) GF
(9,900) OF

Maintains a vacancy factor of 2%. The Executive recommends a vacancy factor of 2%.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

• ERE Rate Changes	497,300 GF 378,700 OF
• Early Retirement Adjustments	(148,200) GF 18,600 OF
• Annualization of DPS Pay Plan	116,000 GF 440,400 OF
• Reduced Risk Management Charges	(1,085,300) GF
• Lease-Purchase Operating and Maintenance Increase	20,000 GF
• Pupil Transportation Program	57,700 OF
• Net Change in Other Appropriated Funds Offset	1,348,400 GF (2,050,700) OF

JLBC Staff Recommended Format -- Lump Sum with Special Line Items by Agency. *(In the FY 1994 budget, the department had a lump sum format. The JLBC Staff recommends adding a Special Line Item to the FY 1995 format for the Arizona Fingerprint Identification Network (AFIN). This change will permit better tracking of expenditures as AFIN is implemented.)*

JLBC Staff Recommended Footnotes

Standard Footnotes

- Any monies remaining in the Department of Public Safety joint account on June 30, 1995 shall revert to the funds from which they were appropriated. The reverted monies shall be returned in direct proportion to the amounts appropriated. *(All appropriated DPS monies are deposited in a joint account, but there is no other statutory language clarifying that unspent monies should return to their original fund.)*
- In addition to the amount appropriated above, any balance and receipts received under A.R.S. § 28-1891 are appropriated to the Department of Public Safety. *(This footnote is required to insure that non-reverting fund balances in the Highway Patrol Fund in excess of the appropriated amount can be expended by the department for on-going activities.)*

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Public Safety
 PROGRAM: Service Bureau

JLBC ANALYST: Bradley
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	582.0	527.0	527.0	527.0	527.0	
OPERATING BUDGET						
Personal Services	15,523,900	16,860,500	17,140,200	16,797,400	16,795,700	
Employee Related Expenditures	3,100,300	3,737,900	4,211,000	4,042,900	4,039,800	
Professional/Outside Services	286,200	324,100	324,100	324,100	324,100	
Travel - In State	137,000	175,300	175,300	175,300	175,300	
Travel - Out of State	96,200	90,300	90,300	90,300	90,300	
Other Operating Expenditures	12,717,700	12,052,700	12,079,600	10,900,700	10,987,400	
Equipment	815,800	359,300	359,300	359,300	359,300	
All Other Operating Subtotal	14,052,900	13,001,700	13,028,600	11,849,700	11,936,400	
OPERATING SUBTOTAL	32,677,100	33,600,100	34,379,800	32,690,000	32,771,900	
SPECIAL LINE ITEMS						
ACJIS	449,900	452,300	452,300	0	0	
AFIN	0	2,000,000	2,000,000	2,000,000	2,000,000	
Dispatch Centers	2,702,300	0	0	0	0	
Special Item Subtotal	3,152,200	2,452,300	2,452,300	2,000,000	2,000,000	
PROGRAM TOTAL	35,829,300	36,052,400	36,832,100	34,690,000	34,771,900	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Public Safety
PROGRAM: Service Bureau

JLBC ANALYST: Bradley
OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	23,704,600	21,038,200	27,627,100	21,312,900	22,578,600	
Other Funds	12,124,700	15,014,200	9,205,000	13,377,100	12,193,300	
Federal Funds	6,961,900	7,337,800	6,647,200	--	6,647,200	
Other Non-Appropriated Funds	14,029,300	13,913,600	12,258,200	--	12,258,200	
PROGRAM TOTAL - ALL SOURCES	56,820,500	57,303,800	55,737,500	34,690,000	53,677,300	

Program Description - *The Service Bureau encompasses all centralized management of the department, telecommunications, fleet maintenance, aviation, law enforcement training, information systems, executive security, and all other programs not assigned to the Highway Patrol Bureau or the Criminal Investigations Bureau.*

The JLBC Staff recommends a total appropriation of \$34,771,900 -- a net decrease of \$(1,280,500), or (3.6)%, from the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$22,578,600 -- a net increase of \$1,540,400, or 7.3%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$12,193,300 -- a net decrease of \$(2,820,900), or (18.8)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (500) GF
Maintains a vacancy factor of 2%. The Executive recommends a vacancy factor of 2%.
- ERE Rate Changes 319,700 GF
- Early Retirement Adjustment (105,500) GF
The department reorganized last year and also offered an early retirement option. This resulted in unforeseen savings in Personal Services and Employee Related Expenditures for the department of \$(129,600). These savings are the total net change to the agency, but vary by program. The Service Bureau program has savings of \$(105,500). The Executive also recommends this reduction and additionally decreases Other Operating Expenditures by \$(93,600) as a result of early retirement savings. This latter reduction was not recommended by the JLBC Staff. While the department reallocated resources initially planned for Personal Services and Employee Related Expenditures to Other Operating Expenditures, this reallocation was both allowed by the agency's lump sum appropriation and was within the Legislative intent of their current year appropriation.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Annualization of DPS Pay Plan** 23,400 GF
 The Legislature approved a revised pay plan for the Department of Public Safety effective October 1, 1993. Since the new pay plan will be in effect for only 9 months during FY 1994, only partial year funding was provided. This pay plan has been annualized in the FY 1995 recommendation to include funding for the additional 3 months. The pay plan provided step advancements for senior Officer I and II's and created a new classification of Officer III. The Executive also recommends this increase.
- **Reduced Risk Management Charges** (1,085,300) GF
- **Lease-Purchased Buildings Operations and Maintenance** 20,000 GF
 The recommended amount includes an increase of \$20,000 for operations and maintenance (O&M) charges for the Sun City District 19 Headquarters building, which had not been previously budgeted. This O&M charge will be transferred to the Department of Administration, which will be responsible for providing the service, either directly or under contract.
- **ACJIS Becomes Non-Appropriated Due to Laws 1993, Chapter 243** (452,300) OF
 Laws 1993, Chapter 243, reorganized and simplified the assessment and collection of fines and surcharges on traffic and criminal offenses. The law also redefined the funding and status of several funds. The Arizona Criminal Justice Information System (ACJIS) formerly received pass-through funds from the Criminal Justice Enhancement Fund (CJEF). Prior to the change made by the new law, the status of whether these funds were appropriated or non-appropriated was unclear, and a portion had traditionally been appropriated. The law clearly established these funds as non-appropriated. The reduction is therefore only a transfer of expenditures to a non-appropriated fund source and does not result in a decrease in total funding. The Executive also made this adjustment.
- **Increased Offset Available from the Highway Patrol Fund** (512,100) GF
512,100 OF
 The Highway Patrol Fund receives a portion of the excise tax on insurance premiums, as well as funds from the sales of assets and services. These funds are used to pay the state portion and to subsidize the employee portion of Public Safety Retirement premiums. Monies remaining after this requirement has been met are available as an offset to other cost of the department's operations.
 The amount shown shows the reduced General Fund requirement as a result of increased Highway Patrol Fund revenues. Agencywide, the Highway Patrol Fund offsets \$7,000,000 of department operating costs, an increase of \$2,748,900 over FY 1994. The portion of increased offset associated with the Service Bureau program is \$512,100. The remainder of the offset, \$(1,266,600) is used to offset increased costs and the loss of other funding. The Executive recommended a total Highway Patrol Fund offset of \$6,800,000, which resulted in a \$200,000 higher General Fund cost.
- **Limitation on Use of HURF and Highway Funds Due to Laws 1993, Chapter 249** 2,880,700 GF
(2,880,700) OF
 Laws 1993, Chapter 249, established limits on the amounts of Highway Fund and Highway User Revenue Fund (HURF) monies that could be used to fund Department of Public Safety operations. In FY 1994, the Legislature appropriated \$24,924,700 from the HURF and \$18,336,900 from the Highway Fund, for a total of \$43,261,600. For FY 1995, the limits are \$20,000,000 each from the Highway Fund and the HURF for a total of \$40,000,000. This required a decrease of \$(3,261,600) from the current year level. This was accomplished through reduced expenditures and more reliance on Highway Patrol Fund monies \$(380,900) and a General Fund replacement of lost offset \$(2,880,700). The Executive also recommended \$20 million from each of these 2 funds.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Maximum DPS HURF and Highway Fund Usage ^{1/}

	<u>HURF</u>	<u>HIGHWAY</u>	<u>TOTAL</u>
FY 1994	\$24,924,700	\$18,336,900	\$43,261,600
FY 1995	\$20,000,000	\$20,000,000	\$40,000,000
FY 1996	\$17,500,000	\$17,500,000	\$35,000,000
FY 1997	\$15,000,000	\$15,000,000	\$30,000,000
FY 1998	\$12,500,000	\$12,500,000	\$25,000,000
FY 1999 and beyond	\$10,000,000	\$10,000,000	\$20,000,000

^{1/} The amounts for FY 1994 reflect the current appropriation; all subsequent years reflect the limits established by the legislation.

JLBC Staff Recommended Format -- Lump Sum with Special Line Items by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Public Safety
 PROGRAM: Criminal Investigation Bureau

JLBC ANALYST: Bradley
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	316.0	293.0	293.0	313.0	293.0	
OPERATING BUDGET						
Personal Services	10,610,600	11,780,900	12,068,600	12,436,500	11,826,500	
Employee Related Expenditures	2,076,300	2,253,200	2,552,200	2,566,200	2,433,200	
Professional/Outside Services	4,200	10,000	10,000	14,500	10,000	
Travel - In State	116,500	113,400	113,400	128,400	113,400	
Travel - Out of State	36,500	37,600	37,600	47,600	37,600	
Other Operating Expenditures	763,100	661,400	664,400	573,500	661,400	
Equipment	151,600	442,100	442,100	679,400	192,100	
All Other Operating Subtotal	1,071,900	1,264,500	1,267,500	1,443,400	1,014,500	
PROGRAM TOTAL	13,758,800	15,298,600	15,888,300	16,446,100	15,274,200	
BY FUND SOURCE						
General Fund	11,362,300	13,110,000	12,520,800	14,846,100	12,315,400	
Other Funds	2,396,500	2,188,600	3,367,500	1,600,000	2,958,800	
Other Non-Appropriated Funds	0	0	0	--	250,000	
PROGRAM TOTAL - ALL SOURCES	13,758,800	15,298,600	15,888,300	16,446,100	15,524,200	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Public Safety
PROGRAM: Criminal Investigation Bureau

Program Description - *The Criminal Investigation Bureau operates 4 crime laboratories, investigates narcotics and organized crime, performs various specialized investigations, provides support to local law enforcement agencies, and performs several intergovernmental staff functions.*

The JLBC Staff recommends a total appropriation of \$15,274,200 -- a net decrease of \$(24,400), or (0.2)%, from the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$12,315,400 -- a net decrease of \$(794,600), or (6.1)%, from the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$2,958,800 -- a net increase of \$770,200, or 20.7%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (1,900) GF
Maintains a vacancy factor of 2%. The Executive recommends a vacancy factor of 2%.

- **ERE Rate Changes** 177,600 GF

- **Early Retirement Adjustment** (42,700) GF
The department reorganized last year and also offered an early retirement option. This resulted in unforeseen savings for the department of \$(129,600). These savings are the total net change to the agency, but vary by program. The Criminal Investigation Bureau program has savings of \$(42,700). The Executive also recommends this reduction.

- **Annualization of DPS Pay Plan** 92,600 GF
The Legislature approved a revised pay plan for the Department of Public Safety effective October 1, 1993. Since the new pay plan will be in effect for only 9 months during FY 1994, only partial year funding was provided. This pay plan has been annualized in the FY 1995 recommendation to include funding for the additional 3 months. The pay plan provided step advancements for senior Officer I and II's and created a new classification of Officer III. The Executive also recommends this increase.

- **Crime Lab Assessment Funds** (250,000) OF
Laws 1993, Chapter 243, reorganized and simplified the assessment and collection of fines and surcharges on traffic and criminal offenses. The law also redefined the funding and status of several funds. Prior to the change made by the new law, the status of whether these funds were appropriated or non-appropriated was unclear, and a portion had traditionally been appropriated. The law clearly established the Crime Lab Assessment Fund as non-appropriated. The estimated revenues and ending balances of the Crime Lab Assessment Fund are sufficient to bear the costs of \$(200,000) of crime laboratory costs as they have in the past, as well as an additional \$(50,000) of costs. These funds are specifically designed to offset Crime Lab costs associated with use by outside agencies, and this recommendation is consistent with that statutory mandate. The Executive also recommends this issue.

If the Legislature chooses to fund architectural and engineering fees for the development of a new State Crime Laboratory, consideration should be given to using the Crime Lab Assessment Fund for those capital expenditures, rather than as an offset to operational costs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Increased Offset Available From the Highway Patrol Fund

(970,200) GF
970,200 OF

The amount shown represents the reduced General Fund requirement as a result of increased Highway Patrol Fund revenues. Agencywide, the Highway Patrol Fund offsets \$7,000,000 of department operating costs, an increase of \$2,748,900 over FY 1994. The portion of increased offset associated with the Criminal Investigation Bureau program is \$970,200. The remainder of the offset, \$(1,266,600) is used to offset increased costs and the loss of other funding. The Executive recommends a total Highway Patrol offset of \$6,800,000, which resulted in a \$200,000 higher General Fund cost.

JLBC Staff Recommended Format -- Lump Sum with Special Line Items by Agency

Other Issues for Legislative Consideration

- Gang Unit Expansion

The Executive recommends an additional 20 FTE positions and \$1,272,800 for expansion of the department's Gang Unit. Currently, the department's Gang Unit consists of 9 FTE positions that are funded by RICO funds. This recommendation is part of the Governor's Crime Package Proposal. The funding would include the following positions: 1 Lieutenant, 2 Sergeants, 12 Officers, 2 Intelligence Analysts, and 3 other support personnel. The Gang Unit, also known as the Gang Intelligence and Team Enforcement Mission (G.I.T.E.M.), would create a state database of gangs, gang members, and cells of gang related activity. The unit would also coordinate efforts of state, federal, and local agencies to reduce gang enrollment and target specific cell activities.

The JLBC Staff has not recommended this program expansion for 3 reasons. First, this concept is in the words of its proponents, "broad-based and untried," and there is, therefore, little data to support that such efforts will produce the level of results necessary for such an expenditure of resources. Second, the effort would require uniform support from all law enforcement agencies at every level of government in order to succeed, and other multi-jurisdictional law enforcement efforts have encountered difficulties. Other agencies would also have the option of participating only in those large projects that they chose, rather than in all efforts. Third, as stated by the proponents with regard to other law enforcement agencies, "The program calls for commitment of resources only to the level that the individual agency can reasonably afford.... Only those agencies which can afford to provide full-time personnel to cooperate intensive investigations which are ad hoc in nature, will do so." Under these conditions, the state may pay all costs of this program although many jurisdictions would benefit.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Public Safety
 PROGRAM: Highway Patrol Bureau

JLBC ANALYST: Bradley
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	719.0	695.0	697.0	697.0	697.0	
OPERATING BUDGET						
Personal Services	24,004,500	25,015,600	25,980,800	25,446,100	25,461,500	
Employee Related Expenditures	6,318,200	5,181,500	5,882,600	5,609,100	5,618,700	
Professional/Outside Services	5,900	23,700	23,700	23,700	23,700	
Travel - In State	263,200	227,400	228,200	228,200	228,200	
Travel - Out of State	13,900	22,200	22,200	22,200	22,200	
Other Operating Expenditures	372,100	194,000	195,600	195,600	195,600	
Equipment	1,744,200	2,298,000	2,298,000	2,298,000	2,298,000	
All Other Operating Subtotal	2,399,300	2,765,300	2,767,700	2,767,700	2,767,700	
PROGRAM TOTAL	32,722,000	32,962,400	34,631,100	33,822,900	33,847,900	
BY FUND SOURCE						
Other Funds	32,722,000	32,962,400	34,631,100	33,822,900	33,847,900	
PROGRAM TOTAL - ALL SOURCES	32,722,000	32,962,400	34,631,100	33,822,900	33,847,900	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Public Safety
PROGRAM: Highway Patrol Bureau

Program Description - *The Highway Patrol Bureau is responsible for enforcing public traffic laws in order to maintain highway safety, aiding stranded motorists, responding to accidents, to hazardous material spills and other highway emergencies, and providing added enforcement of all other state laws.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$33,847,900 -- a net increase of \$885,500, or 2.7%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (9,900) OF
Maintains a vacancy factor of 2%. The Executive recommends a vacancy factor of 2%.
- **ERE Rate Changes** 378,700 OF
- **Early Retirement Adjustments** 18,600 OF
The department reorganized last year and also offered an early retirement option. This resulted in unforeseen savings for the department of \$(129,600). These savings are the total net change to the agency, but vary by program. The Highway Patrol Program actually has an increase of \$18,600 due to positions retiring that were not those planned for elimination. Although the Executive recommends the reductions associated with this issue in the other 2 programs, the Executive does not recommend this increase.
- **Annualization of DPS Pay Plan** 440,400 OF
The Legislature approved a revised pay plan for the Department of Public Safety effective October 1, 1993. Since the new pay plan will be in effect for only 9 months during FY 1994, only partial year funding was provided. This pay plan has been annualized in the FY 1995 recommendation to include funding for the additional 3 months. The pay plan provided step advancements for senior Officer I and II's and created a new classification of Officer III. The Executive also recommends this increase.
- **Pupil Transportation Program** 57,700 OF
Laws 1993, S.B. 1131, transferred responsibility for school bus training and safety courses from the Department of Transportation (ADOT) to the Department of Public Safety (DPS) effective April 11, 1993. In the current fiscal year, the agencies have accomplished a temporary transfer of resources through an interagency agreement. This will place the appropriation in the proper agency. A total of 2 FTE positions and \$57,700 are transferred from ADOT to DPS. A reduction of an equal amount is in the ADOT budget recommendation, making this change a net cost of zero to the state. The Executive recommends 2 FTE positions and \$57,500.

JLBC Staff Recommended Format -- Lump Sum with Special Line Items by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Youth Treatment & Rehabilitation
Agency Summary

JLBC ANALYST: Bock
OSPB ANALYST: Schwalbe

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	651.0	658.0	703.0	733.5	701.0	
BY PROGRAM/ORGANIZATION						
Administration	2,766,900	2,784,700	4,038,700	3,226,700	3,175,300	
Secure Care	16,404,100	18,535,700	21,958,600	20,704,500	19,427,100	
Community Care	9,520,400	9,828,200	11,148,900	11,806,900	10,805,000	
Education	2,459,100	2,735,600	3,477,500	3,275,500	3,157,100	
AGENCY TOTAL	31,150,500	33,884,200	40,623,700	39,013,600	36,564,500	
OPERATING BUDGET						
Personal Services	15,029,100	15,596,600	17,378,400	14,795,600	16,451,300	
Employee Related Expenditures	4,159,100	4,926,600	5,848,300	4,101,500	4,539,400	
Professional/Outside Services	662,500	1,110,900	2,038,300	993,600	1,029,900	
Travel - In State	346,700	355,300	355,300	349,300	355,300	
Travel - Out of State	13,600	11,200	11,200	11,200	11,200	
Other Operating Expenditures	4,232,600	4,895,800	6,191,000	4,217,000	4,657,800	
Equipment	123,700	88,900	810,800	53,900	53,900	
All Other Operating Subtotal	5,379,100	6,462,100	9,406,600	5,625,000	6,108,100	
OPERATING SUBTOTAL	24,567,300	26,985,300	32,633,300	24,522,100	27,098,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Youth Treatment & Rehabilitation
Agency Summary

JLBC ANALYST: Bock
OSPB ANALYST: Schwalbe

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
SPECIAL LINE ITEMS						
Purchase of Care	6,134,000	6,462,300	7,553,800	7,553,800	7,513,800	
Food	288,900	375,800	375,800	375,800	385,900	
Work Incentive Pay Plan	49,700	60,800	60,800	60,800	60,800	
Governor's Task Force	110,600	0	0	0	0	
Boot Camp	0	0	0	1,864,600	0	
Work Release Program	0	0	0	186,600	0	
Victim Impact	0	0	0	50,000	0	
Case Management/Workload Assignment	0	0	0	10,000	0	
Youth Rights	0	0	0	118,300	148,800	
Court Monitors	0	0	0	90,000	90,000	
Due Process	0	0	0	98,500	38,400	
MIS Youth Tracking System	0	0	0	389,900	310,000	
Classification/Risk Assessment	0	0	0	50,000	77,000	
Staff Training & Certification	0	0	0	102,500	102,400	
Special Treatment Programs	0	0	0	522,700	522,700	
Program Evaluation	0	0	0	62,700	62,700	
Youth Needs Assessment	0	0	0	5,000	0	
Family Transition	0	0	0	96,200	63,200	
Vocation & Transition Svcs	0	0	0	90,000	90,000	
Juvenile Ed. Equal Assistance	0	0	0	2,764,100	0	
Special Item Subtotal	6,583,200	6,898,900	7,990,400	14,491,500	9,465,700	
AGENCY TOTAL	31,150,500	33,884,200	40,623,700	39,013,600	36,564,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Youth Treatment & Rehabilitation
Agency Summary

JLBC ANALYST: Bock
OSPB ANALYST: Schwalbe

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	28,266,800	31,147,900	37,836,500	35,398,700	33,612,200	
Other Funds	2,883,700	2,736,300	2,787,200	3,614,900	2,952,300	
Federal Funds	1,794,800	1,412,100	1,412,100	--	1,412,100	
Other Non-Appropriated Funds	183,400	59,100	50,000	--	50,000	
AGENCY TOTAL - ALL SOURCES	33,128,700	35,355,400	42,085,800	39,013,600	38,026,600	

Agency Description - *The Department of Youth Treatment and Rehabilitation (DYTR) is responsible for the care and treatment of youth offenders adjudicated to be delinquent by the Courts and remanded to the custody of the department. DYTR has jurisdiction of youths until they reach age 18 or are released from custody.*

The JLBC Staff recommends a total appropriation of \$36,564,500 -- a net increase of \$2,630,300, or 7.9%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$33,612,200 -- a net increase of \$2,464,300, or 7.9%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$2,952,300 -- a net increase of \$216,000, or 7.9%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (300) GF
(2,400) OF

Includes a new vacancy factor of 2.5%. The FY 1994 vacancy factor was 2.5%. The General Fund amount includes a \$(17,100) decrease for standard vacancy adjustments and a \$8,400 increase associated with new FTE positions. The Executive recommends a vacancy factor of 2.5%.
- ERE Rate Changes (649,200) GF
17,900 OF
- Miscellaneous Adjustments (299,600) GF
(56,400) OF

Reflects the net changes for rent and risk management, the elimination of one-time equipment and contracted services, and the shift of Title XIX funding to the Department of Health Services.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

• Hepatitis Vaccines/Blood-borne Pathogens	18,000 GF
• Food	10,100 GF
• Computer Equipment	310,000 GF
• Funding Shifts (WIPP)	(10,800) GF 10,800 OF
• Johnson vs. Upchurch Consent Decree	3,086,100 GF 246,100 OF

The JLBC Staff recommends a total of \$3,332,200 for various programs, which will allow the department to comply with the Johnson vs. Upchurch consent decree.

Since 1987, the department has been involved in a federal class action lawsuit referred to as the Johnson vs. Upchurch case. Johnson vs. Upchurch involves federal and state constitutional and statutory requirements and interpretations regarding issues of education, health care, due process, population, discipline, and treatment services for youth confined in state rehabilitation facilities. In response to the issues raised by the litigation, for FY 1994 the Legislature appropriated \$1 million in new funding to the department for capital improvements, new staff, treatment, and other programs. The appropriation was decided prior to an agreement being reached on a consent decree. The JLBC Staff expects that a supplemental appropriation of approximately \$2.8 million will be made early in 1994 to augment this \$1 million, now that the final consent decree has been signed.

For FY 1995, the FY 1994 amounts are annualized, one-time expenses eliminated, and additional programs created. Detail will be found in each division. Each of the items is a special line item (except staffing ratios and teachers' salaries) to facilitate tracking and charges over the 4-year course of the consent decree. The issues covered are as follows:

- Youth Rights Advocates	\$ 148,800 GF
- Court Monitors	34,000 GF
- Due Process	38,400 GF
- Institutional Staffing Ratios	726,200 GF
- Institutional Treatment Programs	522,700 GF
- Classification/Risk Assessments	77,000 GF
- Staff Training and Certification	102,400 GF
- Program Evaluation	62,700 GF
- Purchase of Care	1,091,500 GF
- Family Transition	63,200 GF
- Teachers' Salaries	129,200 GF
	246,100 OF
- Vocational Transition	90,000 GF
Total	<u>\$3,332,200 TF</u>

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Format -- Modified Lump Sum by Agency. *(In the FY 1994 budget, the department had a lump sum operating budget format. To monitor the significant increase in the department's resources in FY 1995, the JLBC Staff recommends a modified lump sum budget.)*

Other Issues for Legislative Consideration

- **Executive Recommendation**

The Executive concurs on the Johnson vs. Upchurch consent decree recommendation, except the Executive would add 2 additional FTE positions. The Executive also would add \$79,900 more for computer systems, and also recommends changing the education equalization assistance formula. See division detail.

For the Governor's Crime Package, the Executive recommends \$1,864,600 for a new boot camp program, \$186,600 for a new work release program, and \$50,500 for a victim rights program. Short-term boot camps in other states have not been shown to reduce recidivism. A few youth boot camps of the type proposed have been started in other states, but program evaluation results will not be available till mid or late 1994. The JLBC Staff recommends waiting for these evaluation results, and recommends that the programs added for J.v U. be implemented and evaluated for a reasonable period of time before yet additional programs are added to DYTR. Then, new programs can be considered as needed.

The Governor's recommendation will provide for 30 more beds by the end of FY 1995 than will the JLBC Staff recommendation. In contrast, the JLBC Staff recommendation for Juvenile Probation and Juvenile Intensive Probation (JIPS) provides for 480 additional juvenile probationer slots. Only 6.3% of these slots would need to result in diversions from confinement for the JLBC Staff's recommended bed/slot capacity to equal the Executive's. Based on actual cumulative data, 71.7% of JIPS participants have been diverted from placement at DYTR.

- **Population**

The following table illustrates institutional, community programs, and parole populations. For the institutions, the year-to-date average daily population (APD) exceeds the budget — which is also the ceiling imposed by the consent decree — by 34 students or 7.5%.

DYTR AVERAGE DAILY POPULATION

	<u>FY 1993</u> <u>Actual</u>	<u>FY 1994</u> <u>YTD 1/3/94</u>	<u>FY 1994</u> <u>Budget</u>	<u>FY 1995</u> <u>Recommend</u>
Adobe Mountain School	302	264	240	240
Black Canyon School	79	83	100	100
Catalina Mountain School	<u>150</u>	<u>137</u>	<u>110</u>	<u>110</u>
Total Institutions	531	484	450	450
Girls' Secure Care	25	31	28	28
Other Community Residential	87	95 ^{1/}	76	101
Parole/Other	<u>896</u> ^{1/}	<u>993</u> ^{1/}	<u>993</u> ^{1/}	<u>993</u> ^{1/}
Total DYTR Youth	<u>1,539</u>	<u>1,603</u>	<u>1,547</u>	<u>1,572</u>

^{1/} Not an average. Represents the count on a single day.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Youth Treatment & Rehabilitation
 PROGRAM: Administration

JLBC ANALYST: Bock
 OSPB ANALYST: Schwalbe

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	58.0	54.0	61.0	61.0	60.0	
OPERATING BUDGET						
Personal Services	1,660,700	1,594,500	1,742,900	1,594,600	1,594,600	
Employee Related Expenditures	409,400	500,700	602,400	391,500	399,400	
Professional/Outside Services	19,100	117,300	394,300	61,300	61,300	
Travel - In State	36,300	34,300	34,300	34,300	34,300	
Travel - Out of State	13,600	11,200	11,200	11,200	11,200	
Other Operating Expenditures	472,900	491,700	496,700	437,100	487,300	
Equipment	44,300	35,000	756,900	0	0	
All Other Operating Subtotal	586,200	689,500	1,693,400	543,900	594,100	
OPERATING SUBTOTAL	2,656,300	2,784,700	4,038,700	2,530,000	2,588,100	
SPECIAL LINE ITEMS						
Governor's Task Force	110,600	0	0	0	0	
Youth Rights	0	0	0	118,300	148,800	
Court Monitors	0	0	0	90,000	90,000	
Due Process	0	0	0	98,500	38,400	
MIS Youth Tracking System	0	0	0	389,900	310,000	
Special Item Subtotal	110,600	0	0	696,700	587,200	
PROGRAM TOTAL	2,766,900	2,784,700	4,038,700	3,226,700	3,175,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Youth Treatment & Rehabilitation
 PROGRAM: Administration

JLBC ANALYST: Bock
 OSPB ANALYST: Schwalbe

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	2,766,900	2,784,700	4,038,700	3,226,700	3,175,300	
Federal Funds	1,794,800	1,412,100	1,412,100	--	1,412,100	
Other Non-Appropriated Funds	93,200	0	0	--	0	
PROGRAM TOTAL - ALL SOURCES	4,654,900	4,196,800	5,450,800	3,226,700	4,587,400	

Program Description - *The Administration program encompasses the Director's Office, all business functions, data processing, training and all other centralized operations of the department.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$3,175,300 -- a net increase of \$390,600, or 14%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ 10,900 GF
 Maintains a vacancy factor of 1%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 1.5%. Includes the ERE adjustment associated with 2 FTE positions added through the FY 1994 Johnson vs. Upchurch lump sum.
- **ERE Rate Changes** (112,100) GF
- **Other Operating Expenditures** (4,400) GF
 The JLBC Staff recommends a \$(22,400) decrease to risk management and the addition of \$18,000 for Hepatitis-B vaccines for direct-care staff.
- **Equipment** (35,000) GF
 Represents the elimination of one-time capitalized equipment.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Computer Equipment** 310,000 GF
The JLBC Staff recommends a net additional \$310,000 to continue to develop the new department-wide computer system. The amount includes \$90,000 for 35 new workstations and related software and communications equipment. For network cabling, the amount includes \$100,000 for a fiber-optic main network trunk at Catalina Mountain School and for copper cabling of buildings. For the new "YOUTHbase" database, which will allow DYTR to better monitor individual youth needs and to evaluate program effectiveness, the amount includes \$120,000 for programming services. Together with the amount recommended for the FY 1994 supplemental appropriation of \$470,000, the total amount for the new computer system is \$780,000. The Executive recommends adding \$909,900 for this item — \$520,000 in FY 1994 and \$389,900 in FY 1995.

- **Youth Rights Advocates** 148,800 GF
To comply with the Johnson vs. Upchurch consent decree, the JLBC Staff recommends 3 Youth Rights Advocate FTE positions. The amount includes Personal Services, \$69,800; Employee Related Expenditures, \$19,000; and Professional and Outside Services, \$60,000 for associated expenses. Together with the Youth Rights Attorney added in FY 1994, these positions will act as legal advocates for youth during parole revocation hearings, as well as when a youth feels his rights are being violated. The Executive concurs but adds a fourth advocate position.

- **Court Monitors** 34,000 GF
The JLBC Staff recommends adding \$34,000 for court-appointed monitors' expenses. The three monitors will be evaluating DYTR's progress in complying with the Johnson vs. Upchurch consent decree over the 4 years the decree will be in effect. The existing \$56,000 for monitors' expenses is moved to the new special line item. The Executive concurs.

- **Due Process** 38,400 GF
The JLBC Staff recommends 1 new Hearing Officer FTE position to comply with the Johnson vs. Upchurch consent decree. The amount includes Personal Services, \$30,900; and Employee Related Expenditures, \$7,500. The Executive concurs.

JLBC Staff Recommended Format -- Modified Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Youth Treatment & Rehabilitation
 PROGRAM: Secure Care

JLBC ANALYST: Bock
 OSPB ANALYST: Schwalbe

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	444.0	457.0	491.0	521.5	491.0	
OPERATING BUDGET						
Personal Services	9,474,100	10,128,700	11,133,000	10,741,900	10,661,000	
Employee Related Expenditures	2,720,000	3,301,900	3,884,900	3,057,800	3,057,400	
Professional/Outside Services	555,200	904,500	1,539,900	904,500	879,500	
Travel - In State	184,700	194,600	194,600	194,600	194,600	
Other Operating Expenditures	3,127,500	3,515,500	4,715,700	3,392,700	3,369,200	
Equipment	4,000	53,900	53,900	53,900	53,900	
All Other Operating Subtotal	3,871,400	4,668,500	6,504,100	4,545,700	4,497,200	
OPERATING SUBTOTAL	16,065,500	18,099,100	21,522,000	18,345,400	18,215,600	
SPECIAL LINE ITEMS						
Food	288,900	375,800	375,800	375,800	385,900	
Work Incentive Pay Plan	49,700	60,800	60,800	60,800	60,800	
Boot Camp	0	0	0	948,000	0	
Work Release Program	0	0	0	186,600	0	
Victim Impact	0	0	0	50,000	0	
Classification/Risk Assessment	0	0	0	50,000	77,000	
Staff Training & Certification	0	0	0	102,500	102,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Youth Treatment & Rehabilitation
PROGRAM: Secure Care

JLBC ANALYST: Bock
OSPB ANALYST: Schwalbe

HOUSE SUBCOMMITTEE CHAIR: Keegan
SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Special Treatment Programs	0	0	0	522,700	522,700	
Program Evaluation	0	0	0	62,700	62,700	
Special Item Subtotal	338,600	436,600	436,600	2,359,100	1,211,500	
PROGRAM TOTAL	16,404,100	18,535,700	21,958,600	20,704,500	19,427,100	
BY FUND SOURCE						
General Fund	15,884,000	18,185,700	21,608,600	20,343,700	19,066,300	
Other Funds	520,100	350,000	350,000	360,800	360,800	
Other Non-Appropriated Funds	90,200	59,100	50,000	--	50,000	
PROGRAM TOTAL - ALL SOURCES	16,494,300	18,594,800	22,008,600	20,704,500	19,477,100	

Program Description - *The Secure Care program includes all costs associated with youth in state-operated facilities, with the exception of educational services. The program includes health care, diagnostic, treatment, security, maintenance and other costs. The department currently operates 3 facilities: Adobe Mountain School, Black Canyon School and Catalina Mountain School.*

The JLBC Staff recommends a total appropriation of \$19,427,100 -- a net increase of \$891,400, or 4.8%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$19,066,300 -- a net increase of \$880,600, or 4.8%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$360,800 -- a net increase of \$10,800, or 3.1% to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (15,400) GF
Maintains a vacancy factor of 3%, which is the standard rate applied to programs with this number of FTE positions. The amount includes Employee Related Expenditures changes for FTE positions which were funded in the FY 1994 base but not added to the FTE count until now. The Executive recommends a vacancy factor of 3%.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **ERE Rate Changes** (423,000) GF
Due primarily to changed worker's compensation rates.
- **Miscellaneous Adjustments** (171,300) GF
The JLBC Staff recommends a rent increase of \$19,300 (for state trust lands) and a risk management decrease of \$(165,600). Also, we recommended eliminating \$(25,000) for one-time contractual services.
- **Institutional Staffing Ratios** 726,200 GF
To comply with the Johnson vs. Upchurch consent decree, the JLBC Staff recommends adding \$550,400 in Personal Services and \$175,800 in Employee Related Expenditures for 31 new Direct-Care FTE positions. This will bring the staff-to-youth ratio up to nationally acceptable standards, specifically 1:12 during school hours, 1:8 during afternoons and evenings, and 1:12 at night. The Executive concurs.
- **Food** 10,100 GF
The amount is for 492,750 resident meals plus 54,000 staff meals at \$1.08 per meal, less \$204,600 in federal monies.
- **Work Incentive Pay Program** (10,800) GF
10,800 OF
The Parental Assessment and Restitution (PAR) Fund is this program's dedicated funding source. Last year, the program was augmented with \$10,800 in General Fund appropriations. Because the PAR Fund has a healthy balance, this General Fund augmentation will not be necessary for FY 1995, and the amount is shifted back to the PAR Fund. The Executive concurs.
- **Institutional Treatment Programs** 522,700 GF
To comply with the Johnson vs. Upchurch consent decree, the JLBC Staff recommends adding \$522,700 for establishing appropriate treatment programs for certain youth, as follows: sexualized behavior treatment, \$100,000; capital and violent offender treatment, \$62,700; and chemical dependency treatment, \$360,000. The Executive concurs but would separate the 3 programs into individual line items.
- **Classification/Risk Assessments** 77,000 GF
To comply with the Johnson vs. Upchurch consent decree, the JLBC Staff recommends one-time funding to develop and evaluate instruments for assessing youth needs and youth risk to the community. The Executive recommends \$50,000 for developing the instruments.
- **Staff Training and Certification** 102,400 GF
To comply with the Johnson vs. Upchurch decree, the JLBC Staff recommends adding \$58,900 in Personal Services, \$10,200 in Employee Related Expenditures, and \$33,300 in Travel In-State and other expenses for staff training and certification. The Personal Services and Employee Related Expenditures amounts relate to overtime hours which institutional staff will put in for training. The Executive concurs.
- **Program Evaluation** 62,700 GF
To comply with the Johnson vs. Upchurch decree, the JLBC Staff recommends adding \$62,700 for program evaluation. The new special treatment programs, the new evaluation instruments, and other programs will be evaluated and modified to optimize treatment of youth. The Executive concurs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Format -- Modified Lump Sum by Agency

JLBC Staff Recommended Footnotes

Standard Footnotes

- Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatories Land Fund shall be distributed to the Department of Youth Treatment and Rehabilitation in compliance with Section 25 of the Enabling Act and the Constitution to be used for the support of state juvenile institutions and reformatories.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Youth Treatment & Rehabilitation
 PROGRAM: Community Care

JLBC ANALYST: Bock
 OSPB ANALYST: Schwalbe

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	82.0	77.0	81.0	81.0	80.0	
OPERATING BUDGET						
Personal Services	2,239,900	2,136,200	2,244,500	2,136,500	2,136,500	
Employee Related Expenditures	663,200	670,700	776,600	557,200	559,800	
Professional/Outside Services	28,900	27,800	42,800	27,800	27,800	
Travel - In State	119,200	120,400	120,400	120,400	120,400	
Other Operating Expenditures	335,200	410,800	410,800	383,400	383,500	
All Other Operating Subtotal	483,300	559,000	574,000	531,600	531,700	
OPERATING SUBTOTAL	3,386,400	3,365,900	3,595,100	3,225,300	3,228,000	
SPECIAL LINE ITEMS						
Purchase of Care	6,134,000	6,462,300	7,553,800	7,553,800	7,513,800	
Boot Camp	0	0	0	916,600	0	
Case Management/Workload Assignment	0	0	0	10,000	0	
Youth Needs Assessment	0	0	0	5,000	0	
Family Transition	0	0	0	96,200	63,200	
Special Item Subtotal	6,134,000	6,462,300	7,553,800	8,581,600	7,577,000	
PROGRAM TOTAL	9,520,400	9,828,200	11,148,900	11,806,900	10,805,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Youth Treatment & Rehabilitation
 PROGRAM: Community Care

JLBC ANALYST: Bock
 OSPB ANALYST: Schwalbe

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	9,320,400	9,428,200	10,748,900	11,406,900	10,405,000	
Other Funds	200,000	400,000	400,000	400,000	400,000	
PROGRAM TOTAL - ALL SOURCES	9,520,400	9,828,200	11,148,900	11,806,900	10,805,000	

Program Description - *The Community Care program is responsible for the treatment and supervision of all committed youth that are not in a state-operated facility. This encompasses contracts with community providers, conditional liberty supervision (parole) provided by agency case managers and outside contracts, and other community services.*

The JLBC Staff recommends a total appropriation of \$10,805,000 -- a net increase of \$976,800, or 9.9%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$10,405,000 -- a net increase of \$976,800, or 10.4%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$400,000 -- no change from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ 3,000 GF
 Maintains a vacancy factor of 1.5%, which is the standard rate applied to programs with this number of FTE positions. The amount includes \$200 for vacancy adjustments, and \$2,800 for Employee Related Expenditures changes associated with 1 FTE position that was added through the FY 1994 Johnson vs. Upchurch lump sum. The Executive recommends a vacancy factor of 1.5%.
- ERE Rate Changes (113,600) GF
- Other Operating Expenditures (27,300) GF
 The JLBC Staff recommends this reduction to risk management.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Purchase of Care** 1,051,500 GF
The JLBC Staff recommends adding \$1,091,500 to comply with the Johnson vs. Upchurch consent decree. Because the consent decree imposes ceilings on the institutional school's populations and requires youth to be treated in the "least restrictive environment" that is appropriate, additional funding is required for community-based residential treatment of youth and for other community programs. This issue will result in increased funding for high impact/tracking and outreach, hard-to-place youth, and girls' secure residential treatment; and will add 21 residential group home placements. The Executive concurs. In addition, the JLBC Staff recommends that all state funds used to match federal "Title XIX" grants (behavioral health services funding for children) be consolidated in the Department of Health Services (DHS). This \$(40,000) reduction to DYTR is added back in the DHS budget.

- **Family Transition** 63,200 GF
To comply with the Johnson vs. Upchurch consent decree, the JLBC Staff recommends adding 2 new Family Transition Specialist FTE positions. The amount includes \$50,000 in Personal Services and \$13,200 in Employee Related Expenditures. The positions are for Adobe Mountain School, Catalina Mountain School, and parole (community-based programs). These staff will work with the families of delinquent youth to improve parenting skills, to aid youths' transition from institution back to home, and to reduce the number of community residential placements. The Executive concurs, but adds another position for the Black Canyon school. This institution is primarily a diagnostic center whose temporary student population will be assigned to one of the other schools or to community-based programs.

JLBC Staff Recommended Format -- Modified Lump Sum by Agency

JLBC Staff Recommended Footnotes

Standard Footnotes

- The \$7,553,800 appropriated for Purchase of Care is to be used for treatment programs for juvenile offenders under the jurisdiction of the Department of Youth Treatment and Rehabilitation. These programs shall be provided by community contractors.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Youth Treatment & Rehabilitation
 PROGRAM: Education

JLBC ANALYST: Bock
 OSPB ANALYST: Schwalbe

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	67.0	70.0	70.0	70.0	70.0	
OPERATING BUDGET						
Personal Services	1,654,400	1,737,200	2,258,000	322,600	2,059,200	
Employee Related Expenditures	366,500	453,300	584,400	95,000	522,800	
Professional/Outside Services	59,300	61,300	61,300	0	61,300	
Travel - In State	6,500	6,000	6,000	0	6,000	
Other Operating Expenditures	297,000	477,800	567,800	3,800	417,800	
Equipment	75,400	0	0	0	0	
All Other Operating Subtotal	438,200	545,100	635,100	3,800	485,100	
OPERATING SUBTOTAL	2,459,100	2,735,600	3,477,500	421,400	3,067,100	
SPECIAL LINE ITEMS						
Vocation & Transition Svcs	0	0	0	90,000	90,000	
Juvenile Ed. Equal Assistance	0	0	0	2,764,100	0	
Special Item Subtotal	0	0	0	2,854,100	90,000	
PROGRAM TOTAL	2,459,100	2,735,600	3,477,500	3,275,500	3,157,100	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Youth Treatment & Rehabilitation
 PROGRAM: Education

JLBC ANALYST: Bock
 OSPB ANALYST: Schwalbe

HOUSE SUBCOMMITTEE CHAIR: Keegan
 SENATE SUBCOMMITTEE CHAIR: Turner

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	295,500	749,300	1,440,300	421,400	965,600	
Other Funds	2,163,600	1,986,300	2,037,200	2,854,100	2,191,500	
PROGRAM TOTAL - ALL SOURCES	2,459,100	2,735,600	3,477,500	3,275,500	3,157,100	

Program Description - *The Education program is responsible for providing general education, special education, and other educational programs for youth in secure care and for youth in state-operated community educational programs. As a result of legislation that organized this program into a special school district, the program receives equalization assistance from the Department of Education (ADE) and is overseen by a special school board.*

The JLBC Staff recommends a total appropriation of \$3,157,100 -- a net increase of \$421,500, or 15.4%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$965,600 -- a net increase of \$216,300, or 28.9%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$2,191,500 -- a net increase of \$205,200, or 10.3%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ 1,200 GF
(2,400) OF
 Includes a new vacancy factor of 1.5%, which is the standard rate applied to programs with this number of FTE positions. The FY 1994 vacancy factor was 2%. The Executive recommends a vacancy factor of 0%.
- ERE Rate Changes (500) GF
17,900 OF
- Other Operating Expenditures (3,600) GF
(56,400) OF
 The JLBC Staff recommends a total decrease to risk management of \$(60,000).

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- Teachers' Salaries 129,200 GF
246,100 OF

To comply with the Johnson vs. Upchurch consent decree, the JLBC Staff recommends a total increase of \$375,300 for educational staff salaries. The amount is to upgrade the salaries of current positions to reflect the 12-month school year and special educational environment at DYTR. The upgrades include school administrators (principals) as well. Also included is funding for 9 teacher positions that were never funded. The amount includes \$323,400 in Personal Services and \$51,900 in Employee Related Expenditures. The Executive concurs.
- Vocational Transition 90,000 GF

The JLBC Staff recommends \$90,000 for 3 career exploration labs at the department's new community-based transition schools. Students released from secure facilities will use these computer labs to explore career options and to prepare for entering the job market. The Executive concurs.

JLBC Staff Recommended Format -- Modified Lump Sum by Agency

JLBC Staff Recommended Footnotes

Continuation of New FY 1994 Footnotes

- Prior to the expenditure of any Juvenile Education Fund receipts in excess of the appropriated amount shown above, the Department of Youth Treatment and Rehabilitation shall report the intended use of the monies to the Joint Legislative Budget Committee.

Other Issues for Legislative Consideration

- Equalization Assistance Funding

The total education funding recommended by the JLBC Staff includes \$2,168,100 from the Juvenile Education Fund. These monies are passed through to DYTR from the ADE, based upon the regular equalization assistance formula. The General Fund amount of \$989,000 is added to meet the total expected needs of the DYTR school programs. The Executive recommends changing the equalization assistance funding formula to incorporate a new "delinquency" weight. All needed funding would then pass through to DYTR from ADE. Since the beginning of DYTR as its own school district in FY 1992, however, its resource needs have fluctuated substantially. The JLBC Staff, therefore, would not recommend a new statutory delinquency weight, as it may need to be changed in a few years once the consent decree reforms have been implemented. Instead, JLBC Staff recommends the continued application of the existing formula, and augmenting the equalization amount each year with a direct General Fund appropriation, thereby illustrating the excess DYTR school district costs over those of a regular district.

**TRANSPORTATION
(TR)**

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
Agency Summary

JLBC ANALYST: Hull
OSP ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	3,316.0	3,184.5	3,222.5	3,153.0	3,154.0	
BY PROGRAM/ORGANIZATION						
Director's Staff	2,969,900	569,500	578,800	563,600	572,500	
Transportation Planning	3,593,100	4,389,500	3,912,200	3,892,000	3,903,000	
Administrative Services	38,480,200	44,985,000	45,331,700	38,379,200	38,443,400	
Special Support Group	2,738,900	6,235,400	5,818,800	4,006,600	4,076,700	
Highways	110,160,100	109,898,300	112,994,300	112,314,800	42,032,500	
Highway Maintenance	0	0	0	0	70,150,000	
Aeronautics	1,335,100	1,509,100	1,620,300	1,589,500	1,575,500	
Motor Vehicle Division	30,375,100	25,874,200	34,700,600	34,237,800	34,088,300	
Public Transit	99,400	109,000	113,500	110,500	114,900	
AGENCY TOTAL	189,751,800	193,570,000	205,070,200	195,094,000	194,956,800	
OPERATING BUDGET						
Personal Services	59,203,300	60,301,200	60,757,900	61,086,700	80,368,400	
Employee Related Expenditures	14,759,000	14,464,400	16,371,700	15,958,000	21,781,600	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
Agency Summary

JLBC ANALYST: Hull
OSPb ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Professional/Outside Services	2,453,600	1,676,600	1,229,100	1,364,100	1,432,100	
Travel - In State	1,117,300	1,433,000	1,442,300	1,442,800	1,742,300	
Travel - Out of State	135,500	134,800	143,400	152,400	152,400	
Other Operating Expenditures	22,854,000	22,355,200	22,744,200	23,754,400	25,565,200	
Equipment	1,180,200	1,177,400	1,222,700	1,181,000	1,307,700	
All Other Operating Subtotal	27,740,600	26,777,000	26,781,700	27,894,700	30,199,700	
OPERATING SUBTOTAL	101,702,900	101,542,600	103,911,300	104,939,400	132,349,700	
SPECIAL LINE ITEMS						
Border Area Projects	0	500,000	0	0	0	
Risk Management Premium	12,930,500	15,889,300	15,889,300	8,136,600	8,136,600	
Education and Training	15,100	15,800	15,800	15,800	0	
License Plates & Tabs	1,254,500	1,275,300	1,275,300	1,275,300	1,275,300	
Medical Advisory Board	63,500	87,000	76,800	77,700	77,700	
Enterprise (Drivers License/Title)	1,090,200	2,200,000	10,000,000	10,000,000	10,000,000	
Reimbursement to Hwy Fund	7,400	30,000	30,000	30,000	30,000	
Highway Maintenance	67,903,100	67,675,900	70,265,600	70,344,200	0	
Radio Communications	397,900	417,100	417,100	417,100	417,100	
Other Transit Planning	16,500	16,800	16,800	16,800	16,800	
Reorganization	2,452,500	2,672,800	1,924,800	0	0	
Reg. Area Road Fund Rent	506,500	676,500	676,500	676,500	676,500	
Mandatory Insurance Enforcement	1,370,200	525,100	525,100	0	0	
Abandoned Vehicle Fund	41,000	45,800	45,800	45,800	45,800	
Lump Sum Reduction	0	0	0	-881,200	0	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
Agency Summary

JLBC ANALYST: Hull
OSP ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Grosco
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Mobile Home Administration	0	0	0	0	111,900	
Central Maintenance	0	0	0	0	1,740,900	
Contract Maintenance	0	0	0	0	11,321,400	
Materials	0	0	0	0	12,484,400	
Equipment Rentals	0	0	0	0	16,272,700	
Special Item Subtotal	88,048,900	92,027,400	101,158,900	90,154,600	62,607,100	
AGENCY TOTAL	189,751,800	193,570,000	205,070,200	195,094,000	194,956,800	
BY FUND SOURCE						
General Fund	62,000	69,600	72,100	70,200	73,800	
Other Funds	189,689,800	193,500,400	204,998,100	195,023,800	194,883,000	
Federal Funds	187,930,800	211,441,100	213,352,800	--	213,352,800	
Other Non-Appropriated Funds	173,969,200	191,845,400	202,383,200	--	202,064,500	
AGENCY TOTAL - ALL SOURCES	551,651,800	596,856,500	620,806,200	195,094,000	610,374,100	

Agency Description - *The Department of Transportation has jurisdiction over state highways, other state roads, state airports and all state-owned transportation systems. The department is statutorily organized into 6 divisions: Motor Vehicle; Transportation Planning; Highways; Aeronautics; Public Transit; and Administrative Services. The responsibilities of the department include the following: register motor vehicles and aircraft; license drivers; collect revenues; enforce motor vehicle and aviation statutes; do multi-modal state transportation planning and investigate new transportation systems in cooperation with local governments; establish an annually updated priority program for transportation capital improvements; design, construct and maintain state highways, airports and public transportation systems; and administer transportation safety systems.*

The JLBC Staff recommends a total appropriation of \$194,956,800 -- a net increase of \$1,386,800, or 0.7%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$73,800 -- a net increase of \$4,200, or 6%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$194,883,000 -- a net increase of \$1,382,600 or 0.7%, to the FY 1994 appropriation.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Changes from FY 1994

• Personal Services/ERE Adjustments	\$ 3,600 GF (321,600) OF
• ERE Rate Changes	900 GF 2,018,600 OF
• Professional and Outside Services	(500,000) OF
• Other Operating Expenditures	(300) GF 25,000 OF
• Capitalized Equipment	45,300 OF
• Risk Management Premium	(7,752,700) OF
• Highway Funds (Border Area Projects) One-Time	(500,000) OF
• Highway Maintenance New Features	2,024,100 OF
• Project SLIM Reduction	(969,900) OF
• Mobile Home Administration	111,900 OF
• School Bus Safety Program	(63,700) OF
• Medical Advisory Board	(9,300) OF
• Enterprise Project (Drivers License/Title)	7,800,000 OF
• Mandatory Insurance	(525,100) OF

JLBC Staff Recommended Format -- Varies by Program. *(In the FY 1994 budget, the department had a modified lump sum by agency format to facilitate the implementation of several Project SLIM initiatives. With the implementation of the Motor Vehicle Division initiatives now nearly completed, the JLBC Staff recommends a program rather than agencywide format.)*

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

TABLE 1: FY 1994 APPROPRIATION AS ADJUSTED BY DEPARTMENT FOR DISTRIBUTION OF LUMP SUM REDUCTION AND TRANSFERS

	Approved Budget Prior to Distribution of Lump Sum		Distribution of Lump Sum Reduction in Approved Budget	Transfers of FTE's and Related Funding by Department		Adjusted Appropriation	
	FTE's	\$		FTE's	\$	FTE's	\$
Director's Staff	6.0	\$ 490,500	\$ (25,400)	2	\$ 104,400	8	\$ 569,500
Transportation Planning	99.0	4,329,500	(146,800)	(9)	(293,200)	90	3,889,500
Administrative Services	355.0	25,648,200	(666,000)	105	3,437,000	460	28,419,200
Special Support Group	54.0	2,912,700	0	18	634,100	72	3,546,800
Highways	1,873.0	44,466,100	(1,086,400)	(39)	(1,574,400)	1,834	41,805,300
Aeronautics	33.0	1,505,900	(26,800)	0	0	33	1,479,100
Motor Vehicle Division	761.5	25,243,000	(1,194,100)	(77)	(2,307,900)	684.5	21,741,000
Public Transit	3.0	95,500	(3,300)	0	0	3	92,200
Operating Subtotal	3,184.5	\$104,691,400	\$(3,148,800)	0	\$ 0	3,184.5	\$101,542,600
Reorganization	0	2,784,600	(111,800)	0	0	0	2,672,800
Lump Sum Reduction	0	(3,270,600)	3,270,600	0	0	0	0
Reimbursement to Highway Fund	0	40,000	(10,000)	0	0	0	30,000
Other Special Line Items	0	88,824,600	0	0	0	0	88,824,600
Additional Appropriations	0	500,000	0	0	0	0	500,000
Total Appropriations	3,184.5	\$193,570,000	\$0	0	\$ 0	3,184.5	\$193,570,000

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

TABLE 2: HIGHWAY USER REVENUE FUND ANALYSIS
(In Thousands)

	FY 1993	FY 1994	FY 1995	FY 1995 Executive	FY 1995 JLBC
	<u>Actual</u>	<u>Estimate</u>	<u>Request</u>	<u>Recommendation</u>	<u>Recommendation</u>
Estimated Total HURF Collections	\$717,443	\$768,000	\$792,400	\$792,400	\$792,400
Less: Economic Strength Fund	1,000	1,000	1,000	1,000	1,000
Dept. of Public Safety Transfer from HURF	24,928	24,925	20,000	20,000	20,000
Mandatory Insurance	1,212	525	525	0	0
Net HURF Collections	690,303	741,550	770,875	771,400	771,400
Less: Cities	210,530	226,579	236,121	236,350	236,350
Counties	124,468	133,995	139,665	139,805	139,805
Controlled Access, 15% Funds	53,128	56,836	59,054	59,099	59,099
Net State Highway Fund (Discretionary)	302,177	324,140	336,035	336,146	336,146
Plus: Interest Income (State Highway Fund)	2,936	3,000	3,000	3,000	3,000
Less: Operating Budget	189,846	191,172	202,552	193,134	193,007
Capital Outlay and Building Renewal	6,290	7,557	11,295	7,599	7,729
Department of Public Safety Transfer from Highway Fund	18,691	18,337	20,000	20,000	20,000
Debt Service	37,441	32,383	31,669	31,669	31,669
Potential Risk Management Increase (Decrease)	0	0	0	(4,000)	(4,000)
Net Highway Fund Available for Statewide Highway Construction (5-Year Plan)	\$52,845	\$77,691	\$73,519	\$90,744	\$90,741

Note: Net Highway Fund available for Statewide Highway Construction excludes Maricopa County and Pima County 15% funds, bond funds, federal funds, carryover funds, and miscellaneous funds available for construction.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
 PROGRAM: Director's Staff

JLBC ANALYST: Hull
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Groscof
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	6.0	8.0	8.0	8.0	8.0	
OPERATING BUDGET						
Personal Services	391,600	427,400	427,400	427,400	427,400	
Employee Related Expenditures	62,100	86,400	95,100	80,500	88,800	
Professional/Outside Services	6,500	0	0	0	0	
Travel - In State	13,500	19,200	19,200	19,200	19,200	
Travel - Out of State	9,600	9,600	9,600	9,600	9,600	
Other Operating Expenditures	32,300	26,900	27,500	26,900	27,500	
Equipment	1,800	0	0	0	0	
All Other Operating Subtotal	63,700	55,700	56,300	55,700	56,300	
OPERATING SUBTOTAL	517,400	569,500	578,800	563,600	572,500	
SPECIAL LINE ITEMS						
Reorganization	2,452,500	0	0	0	0	
Special Item Subtotal	2,452,500	0	0	0	0	
PROGRAM TOTAL	2,969,900	569,500	578,800	563,600	572,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
 PROGRAM: Director's Staff

JLBC ANALYST: Hull
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Groscof
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	2,969,900	569,500	578,800	563,600	572,500	
Federal Funds	185,680,200	209,519,000	211,330,700	--	211,330,700	
PROGRAM TOTAL - ALL SOURCES	188,650,100	210,088,500	211,909,500	563,600	211,903,200	

Program Description - *The Director's Staff establishes and provides policy, guidance and overall direction to the department.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$572,500 -- a net increase of \$3,000, or 0.5%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments
 Maintains a vacancy factor of 0%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 0%. \$ -0- OF
- ERE Rate Changes 2,400 OF
- Other Operating Expenditures
 Reflects an increase of \$600 for replacement of an electric typewriter. The Executive recommends no change. 600 OF

JLBC Staff Recommended Format -- Lump Sum for the Program

Other Issues for Legislative Consideration

- Reorganization Special Line Item
 This special line item was transferred by the department from the Director's Staff to the Special Support Group during FY 1994.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
 PROGRAM: Transportation Planning

JLBC ANALYST: Hull
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Grosco
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	99.0	90.0	89.0	89.0	89.0	
OPERATING BUDGET						
Personal Services	2,416,600	2,786,900	2,745,100	2,745,100	2,745,100	
Employee Related Expenditures	555,500	635,500	700,000	679,800	690,800	
Professional/Outside Services	5,800	0	0	0	0	
Travel - In State	81,000	72,000	72,000	72,000	72,000	
Travel - Out of State	19,900	14,900	14,900	14,900	14,900	
Other Operating Expenditures	385,400	350,200	350,200	350,200	350,200	
Equipment	128,900	30,000	30,000	30,000	30,000	
All Other Operating Subtotal	621,000	467,100	467,100	467,100	467,100	
OPERATING SUBTOTAL	3,593,100	3,889,500	3,912,200	3,892,000	3,903,000	
SPECIAL LINE ITEMS						
Border Area Projects	0	500,000	0	0	0	
Special Item Subtotal	0	500,000	0	0	0	
PROGRAM TOTAL	3,593,100	4,389,500	3,912,200	3,892,000	3,903,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
 PROGRAM: Transportation Planning

JLBC ANALYST: Hull
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Grosco
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	3,593,100	4,389,500	3,912,200	3,892,000	3,903,000	
Other Non-Appropriated Funds	1,213,700	1,213,700	1,213,700	--	1,213,700	
PROGRAM TOTAL - ALL SOURCES	4,806,800	5,603,200	5,125,900	3,892,000	5,116,700	

Program Description - *The Transportation Planning Division plans the statewide transportation system, including highways and airports.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$3,903,000 -- a net decrease of \$(486,500), or (11.1)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (51,000) OF
 Maintains a vacancy factor of 1.5%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 1.5%.
- **ERE Rate Changes** 64,500 OF
- **Distribution of Reorganization Special Line Item** -0- OF
 Reflects the transfer of 1 FTE position and \$0 from the operating budget of the Transportation Planning Division to the operating budget of the Administrative Services Division. Funding for the FTE position is part of the distribution of the Reorganization special line item in the Administrative Services Division. The Executive recommends the transfer of 1 FTE position.
- **Highway Funds (Border Area Projects)** (500,000) OF
 Reflects a decrease of \$(500,000) for the one-time appropriation by Laws 1993, Chapter 249 (H.B. 2191) from the State Highway Fund for border area transportation projects related to increased traffic volumes if a free trade agreement between the United States and Mexico is officially adopted. This appropriation is exempt from A.R.S. § 35-190, relating to lapsing of appropriations. The Executive recommends a decrease of \$(500,000).

JLBC Staff Recommended Format -- Modified Lump Sum for the Program

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
 PROGRAM: Administrative Services

JLBC ANALYST: Hull
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Groscof
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	355.0	460.0	461.0	458.0	461.0	
OPERATING BUDGET						
Personal Services	9,546,400	12,357,900	12,447,400	12,604,500	12,601,000	
Employee Related Expenditures	2,163,600	2,903,800	3,279,900	3,269,600	3,305,500	
Professional/Outside Services	1,688,800	1,083,800	635,800	635,800	635,800	
Travel - In State	27,300	86,000	93,000	93,000	93,000	
Travel - Out of State	26,100	18,400	20,900	20,900	20,900	
Other Operating Expenditures	11,382,500	11,711,900	12,031,500	12,684,900	12,716,700	
Equipment	193,400	257,400	257,400	257,400	257,400	
All Other Operating Subtotal	13,318,100	13,157,500	13,038,600	13,692,000	13,723,800	
OPERATING SUBTOTAL	25,028,100	28,419,200	28,765,900	29,566,100	29,630,300	
SPECIAL LINE ITEMS						
Risk Management Premium	12,930,500	15,889,300	15,889,300	8,136,600	8,136,600	
Education and Training	15,100	0	0	0	0	
Reg. Area Road Fund Rent	506,500	676,500	676,500	676,500	676,500	
Special Item Subtotal	13,452,100	16,565,800	16,565,800	8,813,100	8,813,100	
PROGRAM TOTAL	38,480,200	44,985,000	45,331,700	38,379,200	38,443,400	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
 PROGRAM: Administrative Services

JLBC ANALYST: Hull
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	38,480,200	44,985,000	45,331,700	38,379,200	38,443,400	
Other Non-Appropriated Funds	116,500	190,000	190,000	--	190,000	
PROGRAM TOTAL - ALL SOURCES	38,596,700	45,175,000	45,521,700	38,379,200	38,633,400	

Program Description - *The Administrative Services Division provides financial, data processing and administrative support for the department.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$38,443,400 -- a net decrease of \$(6,541,600), or (14.5)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ (89,700) OF
 Maintains a vacancy factor of 3%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 3%.
- ERE Rate Changes 370,100 OF
- Professional and Outside Services (500,000) OF
 Reflects a decrease of \$(500,000) completing 3 years of funding at \$500,000 per year and totaling \$1,500,000 to update the Tax and Revenue Group Automated Tracking System (TARGATS). The Executive recommends a decrease of \$(500,000).
- Other Operating Expenditures (4,100) OF
 Reflects a decrease of \$(4,100), which includes decreases of \$(7,600) for the lease of data processing equipment and \$(400) for risk management premium from the Air Quality Fund, and an increase of \$3,900 for non-capitalized office equipment. The Executive recommends a decrease of \$(7,600).
- Distribution of Reorganization Special Line Item 1,434,800 OF
 Reflects the Transfer-In of 1 FTE to the operating budget of the Administrative Services Division from the operating budget of the Transportation Planning Division.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Transfers \$1,434,800 from the Reorganization special line item in the Special Support Group to the operating budget of the Administrative Services Division, including \$314,100 for Personal Services, \$50,300 for Employee Related Expenditures, \$52,000 for Professional and Outside Services, \$7,000 for In-State Travel, \$2,500 for Out-of-State Travel, and \$1,008,900 for Other Operating Expenditures. These expenditures will fund personnel administration, litigation investigation, collision investigation, financial management, procurement, facilities design, postage and utilities costs, and wide area telecom network issues. The Executive recommends the transfer of \$1,406,800.

- **Risk Management Premium** (7,752,700) OF
 Reflects a decrease of \$(7,752,700) in the risk management premium special line item. The department has apportioned the FY 1995 total risk management premium of \$9,000,000 as follows: \$300 General Fund; \$8,155,200 Other Appropriated Funds; and \$844,500 Non-Appropriated Funds. Other Appropriated Funds include: State Highway Fund — Administrative Services Division \$8,136,600 and Motor Vehicle Division (Medical Advisory Board) \$300; Aviation Fund — Aeronautics Division \$16,800; Air Quality Fund — Public Transit Division \$200 and Administrative Services Division \$500; and Dealer Enforcement Fund — Motor Vehicle Division \$800. The Executive recommends a decrease of \$(7,752,700).

The table shows how the total risk management premium for the department has varied over 5 fiscal years.

**TABLE: RISK MANAGEMENT PREMIUM FOR THE DEPARTMENT
FY 1991 THROUGH FY 1995**

	<u>Total Risk Management Premium</u>	<u>Amount of Increase/Decrease</u>	<u>% Change</u>
FY 1995	\$9,000,000	\$(8,576,000)	(48.8)%
FY 1994	17,576,000	3,279,400	+22.9%
FY 1993	14,296,600	4,637,200	+48.0%
FY 1992	9,659,400	(399,100)	(4.0)%
FY 1991	10,058,500	--	--

JLBC Staff Recommended Format – Modified Lump Sum for the Program

Other Issues for Legislative Consideration

- **Education and Training**
 This special line item was transferred by the department from the Administrative Services Division to the Special Support Group during FY 1994.
- **Air Quality Fund**
 3 FTE's and \$31,600 of related funding from the Air Quality Fund were transferred by the department to the Administrative Services Division from the Motor Vehicle Division during FY 1994.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
 PROGRAM: Special Support Group

JLBC ANALYST: Hull
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Grosco
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	54.0	72.0	72.0	72.0	72.0	
OPERATING BUDGET						
Personal Services	1,943,500	2,509,600	2,674,300	2,705,500	2,696,600	
Employee Related Expenditures	402,100	558,400	661,100	618,300	654,700	
Professional/Outside Services	164,300	185,400	185,900	320,900	320,900	
Travel - In State	14,000	31,600	34,700	35,200	35,200	
Travel - Out of State	9,100	18,000	24,100	33,100	33,100	
Other Operating Expenditures	181,900	232,400	256,400	277,800	294,500	
Equipment	24,000	11,400	41,700	0	41,700	
All Other Operating Subtotal	393,300	478,800	542,800	667,000	725,400	
OPERATING SUBTOTAL	2,738,900	3,546,800	3,878,200	3,990,800	4,076,700	
SPECIAL LINE ITEMS						
Education and Training	0	15,800	15,800	15,800	0	
Reorganization	0	2,672,800	1,924,800	0	0	
Special Item Subtotal	0	2,688,600	1,940,600	15,800	0	
PROGRAM TOTAL	2,738,900	6,235,400	5,818,800	4,006,600	4,076,700	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
 PROGRAM: Special Support Group

JLBC ANALYST: Hull
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Groscof
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	2,738,900	6,235,400	5,818,800	4,006,600	4,076,700	
Other Non-Appropriated Funds	10,719,800	10,272,800	10,634,000	--	10,634,000	
PROGRAM TOTAL - ALL SOURCES	13,458,700	16,508,200	16,452,800	4,006,600	14,710,700	

Program Description - *The Special Support Group includes the following functions: audit and analysis, community relations, affirmative action, and legal assistance.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$4,076,700 -- a net decrease of \$(2,158,700), or (34.6)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (8,500) OF
 Maintains a vacancy factor of 1.5%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 1.5%.
- **ERE Rate Changes** 66,900 OF
- **Other Operating Expenditures** (1,900) OF
 Reflects a decrease of \$(1,900) for the replacement of non-capitalized office equipment. The Executive concurs.
- **Capitalized Equipment** 30,300 OF
 Reflects an increase of \$30,300 for the replacement of employee development video equipment and 2 personal computers. The Executive recommends a decrease of \$(11,400).
- **Distribution of Reorganization Special Line Item** (2,245,500) OF
 Transfers the Reorganization Special Line Item amount of \$2,672,800 to the following operating budgets: \$427,300 to Special Support Group; \$1,434,800 to Administrative Services Division; \$351,800 to Highways Division; and \$458,900 to Motor Vehicle Division. The \$427,300 transferred to the operating budget of the Special Support Group includes \$193,800 for Personal Services, \$31,100 for Employee Related Expenditures, \$135,500 for Professional and Outside Services, \$3,600 for In-State Travel, \$15,100 for Out-of-State Travel and \$48,200 for Other Operating Expenditures. These expenditures will fund the MAG program lifecycle, privatization administration,

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

industrial hygiene, legal counsel services and Arizona/Sonora NAFTA liaison issues. This special line item was transferred by the department to the Special Support Group from the Director's Staff during FY 1994. The Executive recommends decreasing the Reorganization special line item to \$0 and distributing \$2,575,400 to the following operating budgets: \$409,500 to Special Support Group; \$1,406,800 to Administrative Services Division; \$351,800 to Highways Division; and \$407,300 to Motor Vehicle Division. The Executive recommends \$97,400 less for equipment and other items.

- **Education and Training**

Reflects a net change of \$0, as the result of moving \$15,800 from the Education and Training special line item to the Other Operating Expenditures line of the operating budget to join the rest of the department's expenditures for agencywide education and training. In FY 1993, \$15,100 was spent from the Education and Training special line item for training classes conducted for the department, while \$350,300 was spent from the operating budget for agencywide education and training. This special line item was transferred by the department to the Special Support Group from the Administrative Services Division during FY 1994. The Executive retains the Education and Training special line item and recommends no change in the amount of \$15,800.

-0- OF

JLBC Staff Recommended Format -- Modified Lump Sum for the Program

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
 PROGRAM: Highways

JLBC ANALYST: Hull
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	1,894.0	1,834.0	1,851.0	1,816.0	875.0	
OPERATING BUDGET						
Personal Services	26,844,600	27,989,600	27,759,500	27,744,100	27,094,300	
Employee Related Expenditures	6,632,300	6,367,200	7,103,600	6,890,300	6,751,900	
Professional/Outside Services	31,800	3,500	3,500	3,500	3,500	
Travel - In State	660,600	889,500	889,500	889,500	849,900	
Travel - Out of State	49,500	49,500	49,500	49,500	49,500	
Other Operating Expenditures	6,869,100	5,677,400	5,677,400	6,029,200	6,042,700	
Equipment	771,200	828,600	828,600	828,600	823,600	
All Other Operating Subtotal	8,382,200	7,448,500	7,448,500	7,800,300	7,769,200	
OPERATING SUBTOTAL	41,859,100	41,805,300	42,311,600	42,434,700	41,615,400	
SPECIAL LINE ITEMS						
Highway Maintenance	67,903,100	67,675,900	70,265,600	70,344,200	0	
Radio Communications	397,900	417,100	417,100	417,100	417,100	
Lump Sum Reduction	0	0	0	-881,200	0	
Special Item Subtotal	68,301,000	68,093,000	70,682,700	69,880,100	417,100	
PROGRAM TOTAL	110,160,100	109,898,300	112,994,300	112,314,800	42,032,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
PROGRAM: Highways

JLBC ANALYST: Hull
OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Groscost
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	110,160,100	109,898,300	112,994,300	112,314,800	42,032,500	
Other Non-Appropriated Funds	151,013,000	169,431,800	179,703,200	--	179,703,200	
PROGRAM TOTAL - ALL SOURCES	261,173,100	279,330,100	292,697,500	112,314,800	221,735,700	

Program Description - *The Highways Division is responsible for the location, design, right-of-way acquisition and construction of new highways for the state highway system.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$42,032,500 -- a net decrease of \$(67,865,800), or (61.8)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (278,100) OF
Maintains a vacancy factor of 3%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 3%.
- **ERE Rate Changes** 616,100 OF
- **Distribution of Reorganization Special Line Item** 351,800 OF
Transfers \$351,800 from the Reorganization special line item in the Special Support Group to the Other Operating Expenditures line of the operating budget for the Highways Division to continue paying a portion of the utility costs for the state highway system. The Executive concurs.
- **Highway Maintenance Special Line Item** (67,675,900) OF
Reflects a decrease of \$(67,675,900) since Highway Maintenance is recommended as a separate cost center in order to increase legislative oversight of such a large program. The Executive retains the Highway Maintenance special line item and recommends increases of \$2,668,300 and 14 FTE positions.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

• **Project SLIM Reduction**

(879,700) OF

Reflects a total decrease of \$(879,700) and (32) FTE positions, including decreases of \$(649,800) for Personal Services, \$(198,800) for Employee Related Expenditures, \$(39,600) for In-State Travel and \$(5,000) for Equipment, and an increase of \$13,500 for Other Operating Expenditures. An additional \$(201,300) of Project SLIM estimated savings was deferred until FY 1996 to assist the Highways Division with its redeployment pool costs. The Executive recommends decreases of \$(881,200) and (32) FTE positions for the operating budget of the Highways Division.

JLBC Staff Recommended Format -- Modified Lump Sum for the Program

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
 PROGRAM: Highway Maintenance

JLBC ANALYST: Hull
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	0.0	0.0	0.0	0.0	937.0	
OPERATING BUDGET						
Personal Services	0	0	0	0	20,163,900	
Employee Related Expenditures	0	0	0	0	5,951,000	
Professional/Outside Services	0	0	0	0	68,000	
Travel - In State	0	0	0	0	339,100	
Other Operating Expenditures	0	0	0	0	1,718,600	
Equipment	0	0	0	0	90,000	
All Other Operating Subtotal	0	0	0	0	2,215,700	
OPERATING SUBTOTAL	0	0	0	0	28,330,600	
SPECIAL LINE ITEMS						
Central Maintenance	0	0	0	0	1,740,900	
Contract Maintenance	0	0	0	0	11,321,400	
Materials	0	0	0	0	12,484,400	
Equipment Rentals	0	0	0	0	16,272,700	
Special Item Subtotal	0	0	0	0	41,819,400	
PROGRAM TOTAL	0	0	0	0	70,150,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
 PROGRAM: Highway Maintenance

JLBC ANALYST: Hull
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Grosco
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	0	0	0	0	70,150,000	
PROGRAM TOTAL - ALL SOURCES	0	0	0	0	70,150,000	

Program Description - Highway Maintenance is responsible for the management and maintenance of the state highway system.

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$70,150,000 -- a net increase of \$2,474,100, or 3.7%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ -0- OF
 Maintains a vacancy factor of 0%. The Executive recommends a vacancy factor of 0%.
- ERE Rate Changes 540,200 OF
- New Features 2,024,100 OF

Reflects an increase of \$2,024,100 and 15 FTE positions for the maintenance of new features in FY 1995, including \$249,300 for Personal Services, \$84,400 for Employee Related Expenditures, \$14,500 for Other Operating Expenditures, \$1,318,400 for contract maintenance, \$172,900 for materials and \$184,600 for equipment rentals. Thus, the department expects to contract out 65% of the total \$2,024,100 increase. An estimated 51% of the increase will be spent in District 1 (mostly Maricopa County), 24% in District 2 (Pima, Pinal, Graham, Cochise, Santa Cruz and parts of Gila and Greenlee Counties), 10% in District 3 (Yuma, La Paz, Mohave, Yavapai and a small part of Maricopa County), and 15% in District 4 (Coconino, Navajo, Apache and parts of Gila and Greenlee Counties).

New features includes items such as new roadway, landscape and electrical installations. An estimated 50 lane miles of roadway and 47 landscape acres will be added in FY 1995, making statewide totals of 24,800 lane miles and 4,700 landscape acres. The cost of maintaining new features is phased into the department's budget request as the road ages. The department did not request funding for the maintenance of new features for FY 1994 (37 lane miles and 124 landscape acres) in order to produce a no growth budget. The Executive recommends increases of \$2,052,800 and 17 FTE positions.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Project SLIM Savings** (90,200) OF
 Reflects a decrease of \$(90,200) and (5) FTE positions, including decreases of \$(42,600) for Personal Services, \$(20,100) for Employee Related Expenditures and \$(25,500) for Other Operating Expenditures. The Executive recommends a decrease of (3) FTE positions and no change in the amount of funding.

JLBC Staff Recommended Format – Lump Sum for the Program

JLBC Staff Recommended Footnotes

Continuation of New FY 1994 Footnotes

- This appropriation is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.

Other Issues for Legislative Consideration

- **Background**

Highway Maintenance includes many diverse items such as road surface, shoulder, roadside, landscape, rest area, vegetation control, drainage, snow and ice, major weather damage, sign shop, signing and striping, maintenance materials processing, and non-routine major maintenance. A few selected service measurements show the following changes from FY 1990 to FY 1995.

	<u>Actual</u> <u>FY 1990</u>	<u>Actual</u> <u>FY 1991</u>	<u>Actual</u> <u>FY 1992</u>	<u>Actual</u> <u>FY 1993</u>	<u>Estimated</u> <u>FY 1994</u>	<u>Estimated</u> <u>FY 1995</u>
12' Lane Miles of Roadway	23,824	23,919	24,287	24,713	24,750	24,800
Landscape Acres	2,798	3,376	3,792	4,529	4,653	4,700
Highway Maintenance FTE's	839.5	850	869	927	927	937
Highway Maintenance (including contracts)	\$56,464,800	\$61,209,100	\$62,413,100	\$67,903,100	\$67,675,900	\$70,150,000
Contracts	\$4,086,500	\$6,388,800	\$7,416,600	\$9,052,100	\$10,003,000	\$11,321,400

From FY 1993 to FY 1995, the estimated growth in expenditures for highway maintenance is \$2,246,900 or 3.3%, including \$2,024,100 or 3% for new features, compared to estimated increases of 3.5% in lane miles of roadway and 3.8% in landscape acres.

The total FY 1994 budget of \$67,675,900 includes \$10,003,000 for contract maintenance which can be broken out as follows:

\$3,712,900	Striping, signs, pavement, bank protection, tunnel tile washing
2,947,700	Landscape, irrigation system, mowing
1,695,200	Rest and picnic areas
1,467,200	Debris and litter pickup and removal
<u>180,000</u>	Contract administration
\$10,003,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
 PROGRAM: Aeronautics

JLBC ANALYST: Hull
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Grosco
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	33.0	33.0	33.0	33.0	33.0	
OPERATING BUDGET						
Personal Services	741,100	787,100	807,300	799,200	787,100	
Employee Related Expenditures	206,500	199,700	229,300	221,800	219,900	
Professional/Outside Services	43,900	58,600	58,600	58,600	58,600	
Travel - In State	27,100	29,900	29,900	29,900	29,900	
Travel - Out of State	9,100	14,400	14,400	14,400	14,400	
Other Operating Expenditures	300,000	389,400	435,800	420,600	420,600	
Equipment	0	0	15,000	15,000	15,000	
All Other Operating Subtotal	380,100	492,300	553,700	538,500	538,500	
OPERATING SUBTOTAL	1,327,700	1,479,100	1,590,300	1,559,500	1,545,500	
SPECIAL LINE ITEMS						
Reimbursement to Hwy Fund	7,400	30,000	30,000	30,000	30,000	
Special Item Subtotal	7,400	30,000	30,000	30,000	30,000	
PROGRAM TOTAL	1,335,100	1,509,100	1,620,300	1,589,500	1,575,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
PROGRAM: Aeronautics

JLBC ANALYST: Hull
OSP ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Grosco
SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	1,335,100	1,509,100	1,620,300	1,589,500	1,575,500	
Federal Funds	2,250,600	1,922,100	2,022,100	--	2,022,100	
PROGRAM TOTAL - ALL SOURCES	3,585,700	3,431,200	3,642,400	1,589,500	3,597,600	

Program Description - *The Aeronautics Division registers and licenses all general aviation aircraft in the state, administers the airports development grant and airports loan programs, and operates the Grand Canyon National Park Airport.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$1,575,500 -- a net increase of \$66,400, or 4.4%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- OF
Maintains a vacancy factor of 1%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 1%.
- **ERE Rate Changes** 20,200 OF
- **Other Operating Expenditures** 31,200 OF
Reflects an increase of \$27,600, which includes an increase of \$46,400 in utilities at the Grand Canyon Airport for 40 new parking lot and entrance road lights, a new sanitary landfill fee and water for new landscaping, and a decrease of \$(15,200) in risk management premium. The Executive concurs.
- **Capitalized Equipment** 15,000 OF
Reflects an increase of \$15,000 for 10 replacement personal computers. The Executive concurs.

JLBC Staff Recommended Format -- Modified Lump Sum for the Program

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Other Issues for Legislative Consideration

- **Privatization of Operation of Grand Canyon Airport**

There has been some legislative interest in the possibility of privatizing the Grand Canyon Airport (GCA). The operation of GCA accounts for approximately half of the 33 FTE positions and half to two-thirds of the operating budget for the Aeronautics Division. Possibilities might include the sale or lease of the airport to the private sector, or its transfer to another public agency. If GCA remained owned by the state or another public entity, then it would be eligible for federal and state grants for capital projects, which together have averaged an annual \$2.3 million for the 7 years 1988 through 1994. However, if GCA were privately owned then it would not be eligible for federal and state grants. Issues of state liability under different privatization scenarios also need to be considered. In addition, GCA was leased to the private sector in 1986 and 1987, after which the state received it back in reportedly poor condition. If GCA is to be privatized, the 1986-1987 privatization should serve as a case study from which a better experience might be crafted.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
 PROGRAM: Motor Vehicle Division

JLBC ANALYST: Hull
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Groscost
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	872.0	684.5	705.5	674.0	676.0	
OPERATING BUDGET						
Personal Services	17,251,800	13,371,300	13,821,700	13,989,500	13,777,800	
Employee Related Expenditures	4,722,900	3,695,300	4,283,900	4,177,700	4,098,400	
Professional/Outside Services	512,500	345,300	345,300	345,300	345,300	
Travel - In State	293,600	304,200	303,400	303,400	303,400	
Travel - Out of State	12,200	10,000	10,000	10,000	10,000	
Other Operating Expenditures	3,701,800	3,964,900	3,963,300	3,963,100	3,992,700	
Equipment	60,900	50,000	50,000	50,000	50,000	
All Other Operating Subtotal	4,581,000	4,674,400	4,672,000	4,671,800	4,701,400	
OPERATING SUBTOTAL	26,555,700	21,741,000	22,777,600	22,839,000	22,577,600	
SPECIAL LINE ITEMS						
License Plates & Tabs	1,254,500	1,275,300	1,275,300	1,275,300	1,275,300	
Medical Advisory Board	63,500	87,000	76,800	77,700	77,700	
Enterprise (Drivers License/Title)	1,090,200	2,200,000	10,000,000	10,000,000	10,000,000	
Mandatory Insurance Enforcement	1,370,200	525,100	525,100	0	0	
Abandoned Vehicle Fund	41,000	45,800	45,800	45,800	45,800	
Mobile Home Administration	0	0	0	0	111,900	
Special Item Subtotal	3,819,400	4,133,200	11,923,000	11,398,800	11,510,700	
PROGRAM TOTAL	30,375,100	25,874,200	34,700,600	34,237,800	34,088,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
 PROGRAM: Motor Vehicle Division

JLBC ANALYST: Hull
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Grosco
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	30,375,100	25,874,200	34,700,600	34,237,800	34,088,300	
Other Non-Appropriated Funds	10,906,200	10,737,100	10,642,300	--	10,323,600	
PROGRAM TOTAL - ALL SOURCES	41,281,300	36,611,300	45,342,900	34,237,800	44,411,900	

Program Description - *The Motor Vehicle Division regulates vehicular operations within the state through the issuance and control of various permits, registrations and licenses.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$34,088,300 -- a net increase of \$8,214,100, or 31.7%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ 104,900 OF
 Maintains a vacancy factor of 3%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 1% to make \$363,600 of additional funding available to the Motor Vehicle Division for implementation costs associated with Project SLIM.
- **ERE Rate Changes** 337,200 OF
- **Other Operating Expenditures** (700) OF
 Reflects a decrease of \$(700) from the Dealer Enforcement Fund for risk management premium. The Executive concurs.
- **Distribution of Reorganization Special Line Item** 458,900 OF
 Transfers \$458,900 from the Reorganization special line item in the Special Support Group to the operating budget of the Motor Vehicle Division, including \$373,400 for Personal Services, \$55,400 for Employee Related Expenditures and \$30,100 for Other Operating Expenditures. These expenditures will fund seasonal/temporary employees and overtime for extended and Saturday hours. The Executive recommends an increase of \$407,300.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Medical Advisory Board** (9,300) OF
This special line item reflects a decrease from the state Highway Fund of \$(9,300), which includes decreases of \$(9,300) for Personal Services/Employee Related Expenditures to reflect actual needs and \$(300) in risk management premiums, and an increase of \$300 for ERE Rate Changes. The Executive concurs.

- **School Bus Safety Program** (63,700) OF
Reflects a decrease of (2) FTE positions and \$(63,700) for the School Bus Safety Program which was transferred from the Department of Transportation to the Department of Public Safety by Laws 1993, Chapter 58. The \$(63,700) includes decreases of \$(47,900) for Personal Services, \$(13,400) for Employee Related Expenditures, \$(800) for In-State Travel and \$(1,600) for Other Operating Expenditures. The Executive concurs.

- **Mobile Home Administration Special Line Item** 111,900 OF
Reflects an increase of 5 FTE's and \$111,900 from the state Highway Fund for mobile home administration actions required by A.R.S. § 28-304.02. The \$111,900 includes \$81,400 for Personal Services, \$27,900 for Employee Related Expenditures, \$400 for In-State Travel and \$2,200 for Other Operating Expenditures. This makes Mobile Home Administration part of the appropriated budget for the department and eliminates the need for the JLBC to annually approve expenditures from the non-appropriated Mobile Home Administration Revolving Fund. If related legislation as described in the new footnote is not enacted into law, then the \$111,900 reverts to the state Highway Fund and 5 FTE positions are eliminated. The Executive does not address this issue.

- **Enterprise Project (Drivers License/Title)** 7,800,000 OF
Reflects an increase of \$7,800,000 for a FY 1995 total of \$10,000,000 (\$2,200,000 was appropriated in FY 1994). The total cost of the Enterprise Project is estimated to be \$26 million with completion by the end of FY 1996. So far \$12.5 million has been appropriated for Enterprise, leaving a remaining funding need of \$13,500,000 (\$10,000,000 in FY 1995 and \$3,500,000 in FY 1996).

The purpose of the Enterprise Project is to replace 3 separate computer systems in the Motor Vehicle Division (Title and Registration, Drivers License, and Motor Carrier Revenue) with a single integrated computer system. The department projects that the 3 components will be implemented in April 1994, September 1994, and September 1995 respectively. The department expects that the Enterprise Project will enhance the Motor Vehicle Division's ability to serve the public, (dual function drivers license and vehicle registration offices), enforce motor vehicle laws (integrated computer system with a single database), and implement business system improvements.

Increased revenues to the Highway User Revenue Fund due to extended driver's licenses are estimated to be \$13,680,800 for FY 1994 and FY 1995 (\$6,840,400 per year), based on the first 3 months of FY 1994. This increase in revenue is sufficient to offset the requested appropriation for FY 1995. The department also estimates increased revenues for allocated rental cars, commercial vehicle registration and electronic data interchange of motor vehicle records.

In the area of savings, using the Enterprise computer system to enforce motor vehicle liability insurance requirements in place of insurance identification cards will decrease expenditures from the non-appropriated Motor Vehicle Liability Insurance Enforcement Fund by an estimated \$(208,600) annually, beginning in FY 1995, including decreases of \$(150,000) in Professional and Outside Services and \$(58,600) in Other Operating Expenditures.

Further project-related savings retained by the department are expected to accrue as future enhancements come on-line. The department expects that beginning with FY 1997, on-going operating costs for Enterprise, non-major program changes and cost overruns, if any, will

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

be able to be paid for from project-related savings accruing to the department. A new footnote requiring quarterly progress reports is recommended in order to monitor and account for Enterprise Project savings accruing to the department and increased revenues. The Executive concurs.

PROJECTED ENTERPRISE PROJECT EXPENDITURES

	<u>FY 1995</u>	<u>FY 1996</u>
Personal Services and ERE	\$1,300,000	\$325,000
Professional and Outside Services	3,838,000	742,000
In-State Travel	40,000	40,000
Out-of-State Travel	20,000	5,000
Other Operating Expenditures	24,000	9,000
Equipment	2,468,000	0
Payment for Equipment Financing	<u>2,310,000</u>	<u>2,379,000</u>
Total	\$10,000,000	\$3,500,000

- **Mandatory Insurance** (525,100) OF
 Reflects decreases of 11.5 FTE's and \$(525,100). No appropriation from the Highway User Revenue Fund for Mandatory Insurance Enforcement is needed for FY 1995, since the estimated balance forward plus receipts in the non-appropriated Motor Vehicle Liability Insurance Enforcement Fund is \$1,772,500 and estimated expenditures are \$841,600. The Executive concurs.

JLBC Staff Recommended Format -- Modified Lump Sum for the Program

JLBC Staff Recommended Footnotes

Standard Footnotes

- The Enterprise Project (Drivers License/Title) appropriation is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.

Continuation of New FY 1994 Footnotes

- It is the intent of the Legislature that all future costs of the enterprise project be funded through project-related savings retained by the department. Future appropriations will only be made if shown to be clearly offset by savings that do not accrue to the department or increased revenues attributable to the project.

New FY 1995 Footnote

- If legislation to subject Mobile Home Administration expenditures to appropriation is not enacted into law, \$111,900 shall revert to the state Highway Fund and 5 FTE positions are eliminated.
- Quarterly progress reports shall be provided to the Speaker of the House of Representatives, the President of the Senate, the Chairmen of the House of Representatives and Senate Appropriations Committees, and the Director of the Joint Legislative Budget Committee as to the effectiveness of the Enterprise Project in generating savings accruing to the department and increased revenues. The reports shall contain: 1) a comparison of projected and actual departmental savings for each Enterprise Project enhancement, including FTE positions saved, dollars saved and dates the savings are realized; and 2) a comparison of projected and actual increased revenues for each Enterprise Project enhancement, including dollar amounts and dates the increased revenues are realized.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Other Issues for Legislative Consideration

- **Air Quality Fund**
3 FTE's and \$31,600 of related funding from the Air Quality Fund were transferred by the department from the Motor Vehicle Division to the Administrative Services Division in FY 1994.
- **Project SLIM**
The department originally requested the reinstatement of 23 FTE's and \$498,300 for Personal Services which was later revised to 16 FTE's and \$340,500 for Personal Services, citing negotiations with the Governor's Office for Excellence in Government regarding several Project SLIM recommendations. JLBC Staff recommends no change. As an alternative, the Motor Vehicle Division can continue to use some or all of the \$458,900 recommended distribution of the Reorganization special line item for Project SLIM implementation costs if needed. The Executive recommends no direct increase in funding or FTE positions, but does recommend decreasing the vacancy factor from 3% to 1%, thereby making an additional \$363,600 available for Personal Services and Employee Related Expenditures.
- **Traffic Ticket Enforcement**
For FY 1993, \$50,000 was appropriated to the Motor Vehicle Division (MVD) to establish procedures and to implement a program to assist courts and political subdivisions of this state to collect delinquent sanctions, fines and penalties imposed for civil and criminal traffic violations. None of the \$50,000 has been spent, since the courts and the Motor Vehicle Division are still discussing what the program will entail and how extensive it will be.

The courts and/or political subdivisions are required to repay the \$50,000 from fees collected pursuant to A.R.S. § 28-331. Once MVD collects enough money after costs to reimburse the \$50,000, this sum shall be transmitted to the State Treasurer for deposit in the state Highway Fund. This appropriation is exempt from the provision of A.R.S. § 35-190, relating to lapsing of appropriations.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
 PROGRAM: Public Transit

JLBC ANALYST: Hull
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Groscof
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	3.0	3.0	3.0	3.0	3.0	
OPERATING BUDGET						
Personal Services	67,700	71,400	75,200	71,400	75,200	
Employee Related Expenditures	14,000	18,100	18,800	20,000	20,600	
Travel - In State	200	600	600	600	600	
Other Operating Expenditures	1,000	2,100	2,100	1,700	1,700	
All Other Operating Subtotal	1,200	2,700	2,700	2,300	2,300	
OPERATING SUBTOTAL	82,900	92,200	96,700	93,700	98,100	
SPECIAL LINE ITEMS						
Other Transit Planning	16,500	16,800	16,800	16,800	16,800	
Special Item Subtotal	16,500	16,800	16,800	16,800	16,800	
PROGRAM TOTAL	99,400	109,000	113,500	110,500	114,900	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Transportation
 PROGRAM: Public Transit

JLBC ANALYST: Hull
 OSPB ANALYST: Betlach

HOUSE SUBCOMMITTEE CHAIR: Grosco
 SENATE SUBCOMMITTEE CHAIR: Chesley

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	62,000	69,600	72,100	70,200	73,800	
Other Funds	37,400	39,400	41,400	40,300	41,100	
PROGRAM TOTAL - ALL SOURCES	99,400	109,000	113,500	110,500	114,900	

Program Description - The Public Transit Division coordinates a variety of services on a statewide basis. Included are Federal Section 18 funds for general public transit services in rural areas; Federal Section 16(b)(2) funds for elderly and handicapped transportation; technical transit planning and training to rural public bodies and social service agencies; and urban transit projects demonstrating potential air quality benefits.

The JLBC Staff recommends a total appropriation of \$114,900 -- a net increase of \$5,900, or 5.4%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$73,800 -- a net increase of \$4,200, or 6%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$41,100 -- a net increase of \$1,700 or 4.3%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$3,600 GF
800 OF
 Maintains a vacancy factor of 0%, which is the standard rate applied to programs with this number of FTE positions. The Executive recommends a vacancy factor of 0%.
- ERE Rate Changes 900 GF
1,000 OF
- Other Operating Expenditures (300) GF
(100) OF
 Reflects a decrease of \$(400) in risk management premium, including decreases of \$(300) for the General Fund and \$(100) for the Air Quality Fund. The Executive recommends a decrease of \$(400), including decreases of \$(300) for the General Fund and \$(100) for the Air Quality Fund.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

JLBC Staff Recommended Format – Lump Sum for the Program

JLBC Staff Recommended Footnotes

Standard Footnotes

- Excluding matching fund requirements, any reimbursement for expenditure of the General Fund monies shall be deposited in the state General Fund.

NATURAL RESOURCES
(NR)

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Commission on the Arizona Environment

JLBC ANALYST: Bock
OSP ANALYST: Benberou

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	3.0	3.0	3.0	3.0	3.0	
OPERATING BUDGET						
Personal Services	59,800	54,100	72,500	69,400	54,100	
Employee Related Expenditures	15,900	10,500	15,200	17,300	11,400	
Professional/Outside Services	1,300	400	0	0	400	
Travel - In State	0	600	600	600	600	
Other Operating Expenditures	19,100	17,300	19,500	17,600	17,600	
Equipment	8,300	7,000	0	0	0	
All Other Operating Subtotal	28,700	25,300	20,100	18,200	18,600	
AGENCY TOTAL	104,400	89,900	107,800	104,900	84,100	
BY FUND SOURCE						
General Fund	104,400	89,900	107,800	104,900	84,100	
Other Non-Appropriated Funds	24,500	140,900	90,400	--	90,400	
AGENCY TOTAL - ALL SOURCES	128,900	230,800	198,200	104,900	174,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Commission on the Arizona Environment

Agency Description - *This 11-member commission, with its 100-member advisory council, recommends policy options to state policy-makers on environment-related issues. Supported by its staff, the commission sponsors workshops and educational programs, and other activities.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$84,100 -- a net decrease of \$(5,800), or (6.4)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (500) GF
Maintains a vacancy factor of 25.8%. (Of the 3 General Fund positions, 1 is unfunded.) The Executive recommends a vacancy factor of 0%.
- **ERE Rate Changes** 1,400 GF
- **Other Operating Expenditures** 300 GF
The JLBC Staff recommends this \$300 increase for risk management.
- **Capitalized Equipment** (7,000) GF
This \$(7,000) reduction is to eliminate a one-time allowance for equipment (a photocopier). The Executive concurs.

JLBC Staff Recommended Format -- Lump Sum by Agency

Other Issues for Legislative Consideration

- **Restoration of Basic Staffing and Office Costs**
The FY 1994 appropriation reflected a decrease to General Fund Personal Services, but retained 3 FTE positions, so that the commission could pay for a third staff member from its dedicated funds if desired. The FY 1994 Estimate column above reflects this. The agency has chosen instead to fund all 3 staff members from the General Fund, and to use the dedicated funds for Other Operating Expenditures. This is allowable under the lump sum budget. The agency has requested an increase of \$17,900, to shift operating costs to the General Fund once again. The Executive recommends a \$15,000 increase for this issue. The Legislature, however, should evaluate the agency's performance under the current funding structure after a year's experience before considering funding modifications.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Game and Fish Department
Agency Summary

JLBC ANALYST: Headley
OSP ANALYST: Jones

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	271.5	271.5	271.5	271.5	271.5	
BY PROGRAM/ORGANIZATION						
Watercraft	1,343,400	1,350,200	1,438,600	1,374,000	1,373,900	
Nongame Wildlife	230,200	265,500	291,500	267,100	267,100	
Admin & Field Services	14,472,000	15,103,100	16,592,800	15,416,500	15,429,800	
AGENCY TOTAL	16,045,600	16,718,800	18,322,900	17,057,600	17,070,800	
OPERATING BUDGET						
Personal Services	6,563,300	7,085,100	7,916,900	7,085,100	7,085,100	
Employee Related Expenditures	2,790,800	2,312,500	2,833,900	2,406,200	2,406,000	
Professional/Outside Services	223,700	234,600	234,600	234,600	234,600	
Travel - In State	241,300	265,900	265,900	265,900	265,900	
Travel - Out of State	31,300	30,700	30,700	30,700	30,700	
Other Operating Expenditures	3,188,600	3,562,500	3,491,200	3,513,600	3,508,000	
Equipment	659,700	720,000	729,100	701,000	720,000	
All Other Operating Subtotal	4,344,600	4,813,700	4,751,500	4,745,800	4,759,200	
OPERATING SUBTOTAL	13,698,700	14,211,300	15,502,300	14,237,100	14,250,300	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Game and Fish Department
Agency Summary

JLBC ANALYST: Headley
OSP ANALYST: Jones

HOUSE SUBCOMMITTEE CHAIR: Edens
SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
SPECIAL LINE ITEMS						
Cooperative Research Projects	30,000	40,000	40,000	40,000	40,000	
Cost Transfer (Watercraft)	359,000	320,700	320,700	320,700	320,700	
Cost Transfer (NonGame)	10,000	10,000	10,000	10,000	10,000	
Pittman-Robertson/Dingell-Johnson Acts	1,685,100	1,835,900	2,145,600	2,145,600	2,145,600	
Reg. Offices Lease-Purchase	237,000	257,400	260,800	260,700	260,700	
Waterfowl Conservation	25,800	43,500	43,500	43,500	43,500	
Special Item Subtotal	2,346,900	2,507,500	2,820,600	2,820,500	2,820,500	
AGENCY TOTAL	16,045,600	16,718,800	18,322,900	17,057,600	17,070,800	
BY FUND SOURCE						
Other Funds	16,045,600	16,718,800	18,322,900	17,057,600	17,070,800	
Federal Funds	13,593,600	12,342,300	12,592,000	--	12,592,000	
Other Non-Appropriated Funds	7,377,800	11,155,000	9,988,700	--	9,988,700	
AGENCY TOTAL - ALL SOURCES	37,017,000	40,216,100	40,903,600	17,057,600	39,651,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Game and Fish Department
PROGRAM: Agency Summary

Agency Description - *The Game and Fish Department manages Arizona wildlife populations through the operation of hunting and fishing license programs, enforcement actions for the unlawful taking of game, and wildlife habitat protection and development. The department is also responsible for watercraft registration and boater safety programs. A 5 member board appointed by the Governor oversees department operations and provides policy direction for the director. Other functions of the department include the operation of fish hatcheries, conducting the annual lottery draw for hunting tags, and implementing the off-highway vehicle program.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$17,070,800 -- a net increase of \$352,000, or 2.1%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Pittman-Robertson/Dingell-Johnson Acts \$309,700 OF
- ERE Rate Changes 94,000 OF
- Regional Offices Lease-Purchase 3,300 OF
- Miscellaneous (500) OF
- Other Operating Expenditures (54,500) OF

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Game and Fish Department
 PROGRAM: Admin & Field Services

JLBC ANALYST: Headley
 OSPB ANALYST: Jones

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	241.5	241.5	241.5	241.5	241.5	
OPERATING BUDGET						
Personal Services	6,059,100	6,501,400	7,259,900	6,501,400	6,501,400	
Employee Related Expenditures	2,598,900	2,143,600	2,623,900	2,211,900	2,211,800	
Professional/Outside Services	169,700	160,000	160,000	160,000	160,000	
Travel - In State	220,000	238,600	238,600	238,600	238,600	
Travel - Out of State	24,800	19,600	19,600	19,600	19,600	
Other Operating Expenditures	2,816,500	3,143,100	3,071,800	3,094,200	3,088,600	
Equipment	605,100	720,000	729,100	701,000	720,000	
All Other Operating Subtotal	3,836,100	4,281,300	4,219,100	4,213,400	4,226,800	
OPERATING SUBTOTAL	12,494,100	12,926,300	14,102,900	12,926,700	12,940,000	
SPECIAL LINE ITEMS						
Cooperative Research Projects	30,000	40,000	40,000	40,000	40,000	
Pittman-Robertson/Dingell-Johnson Acts	1,685,100	1,835,900	2,145,600	2,145,600	2,145,600	
Reg. Offices Lease-Purchase	237,000	257,400	260,800	260,700	260,700	
Waterfowl Conservation	25,800	43,500	43,500	43,500	43,500	
Special Item Subtotal	1,977,900	2,176,800	2,489,900	2,489,800	2,489,800	
PROGRAM TOTAL	14,472,000	15,103,100	16,592,800	15,416,500	15,429,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Game and Fish Department
 PROGRAM: Admin & Field Services

JLBC ANALYST: Headley
 OSPB ANALYST: Jones

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	14,472,000	15,103,100	16,592,800	15,416,500	15,429,800	
Federal Funds	13,593,600	12,342,300	12,592,000	--	12,592,000	
Other Non-Appropriated Funds	7,377,800	11,155,000	9,988,700	--	9,988,700	
PROGRAM TOTAL - ALL SOURCES	35,443,400	38,600,400	39,173,500	15,416,500	38,010,500	

Program Description - *The Administrative and Field Service program encompasses the major Game and Fish Department functions, such as wildlife management, wildlife law enforcement, habitat development and protection, and general agency administration. This program also supports 6 regional Game and Fish offices. Other activities include the production of a variety of wildlife publications, operation of fish hatcheries, and wildlife research.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$15,429,800 -- a net increase of \$326,700, or 2.2%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (500) OF
 Maintains a vacancy factor of 2%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 2%.
- **ERE Rate Changes** 68,700 OF
- **Other Operating Expenditures** (54,500) OF
 The recommended amount reflects the shifting of \$104,700 to the Pittman-Robertson/Dingell-Johnson special line item, based on the planned transition of 2 Game and Fish Department fish hatcheries to federally-matched funding. The recommended amount also reflects a \$50,200 increase for risk management charges. The Executive has also recommended these changes.
- **Pittman-Robertson/Dingell-Johnson Acts** 309,700 OF
 The recommended amount fully funds the agency's estimate of state funds needed as match for federal funding allocated to Arizona under these federal programs for sport fishing and wildlife restoration projects. The Executive also recommends this increase.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Regional Offices Lease-Purchase**

Reflects a total FY 1995 lease-purchase payment of \$260,700, as determined by the Department of Administration for 3 Game and Fish regional offices.

3,300 OF

JLBC Staff Recommended Format -- Modified Lump Sum by Program with Special Line Items

JLBC Staff Recommended Footnotes

Standard Footnotes

- Any part of the \$40,000 for cooperative wildlife and fish research and \$2,145,600 for Pittman-Robertson/Dingell-Johnson may be used for the purpose of matching federal and apportionment funds.

Other Issues for Legislative Consideration

- **Reduce Funding for Replacement Equipment**
The Executive recommends a \$(19,000) reduction in capital equipment.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Game and Fish Department
 PROGRAM: Watercraft

JLBC ANALYST: Headley
 OSPB ANALYST: Jones

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	26.0	26.0	26.0	26.0	26.0	
OPERATING BUDGET						
Personal Services	423,900	477,000	532,100	477,000	477,000	
Employee Related Expenditures	163,100	141,700	175,000	165,500	165,400	
Professional/Outside Services	21,800	44,600	44,600	44,600	44,600	
Travel - In State	18,400	19,900	19,900	19,900	19,900	
Travel - Out of State	4,000	4,500	4,500	4,500	4,500	
Other Operating Expenditures	301,700	341,800	341,800	341,800	341,800	
Equipment	51,500	0	0	0	0	
All Other Operating Subtotal	397,400	410,800	410,800	410,800	410,800	
OPERATING SUBTOTAL	984,400	1,029,500	1,117,900	1,053,300	1,053,200	
SPECIAL LINE ITEMS						
Cost Transfer to Game and Fish Fund	359,000	320,700	320,700	320,700	320,700	
Special Item Subtotal	359,000	320,700	320,700	320,700	320,700	
PROGRAM TOTAL	1,343,400	1,350,200	1,438,600	1,374,000	1,373,900	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Game and Fish Department
 PROGRAM: Watercraft

JLBC ANALYST: Headley
 OSPB ANALYST: Jones

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	1,343,400	1,350,200	1,438,600	1,374,000	1,373,900	
PROGRAM TOTAL - ALL SOURCES	1,343,400	1,350,200	1,438,600	1,374,000	1,373,900	

Program Description - *The Watercraft program is responsible for boat registration and the enforcement of boating safety laws.*

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$1,373,900 -- a net increase of \$23,700, or 1.8%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ -0- OF
 Maintains a vacancy factor of 1%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 1%.

- ERE Rate Changes 23,700 OF

JLBC Staff Recommended Format -- Lump Sum by Program with Special Line Items

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Game and Fish Department
 PROGRAM: Nongame Wildlife

JLBC ANALYST: Headley
 OSPB ANALYST: Jones

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	4.0	4.0	4.0	4.0	4.0	
OPERATING BUDGET						
Personal Services	80,300	106,700	124,900	106,700	106,700	
Employee Related Expenditures	28,800	27,200	35,000	28,800	28,800	
Professional/Outside Services	32,200	30,000	30,000	30,000	30,000	
Travel - In State	2,900	7,400	7,400	7,400	7,400	
Travel - Out of State	2,500	6,600	6,600	6,600	6,600	
Other Operating Expenditures	70,400	77,600	77,600	77,600	77,600	
Equipment	3,100	0	0	0	0	
All Other Operating Subtotal	111,100	121,600	121,600	121,600	121,600	
OPERATING SUBTOTAL	220,200	255,500	281,500	257,100	257,100	
SPECIAL LINE ITEMS						
Cost Transfer to Game and Fish Fund	10,000	10,000	10,000	10,000	10,000	
Special Item Subtotal	10,000	10,000	10,000	10,000	10,000	
PROGRAM TOTAL	230,200	265,500	291,500	267,100	267,100	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Game and Fish Department
 PROGRAM: Nongame Wildlife

JLBC ANALYST: Headley
 OSPB ANALYST: Jones

HOUSE SUBCOMMITTEE CHAIR: Edens
 SENATE SUBCOMMITTEE CHAIR: Huppenthal

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
Other Funds	230,200	265,500	291,500	267,100	267,100	
PROGRAM TOTAL - ALL SOURCES	230,200	265,500	291,500	267,100	267,100	

Program Description - The Non-Game Wildlife program conducts research on non-game wildlife, endangered species, and related habitat for use in the department's management plan for these wildlife.

The JLBC Staff recommends a total Other Fund (OF) appropriation of \$267,100 -- a net increase of \$1,600, or 0.6%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- ERE Rate Changes

\$1,600 OF

JLBC Staff Recommended Format -- Lump Sum by Program with Special Line Items

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Geological Survey

JLBC ANALYST: Bahl
OSP ANALYST: Jones

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	14.3	13.3	13.3	13.3	13.3	
OPERATING BUDGET						
Personal Services	393,800	389,000	389,000	389,000	389,000	
Employee Related Expenditures	91,300	89,300	113,600	82,500	82,600	
Travel - In State	8,600	12,400	12,400	12,400	12,400	
Travel - Out of State	3,300	2,000	3,100	2,000	2,000	
Other Operating Expenditures	125,600	117,400	124,000	124,700	124,700	
Equipment	0	3,100	9,500	0	0	
All Other Operating Subtotal	137,500	134,900	149,000	139,100	139,100	
AGENCY TOTAL	622,600	613,200	651,600	610,600	610,700	
BY FUND SOURCE						
General Fund	622,600	613,200	651,600	610,600	610,700	
Federal Funds	152,100	97,700	60,100	--	60,100	
Other Non-Appropriated Funds	65,100	78,400	57,700	--	57,700	
AGENCY TOTAL - ALL SOURCES	839,800	789,300	769,400	610,600	728,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona Geological Survey

Agency Description - *The Geological Survey investigates Arizona's geology and regulates the drilling and production of oil, gas, and other energy resources. The Survey also provides technical advice and assistance to state and local government agencies, industry, and other members of the public concerning the geologic environment and the development and use of mineral resources in Arizona.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$610,700 -- a net decrease of \$(2,500), or (0.4)%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 0%.

- **ERE Rate Changes** (6,700) GF

- **Other Operating Expenditures** 7,300 GF
The JLBC Staff recommends increases of \$900 for risk management, \$4,400 for state-owned rent, and \$2,000 for private rent.

- **Equipment** (3,100) GF
Reflects the reduction in equipment costs of a photocopy machine purchased in FY 1994.

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Land Department

JLBC ANALYST: Reddy
OSP ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	157.0	154.0	156.0	156.0	156.0	
OPERATING BUDGET						
Personal Services	4,394,300	4,415,700	4,570,600	4,479,200	4,445,500	
Employee Related Expenditures	991,500	915,200	1,041,600	1,007,800	1,000,600	
Professional/Outside Services	421,300	476,600	636,600	436,600	438,900	
Travel - In State	191,100	201,000	201,300	201,300	201,000	
Travel - Out of State	7,300	2,200	2,200	2,200	2,200	
Other Operating Expenditures	1,285,700	2,407,500	2,450,600	2,060,100	2,025,000	
Equipment	158,800	63,800	116,400	101,400	71,100	
All Other Operating Subtotal	2,064,200	3,151,100	3,407,100	2,801,600	2,738,200	
OPERATING SUBTOTAL	7,450,000	8,482,000	9,019,300	8,288,600	8,184,300	
SPECIAL LINE ITEMS						
Streambed Ownership	200,000	193,200	194,000	193,800	193,900	
Litigation Expenses	23,200	20,000	20,000	20,000	223,100	
Legal Advertising	11,000	30,000	30,000	30,000	30,000	
CAP User Fees	78,000	78,100	936,100	778,800	778,800	
Water Rights Filing Fees	16,800	6,500	6,500	6,500	6,500	
Water Litigation	36,000	27,600	35,700	35,700	28,700	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: State Land Department

JLBC ANALYST: Reddy
OSPb ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Illegal Dump Supervision	23,100	50,000	50,000	50,000	50,000	
Nat. Resource Conservation Districts	128,000	150,000	150,000	320,000	320,000	
Conservation Education	30,000	30,000	30,000	30,000	30,000	
Board of Appeals	7,900	16,400	16,400	16,400	16,400	
NRCd Model Demo Project	0	0	0	80,000	0	
Legal Assistance	0	0	0	200,000	0	
Special Item Subtotal	554,000	601,800	1,468,700	1,761,200	1,677,400	
AGENCY TOTAL	8,004,000	9,083,800	10,488,000	10,049,800	9,861,700	
BY FUND SOURCE						
General Fund	8,004,000	9,083,800	10,488,000	10,049,800	9,861,700	
Federal Funds	593,000	1,383,100	584,900	--	584,900	
Other Non-Appropriated Funds	814,900	670,400	775,500	--	775,500	
AGENCY TOTAL - ALL SOURCES	9,411,900	11,137,300	11,848,400	10,049,800	11,222,100	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Land Department

Agency Description - *The agency manages the state's 9.5 million acres of trust land on behalf of its 14 beneficiaries. In order to generate revenue, the agency plans, leases, and sells trust land. The agency also generates revenue by collecting royalties from the operators of 2 copper mines on state land.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$9,861,700 -- a net increase of \$777,900, or 8.6%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (1,400) GF
Maintains a vacancy factor of 2.0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 2.0%.

- **ERE Rate Changes** 80,700 GF

- **Other Operating Expenditures** (382,500) GF
Includes decreases of \$(374,300) for risk management, \$(6,700) for rent, and \$(1,500) for non-capitalized equipment. The Executive recommends an increase of \$29,800 in non-capitalized equipment.

- **Equipment** 7,300 GF
Includes an increase in funding from \$63,800 in FY 1994 to \$71,100 in FY 1995. The recommended amount will fund: 7 printers, 6 computers, 1 facsimile machine, 1 data projector, 1 copier, 1 digitizer, and 1 pickup truck. The Executive recommends \$101,400 in funding, an increase of \$37,600.

- **CAP Water** 700,700 GF
Includes an increase of \$700,700 for construction costs associated with the Central Arizona Project (CAP). If the department does not pay the capital charges it will forfeit its 39,006 acre-feet allocation of CAP water to the Central Arizona Water Conservation District (CAWCD). The loss of CAP water would reduce the value of some of the department's urban trust lands. CAWCD originally charged the department \$2 per acre-foot to cover capital costs. The charge will rise to \$21 per acre-foot in FY 1995 and \$30 per acre-foot in FY 1996. CAWCD estimates that the department's share of CAP capital costs will total \$1,170,200 in FY 1996. The Executive concurs.

- **Natural Resource Conservation Districts (NRCDS)** 170,000 GF
NRCDS serve as vehicles for the U.S. Soil Conservation Service to provide technical assistance to farmers and ranchers. According to statute, each of the districts can receive a maximum of \$10,000. The recommended total of \$320,000 includes an additional \$144,800 to fund the requests from the 32 NRCDS. Some of the districts requested less than the \$10,000 statutory limit. The amount also includes \$25,200 to fund special projects undertaken by the districts. The Executive recommends a total of \$400,000 to fund each district at the statutory limit and to provide \$80,000 for special projects.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

• **Litigation Expenses**

203,100 GF

The recommended amount includes increases of \$160,000 to contract for outside legal services and \$43,100 for an Attorney II FTE position to perform basic legal research in support of the outside litigators. The department has been involved in a series of multi-million dollar lawsuits relating to the sales and leases of its urban lands. The additional resources will enhance the department's legal resources both in terms of litigation experience and technical expertise. The Executive recommends an increase of \$244,400.

The JLBC Staff recommends changing A.R.S. § 41-192 to add the department to the list of agencies that can procure legal services outside the Attorney General's Office. If this change is enacted, we further recommend a transfer from the Attorney General to the department of any existing legal resources dedicated for department-related issues. The Staff is currently developing an estimate of these existing resources.

• **EDP Systems Project Leader**

-0- GF

The JLBC Staff recommends transferring \$37,700 from Professional and Outside Services to fund a programmer position in the department's Parcel and Land Mapping System (PALMS) section. The department has mapped out the locations of its current holdings and is in the process of entering information into PALMS regarding the types, expiration dates, and holders of its leases. The new position will coordinate the entry of additional information into PALMS regarding zoning, archaeological sites, hazardous waste dumps, etc. The Executive concurs with the transfer but provides a \$(300) reduction to the base budget.

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Mines & Mineral Resources

JLBC ANALYST: Bahl
OSP ANALYST: Jones

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	7.0	7.0	8.0	7.0	8.0	
OPERATING BUDGET						
Personal Services	219,900	222,600	245,800	222,600	245,800	
Employee Related Expenditures	47,100	44,600	53,600	50,900	57,000	
Travel - In State	1,200	4,300	4,800	4,300	4,800	
Travel - Out of State	500	0	500	0	500	
Other Operating Expenditures	336,700	336,100	337,300	334,200	335,400	
Equipment	3,300	0	12,600	0	7,100	
All Other Operating Subtotal	341,700	340,400	355,200	338,500	347,800	
AGENCY TOTAL	608,700	607,600	654,600	612,000	650,600	
BY FUND SOURCE						
General Fund	608,700	607,600	654,600	612,000	650,600	
Other Non-Appropriated Funds	93,400	101,000	88,500	--	88,500	
AGENCY TOTAL - ALL SOURCES	702,100	708,600	743,100	612,000	739,100	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Mines and Mineral Resources
 PROGRAM: Department of Mineral Resources

Agency Description - *The department promotes the development of the state's mineral resources by providing technical and educational assistance and information to the mining and mineral industry and the general public. In addition, the department operates the Mining and Mineral Museum, which is the official repository for the identification, cataloging and displaying of mineral specimens, ores, gemstones and lapidary material found in the state.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$650,600 -- a net increase of \$43,000, or 7.1%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments \$ -0- GF
 Maintains a vacancy factor of 0%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 0%.
- ERE Rate Changes 6,300 GF
- Other Operating Expenditures (1,900) GF
 The JLBC Staff recommends a decrease of \$(1,900) for risk management.
- Replacement Equipment 5,100 GF
 The JLBC Staff recommends an increase of \$5,100 to replace a photocopy machine. The Executive does not recommend this equipment.
- Museum Education FTE 33,500 GF
 The JLBC Staff recommends adding 1 Museum Education FTE position at a cost of \$33,500. This amount includes Personal Services, \$23,200; ERE, \$6,100; and, All Other Operating Expenditures, \$4,200. Currently, the Museum Curator handles all museum administrative matters, curatorial duties, exhibit plans, collection issues, and all educational programs and activities. Relative to FY 1991, total museum visitation increased by 88%, or 13,900, and student visitation increased by 69%, or 3,800, in FY 1993. The rise in visitors increased the Museum Curator's administrative workload and impaired his ability and to fulfill all his responsibilities. Adding this new position would allow the Museum Curator to focus on the operation and management of the museum. The Museum Education FTE would manage the educational program and activities which includes recruiting and training docents to assist with educational programs, develop museum educational programs, extend educational outreach programs to civic groups and educational institutions, compose grant proposals to fund and enhance the education program, schedule educational sessions, and write newsletters. The Executive does not recommend this position.

JLBC Staff Recommended Format -- Lump Sum by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona State Parks Board

JLBC ANALYST: Headley
OSP ANALYST: Jones

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	179.5	178.5	178.5	178.5	178.5	
OPERATING BUDGET						
Personal Services	3,828,800	4,044,600	4,270,100	4,049,500	4,043,700	
Employee Related Expenditures	1,066,900	1,030,700	1,242,800	1,208,900	1,117,500	
Professional/Outside Services	26,000	15,100	39,200	36,100	42,300	
Travel - In State	92,500	73,300	73,300	73,300	73,300	
Travel - Out of State	9,900	4,100	4,100	4,100	4,100	
Other Operating Expenditures	1,489,900	1,843,700	1,843,700	1,765,200	1,801,500	
Equipment	165,800	132,200	132,200	90,400	132,200	
All Other Operating Subtotal	1,784,100	2,068,400	2,092,500	1,969,100	2,053,400	
OPERATING SUBTOTAL	6,679,800	7,143,700	7,605,400	7,227,500	7,214,600	
SPECIAL LINE ITEMS						
LEBSF Projects	773,200	600,000	600,000	600,000	600,000	
Az Conservation Corps	276,100	240,400	240,400	443,800	434,400	
State Trust Land Leases	156,800	164,600	169,500	169,500	169,500	
Reservation Surcharge Fund	0	0	15,000	15,000	0	
Special Item Subtotal	1,206,100	1,005,000	1,024,900	1,228,300	1,203,900	
AGENCY TOTAL	7,885,900	8,148,700	8,630,300	8,455,800	8,418,500	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Arizona State Parks Board

JLBC ANALYST: Headley
OSPb ANALYST: Jones

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	4,521,900	4,642,500	6,240,300	6,112,100	4,835,400	_____
Other Funds	3,364,000	3,506,200	2,390,000	2,343,700	3,583,100	_____
Federal Funds	899,300	1,229,600	729,000	--	729,000	_____
Other Non-Appropriated Funds	11,253,500	28,513,100	24,672,600	--	23,412,900	_____
AGENCY TOTAL - ALL SOURCES	20,038,700	37,891,400	34,031,900	8,455,800	32,560,400	_____

Agency Description - The State Parks Board is responsible for managing the state parks system, which include recreational parks, historical parks, and natural areas. The Parks Board consists of 7 members appointed by the Governor. Major functions of the Parks Board, through its staff, include the maintenance and development of existing parks, new parks acquisitions, statewide recreational planning, historic preservation, and the administration of the Heritage Fund grants program and other grants programs providing funds for local and regional projects. Also within the Parks Board is the Arizona Conservation Corps (ACC), a program offering employment, vocational training, and personal development opportunities to young adults. State appropriations support ACC operating expenses, while Corpsmember salaries are paid by private or other public sponsors.

The JLBC Staff recommends a total appropriation of \$8,418,500 -- a net increase of \$269,800, or 3.3%, to the FY 1994 appropriation. The General Fund (GF) portion of the recommendation is \$4,835,400 -- a net increase of \$192,900, or 4.2%, to the FY 1994 appropriation. The Other Fund (OF) portion of the recommendation is \$3,583,100 -- a net increase of \$76,900, or 2.2%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- Personal Services/ERE Adjustments

\$ (14,800) GF
12,400 OF

Maintains a vacancy factor of 1.8%. The Executive recommends a vacancy factor of 1.8%. The General Fund decrease and the Other Funds increase are explained by the agency's shifting of 4.5 FTE positions (shifting also the corresponding health, dental, and life insurance amounts) from the General Fund to the State Parks Enhancement Fund, to allow for those positions to receive salary adjustments granted after a Classification Maintenance Review (CMR) of parks operations positions. The CMR was approved in FY 1994 by the Department

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

of Administration but was not funded with an additional General Fund appropriation. Instead, the agency has chosen to fund these salary adjustments out of additional parks fee revenue generated in the Enhancement Fund. The Executive recommendation also reflects this transfer of positions.

- ERE Rate Changes 22,100 GF
66,200 OF

- Professional and Outside Services 23,000 GF
4,200 OF

The JLBC Staff recommends the addition of \$16,000 GF for water quality testing no longer performed free of charge by the Department of Health Services. The JLBC Staff also recommends an additional \$2,000 GF and \$1,000 OF for increased medical exam costs for parks operations staff also certified as peace officers. More stringent health exam standards for peace officers, including drug testing, make additional funding necessary. The remaining \$5,000 GF increase is recommended for federally-required immunizations of employees at risk of exposure to Hepatitis B. Finally, the JLBC Staff recommends a \$3,200 OF appropriation from the newly-created Reservation Surcharge Revolving Fund, to allow the Parks Board to begin operating the parks campground reservation system authorized in Laws 1993, Chapter 214. (Revenue in the Reservation Fund is derived from a surcharge on parks user fees) The Parks Board plans to hire inmate labor as telephone operators to take reservations and answer questions. The Executive has recommended similar funding for water quality testing, immunizations, and the campground reservation system but would not fund the medical exam costs.

- Other Operating Expenditures (36,300) GF
(5,900) OF

The recommended amount reflects a \$(27,800) GF and \$(12,200) OF reduction for lower risk management charges, a \$(8,500) GF and \$(5,500) OF reduction to adjust for the actual amount of state-owned space occupied by the agency, and a \$11,800 OF increase for the new campground reservation system. The Parks Board plans to use the new reservation system funding to establish a "1-800" toll-free reservation line and pay other operating expenses. The Executive also recommends these changes.

- Arizona Conservation Corps 194,000 GF

The recommended change from the FY 1994 appropriation reflects an ERE rate reduction of \$4,100 GF and a risk management reduction of \$1,900 GF. In addition, the JLBC Staff recommends an increase of \$200,000 GF to implement the Governor's Conservation Corps initiative to expand employment and vocational skills training opportunities for young adults ages 18 to 21. The Executive has recommended this funding as part of the Governor's statewide plan of addressing the problems of urban violence, gangs, and youth violence.

The Conservation Corps would use most of the new funding to establish administrative positions that would be needed to manage a program envisioned to be many times larger than what the Corps currently operates. To illustrate, for FY 1993, the Corps received grant funding and contributions totalling \$800,000 and had 4 authorized FTE positions to administer the program. For FY 1995, the Corps estimates that grant funding could grow to over \$10 million, much of which would be provided by the U.S. Department of Housing and Urban Development (HUD). In order to manage this expanded program, the Corps would use \$155,000 of the appropriation to hire (using title descriptions provided by the Corps) a program manager, a fiscal officer/fund administrator, three grant writers, an employment and career

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

coordinator, a vocational skills coordinator, and support staff. The Corps would also use \$12,000 of the appropriation for "mental health counseling" and \$23,000 for operating expenses.

The Executive has recommended that the appropriation be a one-time increase to allow the Corps to start the program, which will in turn make possible the influx of new grant funding. The Corps has indicated that once new grant funding is available, the cost of the new positions and operating expenses will be shifted to grant funding, thus eliminating the need for General Fund support. The JLBC Staff recommendation is that the appropriation be one-time "start up" funding only.

- **State Land Trust Leases**

The recommended increase covers lease costs as determined by the State Land Department for state parks occupying state trust lands.

4,900 GF

JLBC Staff Recommended Format -- Modified Lump Sum by Agency with Special Line Items

JLBC Staff Recommended Footnotes

Standard Footnotes

- The appropriation for Law Enforcement and Boating Safety Projects is an estimate only. All monies distributed to this fund during FY 1995 in excess of the appropriated amount are appropriated to the State Parks Board for the purposes established in A.R.S. § 5-383.
- Monies appropriated for the Arizona Conservation Corps (ACC) program shall be placed in the ACC Fund authorized by A.R.S. § 41-519.05. Expenditures from the ACC Fund may be reimbursed by federal, state, local, and other sources to accomplish the ACC program objectives stated in A.R.S. § 41-519.
- The appropriation from the State Parks Enhancement Fund is an estimate only. One-half of all receipts deposited into this fund during FY 1995 are appropriated to the State Parks Board for the purposes described in A.R.S. § 41-511.11, Subsection B.

Other Issues for Legislative Consideration

- **Executive Recommends Elimination of SLIF Appropriation for Operating Expenses**

The Executive recommendation would restore \$1.2 million in General Fund support for the Parks Board operating budget funded in FY 1994 from the State Lake Improvement Fund (SLIF). SLIF revenues are derived from a share of state motor fuel tax collections associated with watercraft fuel consumption. Since FY 1992, a portion of SLIF revenues have been used for operating expenses at water-based state parks. Prior to FY 1992, all SLIF funding was used for capital projects and grants to local governments on a non-appropriated basis. Laws 1991, Chapter 291 provided that one-fourth of SLIF revenues could be appropriated to the Parks Board for operating expenses at water-based state parks, thereby replacing General Fund appropriations with available SLIF revenue. By FY 1994, the SLIF operating budget offset has grown to \$1,231,200. Laws 1991, Chapter 291 also provided that after July 1, 1994, all SLIF revenues would revert to non-appropriated status for use on capital projects.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

The JLBC Staff recommends that SLIF revenues remain available for operating expenses at water-based state parks. This continued usage is consistent with the appropriation of revenue from the State Parks Enhancement Fund for operating expenses at non water-based state parks. This utilization of Enhancement Fund fee revenue allows for parks users to help fund a portion of the cost of operating state parks. The JLBC Staff also believes that without the continuation of this policy, SLIF revenues will be used to develop water-based parks at a rate which is greater than the General Fund's ability to finance their increased costs of operation. The JLBC Staff recommendation will require a statutory change to allow the continued appropriation of SLIF revenues.

- **Reduce Funding for Replacement Equipment**

The Executive recommends a \$(37,400) GF and \$(4,400) OF reduction for replacement capital equipment. The Executive has indicated to the Staff that the reduction was taken to reflect Executive replacement equipment cost guidelines, generally, in situations involving motor vehicles. The JLBC Staff is not recommending this reduction based on agency information that the cost guidelines for motor vehicles do not take into account the agency's need for specially-equipped vehicles capable of negotiating the often rugged terrain of state parks.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Water Resources
Agency Summary

JLBC ANALYST: Bahl
OSP ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	210.7	210.7	210.7	211.7	210.7	
BY PROGRAM/ORGANIZATION						
Administration	3,843,400	4,117,500	4,181,300	4,015,000	4,043,900	
Water Management	3,022,000	3,102,400	3,200,400	3,158,500	3,158,900	
Engineering	4,109,100	4,442,600	4,482,500	4,455,600	4,455,900	
AGENCY TOTAL	10,974,500	11,662,500	11,864,200	11,629,100	11,658,700	
OPERATING BUDGET						
Personal Services	6,187,800	6,447,200	6,538,300	6,516,900	6,447,600	
Employee Related Expenditures	1,419,700	1,376,100	1,529,900	1,468,900	1,457,900	
Professional/Outside Services	192,400	342,800	342,800	342,800	312,800	
Travel - In State	197,100	251,500	251,500	251,500	251,500	
Travel - Out of State	27,800	34,700	34,700	34,700	34,700	
Other Operating Expenditures	2,334,300	2,738,300	2,745,100	2,542,400	2,652,300	
Equipment	291,900	9,000	9,000	9,000	9,000	
All Other Operating Subtotal	3,043,500	3,376,300	3,383,100	3,180,400	3,260,300	
OPERATING SUBTOTAL	10,651,000	11,199,600	11,451,300	11,166,200	11,165,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Water Resources
Agency Summary

JLBC ANALYST: Bahl
OSPB ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Graham
SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
SPECIAL LINE ITEMS						
Groundwater Replenishment	34,600	0	0	0	0	
USGS Cooperative Agreement	126,500	272,900	272,900	272,900	272,900	
Early Flood Warning System	87,900	90,000	90,000	90,000	90,000	
Flood Control Development	24,200	50,000	50,000	50,000	50,000	
Riparian Issues	50,300	0	0	0	0	
Groundwater Management Plan	0	0	0	0	30,000	
CAP/CO River Study	0	50,000	0	50,000	50,000	
Special Item Subtotal	323,500	462,900	412,900	462,900	492,900	
A G E N C Y T O T A L	10,974,500	11,662,500	11,864,200	11,629,100	11,658,700	
BY FUND SOURCE						
General Fund	10,974,500	11,662,500	11,864,200	11,629,100	11,658,700	
Federal Funds	49,800	766,000	772,900	--	772,900	
Other Non-Appropriated Funds	913,400	3,065,400	4,102,400	--	4,102,400	
AGENCY TOTAL - ALL SOURCES	11,937,700	15,493,900	16,739,500	11,629,100	16,534,000	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Water Resources
 PROGRAM: Summary

Agency Description - *The department administers and enforces Arizona's groundwater code, administers surface water rights laws, and represents Arizona's water rights with the federal government. These activities are to assure a long-term dependable water supply in the state. The department also inspects dams and participates in flood control planning to prevent property damage, personal injury, and loss of life. In support of these activities, it collects and analyzes data on water levels and on water-quality characteristics.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$11,658,700 -- a net decrease of \$(3,800), or 0%, from the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ 400 GF
 Maintains a vacancy factor of 1.4%. The Executive recommends a vacancy factor of 1.4%.
- **ERE Rate Changes** 81,800 GF
- **Reorganization** -0- GF
 Reorganization of the agency has shifted 4 positions. Agencywide, there is a zero net change in FTE positions, Personal Services, and Employee Related Expenditures. The Program Analyst II and Program Analyst III positions have moved from Administration into Water Management. The Engineering Division has shifted an Attorney III position to Administration, and a Deputy Director to Water Management. One of the 2 former Deputy Directors of Engineering positions has been re-titled as the Special Assistant to the Deputy Director of Water Management.
- **All Other Operating Expenditures** (86,000) GF
 The JLBC Staff recommends a decrease of \$(94,800) for risk management and an increase of \$8,800 for lease-purchase payments and rent.
- **Colorado River/CAP Study** -0- GF
 The JLBC Staff recommends continuing this special line item in the Engineering Division. The Executive concurs.

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

Other Issues for Legislative Consideration

- **Deputy Administrator**

The Executive recommends the creation of 1 FTE position, at an added cost of \$82,200, to assist the Director in the Administration Division.

- **Relocation**

The Executive recommends relocating the Department of Water Resources (DWR) from the Capitol Center Building on 15 S. 15th Avenue in order to allow the Attorney General to expand their offices in the Capitol Center Building. The Attorney General is expected to pay all of DWR's moving expenses contingent on a supplemental appropriation. Upon relocation, the Executive estimates DWR's rent payments to decrease by \$(103,100) in FY 1995 as they would move into private sector space which is currently less expensive. The JLBC Staff recommends that the Attorney General expand into 1400 W. Washington as was intended when the FY 1994 budget was enacted and that the DWR remain in the Capitol Center Building.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Water Resources
 PROGRAM: Administration

JLBC ANALYST: Bahl
 OSPB ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Graham
 SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	43.5	43.5	42.5	43.5	42.5	
OPERATING BUDGET						
Personal Services	1,401,000	1,437,800	1,452,300	1,507,100	1,437,800	
Employee Related Expenditures	298,000	297,200	339,800	323,300	311,700	
Professional/Outside Services	79,900	117,300	117,300	117,300	117,300	
Travel - In State	11,300	14,500	14,500	14,500	14,500	
Travel - Out of State	12,900	12,000	12,000	12,000	12,000	
Other Operating Expenditures	1,918,000	2,238,700	2,245,400	2,040,800	2,150,600	
Equipment	122,300	0	0	0	0	
All Other Operating Subtotal	2,144,400	2,382,500	2,389,200	2,184,600	2,294,400	
PROGRAM TOTAL	3,843,400	4,117,500	4,181,300	4,015,000	4,043,900	
BY FUND SOURCE						
General Fund	3,843,400	4,117,500	4,181,300	4,015,000	4,043,900	
Federal Funds	49,800	766,000	772,900	--	772,900	
PROGRAM TOTAL - ALL SOURCES	3,893,200	4,883,500	4,954,200	4,015,000	4,816,800	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Water Resources
PROGRAM: Administration

Program Description - *This division includes the department's executive management and central business functions. It also operates the department's computer system, and it includes a legal staff to support the department's water rights allocation and water law enforcement activities.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$4,043,900 -- a net decrease of \$(73,600), or (1.8)%, from the FY 1994 appropriation:

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ -0- GF
Maintains a vacancy factor of 1%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 1%.

- **ERE Rate Changes** 17,300 GF

- **Reorganization** (2,800) GF
Agency reorganization has resulted in a loss of 1 FTE position from the Administration Division. The amount associated with this reorganization only reflects changes in Employee Related Expenditures. The agency shifted the Personal Services dollars in the FY 1994 base. Agencywide, the net change in FTE positions, Personal Services, and Employee Related Expenditures is zero.

- **Other Operating Expenditures** (88,100) GF
The JLBC Staff recommends a decrease of \$(94,800) for risk management and an increase of \$6,700 for the Capitol Center Building lease-purchase payment.

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Agency

Other Issues for Legislative Consideration

- **Deputy Administrator**
The Executive recommends adding \$82,200 to create a Deputy Administrator position which would assist the Director. This position would be responsible for oversight of the day-to-day activities of the agency and coordination and implementation of departmental policies and programs. In the Administration Division, there are already an Assistant Director of Administrative Services position and a Special Assistant to the Director position. Also, the Engineering and Water Management Divisions each have a Deputy Director.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Water Resources
 PROGRAM: Engineering

JLBC ANALYST: Bahl
 OSPB ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Graham
 SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	92.0	92.0	90.0	90.0	90.0	
OPERATING BUDGET						
Personal Services	2,734,800	2,784,900	2,829,500	2,787,100	2,787,100	
Employee Related Expenditures	626,900	616,800	662,100	627,600	627,900	
Professional/Outside Services	67,100	159,500	159,500	159,500	159,500	
Travel - In State	144,800	187,000	187,000	187,000	187,000	
Travel - Out of State	12,600	15,000	15,000	15,000	15,000	
Other Operating Expenditures	173,900	207,500	207,500	207,500	207,500	
Equipment	110,400	9,000	9,000	9,000	9,000	
All Other Operating Subtotal	508,800	578,000	578,000	578,000	578,000	
OPERATING SUBTOTAL	3,870,500	3,979,700	4,069,600	3,992,700	3,993,000	
SPECIAL LINE ITEMS						
USGS Cooperative Agreement	126,500	272,900	272,900	272,900	272,900	
Early Flood Warning System	87,900	90,000	90,000	90,000	90,000	
Flood Control Development	24,200	50,000	50,000	50,000	50,000	
CAP/Colorado River Study	0	50,000	0	50,000	50,000	
Special Item Subtotal	238,600	462,900	412,900	462,900	462,900	
PROGRAM TOTAL	4,109,100	4,442,600	4,482,500	4,455,600	4,455,900	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Water Resources
 PROGRAM: Engineering

JLBC ANALYST: Bahl
 OSPB ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Graham
 SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	4,109,100	4,442,600	4,482,500	4,455,600	4,455,900	
Other Non-Appropriated Funds	132,500	450,000	950,000	--	950,000	
PROGRAM TOTAL - ALL SOURCES	4,241,600	4,892,600	5,432,500	4,455,600	5,405,900	

Program Description - *This division includes flood plain management and dam safety programs. The division collects and analyzes basic data on both surface and ground water levels as well as on water quality, and currently, it also provides technical assistance to the statewide general water rights adjudication.*

The JLBC Staff recommends a total General Fund (GF) appropriation of \$4,455,900 -- a net increase of \$13,300, or 0.3%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ 2,500 GF
 Maintains a vacancy factor of 1.5%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 1.5%.
- **ERE Rate Changes** 16,400 GF
- **Reorganization** (5,600) GF
 Agency reorganization has resulted in a loss of 2 FTE positions from the Engineering Division. The amount associated with this reorganization only reflects changes in Employee Related Expenditures. The agency shifted the Personal Services dollars in the FY 1994 base. Agencywide, the net change in FTE positions, Personal Services, and Employee Related Expenditures is zero.
- **Replacement Equipment** -0- GF
 The JLBC Staff recommends \$9,000 to replace computer equipment in the Hydrology Department. These groundwater modeling systems have a life-span of 3 to 5 years. Of the existing 20 systems, the department replaces the 3 oldest on an annual basis. The total equipment cost recommendation also includes the elimination of \$(9,000) for computer purchases in FY 1994. The Executive concurs.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Colorado River/CAP Study**

The JLBC Staff recommends continuing the \$50,000 special line item included in the FY 1994 budget to defray the costs of studies related to the Colorado River and Central Arizona Project (CAP) water usage and financial matters. The Governor formed a CAP Advisory Committee in December 1992, which concluded its deliberations in September 1993. A portion of the FY 1994 allocation paid for the administrative costs of the department's involvement with the CAP Committee. The remaining money went toward an interstate study of endangered species along the Colorado River. Working with California and Nevada, the agency intends to develop a Habitat Conservation Plan in FY 1995 which is authorized by §10(a) of the Federal Endangered Species Act. Approval of this plan will allow activities that may endanger a protected species on the Colorado River to continue in exchange for creating an offset to promote the conservation of the species, such as developing a fish hatchery. DWR also will use this allocation toward future CAP supply negotiations with California and Nevada. The Executive concurs.

-0- GF

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Agency

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Water Resources
 PROGRAM: Water Management

JLBC ANALYST: Bahl
 OSPB ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Graham
 SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
Full Time Equivalent Positions	75.2	75.2	78.2	78.2	78.2	
OPERATING BUDGET						
Personal Services	2,052,000	2,224,500	2,256,500	2,222,700	2,222,700	
Employee Related Expenditures	494,800	462,100	528,000	518,000	518,300	
Professional/Outside Services	45,400	66,000	66,000	66,000	36,000	
Travel - In State	41,000	50,000	50,000	50,000	50,000	
Travel - Out of State	2,300	7,700	7,700	7,700	7,700	
Other Operating Expenditures	242,400	292,100	292,200	294,100	294,200	
Equipment	59,200	0	0	0	0	
All Other Operating Subtotal	390,300	415,800	415,900	417,800	387,900	
OPERATING SUBTOTAL	2,937,100	3,102,400	3,200,400	3,158,500	3,128,900	
SPECIAL LINE ITEMS						
Groundwater Replenishment	34,600	0	0	0	0	
Riparian Issues	50,300	0	0	0	0	
Groundwater Management Plan	0	0	0	0	30,000	
Special Item Subtotal	84,900	0	0	0	30,000	
PROGRAM TOTAL	3,022,000	3,102,400	3,200,400	3,158,500	3,158,900	

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

DEPARTMENT: Department of Water Resources
 PROGRAM: Water Management

JLBC ANALYST: Bahl
 OSPB ANALYST: Sheard

HOUSE SUBCOMMITTEE CHAIR: Graham
 SENATE SUBCOMMITTEE CHAIR: Hermon

DESCRIPTION	FY 1993 ACTUAL	FY 1994 ADJUSTED APPROPRIATIONS	FY 1995 AGENCY REQUEST	FY 1995 EXECUTIVE RECOMMENDATION	FY 1995 JLBC STAFF RECOMMENDATION	LEGISLATIVE WORK SPACE
BY FUND SOURCE						
General Fund	3,022,000	3,102,400	3,200,400	3,158,500	3,158,900	
Other Non-Appropriated Funds	780,900	2,615,400	3,152,400	--	3,152,400	
PROGRAM TOTAL - ALL SOURCES	3,802,900	5,717,800	6,352,800	3,158,500	6,311,300	

Program Description - This division administers and enforces the groundwater code, administers both surface water and groundwater rights, and develops and implements water conservation and water supply augmentation plans.

The JLBC Staff recommends a total General Fund (GF) appropriation of \$3,158,900 -- a net increase of \$56,500, or 1.8%, to the FY 1994 appropriation.

JLBC Staff Recommended Changes from FY 1994

- **Personal Services/ERE Adjustments** \$ (2,100) GF
 Maintains a vacancy factor of 1.5%, which is the standard rate applied to agencies with this number of FTE positions. The Executive recommends a vacancy factor of 1.5%.
- **ERE Rate Changes** 48,100 GF
- **Reorganization** 8,400 GF
 Agency reorganization has resulted in a gain of 3 FTE positions to the Water Management Division. The amount associated with this reorganization only reflects changes in Employee Related Expenditures. The agency shifted the Personal Services dollars in the FY 1994 base. Agencywide, the net change in FTE positions, Personal Services, and Employee Related Expenditures is zero.
- **Professional and Outside Services** (30,000) GF
 The JLBC Staff recommends reducing Professional and Outside Services by \$(30,000). This reduction will be offset by the creation of a \$30,000 special line item for the Groundwater Management Plan. The agency reverted substantial All Other Operating Expenditure monies in the past 2 fiscal years; therefore, this offset should not impact other Professional and Outside Services expenditures. The Executive does not recommend this offset.

Joint Legislative Budget Committee - Fiscal Year 1995 Budget - Analysis and Recommendations

- **Other Operating Expenditures** 2,100 GF
The JLBC Staff recommends increases of \$2,000 for private rent and \$100 for the Tucson State Office Building lease-purchase payment.
- **Groundwater Management Plan** 30,000 GF
The JLBC Staff recommends creating a special line item with \$30,000 for the third Groundwater Management Plan (GMP). This amount will be transferred from Professional and Outside Services in the Water Management Division. Therefore, the fiscal net change of this special line item is zero. The DWR, pursuant to statutory requirements, is beginning to develop the third GMP for each of the 4 Active Management Areas (AMAs). The GMPs are published every 10 years and become increasingly stringent in terms of water conservation and management requirements. Plan development is one of the highest priorities of the department as they are the cornerstones of the Groundwater Code. The Code's goals are to control overdraft, allocate groundwater resources, and develop alternative water supplies. The third GMP will help to implement the Code by developing a conservation program to reduce groundwater use in each AMA. Programs will be targeted to actual acute problems, such as substituting non-groundwater supply for groundwater. The statutory deadline for Plan adoption is January 1, 1998. In order to complete it by December 1997, the department must hire consultants in FY 1995 to perform hydrological modeling and collect water samples for analysis. This modeling and analysis will project water use trends without management changes. The Executive does not recommend this special line item.

JLBC Staff Recommended Format -- Operating Lump Sum with Special Line Items by Agency

**SUMMARY OF CAPITAL OUTLAY RECOMMENDATIONS
(CB)**

FISCAL YEAR 1995
CAPITAL OUTLAY BUDGET RECOMMENDATIONS
BY THE STAFF OF THE
JOINT COMMITTEE ON CAPITAL REVIEW

MEMBERS

SENATE

Carol Springer, Vice-Chairman
Lela Alston
Larry Chesley
A.V. "Bill" Hardt
Cindy Resnick
Matt Salmon
John Wettaw

HOUSE

Robert "Bob" Burns, Chairman
Brenda Burns
Jeff Groscost
Art Hamilton
Robert "Bob" McLendon
E. C. "Polly" Rosenbaum
Tom Smith

STAFF

Ted Ferris, Director
Richard Stavneak, Deputy Director
Richard Morris, Assistant Director
Phil Case, Fiscal Analyst
Janet Belisle, Secretary/Clerk

STATE OF ARIZONA
CAPITAL BUDGET PROCESS

Laws 1986, Chapter 85, which became effective April 11, 1986, provided for the establishment of a new "capital budget process." The key elements are:

- **Capital Improvement Plan:** The director of DOA receives from the agencies and transmits to the Governor by October 15th each year a state capital improvement plan. This allows for timely review, budget planning, and recommendation preparation prior to session.

The plan includes:

- proposed land acquisition
- proposed capital projects
- forecasts of requirements
- status reports of projects
- building condition reports
- building renewal reports
- new appropriations requests

- **Building Renewal Formula:** A formula has been developed to ensure that necessary monies are appropriated for the upkeep and renewal of all state buildings.

The formula takes into consideration the:

- current replacement value of each facility
- original construction cost of each facility
- current age of each facility
- expected useful life of each facility

- **Joint Committee on Capital Review (JCCR):**

According to A.R.S. § 41-1251, the Committee consist of fourteen members, including the Chairman of the Senate and House of Representatives Appropriations Committees, the Majority and Minority Leaders of the Senate and House of Representatives, and four members of the Senate Appropriations Committee appointed by the President of the Senate and four members of the House of Representatives Appropriations Committee appointed by the Speaker of the House.

The Chairman of the Senate Appropriations Committee has a term as Chairman from the first day of the first regular session to the first day of the second regular session of each legislature, and the Chairman of the House of Representatives Appropriations Committee has a term from the first day of the second regular session to the first day of the next regular session.

STATE OF ARIZONA - CAPITAL BUDGET PROCESS - (Continued)

- **Statutory Duties:**
 1. Develop and approve a uniform formula for computing annual building renewal funding needs and a uniform format for the collection of data for the formula (A.R.S. § 41-793.01).
 2. Approve building systems for the purposes of computing and funding building renewal and for preparing capital improvement plans (A.R.S. § 41-793.01).
 3. Review the state capital improvement plan. Make recommendations to the legislature concerning funding for land acquisition, capital projects and building renewal (A.R.S. § 41-1252).
 4. Review the expenditure of all monies appropriated for land acquisition, capital projects and building renewal (A.R.S. § 41-1252).
 5. Before the release of monies for construction of new capital projects, review the scope, purpose and estimated cost of the project (A.R.S. § 41-1252).
 6. The Joint Committee on Capital Review has the powers conferred by law on legislative committees (A.R.S. § 41-1252).
 7. Responsibilities previously borne by JLBC, now superseded by JCCR include:
 - Approving transfers of capital appropriations within a budget unit [A.R.S. § 35-173(D)].
 - Approving DOA land and building purchases and condemnation (A.R.S. § 41-791.02).
 - Approving DOA lease-purchase agreements (A.R.S. § 41-791.02).
 - Determining rental rates for buildings owned by or leased to the state (A.R.S. § 41-792).
 - Approving corrections facilities expenditures from the Corrections Fund (A.R.S. § 41-1651).
 - Approving the issuance of revenue bonds by the Board of Regents (Sec. 15 of Ch. 85).

The Joint Legislative Budget Committee Staff that provide staff assistance to the Committee (A.R.S. § 41-1252) consist of Ted Ferris, the JLBC Director, Richard Stavneak, the Deputy Director, Richard Morris, the Assistant Director, Phil Case, who serves the Committee as the Fiscal Analyst assigned to Capital Review, and Janet Belisle, who is the Committee Clerk and Secretary. Other JLBC fiscal analysts will assist when a capital matter affects their assigned agency(ies).

The Capital Outlay Bill is separate from the General Appropriations Bill. Following JCCR review and approval of JLBC Staff capital spending recommendations, the Capital Outlay Bill traditionally has been referred to and heard by the House and Senate Appropriations Committees. Last year, newly elected legislative leadership in the House and the Senate broadened the scope of members who exercise some oversight of the capital outlay budget and related issues to include the House Public Institutions Committee and the Senate Government Committee. This change enables these committees to consider the state's capital spending plans within the total context of the state's capital-related issues.

LEASE-PURCHASE SUMMARY

The Department of Administration, the Industrial Commission, Arizona State University, and the University of Arizona have entered into lease-purchase agreements for the acquisition and construction of state facilities. The table below provides the following information related to state lease-purchase agreements, as of December 31, 1993: 1) the facility constructed or acquired; 2) the amount issued, including pro rata costs associated with the issuance; 3) the required FY 1995 lease-purchase payment, which is included in the operating budgets for the various tenants ^{1/}; 4) the agency appropriated the required payment; and 5) the source(s) of funding.

<u>DEPT OF ADMINISTRATION</u>	<u>TOTAL ISSUANCE</u>	<u>FY 1995 PAYMENT</u>	<u>OCCUPANT</u>	<u>FUNDING SOURCE</u>
Revenue Building	\$26,919,000	\$1,212,900	Department of Revenue	General Fund
DES DD Homes	3,420,500	155,100	DES	General Fund, Federal ^{1/}
Capitol Center	20,845,000	1,688,500	Atty General, DWR	General Fund
16th Ave Parking Garage	5,390,000	368,100	DOA	General Fund
Historical Society Museum	13,665,000	1,207,800	Historical Society	General Fund
ASDB Food Service Facility	3,765,000	355,500	ASDB	General Fund
Courts Building	40,440,000	3,277,600	Supreme Court, Others	General Fund
DES-West	36,205,000	2,889,600	DES	General Fund, Federal ^{1/}
Tucson State Office Building	22,365,000	2,079,100	Multiple Agencies	Multiple Sources
Old Comp. Fund Building	8,020,900	466,500	DOA, Land Department	General Fund
Library for the Blind	1,405,100	81,400	Library and Archives	General Fund
Game & Fish Regional Offices	2,927,300	181,600	Game & Fish Department	G&F Cap Imp Fund
Tonto Natural Bridge	4,712,900	278,200	State Parks Board	Parks Enhancement ^{1/}
Records Management Addition	2,441,900	140,800	Library & Archives	General Fund
ASDB H.S. & Auditorium	15,811,200	929,300	ASDB	General Fund
ENSCO	55,080,000	4,582,900	DOA	General Fund
RTC/Distressed Property Acquisitions	15,625,000	2,150,700	Multiple Agencies	Multiple Sources
Welcome Center	490,000	66,300	Office of Tourism	General Fund
1,450 Prison Beds	44,770,000	12,084,300	Department of Corrections	Corrections Fund
768 Prison Beds	44,370,000	11,951,600	Department of Corrections	Corrections Fund
SUBTOTAL, DOA	\$368,668,800	\$46,149,800		
Industrial Commission Building	\$17,000,000	\$1,250,000	Industrial Commission	Ind. Commission Fund
UNIVERSITIES				
ASU-West	\$55,400,000	\$5,484,000	Arizona State University	General Fund
ASU-Telecommunications	9,975,000	0	Arizona State University	Local Funds ^{1/}
ASU-Towers	4,500,000	446,000	Arizona State University	Local Funds ^{1/}
U of A - Telecommunications	27,595,000	2,656,000	University of Arizona	Local Funds ^{1/}
U of A - Alumni Building	4,950,000	484,000	University of Arizona	Local Funds ^{1/}
U of A - Others	8,040,000	514,000	University of Arizona	Local Funds ^{1/}
SUBTOTAL, UNIVERSITIES	\$110,460,000	\$9,584,000		
TOTAL	\$496,128,800	\$56,983,800		

^{1/} Some funding sources are non-appropriated, and do not appear in agency budgets.

^{2/} Estimated.

^{3/} ASU intends to retire its Telecommunications debt in FY 1994.

BONDING SUMMARY

The Board of Regents, on behalf of the universities; the Coliseum and Exposition Center Board, the Department of Transportation (ADOT), and the Arizona Power Authority have issued bonds to acquire and construct facilities and to purchase equipment. Bonding levels and issuances for the universities are authorized by the Legislature. The total bonds outstanding, as of June 30, 1993, and the required debt service payments for FY 1995 are shown in the table below. The figures for universities include both academic and various auxiliary bonds; only part of the FY 1995 payment is included in universities' appropriated budgets. Scheduled payments for the Coliseum and Exposition Center, ADOT, and the Arizona Power Authority are from non-appropriated sources.

<u>INSTITUTION</u>	<u>BONDS OUTSTANDING</u>	<u>FY 1995 DEBT SERVICE PAYMENT</u>
<u>Board of Regents</u>		
University of Arizona	\$240,921,000	\$22,078,000
Arizona State University	261,783,000	22,687,000
Northern Arizona University	<u>95,710,000</u>	<u>10,200,400</u>
SUBTOTAL, BOARD OF REGENTS	<u>\$598,414,000</u>	<u>\$54,965,400</u>
Coliseum & Exposition Center	\$1,820,000	\$ 0 ^{1/}
Department of Transportation	733,580,000	78,091,200 ^{2/}
Arizona Power Authority	<u>81,410,000</u>	<u>5,316,300</u>
TOTAL	<u>\$1,415,224,000</u>	<u>\$138,372,900</u>

^{1/} The Coliseum & Exposition Center Board intends to retire its outstanding debt in FY 1994.

^{2/} Does not include issuances backed by Regional Area Road Fund (RARF), with an outstanding debt of \$774.5 million.

SUMMARY OF REQUESTS AND RECOMMENDATIONS

The table below summarizes total capital budget requests from appropriated fund sources, recommendations made in the state Capital Improvement Plan, and recommendations made by the Governor's Office of Strategic Planning and Budgeting, and the JLBC Staff.

<u>GENERAL FUND</u>	<u>AGENCY REQUEST</u>	<u>FY 1995 CAPITAL IMPR. PLAN</u>	<u>FY 1995 EXECUTIVE REC</u>	<u>FY 1995 JLBC REC</u>	<u>FY 1995 LEGISLATIVE WORK SPACE</u>
Building Renewal					
Administration, Department of	\$8,675,300	\$8,675,300	\$4,774,300	\$4,062,100	
Board of Regents	<u>21,254,900</u>	<u>N/A</u>	<u>11,690,200</u>	<u>12,402,400</u>	
Building Renewal - Subtotal	<u>29,930,200</u>	<u>8,675,300</u>	<u>16,464,500</u>	<u>16,464,500</u>	
Construction Projects					
Administration, Department of	13,922,600	11,635,200	2,300,000	3,430,000	
Arizona Historical Society	710,000	272,000	272,000	272,000	
Community Colleges	29,914,900	0	0	0	
Corrections, Department of	57,903,700	750,000	2,615,000	8,918,100	
Economic Security, Department of	7,841,900	268,500	268,500	268,500	
Emergency Services and Military Affairs	2,062,300	0	0	0	
Health Services, Department of	24,476,400	2,452,000	1,660,000	30,000	
Prescott Historical Society	46,000	0	0	0	
Pioneers' Home	100,000	100,000	100,000	0	
School for the Deaf & Blind	1,758,100	0	40,000	0	
State Parks Board	5,625,000	0	0	0	
Public Safety, Department of	5,981,000	0	150,000	480,000	
Board of Regents	22,627,100	N/A	1,200,000	1,200,000	
Veterans Commission	2,984,000	0	0	0	
Youth Treatment & Rehabilitation, Department of	<u>1,192,700</u>	<u>30,000</u>	<u>30,000</u>	<u>488,300</u>	
Construction Projects - Subtotal	<u>177,145,700</u>	<u>15,507,700</u>	<u>8,635,500</u>	<u>15,086,900</u>	
TOTAL GENERAL FUND	<u>\$207,075,900</u>	<u>\$24,183,000</u>	<u>\$25,100,000</u>	<u>\$31,551,400</u>	
<u>OTHER FUNDS</u>					
Building Renewal					
Administration, Department of	\$757,800	\$757,800	\$1,757,800	\$1,757,800	
Transportation, Department of	<u>1,149,100</u>	<u>N/A</u>	<u>1,149,100</u>	<u>1,149,100</u>	
Building Renewal - Subtotal	<u>1,906,900</u>	<u>757,800</u>	<u>2,906,900</u>	<u>2,906,900</u>	
Construction Projects					
Corrections, Department of	0	1,775,600	0	5,500,000	
Game and Fish, Department of	375,000	375,000	315,000	300,000	

Lottery Commission	67,600	67,600	67,600	67,600	
Transportation, Department of					
Buildings	10,173,900	N/A	6,478,000	6,608,000	
State Highway Construction ^{1/}	164,242,000	N/A	181,512,000	181,509,000	
Airport Planning, Construction, & Development	10,051,800	N/A	10,082,600	10,065,300	
Transportation, Department of - Subtotal	<u>184,467,700</u>	<u>N/A</u>	<u>198,072,600</u>	<u>198,182,300</u>	
Construction Projects - Subtotal	<u>184,910,300</u>	<u>2,218,200</u>	<u>198,455,200</u>	<u>204,049,900</u>	
TOTAL OTHER FUNDS	<u>\$186,817,200</u>	<u>\$2,976,000</u>	<u>\$201,362,100</u>	<u>\$206,956,800</u>	
TOTAL ALL FUNDS	<u>\$393,893,100</u>	<u>\$27,159,000</u>	<u>\$226,462,100</u>	<u>\$238,508,200</u>	

^{1/} Includes Statewide Highway Construction, Construction of Controlled Access Highways under the administration of Maricopa and Pima Counties Associations of Government, and Debt Service.

SUMMARY OF THE JLBC STAFF FY 1995 CAPITAL OUTLAY RECOMMENDATIONS

The JLBC Staff Recommendation is composed of two elements: (I) a "formula-driven" appropriation for Major Maintenance and Repair Of Buildings (Building Renewal), for which \$16,464,500 GF and \$2,906,900 OF is recommended; and (II) Construction Project appropriations for construction, renovations, or expansions, for which \$15,086,900 GF and \$204,049,900 OF is recommended. The JLBC Staff Recommendation is consistent with the process and priorities for capital outlay which were established in Laws 1986, Chapter 85. This act: (1) established a Joint Committee on Capital Review; (2) requires a Building Renewal Formula to fund major maintenance and repair; and (3) requires the annual preparation by the Department of Administration of a detailed, 5-year Capital Improvement Plan.

MAJOR MAINTENANCE AND REPAIR OF BUILDINGS (BUILDING RENEWAL) - USE OF FUNDS

The JLBC Staff recommends \$16,872,000 for major maintenance and repair of state owned buildings. The recommendation is based upon partial support of a formula that takes into account the replacement value, age, and life-cycle of a building as prescribed by Laws 1986, Chapter 85. The JLBC Staff recommendation would provide General Fund/Capital Outlay Stabilization Fund (COSF) support of 58% for DOA and 58% to the Board of Regents. The Executive recommendation would provide General Fund/COSF support of 67% to DOA and 55% to the Board of Regents. The building value and age information used to generate the recommendation was taken from building inventory costs provided by the Department of Administration and the Board of Regents Staff. The amount recommended is intended for major maintenance and repair activities that involve the repair and reworking of a building, including the upgrading of systems which will result in maintaining a building's expected useful life. The funds may not be used for the following project types: 1) new construction, 2) area beautification, 3) infrastructure, 4) routine maintenance, 5) new paving, 6) resurfacing of an area that was not capitalized as part of the original cost of a building, and 7) demolition and removal of a building. In addition, funds may not be used for a maintenance project involving a building not on the inventory list. When fully funded, this formula is designed to provide adequate monies to properly maintain state facilities. The amounts appropriated in FY 1994, and recommended for FY 1995, are shown below by building system and fund source:

<u>Building System:</u>	<u>FY 1994 Appropriated</u>	<u>FY 1995 Executive Recommendation</u>	<u>FY 1995 JLBC Staff Recommendation</u>
1. Administration, Department of	\$3,600,900	\$6,532,100	\$5,819,900
2. Transportation, Department of	1,043,600	1,149,100	1,149,100
3. Board of Regents	<u>3,051,600</u>	<u>11,690,200</u>	<u>12,402,400</u>
TOTAL	<u>\$7,696,100</u>	<u>\$19,371,400</u>	<u>\$19,371,400</u>
 <u>Fund Source:</u>			
1. State General Fund	\$4,879,800	\$16,464,500	\$16,464,500
2. Capital Outlay Stabilization Fund	1,223,400	1,000,000	1,000,000
3. Coliseum & Exposition Center Fund	441,600	636,500	636,500
4. Game & Fish Fund	98,600	109,800	109,800
5. State Lottery Fund	9,100	11,500	11,500
6. Highway Fund	1,043,600	1,121,400	1,121,400
7. State Aviation Fund	<u>24,200</u>	<u>27,700</u>	<u>27,700</u>
TOTAL	<u>\$7,720,300</u>	<u>\$19,371,400</u>	<u>\$19,371,400</u>

CONSTRUCTION PROJECT APPROPRIATIONS FOR STATE FACILITIES

Agency Priority Number	Agency/Project Descriptions	JLBC Staff Recommendations		Total
		General Fund	Other Funds	
Department of Administration				
1	ADA Compliance	\$600,000		\$600,000
4	Renovation of Tucson Office Buildings	400,000		400,000
5	Parking and Roadway Maintenance	300,000		300,000
	Health Laboratory	1,600,000		1,600,000
	Study and Design for Flagstaff Building	260,000		260,000
	Purchase of Property on Government Mall	270,000		270,000
	Total	<u>3,430,000</u>		<u>3,430,000</u>
Department of Corrections				
1	New Beds	8,468,100	5,000,000	13,468,100
2	ASPC-Florence Fire & Life Safety	450,000	300,000	750,000
	Statewide Maintenance	0	200,000	200,000
	Total	<u>8,918,100</u>	<u>5,500,000</u>	<u>14,418,100</u>
Department of Economic Security				
1	ATP-Coolidge Fire & Life Safety Corrections	268,500		268,500
Game and Fish Department				
1	Facilities Repair and Maintenance		30,000	30,000
2	Shooting Range Development		10,000	10,000
3	Migratory Waterfowl Habitat		160,000	160,000
4	Deer Valley North Addition		100,000	100,000
	Total		<u>300,000</u>	<u>300,000</u>
Department of Health Services				
5	Underground Storage Tanks	30,000		30,000
Arizona Historical Society				
1	Tucson Museum Renovation	272,000		272,000
Arizona Lottery Commission				
1	Roof Repair		67,600	67,600

CONSTRUCTION PROJECT APPROPRIATIONS FOR STATE FACILITIES

Agency Priority Number	Agency/Project Descriptions	JLBC Staff Recommendations		
		General Fund	Other Funds	Total
Department of Public Safety				
1	Scientific and Technical Building	330,000		330,000
2	Remote Officer Housing	<u>150,000</u>		<u>150,000</u>
	Total	<u>480,000</u>		<u>480,000</u>
Department of Youth Treatment and Rehabilitation				
13	Underground Storage Tanks	30,000		30,000
	Cottage Upgrades	<u>458,300</u>		<u>458,300</u>
	Total	<u>488,300</u>		<u>488,300</u>
Board of Regents				
1	ADA Compliance	1,200,000		1,200,000
Department of Transportation				
1	ADA Compliance		400,000	400,000
2	Underground Storage Tanks		500,000	500,000
3	Safford Service Center		300,000	300,000
4	Havasu Service Center		830,000	830,000
5	Phoenix N.W. Addition		360,000	360,000
6	Prescott Valley Relocation		550,000	550,000
7	Wash Rack		411,000	411,000
8	Durango Maintenance Facility		559,000	559,000
9	Headquarters Warehouse		226,000	226,000
10	Durango Sign Shop		1,375,000	1,375,000
11	De-icer Material Building		200,000	200,000
12	Asphalt Storage Tanks		196,000	196,000
13	Asphalt Tanks Removal		60,000	60,000
14	Three Points Storage		511,000	511,000
15	Needle Mountain Crew Building		130,000	130,000
	State Highway Construction		181,509,000	181,509,000
	Airport Planning, Construction, & Development		<u>10,065,300</u>	<u>10,065,300</u>
	Total		<u>198,182,300</u>	<u>198,182,300</u>
	GRAND TOTAL	<u>\$15,086,900</u>	<u>\$204,049,900</u>	<u>\$219,136,800</u>

Joint Committee on Capital Review - Fiscal Year 1995 Capital Budget

Department: Department of Administration

Fund: General Fund
Analyst: Case

PRIORITY	PROJECT TITLE	FY 1995 REQUEST	FY 1995 CAP IMPR PLAN	FY 1995 EXEC REC	FY 1995 JLBC REC	LEGISLATIVE WORK AREA
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AGENCY TOTALS		13,922,600	11,635,200	2,300,000	3,430,000	GF
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1	ADA Compliance	2,800,000	6,082,750	1,200,000	600,000	GF
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The Americans with Disabilities Act (ADA) and Laws 1992, Chapter 224 require that public accommodations be accessible to all individuals. New buildings and the remodeling of existing buildings are mandated to meet this requirement effective January 26, 1992. Existing buildings must meet the accessibility requirements by January 26, 1995. The recommended amount is intended to be used throughout the DOA building system on a priority basis, similar to the building renewal program. Projects will meet the needs of both the general public and state employees, and can include modifications to: building entrances, restrooms, elevators, sidewalks, and parking lots, in addition to new signage. It is expected that some funds will be retained for emergency situations.

While the JLBC Staff recommendation will allow DOA to make substantial progress on needed modifications, sizeable appropriations will be required in subsequent years to fully comply with ADA. The recommended amount equals 10% of DOA's estimate to fully comply with ADA. (10% is also recommended for the Universities' building system.) Both the CIP and the Executive concur in placing the entire ADA building modification program for the DOA building system under DOA auspices. The CIP recommends full funding for the program, while the Executive recommends the same amount, \$1,200,000, as for the Universities' building system.

The JLBC Staff further recommends including language in the capital outlay bill to require DOA to appear before the JCCR to present an updated ADA expenditure plan prior to the release of appropriated funds.

4	Renovation of Tucson Office Buildings	2,002,600	2,002,600	400,000	400,000	GF
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Large portions of the buildings located at 416 and 402 W. Congress were vacated with the opening of the new Tucson Office Building in 1993. The recommended amount, along with previously committed building renewal funds, energy grants, and transfers from completed capital projects should be sufficient to finish renovating the 416 building. Required work on the building includes upgrading the mechanical and electrical systems, renovating interiors, and reconfiguring floor plans. With the completion of the renovations to 416, the Geological Survey would occupy the second floor of the building, enabling the state to terminate a \$69,400 per year private lease. The Executive concurs. The CIP recommendation includes the renovation of the 402 building and does not recognize the partial funding already provided.

Joint Committee on Capital Review - Fiscal Year 1995 Capital Budget

Department: Department of Administration

Fund: General Fund
Analyst: Case

PRIORITY	PROJECT TITLE	FY 1995 REQUEST	FY 1995 CAP IMPR PLAN	FY 1995 EXEC REC	FY 1995 JLBC REC	LEGISLATIVE WORK AREA
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5	Parking and Roadway Maintenance	1,224,000	750,000	300,000	300,000 GF	
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The \$1,224,000 request represents projects from throughout the DOA building system. The recommended amount would be administered on a priority basis by DOA, similar to the building renewal program. Building renewal funds may not be expended upon roadways and parking lots that were not capitalized as part of an original building--such is the case with the vast majority of lots owned by the state, including most Capitol Mall lots. Cracks, potholes, and sinkholes contribute to the deteriorating conditions, and several lots have reached the point where they are causing damage to vehicles and may be dangerous to employees and the public. Work would include the reconstruction of the worst lots and the sealing of others. Rebuilt and restriped lots would be made to comply with ADA requirements. The Executive concurs.

	Health Laboratory	0	0	0	1,600,000 GF	
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Design and land acquisition for a new DHS laboratory. Currently, the DHS Laboratory is located on the Governmental Mall, sharing a building with the DOA Data Center. The total cost of a newly constructed 70,000 square foot lab, including design fees, land acquisition, furnishings, and equipment would be about \$16.1 million, or \$230 per square foot. The recommended amount includes \$735,000 for land acquisition, \$723,000 for design, and \$142,000 for a 10% contingency. The existing DHS Lab is inadequate, and represents a danger to employees and the public. Viruses such as HIV, tuberculosis, and rabies are carried into the lab, and dangerous materials are frequently burned in the lab's incinerator. Several possible sites have been studied for the new lab. The JLBC Staff recommends including language in the capital outlay bill to require DOA to appear before JCCR prior to the release of monies for land acquisition. About \$14,400,000 would be required in FY 1996 to construct the lab. The CIP recommends funding the entire project through COPs, and the Executive recommends funding the land acquisition and design, with construction to be financed through COPs. The Executive would have funds appropriated to DHS.

The JLBC Staff expects that the possible consolidation of other state lab functions with the new DHS Laboratory will continue to be explored. As the largest state laboratory, the DHS lab would be the most likely candidate to house consolidated functions. Any attempt to transfer the responsibilities of one lab to another will likely be met by some resistance, but the Governor's Office on Excellence in Government has pledged to assist in consolidation efforts.

Joint Committee on Capital Review - Fiscal Year 1995 Capital Budget

Department: Department of Administration

Fund: General Fund
Analyst: Case

PRIORITY	PROJECT TITLE	FY 1995 REQUEST	FY 1995 CAP IMPR PLAN	FY 1995 EXEC REC	FY 1995 JLBC REC	LEGISLATIVE WORK AREA
	Study and Design for Flagstaff Building	0	0	0	260,000	GF
	<p>Land has been purchased in Flagstaff (1993) for the construction of an approximately 50,000 square foot state building. The building would primarily house Department of Economic Security (DES) functions but also would include other agencies. Of the recommended amount, \$20,000 would fund a feasibility study to determine which agencies should be moved from private lease space (allowing for future growth requirements), and how best to structure the building to meet the varying needs of DES clients and state workers. The JLBC Staff recommends that the remaining \$240,000 (to be used for the design of the building) be released by action of the JCCR only after the results of the feasibility study have been presented to the Committee and the Committee has given a specific direction to the project. The cost of constructing a 50,000 square foot building is estimated to be approximately \$4,000,000, which would be required in FY 1996 to construct the building. Neither the CIP nor the Executive recommend this project.</p>					
	Purchase of Property on the Governmental Mall	0	0	0	270,000	GF
	<p>With the construction of the DES West building and the opening of its cafeteria, patronage at the Cornerhouse Restaurant, located at 1801 W. Madison, has declined. The owner contends that the DES West cafeteria was over-built to accommodate state employees from surrounding buildings (who comprise 95% of his customer base). Furthermore, he contends that the cafeteria benefits from unfair trade advantages (e.g., free rent, free utilities, and tax-free property). The recommended amount should be sufficient to purchase the property, which was appraised at \$270,000 in June 1993. The 2,000 square foot restaurant is built on 0.31 acres and is the only privately held land between 17th Avenue, 19th Avenue, Madison Street, and Jefferson Street. Acquisition of this property is consistent with Capital Mall planning.</p>					
	Renovation of Executive Tower Elevators	0	0	400,000	0	GF
	<p>The 4 elevators in the Executive Tower, 1700 W. Washington, are slow, frequently unreliable, and occasionally breakdown. The Executive is recommending \$400,000 for a complete renovation. DOA has not requested funds for the project, nor has the CIP recommended it. In addition, the project is eligible for building renewal funds. The JLBC Staff does not recommend funding this project.</p>					

Joint Committee on Capital Review - Fiscal Year 1995 Capital Budget

Department: Department of Corrections

Fund: Various Funds
Analyst: Case

PRIORITY	PROJECT TITLE	FY 1995 REQUEST	FY 1995 CAP IMPR PLAN	FY 1995 EXEC REC	FY 1995 JLBC REC	LEGISLATIVE WORK AREA
AGENCY TOTALS		57,903,700	750,000	2,615,000	8,918,100 GF	
		0	1,775,600	0	5,500,000 OF	
1	New Beds	25,780,000	0	2,005,000	8,468,100 GF	
		0	1,755,600	0	5,000,000 OF	

Based on projections of inmate population growth, the Department of Corrections (DOC) has requested funding for 880 additional beds. The JLBC Staff recommendation of \$13,468,100--\$8,468,100 from the General Fund and \$5,000,000 from the Corrections Fund--would finance the design and construction of 100 new male Level II beds at ASP-Globe and 350 new male Level II and III beds at ASP-Yuma. The recommendation addresses DOC's area of greatest need, the male population, and seeks to minimize cost. The Level II/III facility at Yuma would be built on state owned land adjacent to a Level II facility, thus reducing transportation costs as inmates move from Level III to Level II. The 100 new beds at Globe would expand an existing 150 bed Level II unit to a 250 bed unit. The CIP recommends the use of \$1,755,600 from the Corrections Fund to design facilities for 280 new beds. The Executive recommends \$2,005,000 for the design of 880 new beds and the conversion of the Aspen-DWI unit to an SPU. The construction of the new beds would be financed with \$47,295,000 in COPs.

The following table compares the JLBC Staff recommendation for new beds to that of the Executive.

<u>LOCATION/TYPE OF BED</u>	<u>EXECUTIVE REC.</u>	<u>JLBC REC.</u>
ASP-Globe Male Level II	100	100
ASP-Yuma Male Level II/III	250	350
ASPC-Phoenix Male R&D	350	0
ASPC-Perryville Female R&D	80	0
Minors	<u>100</u>	<u>0</u>
TOTAL	<u>880</u>	<u>450</u>

Joint Committee on Capital Review - Fiscal Year 1995 Capital Budget

Department: Department of Corrections				Fund: Various Funds		
				Analyst: Case		
PRIORITY	PROJECT TITLE	FY 1995 REQUEST	FY 1995 CAP IMPR PLAN	FY 1995 EXEC REC	FY 1995 JLBC REC	LEGISLATIVE WORK AREA

2	ASPC-Florence Fire & Life Safety	1,500,000 0	750,000 0	610,000 0	450,000 GF 300,000 OF	
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Continuation of an on-going effort to bring the Florence Prison into compliance with fire and safety codes. The prison has numerous fire alarm, fire suppression, and electrical violations which pose hazards to occupants and expose the state to substantial liability risks. The JLBC Staff recommendation includes \$450,000 from the General Fund and \$300,000 from the Penitentiaries Land Grant and the Charitable, Penal and Reformatories Land Grant. The Executive recommends funding at a lower level.

Statewide Maintenance	0	0	0	200,000 OF	
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The size of the Department of Corrections capital plant exceeds 4 million square feet, with an estimated replacement value of nearly \$300 million. The amount recommended for building maintenance would permit the agency to respond to capital issues that either do not qualify for Building Renewal monies, such as repaving or infrastructure repairs, or to respond in a timely manner to capital and safety requirements, such as pipe bursts and repairs to security equipment. This appropriation was also recommended by the State Auditor in its FY 1991 Performance Audit of the Department of Corrections Prison Maintenance and Construction function. The recommended amount would come from the Penitentiaries Land Grant and Charitable, Penal and Reformatories Land Grant. The Executive does not recommend funding this project.

Joint Committee on Capital Review - Fiscal Year 1995 Capital Budget

Department: Department of Economic Security

Fund: General Fund
Analyst: Case

PRIORITY	PROJECT TITLE	FY 1995 REQUEST	FY 1995 CAP IMPR PLAN	FY 1995 EXEC REC	FY 1995 JLBC REC	LEGISLATIVE WORK AREA
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AGENCY TOTALS		7,841,900	268,500	268,500	268,500 GF	
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1	Fire and Life Safety Code Corrections	268,500	268,500	268,500	268,500 GF	
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Various modifications and upgrades to bring buildings and group homes at the DES Arizona Training Program at Coolidge into compliance with fire and safety codes. The agency contends that many of the improvements for which funding has been requested are needed to ensure the state's receipt of federal Title XIX funding for these facilities. In addition, the state risks substantial liability by failing to correct known fire code violations. The recommended amount will permit the agency to correct fire safety issues, including smoke alarms, fire barrier walls and doors, and fire alarms. The Executive concurs.

Joint Committee on Capital Review - Fiscal Year 1995 Capital Budget

Department: Game and Fish Department

Fund: Various Other Funds
Analyst: Case

PRIORITY	PROJECT TITLE	FY 1995 REQUEST	FY 1995 CAP IMPR PLAN	FY 1995 EXEC REC	FY 1995 JLBC REC	LEGISLATIVE WORK AREA
AGENCY TOTALS		375,000	375,000	315,000	300,000	OF
1	Facilities Repair and Maintenance	100,000	100,000	45,000	30,000	OF
	Maintenance and repair of agency facilities statewide using the Game & Fish Fund. The facilities scheduled for repair include regional offices, auxiliary and storage buildings, hatchery buildings, and central headquarters. The agency receives about \$100,000 in Building Renewal appropriations annually; the recommended amount is adequate to address the agency's maintenance and repair requirements that do not qualify for Building Renewal. The Executive recommendation of \$45,000 is specifically directed to the Pinetop Regional Office Sewer Modification project.					
2	Shooting Range Development	15,000	15,000	10,000	10,000	OF
	The requested monies from the Game & Fish Fund are used to provide grants to private shooting organizations to develop, upgrade, and repair shooting ranges throughout the state. About \$25,000 remains unexpended from previous appropriations for this purpose; the recommended amount should permit the agency to continue to disburse grants at the pace exhibited during the past several years. The Executive concurs.					
3	Migratory Waterfowl Habitat	160,000	160,000	160,000	160,000	OF
	Acquisition of wetland habitat for waterfowl. The primary source of the Waterfowl Conservation Fund is sales of an annual duck stamp, which is required to hunt ducks in Arizona. The appropriated amount will be used to match other funds, public and private, to acquire wetlands. The request and the amount recommended by the JLBC Staff represent the sum of the amount available in the fund that remains unappropriated and estimated receipts in FY 1995. These monies are dedicated, and may not be used for any purpose other than acquisition of waterfowl habitat. The Executive concurs.					
4	Deer Valley North	100,000	100,000	100,000	100,000	OF
	Phase 3 of 3 phases to construct a service and educational center using the Capital Improvement Fund. The first 2 phases funded the construction of an exterior shell, service counter, radio room, and law branch. The final phase would complete the education space to house publications and audio/visual equipment. The Executive concurs.					

Joint Committee on Capital Review - Fiscal Year 1995 Capital Budget

Department: Department of Health Services

Fund: General Fund
Analyst: Case

PRIORITY	PROJECT TITLE	FY 1995 REQUEST	FY 1995 CAP IMPR PLAN	FY 1995 EXEC REC	FY 1995 JLBC REC	LEGISLATIVE WORK AREA
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AGENCY TOTALS		24,476,400	2,452,000	1,660,000	30,000 GF	
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3	DHS Laboratory	16,010,100	0	1,630,000	0 GF	
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The JLBC Staff recommends \$1,600,000 be appropriated to the Department of Administration (DOA) to acquire land for and design a new state health laboratory. The CIP recommends funding land acquisition, design, and construction through \$16,010,100 in COPs appropriated to DOA. The Executive recommends funding the land acquisition and design with \$1,630,000 from the General Fund, with construction to be financed through COPs. The Executive recommendation would appropriate funds to the Department of Health.

A discussion of the JLBC Staff's recommendation is contained under the heading of the Department of Administration.

5	Underground Storage Tanks	30,800	30,800	30,000	30,000 GF	
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Replace two underground fuel storage tanks with two above ground tanks. U.S. Environmental Protection Agency regulations require that by December 1993 underground tanks be fitted with sophisticated monitoring devices and frequently inspected. It is simply more cost effective to properly abandon the underground tanks in favor of above ground tanks. The recommended amount should be sufficient to install 1 5,000 gallon fuel oil tank and 1 500 gallon gasoline tank, along with their associated piping, controls, and foundations. The Executive concurs.

Joint Committee on Capital Review - Fiscal Year 1995 Capital Budget

Department: Arizona Historical Society		Fund: General Fund Analyst: Case				
PRIORITY	PROJECT TITLE	FY 1995 REQUEST	FY 1995 CAP IMPR PLAN	FY 1995 EXEC REC	FY 1995 JLBC REC	LEGISLATIVE WORK AREA
AGENCY TOTALS		710,000	272,000	272,000	272,000	GF
1	Tucson Museum Renovation	272,000	272,000	272,000	272,000	GF
<p>Installation of fire sprinklers and asbestos abatement. This project is part of a larger effort to renovate and upgrade a large portion of the agency's headquarters/museum in Tucson. Previously, \$220,000 has been appropriated for this effort; the total requirement is estimated to be about \$1.3 million. The recommended amount would allow the removal of the asbestos, installation of the fire sprinkler system, and minor repairs to the roof in order to meet fire codes and protect the well being of the buildings occupants and contents. The Executive concurs.</p>						

Joint Committee on Capital Review - Fiscal Year 1995 Capital Budget

Department: Arizona Lottery Commission

Fund: Lottery Fund
Analyst: Case

PRIORITY	PROJECT TITLE	FY 1995 REQUEST	FY 1995 CAP IMPR PLAN	FY 1995 EXEC REC	FY 1995 JLBC REC	LEGISLATIVE WORK AREA
AGENCY TOTALS		67,600	67,600	67,600	67,600 OF	
1	Roof Repair	67,600	67,600	67,600	67,600 OF	

Since 1986, when the Arizona Lottery first occupied its current building, the roof has leaked. The leaks pose a threat to the instant ticket inventory and the Lottery's data processing system. The recommended amount from the Lottery Fund would allow the complete repair of the roof. The contractor who constructed the building is no longer in business, making recourse unavailable. The Executive concurs.

Joint Committee on Capital Review - Fiscal Year 1995 Capital Budget

Department: Arizona Pioneers' Home

Fund: General Fund
Analyst: Case

PRIORITY	PROJECT TITLE	FY 1995 REQUEST	FY 1995 CAP IMPR PLAN	FY 1995 EXEC REC	FY 1995 JLBC REC	LEGISLATIVE WORK AREA
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AGENCY TOTALS		100,000	100,000	100,000	0 GF	
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1	Pioneers' Home Rewiring	100,000	100,000	100,000	0 GF	
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The project would upgrade the Pioneers' Home's antiquated electrical system. The electrical system has not kept pace with additions and remodeling projects, and is inadequate to handle the load placed upon it by the home's medical equipment, computers, and maintenance machines. The Executive recommends \$100,000 to provide underground wire service, new panels, and new wiring where needed. The JLBC Staff recommends that the project be funded through the building renewal program.

Joint Committee on Capital Review - Fiscal Year 1995 Capital Budget

Department: Department of Public Safety

Fund: General Fund and Other Funds
Analyst: Case

PRIORITY	PROJECT TITLE	FY 1995 REQUEST	FY 1995 CAP IMPR PLAN	FY 1995 EXEC REC	FY 1995 JLBC REC	LEGISLATIVE WORK AREA
AGENCY TOTALS		5,981,000	0	150,000	480,000	GF
1	Phoenix Scientific and Technical Support Building	330,000	0	0	330,000	GF
	<p>The Department of Public Safety's existing scientific laboratory is fragmented, inadequate, and potentially dangerous. The lab is spread out between six separate buildings and trailers, which are 20 to 36 years old, at DPS's headquarters on Encanto Boulevard in Phoenix. The layout hinders the property and evidence, accident reconstruction, latent prints, intoxilyzer, and questioned documents functions which are performed by the lab. In addition, the lab has inadequate ventilation and fire suppression systems which pose serious fire and life safety issues. The recommended amount is for design fees for a new lab to be located on DPS owned land adjacent to the Encanto Headquarters. The new lab would be of approximately 65,000 square feet in size and would require an FY 1996 appropriation of approximately \$6,000,000 to construct. The CIP recommends funding design and construction with \$6,400,000 in COPs. The Executive does not recommend funding this project.</p> <p>Along with OSPB, DOA, and the JLBC Staff, the Departments of Public Safety and Health Services have thoroughly explored the possibility of co-locating new DPS and DHS labs. It has been determined that for efficiency, procedural, and financial reasons it would not be desirable to house the two labs together.</p>					
2	Remote Officer Housing	723,000	0	150,000	150,000	GF
	<p>As part of an ongoing effort to upgrade housing facilities for DPS Officers located in remote locations, DPS is requesting funding to provide site improvements, purchase property, or replace trailers at Dateland and Salome. The existing facilities are old and deteriorated, and inadequate to accommodate officers with families. The amount recommended by the JLBC Staff will permit the agency to replace 2 trailers and complete minor site improvements, such as fencing and landscaping. The Legislature has appropriated more than \$770,000 for this project during the past 3 fiscal years. The JLBC Staff encourages the DPS to consider health and safety issues foremost in expending these funds. Some housing is rodent infested, creating potential health hazards. The Executive concurs with the recommendation.</p>					

Joint Committee on Capital Review - Fiscal Year 1995 Capital Budget

Department: Arizona School for the Deaf and Blind

Fund: General Fund
Analyst: Case

PRIORITY	PROJECT TITLE	FY 1995 REQUEST	FY 1995 CAP IMPR PLAN	FY 1995 EXEC REC	FY 1995 JLBC REC	LEGISLATIVE WORK AREA
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AGENCY TOTALS		0	0	40,000	0 GF	
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Tucson Campus
Fence Repair

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The Executive recommends \$40,000 to expand the perimeter fence at the Arizona School for the Deaf and Blind's Tucson campus. As a result of building expansion, a portion of the school's campus is not secured by fencing, permitting undesirables to enter school grounds. The school, however, does provide 24-hour security. The JLBC Staff does not recommend funding this project.

Joint Committee on Capital Review - Fiscal Year 1995 Capital Budget

Department: Department of Youth Treatment and Rehabilitation					Fund: General Fund	
					Analyst: Case	
PRIORITY	PROJECT TITLE	FY 1995 REQUEST	FY 1995 CAP IMPR PLAN	FY 1995 EXEC REC	FY 1995 JLBC REC	LEGISLATIVE WORK AREA
AGENCY TOTALS		1,192,700	30,000	30,000	488,300	GF
13	Underground Storage Tanks	30,000	30,000	30,000	30,000	GF
<p>Replace two underground fuel storage tanks with above ground tanks. One tank is at Adobe Mountain School and one is at Catalina Mountain School. The tanks store fuel for the operation of emergency power generators. U.S. Environmental Protection Agency regulations require that by December 1993 underground tanks be fitted with sophisticated monitoring devices and frequently inspected. It is cost effective to properly abandon the underground tanks in favor of above ground tanks. The recommended amount should be sufficient to purchase and install two tanks, along with their associated piping, controls, and foundations.</p>						
	Cottage Upgrades	0	0	0	458,300	GF
<p>The recommended amount would permit the renovation and upgrading of 7 residential cottages at DYTR's Adobe Mountain School (AMS). The upgrades are necessary as part of the Johnson-Upchurch consent decree, requiring the state to improve conditions at AMS. In all, 16 cottages will need to be upgraded. The JLBC Staff recommends funding the remaining 9 cottage upgrades through a FY 1994 supplemental appropriation. The upgrades will include painting, re-flooring, plumbing, and HVAC work. The Executive recommends funding all 16 cottage upgrades from the Corrections Fund through a FY 1994 supplemental.</p>						

Joint Committee on Capital Review - Fiscal Year 1995 Capital Budget

Department: Board of Regents

Fund: General Fund
Analyst: Case

PRIORITY	PROJECT TITLE	FY 1995 REQUEST	FY 1995 CAP IMPR PLAN	FY 1995 EXEC REC	FY 1995 JLBC REC	LEGISLATIVE WORK AREA
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AGENCY TOTALS		20,627,100	N/A	1,200,000	1,200,000	GF
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1	ADA Compliance	12,389,700	N/A	1,200,000	1,200,000	GF
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The Americans with Disabilities Act (ADA) establishes a series of deadlines for making public accommodations accessible to all individuals. By July 26, 1992, state and local governments were to have completed a transition plan for making structural changes to buildings and facilities. By January 26, 1993, state and local governments should have completed a survey of their facilities, including an assessment of the methodology intended to address compliance. Actual compliance must be complete by January 1995. As with the DOA building system, the recommended amount equals 10% of the Universities' estimate to fully comply with ADA. The Executive concurs.

Joint Committee on Capital Review - Fiscal Year 1995 Capital Budget

Department: Department of Transportation

Fund: Highway Fund
Analyst: Case

PRIORITY	PROJECT TITLE	FY 1995 REQUEST	FY 1995 CAP IMPR PLAN	FY 1995 EXEC REC	FY 1995 JLBC REC	LEGISLATIVE WORK AREA
AGENCY TOTALS		10,173,900	N/A	6,478,000	6,608,000	OF
1	ADA Compliance	950,000	N/A	400,000	400,000	OF
	Phase 2 of 2 phases to bring ADOT into compliance with the Americans with Disabilities Act (ADA). The JLBC Staff believes that the recommended amount will be adequate to address the most pressing building modification needs. In FY 1994, ADOT received a \$400,000 capital appropriation for ADA compliance issues. The Executive concurs.					
2	Petroleum Storage Tank Upgrades	700,000	N/A	500,000	500,000	OF
	Part of a multi-year project to bring the agency's fuel storage tanks into compliance with state and federal environmental guidelines. More than \$3,000,000 has been appropriated for this effort since FY 1991. As of September 1993, \$441,200 of appropriations from fiscal years 1991 and 1992 remained unexpended. The recommended amount is sufficient to bring 11 tanks into compliance and will permit ADOT to "catch-up" on the program. The Executive concurs.					
3	Safford Service Center	1,060,000	N/A	300,000	300,000	OF
	Design and land acquisition for a new 6,000 square foot MVD facility that will accommodate drivers license and title & registration operations. The JLBC Staff recommends delaying the appropriation of construction funds until several outstanding service delivery projects have been completed. As of September 1993, \$3,211,400 of appropriations from fiscal years 1990 through 1992 remained unexpended. The Executive concurs.					
4	Havasu Service Center	1,622,500	N/A	830,000	830,000	OF
	Design and land acquisition for a new 6,000 square foot MVD facility that will accommodate drivers license and title & registration operations. The JLBC Staff recommends delaying the appropriation of construction funds until several outstanding service delivery projects have been completed. The Executive concurs.					
5	Phoenix N.W. Addition	430,000	N/A	360,000	360,000	OF
	Expand the existing drivers license facility by 2,000 square feet to accommodate an increasing transactions load. The recommended amount would permit the expansion of office, public restroom, and waiting areas, the installation of a fire protection and security system, the updating of data and communications systems, and the installation of new customer service workstations, consistent with SLIM recommendations for one-stop shopping. ADOT has estimated the cost of the construction to be \$160 per square foot. The recommendation is based on \$125 per square foot. The Executive concurs.					

Joint Committee on Capital Review - Fiscal Year 1995 Capital Budget

Department: Department of Transportation

Fund: Highway Fund
Analyst: Case

PRIORITY	PROJECT TITLE	FY 1995 REQUEST	FY 1995 CAP IMPR PLAN	FY 1995 EXEC REC	FY 1995 JLBC REC	LEGISLATIVE WORK AREA
6	Prescott Valley Relocation Phase 2 of 4 phases to move the existing Prescott Maintenance Yard from downtown Prescott to an outlying area. This phase will develop 15 acres in preparation for future construction. The recommended amount would allow for paving, fencing, grading, landscaping, and sewerage. The Executive concurs.	550,000	N/A	550,000	550,000	OF
7	Wash Rack Controlled Part of a multi-year plan to construct 4 wash racks for large ADOT vehicles. A total of \$461,000 has been appropriated in the past for design and construction of a prototype. The latest estimate is that \$411,000 will be sufficient to build each one of the racks. The Executive concurs.	449,000	N/A	411,000	411,000	OF
8	Durango Maintenance Facility Construct a new 6,400 square foot office, ready rooms, and other improvements for five highway maintenance crews operating out of the Durango Maintenance Yard. Currently, the crews' quarters are scatter among three deteriorated buildings and trailers. The recommended amount includes all design, infrastructure, and demolition costs. The Executive concurs.	559,000	N/A	559,000	559,000	OF
9	Headquarters Warehouse Construct a 4,400 square foot warehouse for use statewide by the Facilities Maintenance Section. The facility was recommended by Project SLIM to reduce costs by taking advantage of bulk purchasing. The Executive concurs.	226,600	N/A	226,000	226,000	OF
10	Durango Sign Shop Signage for all state maintained roads, except inter-state highways, is manufactured at the sign manufacturing facility. The existing building was originally constructed as a warehouse in 1958 and is operationally and structurally inadequate. Project SLIM studied the state's sign manufacturing operations and determined that it is more cost-effective and responsive than purchasing signs from the private sector. The Executive concurs.	1,375,000	N/A	1,375,000	1,375,000	OF
11	De-icer Material Building Part of a multi-year plan to construct de-icer material buildings at cold-weather sites. A prototype building has been designed and constructed. The recommended amount will allow the construction of 2 2,400 square foot structures. The Executive concurs.	200,000	N/A	200,000	200,000	OF

Joint Committee on Capital Review - Fiscal Year 1995 Capital Budget

Department: Department of Transportation					Fund: Highway Fund	Analyst: Case
PRIORITY	PROJECT TITLE	FY 1995 REQUEST	FY 1995 CAP IMPR PLAN	FY 1995 EXEC REC	FY 1995 JLBC REC	LEGISLATIVE WORK AREA
12	Asphalt Storage Tanks Install a total of 4 asphalt tanks at 2 sites. The existing tanks were built in the 1950's and are unreliable and dangerous. The recommended amount would fund the purchase and installation of 2 8,000 gallon tanks at \$47,500 each and 2 10,000 gallon tanks at \$50,500 each. The Executive concurs.	196,000	N/A	196,000	196,000	OF
13	Asphalt Tanks Removal Remove 12 abandoned asphalt storage tanks. These tanks pose an environmental hazard when allowed to stand. Proper removal and disposal of the tanks will cost approximately \$5,000 each. The Executive concurs.	60,000	N/A	60,000	60,000	OF
14	Three Points Storage Build a 7,200 square foot building to house vehicles, equipment, materials, an office, and ready room. Currently, equipment including up to 14 vehicles is stored in the open, where it is subject to the effects of the weather. The recommended amount includes funds for a crane system and hoist for heavy equipment handling and vehicle maintenance. The Executive concurs.	511,000	N/A	511,000	511,000	OF
15	Needle Mountain Crew Building Construct a 4,000 square foot open-air equipment storage facility with 1,000 square foot enclosed storage room/office attached. This building replaces an old structure which blew down in high winds in FY 1991. The Executive is not recommending this project.	130,000	N/A	0	130,000	OF

Highway Construction

The JLBC Staff recommends a total of \$181,509,000 for State Highway Construction, which includes \$90,741,000 for Statewide Highway Construction, \$59,099,000 for construction of controlled access highways under the administration of Maricopa and Pima Counties Associations of Government, and \$31,669,000 for debt service. The Executive recommends \$181,512,000 for this issue.

Airport Planning, Construction, and Development

The JLBC Staff recommends \$10,065,300 for Airport Planning, Construction, and Development. The Executive recommends \$10,082,600 for this issue.