

**PROPOSED BUDGET**  
**FY 1997**  
**ANALYSIS AND RECOMMENDATIONS**

**JLBC**

**Prepared By:**  
**THE STAFF OF THE**  
**JOINT LEGISLATIVE BUDGET COMMITTEE**  
**STATE OF ARIZONA**  
**JANUARY 9, 1996**

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**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.**

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Industrial Commission of Arizona  
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\*Osteopathic Exam., AZ Bd. of  
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Rangers' Pensions, Arizona  
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\*Nursing Care Inst. Admin., Bd. of Exam.  
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\*Psychologist Examiners, State Bd. of  
\*Veterinary Med. Examining Bd., AZ St.  
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**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	Brad Beranek Lynne Smith (1) Phil Case (2)	Ruth R. Lee Rudy Serino	255-3648 542-1500
Administrative Hearings, Office of Agricultural Employment Relations Board Agriculture, Arizona Department of	Jeffrey Schmied Jennifer Vermeer Karen Bock (1) Jennifer Vermeer (2)	Cliff Vanell Michele Gámez Keith Kelly	542-3095 407-2845 542-0998
Arizona Health Care Cost Containment System	Michael Bradley (1) Jeffrey Schmied (2)	Mabel Chen, M.D.	254-5522
Appellate & Trial Court Appointments, Comm. on Appraisal, State Board of Arizona State University	Brad Beranek Stefan Shepherd John Lee (1) Bruce Groll (2) Jim Hillyard	Honorable Stanley G. Feldman Shirley Berry Lattie F. Coor, Ph.D.	542-4532 542-1539 965-5606
Arts, Arizona Commission on the		Shelley Cohn	255-5882
Attorney General - Department of Law Auditor General Banking Department, State Barbers, Board of Behavioral Health Examiners, Board of	Karen Bock Michael Bradley Jeffrey Schmied Jennifer Vermeer Jennifer Vermeer	Honorable Grant Woods Douglas R. Norton Richard Houseworth Mario Herrera David Oake	542-4266 553-0333 255-1442 542-2701 542-1882
Boxing Commission, Arizona State Building & Fire Safety, Department of Chiropractic Examiners, State Board of Coliseum & Exposition Center Board, Arizona Commerce, Department of	Jeffrey Schmied Stefan Shepherd Jim Hillyard Stefan Shepherd Brad Beranek	John Montano Eric Borg Elaine LeTarte Gary D. Montgomery Sara Goertzen Dial	542-1417 255-4072 255-1444 252-6771 280-1306
Community Colleges, State Board of Directors for	Bruce Groll (1) Lynne Smith (2)	Don Puyear, Ph.D.	255-4037
Compensation Fund, State Constitutional Defense Council Contractors, Registrar of Corporation Commission	Jeffrey Schmied Michael Bradley Stefan Shepherd Jason Hall	Jerry N. LeCompte  Michael P. Goldwater Honorable Renz Jennings	  542-1525 542-4140
Corrections, State Department of	Lorenzo Martinez (1) Karen Bock (2)	Terry L. Stewart	542-5497
Cosmetology, Board of Court of Appeals, Division I Court of Appeals, Division II Criminal Justice Commission, Arizona	Jennifer Vermeer Brad Beranek Brad Beranek Jim Hillyard	Sue Sansom Honorable Thomas Kleinschmidt Honorable William Druke Rex Holgerson	542-5366 542-1478 628-6945 542-1928
Deaf and the Blind, Arizona State Schools for the	Rachelle Child (1) Stefan Shepherd (2)	Wilbur Lewis, Ph.D.	770-3735
Dental Examiners, State Board of Economic Security, Department of	Jennifer Vermeer Marge Cawley (1) Rachelle Child (2) Steve Schimpp (1) Justin Garosi (2)	Drew Langley Linda Blessing, DPA	255-3696 542-5678
Education, Department of	Steve Schimpp (1) Justin Garosi (2)	Honorable Lisa Graham	542-4361
Emergency and Military Affairs, Department of	Brad Beranek	Glen W. Van Dyke	267-2710
Environment, Commission on the Arizona Environmental Quality, Department of Equal Opportunity, Governor's Office of Equalization, State Board of Executive Clemency, Board of	Karen Bock Renée Bahl Jim Hillyard Bob Hull Lorenzo Martinez	Charlene Ledet Russell F. Rhoades Michael R. Moreno David Schweikert Duane Belcher, Sr.	542-2102 207-2203 542-3711 542-7070 542-5656
Funeral Directors & Embalmers, State Board of Game and Fish Department, Arizona Gaming, Department of Geological Survey, Arizona Governor - Office of the	Jeffrey Schmied Bruce Groll Phil Case Renée Bahl Michael Bradley	George Beard Duane L. Shroufe Gary Husk Larry D. Fellows Honorable Fife Symington	542-3095 789-3278 542-5191 502-770-3500 542-4331

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Governor's Office of Strategic Planning & Budgeting Health Services, Department of	Michael Bradley Jason Hall (1) Jennifer Vermeer (2)	Peter Burns Jack Dillenberg, D.D.S., M.P.H.	542-5381 542-1025
Hearing Impaired, Arizona Council for the Historical Society, Arizona Historical Society of Arizona, Prescott	Jennifer Vermeer Stefan Shepherd Stefan Shepherd	Stuart R. Brackney Michael F. Weber Richard Sims	542-3323 628-5774 445-3122
Homeopathic Medical Examiners, Board of House of Representatives Indian Affairs, Arizona Commission of Industrial Commission of Arizona Insurance, Department of	Jim Hillyard Michael Bradley Rachelle Child Jeffrey Schmied Jeffrey Schmied	Cyndi Weaver Honorable Mark W. Killian Vacant Larry Etchechury Chris Herstam	542-3095 542-5729 542-3123 542-4411 912-8456
Joint Legislative Budget Committee Judicial Conduct, Commission on Juvenile Corrections, Department of	Michael Bradley Brad Beranek Karen Bock (1) Lorenzo Martinez (2) Stefan Shepherd Jason Hall	Ted Ferris Honorable Bernardo P. Velasco Eugene R. Moore	542-5491 542-5200 542-3987
Land Department, State Law Enforcement Merit System Council	Michael Bradley Stefan Shepherd Rachelle Child Phil Case Jim Hillyard	M. J. Hassell Captain Coy Johnston	542-4621 223-2286
Legislative Council Library, Archives and Public Records, Dept. of Liquor Licenses & Control, Department of Lottery Commission, Arizona State Medical Examiners, Board of	Bruce Groll Jim Hillyard Renée Bahl Renée Bahl Jim Hillyard	Mike Braun Arlene Bansal Howard Adams Sam Wakasugi Mark Speicher	542-4236 542-4035 542-5141 921-4514 255-3751
Medical Student Loans, Board of Military Airport Preservation Committee, Arizona Mine Inspector, State Mines & Mineral Resources, Department of Naturopathic Physicians Board of Medical Examiners	Stefan Shepherd John Lee (1) Bruce Groll (2) Jennifer Vermeer Jeffrey Schmied	Christopher A. Leadem, Ph.D. Honorable Douglas K. Martin H. Mason Coggin John Brewer	626-6216 542-5971 255-3791 542-3095
Navigable Stream Adjudication Commission, AZ Northern Arizona University	Jeffrey Schmied	Jay Brashear Clara Lovett, Ph.D.	542-9214 523-3232
Nursing, State Board of Nursing Care Institution Administrators & Adult Care Home Managers, Bd. of Examiners of Occupational Safety & Health Review Board	Jeffrey Schmied	Joey Ridenour Christine Springer	255-5092 542-3095
Occupational Therapy Exam., Board of Opticians, State Board of Dispensing Optometry, State Board of Osteopathic Examiners, Arizona Board of Parks Board, Arizona State	Jeffrey Schmied	Jim Weeks	542-4411
Occupational Therapy Exam., Board of Opticians, State Board of Dispensing Optometry, State Board of Osteopathic Examiners, Arizona Board of Parks Board, Arizona State	Brad Beranek Jeffrey Schmied Jim Hillyard Jim Hillyard Renée Bahl	Kenneth D. Fink Careen J. Heinze Florence Moore Ann Marie Berger Ken Travous	542-6784 542-3095 542-3095 255-1747 542-4174
Personnel Board Pharmacy, Arizona State Board of Physical Therapy Examiners, Board of Pioneers' Home, Arizona Podiatry Examiners, State Board of	Lynne Smith Jim Hillyard Jeffrey Schmied Jennifer Vermeer Jim Hillyard	Judy Henkel Llyn Lloyd Janice Stille Jenine Dike Linda Wells	542-3888 255-5125 542-3095 445-2181 542-3095
Postsecondary Education, Commission for Private Postsecondary Education, State Board for Psychologist Examiners, State Board of Public Safety, Department of	Bruce Groll Bruce Groll Jim Hillyard Jason Hall (1) Jim Hillyard (2) Phil Case	Ed Johnson, Ph.D. Dona Markley Maxine McCarthy Joe Albo	229-2592 542-5709 542-3017 223-2359
Racing, Arizona Department of	Phil Case	James Higginbottom	542-5151
Radiation Regulatory Agency Rangers' Pensions, Arizona Real Estate Department, State Regents, Arizona Board of Residential Utility Consumer Office	Stefan Shepherd Jennifer Vermeer Lynne Smith Bruce Groll Jason Hall	Aubrey V. Godwin See Governor's Office Jerry Holt Frank Besnette, Ph.D. Greg Patterson	255-4845 542-4331 468-1414 229-2505 542-3733

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Respiratory Care Examiners, Board of Retirement System, Arizona State Revenue, Department of Secretary of State - Department of State Senate	Lynne Smith Rachelle Child Bob Hull Jeffrey Schmied Michael Bradley	Mary Hauf Martin LeRoy Gilbertson Harold Scott Honorable Jane Dee Hull Honorable John Greene	542-5995 240-2000 542-3572 542-3012 542-4233
Structural Pest Control Commission Superior Court	Brad Beranek Brad Beranek (1) Marge Cawley (2)	J. H. Paulson David Byers	255-3664 542-9301
Supreme Court Tax Appeals, State Board of Technical Registration, State Board of	Brad Beranek Bob Hull Stefan Shepherd	Honorable Stanley G. Feldman Mark C. Bohn Ronald Dalrymple	542-4532 542-3288 255-4053
Tourism, Office of Transportation, Department of Treasurer, State Uniform State Laws, Commission on University of Arizona	Brad Beranek Bob Hull Brad Beranek Stefan Shepherd John Lee (1) Bruce Groll (2)	Mark McDermott Larry S. Bonine Honorable Tony West James M. Bush Manuel Pacheco, Ph.D.	230-7733 255-7226 542-1463 257-5767 621-5511
Veterans' Service Commission, Arizona	Phil Case (1) Jennifer Vermeer (2)	Norman O. Gallion	255-3373
Veterinary Medical Examining Board, Arizona State Water Resources, Department of Weights & Measures, Department of	Jeffrey Schmied Renée Bahl Jim Hillyard	Louise Battaglia Rita Pearson John Hays	542-3095 417-2410 255-5211
<u>OTHER ASSIGNMENTS</u>			
Capital Review Economic & Revenue Forecast	Phil Case Hank Reardon Kent Ennis Frank Chow Dennis Doby Justin Garosi Richard Stavneak Richard Stavneak Marge Cawley		
Federal Funds Fiscal Note Manager Performance Budgeting			

- (1) Lead Assignment  
(2) Secondary Assignment

1/06/96

## FY 1997 JLBC STAFF RECOMMENDATION DESCRIPTION OF METHODOLOGY AND MAJOR TECHNICAL ISSUES

### Biennial Budgeting

Laws 1993, Chapter 252 (as amended by Laws 1995, Chapter 283) requires all but 15 major budget units to receive appropriations biennially with the dollar amounts itemized for each fiscal year. In this volume, the JLBC Staff is recommending FY 1997 funding for the 15 major budget units, 6 other budget units which did not receive biennial appropriations during the last legislative session, and the newly created Office of Administrative Hearings.

For those budget units which already have received FY 1997 appropriations, the JLBC Staff recommends funding for technical adjustments, such as Employee Related Expenditure Rates, Risk Management, and Rent. These adjustments are described in more detail in the following sections. These are recommended as government-wide lump sum amounts to be allocated to individual agencies for these adjustments. The dollar amounts for each agency are detailed in the Supplemental section of the Analysis and Recommendations book.

### FY 1997 — JLBC Staff Recommended Changes from FY 1996

In developing its FY 1997 recommendation, the JLBC Staff has reviewed the current year's appropriation (FY 1996) as well as each agency's FY 1997 budget request, and has made adjustments for the following:

- 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, changes, or elimination of programs (increase or decrease)
- Other policy issues (increase or decrease)

In the past, the JLBC Staff has recalculated a vacancy savings amount annually. Vacancy savings represent changes in the amount of an agency's unexpended Personal Services and associated ERE. 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. For FY 1997, the JLBC Staff has not made any vacancy savings adjustments, as the complexity of the calculations and ability of large agencies to use vacancy savings to manipulate their budgets outweigh the benefit. The JLBC Staff recommendation instead carries forward the already-reduced FY 1996 Personal Services base for each agency. (The Executive continues to utilize a vacancy savings adjustment for their FY 1997 budget calculation.)

The individual agency descriptions in the Analysis and Recommendations book provide further narrative detail on these changes, which are explained in a section for each agency budget entitled, "FY 1997 — JLBC Staff Recommended Changes from FY 1996." In addition, the book provides the line item detail of the JLBC Staff's recommendations for individual agency budgets. The major technical issues with regard to each of these line items are described below.

*FY 1996 Estimate* - This dollar amount represents the FY 1996 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.

*Full Time Equivalent (FTE) Positions* - The number of FTE positions reflects both personnel funded from Personal Services and from any special line items. The FY 1996 FTE position estimates also have been adjusted to include any new staff funded through separate appropriation bills.

*Standard Changes* - Each individual agency recommendation starts with a "Standard Changes" section which lists adjustments made to most budgets statewide. These include the following items, described below.

— Annualization of January 1996 Pay Adjustment

This amount represents an increase in Personal Services and Employee Related Expenditures (ERE) in order to annualize a 2% (average) merit salary increase and a \$3.4 million Classification Maintenance Review adjustment for selected job classifications, both enacted by the Legislature effective January 1, 1996. The change adds 6 months of funding for FY 1997 to the 6 months of funding in each agency's FY 1996 base. For biennial budgets, the adjustments reflect a full 12 months of funding as their original FY 1997 appropriation included no pay adjustments.

— ERE Rates

This category represents the state cost of employee benefits. The dollar amount resulting from any FY 1997 rate changes is listed in the Standard Changes section under "ERE Rates." The ERE calculations have been based upon the following assumptions. The Executive concurs with these assumptions unless otherwise noted.

*Disability Insurance:* 0.4% 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 \$62,100 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.

*Medical and Dental Insurance* - Each individual agency budget includes funding for the employer share of health insurance costs. With the exception of the Universities, the Arizona Department of Administration (ADOA) 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 1996 for medical and dental insurance. This average cost was typically the same or slightly lower than the FY 1996 budgeted amount.

*Life Insurance* - \$11 per employee per year.

*Personnel Division* - 0.95% of Personal Services. The ADOA Human Resources 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	3.69
Correctional Officers - DOC	6.82
Correctional Officers - DJC	7.77
Elected Officials	3.07
Dept. of Public Safety	4.80*
NAU Police	2.35
U of A Police	3.03
ASU Police	7.68
Game and Fish	18.26
DEMA Firefighters	6.95
Attorney General Investigators	10.54
Capitol Police	7.80

\*Plus 5% member contributions paid by employer



*Unemployment Insurance* - 0.30% of Personal Services.

*Workers' Compensation* - The rates vary by individual agency.

— Risk Management

Individual agency budgets (Other Operating Expenditures) include the FY 1997 Risk Management rates billed by the ADOA Risk Management Section. These rates are estimated to result in total revenues of \$53.8 million, of which \$32.6 million is from the General Fund and \$21.2 million is from Other Appropriated and Non-Appropriated funds. The premium level of \$53.8 million is based on an annual actuarial estimate conducted for the state. The amount represents a \$4.2 million increase from the prior year level. Individual agency Risk Management charges, therefore, generally increase in each agency. Individual agency charges, however, also depend on the particular actuarial experience of that agency.

— 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. It is used to finance the ADOA Utilities appropriation and portions of the ADOA Building Renewal, construction, and facilities management activities. 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 JLBC Staff recommends charging \$12 per square foot for office space and \$4.50 per square foot for storage space. The office space rate in FY 1996 was \$11.50.

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 Distressed Property program.

Operations and Maintenance (O&M) Charges: 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, the same level as FY 1996. This charge includes standard levels for utilities, janitorial, maintenance, landscaping, minor repairs and pest control. While the O&M charge is appropriated to individual agencies, the funding is transferred to the Arizona Department of Administration, which is responsible for providing the service, either directly or under contract.

— Elimination of One-time Equipment

This amount represents the elimination of any equipment funded in FY 1996 but not required for FY 1997. It includes both Equipment (valued at \$1,000 or more) and Non-Capital Equipment (valued at less than \$1,000). The addition of any new equipment appears as a separate policy issue.

— Inflation

The JLBC Staff recommends no adjustment for inflation other than for medical expenses in certain circumstances. The Executive also recommends no inflation adjustment.

*Other Non-Appropriated and Federal Funds* - Each budget summary includes the level of non-appropriated and federal funds available to the agency. The detail of these funds can be found in the Non-Appropriated Fund section of the Analysis and Recommendation book. While the Executive does not include non-appropriated funds in their budget recommendation, their "Total-All Sources" estimates in this book have been adjusted for comparability. In most circumstances, the Executive numbers are based upon the agency request for non-appropriated funds.

### **JLBC Staff Recommended Format**

The Analysis and Recommendation book includes the JLBC Staff's recommendation for individual agency budget formats. Any changes from the prior year format are noted. The format governs how an agency's appropriation will appear in the General Appropriation Act. The most common budget formats are as follows:

- Lump Sum
- Modified Lump Sum
- Detailed Line Item

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

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 Appropriation Act, the agency's budget would appear as follows:

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

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

**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 Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Personal Services	\$ 60,000
Employee Related Expenditures	15,000
All Other Operating Expenditures	<u>25,000</u>
Total - 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 ADOA 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 Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Personal Services	\$ 60,000
Employee Related Expenditures	15,000
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

The Analysis and Recommendation book also includes 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 1996 Footnotes*
- *Modification of Prior Year Footnotes*
- *New Footnotes*
- *Deletion of Prior Year Footnotes*

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



### Program Authorization Review

Required by Laws 1995, Chapter 283, a total of 25 state government programs were identified to undergo Program Authorization Review (PAR). Ten programs were reviewed during 1995 (12 if the Department of Health Services programs were counted separately) and 15 for review during 1996. The PAR's began with an initial agency self-assessment. Subsequently, the JLBC Staff and OSPB jointly reviewed the 10 agencies' programs. On November 1, 1995, JLBC Staff and OSPB jointly issued individual PAR reports for each of the programs. In addition to the individual reports, the two offices prepared a composite PAR document, the Program Authorization Review Executive Summaries, which provides for each program a summary of the joint JLBC Staff and OSPB findings. This composite document has been distributed to each legislator, the Governor, and the affected agencies.

The remaining 15 of the 25 programs identified for PAR are currently undergoing PAR during this second year of the 4-year pilot. The 15 affected agencies are now conducting their self-assessment for their selected program. Since Laws 1995, Chapter 283 identified only 25 of the 75 programs to be reviewed during the 4-year pilot, legislation will need to be introduced during the 1996 legislative session to specify the remaining 50 programs. Of the remaining 50 PARs, a total of 30 will be conducted during 1997, with the remaining 20 being conducted during 1998.

As directed by Chapter 283, the JLBC Staff and OSPB recommend either to "Retain, Eliminate, or Modify" (R.E.M.) the program. The Staff recommendation is contained in each agency's narrative as is a discussion of the Executive recommendation. In addition, a brief summary of the first year PAR report for each affected agency is provided in these 10 agencies' analysis and recommendation narrative. For specific detail on each PAR, see the narrative for each agency. Since the Medical Student Loan Program is not a major budget unit and, therefore, does not have a budget recommendation, its discussion is under the University of Arizona's Health Sciences Center.

### 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 1996" 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 1995 which have a fiscal impact. The calendar year 1995 audits addressed in the JLBC Staff recommendation include the following:

- The Universities
- Department of Economic Security - Contracting
- Department of Administration - Information Services Division
- Department of Education - Family Literacy Pilot

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

**DEPARTMENT OF ADMINISTRATION  
(DOA)**

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Arizona Department of Administration  
Agency Summary

JLBC: Lynne Smith/Phil Case  
OSP: Tom Betlach

House Sub: Wong  
Senate Sub: Turner

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSP	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Administration	1,954,700	2,616,700	3,087,200	3,586,400	3,289,300
Finance	12,597,400	14,546,500	13,848,400	15,238,400	13,458,000
General Services	13,294,500	13,804,100	14,027,400	22,119,600	22,054,700
Information Services	14,970,300	15,482,900	15,694,400	28,486,200	29,403,800
Capitol Police	1,390,200	1,674,200	1,630,200	1,737,500	1,657,400
Risk Management	40,659,000	51,363,100	54,140,800	53,578,700	53,539,000
Workers' Compensation	15,793,200	19,886,000	20,839,200	20,059,800	20,059,300
Human Resources	5,534,600	6,105,700	7,672,800	6,111,100	6,849,100
<b>AGENCY TOTAL</b>	<b>106,193,900</b>	<b>125,479,200</b>	<b>130,940,400</b>	<b>150,917,700</b>	<b>150,310,600</b>

### OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	916.0	917.0	938.0	1,009.5	1,014.0
Personal Services	19,477,300	22,709,200	23,166,500	23,540,400	25,486,900
Employee Related Expenditures	4,778,700	5,524,200	6,202,100	5,490,200	5,908,700
All Other Operating Expenditures:					
Professional and Outside Services	1,819,300	1,990,200	2,356,400	2,043,900	1,854,900
Travel - In State	156,100	176,500	182,200	188,000	196,700
Travel - Out of State	50,500	45,000	53,800	51,600	54,200
Other Operating Expenditures	8,997,500	5,314,800	5,934,500	5,542,400	15,274,300
Equipment	1,499,000	394,000	807,200	472,800	1,197,100
<b>OPERATING SUBTOTAL</b>	<b>36,778,400</b>	<b>36,153,900</b>	<b>38,702,700</b>	<b>37,329,300</b>	<b>49,972,800</b>
Special Line Items	69,415,500	89,325,300	92,237,700	113,588,400	100,337,800
<b>AGENCY TOTAL</b>	<b>106,193,900</b>	<b>125,479,200</b>	<b>130,940,400</b>	<b>150,917,700</b>	<b>150,310,600</b>

### BY FUND SOURCE

General Fund	23,832,000	26,217,900	25,966,000	26,917,300	25,367,000
Other Appropriated Funds	82,361,900	99,261,300	104,974,400	124,000,400	124,943,600
Other Non-Appropriated Funds	222,995,700	246,399,700	254,978,500	230,823,900	230,823,900
<b>TOTAL - ALL SOURCES</b>	<b>329,189,600</b>	<b>371,878,900</b>	<b>385,918,900</b>	<b>381,741,600</b>	<b>381,134,500</b>

**Agency Description** — *The department provides certain centralized 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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$ (850,900)	(3.2)%
Other Appropriated Funds	25,682,300	25.9%
Total Appropriated Funds	\$24,831,400	19.8%

Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

*FY 1997 — JLBC Staff Recommended Changes from FY 1996*

<b>Standard Changes</b>		
— Annualization of January 1996 Pay Adjustment	\$ 180,700 OF	\$ 346,500 GF
— ERE Rates	(135,200) OF	(92,400) GF
— Risk Management	(35,600) OF	(32,900) GF
— Rent	33,500 OF	41,100 GF
— Elimination of One-time Equipment	(28,600) OF	(83,200) GF
— Other	(80,400) OF	(18,500) GF
<b>AFIS II</b>	(350,000) OF	350,000 GF
<b>Equipment</b>	44,100 OF	59,300 GF
<b>LAN Charges/Staffing Shift</b>	589,500 OF	1,000 GF
<b>Child Development Center Rent</b>	90,500 OF	(86,700) GF
<b>Capitol Mall Security System</b>		(97,000) GF
<b>Employee Bus Subsidy</b>		(179,000) GF
<b>Move HRMS to Personnel Fund/Staffing Shift</b>	1,449,200 OF	(1,059,100) GF
<b>Appropriate Telecommunications Fund</b>		13,604,700 OF
<b>Appropriate Motor Pool Fund</b>		8,258,500 OF
<b>Risk Management Losses/Related Expenditures</b>		2,659,300 OF
<b>Workers' Compensation Losses/Related Expenditures</b>		556,000 OF
<b>Environmental Clean Up FTE Positions</b>		218,700 OF
<b>Relocation</b>		30,000 OF
<b>Insurance Premium Tax</b>		(88,200) OF
<b>Personnel Classification Project</b>		(426,900) OF
<b>Insurance Premiums</b>		(887,500) OF

\* \* \*

*JLBC Staff Recommended Format* — Operating Lump Sum with Special Line Items by Fund

**1** *Program Authorization Review Recommendation* — The JLBC and OSPB Staffs conducted a Program Authorization Review of the Enterprise Network Services program during the last year. As a result of that review, the JLBC Staff recommends modifying the program by a) making the non-appropriated Telecommunications Revolving Fund subject to appropriation; b) realigning funding of the department's Local Area Network (LAN) positions; c) establishing a separate state agency responsible for information technology planning, coordinating and consulting; and d) creating a combined legislative/executive/private sector information technology oversight committee.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

The PAR demonstrated a need for legislative review of the Arizona Department of Administration (ADOA) telecommunications system. A lack of strategic planning by the department led to both a proliferation of non-compatible LANs and Wide Area Networks (WANs) throughout state government and the initial financial failure of the ADOA WAN. In addition, the department inappropriately relied upon the successful Voice Communications subprogram to subsidize the Data Communications subprogram.

In accordance with the standard funding approach for ADOA services to agencies, the JLBC Staff recommends realigning funding of the positions which provide Local Area Network services to the department as follows: transfer to the Automation Revolving Fund (ARF) a) 6 FTE Positions and associated funding from the General Fund and b) 3 FTE Positions and associated funding from Telecommunication Revolving Fund. The ARF expenditures will be reimbursed through charges to the divisions within ADOA which use the LAN. The General Fund portion of ADOA's charge has been added to the recommendation for the Administration cost center. The Other Fund portion has been added to the General Services cost center and absorbed within the existing budgets of other cost centers.

Please refer to "Other Issues for Legislative Consideration" in the Information Services cost center for a discussion of the recommendation that legislation be introduced to create both a separate information technology (IT) agency and an IT oversight committee. The JLBC Staff also recommended this change during the last legislative session. If this legislation is enacted, the ADOA appropriation would be reduced by (10) FTE Positions and \$(301,200) from the Automation Revolving Fund and by (3) FTE Positions and \$(273,400) from the General Fund. In addition, \$(100,000) OF from ADOA's appropriation would be transferred to the new agency for its first year of operation.

The Executive concurs with appropriating the Telecommunications Fund, realigning the department's LAN funding, and the need for increased statewide planning. However, the Executive adds funding within ADOA for an expanded IT planning office. The Executive also recommends that the statute establishing the Telecommunications Fund (A.R.S. § 41-802) be clarified to allow funding of the department's WAN.



# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Arizona Department of Administration  
PRIG Administration

JLBC: Lynne Smith/Phil Case  
OSP: Tom Betlach

House Sub: Wong  
Senate Sub: Turner

DESCRIPTION	FY 1995	FY 1996	FY 1997		
	ACTUAL	ESTIMATE	REQUEST	OSP	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	43.0	44.0	46.0	52.0	46.0
Personal Services	1,031,100	1,316,200	1,369,000	1,375,300	1,374,900
Employee Related Expenditures	239,600	295,000	338,700	288,800	288,200
All Other Operating Expenditures:					
Professional and Outside Services	81,200	0	0	313,100	314,200
Travel - In State	700	2,500	2,600	2,600	2,600
Travel - Out of State	2,700	1,700	5,000	1,700	1,700
Other Operating Expenditures	342,100	597,400	608,200	568,700	568,700
Equipment	37,900	38,200	13,000	13,000	13,000
<b>OPERATING SUBTOTAL</b>	<b>1,735,300</b>	<b>2,251,000</b>	<b>2,336,500</b>	<b>2,563,200</b>	<b>2,563,300</b>
<b>SPECIAL LINE ITEMS</b>					
Gov's Regulatory Review Council	214,100	338,700	370,700	366,200	366,000
Hearing Office	5,300	27,000	0	0	0
Employee Bus Subsidy	0	0	380,000	360,000	360,000
AZ Office for ADA	0	0	0	297,000	0
<b>PROGRAM TOTAL</b>	<b>1,954,700</b>	<b>2,616,700</b>	<b>3,087,200</b>	<b>3,586,400</b>	<b>3,289,300</b>
<b>BY FUND SOURCE</b>					
General Fund	1,954,700	2,462,100	2,936,600	3,433,900	3,136,800
Other Appropriated Funds	0	154,600	150,600	152,500	152,500
Other Non-Appropriated Funds	480,500	509,500	459,400	459,400	459,400
<b>TOTAL - ALL SOURCES</b>	<b>2,435,200</b>	<b>3,126,200</b>	<b>3,546,600</b>	<b>4,045,800</b>	<b>3,748,700</b>

**Program Description** — Administration includes the Director's Office and the Management Services Division, which includes internal department analysis, purchasing, accounting, and budgeting.

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$674,700	27.4%
Other Appropriated Funds	(2,100)	(1.4)%
<b>Total Appropriated Funds</b>	<b>\$672,600</b>	<b>25.7%</b>

## FY 1997 — JLBC Staff Recommended Changes from FY 1996

### Standard Changes

— Annualization of January 1996 Pay Adjustment	\$ 3,200 OF	\$ 21,300 GF
— ERE Rates	(700) OF	(21,200) GF
— Risk Management	-0- OF	(32,900) GF

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

— Elimination of One-time Equipment (4,600) OF (33,600) GF

### **Employee Bus Subsidy**

360,000 GF

The recommended amount transfers this Special Line Item to the Administration cost center from the Finance cost center, with a net reduction of \$(179,000) to reflect actual bus usage. The Executive concurs.

### **LAN Charges**

314,200 GF

The recommended amount includes an increase of \$314,200 to fund the General Fund portion of the department's local area network (LAN). This increase is offset by a \$(313,200) GF reduction in the Information Services Division. See the Program Authorization Review section of the Arizona Department of Administration Summary for more information. The Executive concurs.

### **Special Events Coordinator**

80,200 GF

Includes an additional 2 FTE Positions and \$80,200 to transfer the Special Events Coordinator function to the Administration cost center from the General Services cost center, with no net change to the department's General Fund appropriation. The Executive concurs.

### **Governor's Regulatory Review Council**

22,500 GF

The recommended amount reflects an increase of \$22,500 for maintenance contracts, phone lines, and operating supplies. The Executive concurs.

### **Equipment and Supplies**

9,700 GF

The recommended amount includes a total of \$13,000 for replacement of 3 personal computers, 1 FAX machine, and 1 printer. The recommended amount also includes a decrease of \$(3,300) for operating supplies. The Executive concurs.

### **Overtime**

(18,500) GF

The recommended amount includes a decrease of \$(18,500) for overtime the department plans to eliminate. The Executive concurs.

### **Hearing Office**

(27,000) GF

The recommended amount eliminates funding for this function, which has been transferred to the newly created Office of Administrative Hearings. The Executive concurs.

\* \* \*

### **JLBC Staff Recommended Format — Operating Lump Sum by Fund**

#### **Standard Footnotes**

- The \$380,000 appropriated for the Employee Bus Subsidy shall be used only for a 50% subsidy of charges payable to a regional transit authority for public transportation expenses of non-university state employees in a vehicle emissions control area, as defined in A.R.S. § 49-541, of a county with a population of more than 1,500,000 persons according to the most recent federal decennial census.

#### **Other Issues for Legislative Consideration**

##### **— Americans With Disabilities Act**

The Executive provides an increase of \$297,000 and 6 FTE Positions to replace funding for the Arizona Office for Americans with Disabilities. The office, which was created by Executive Order 93-12, centrally coordinates the state's compliance with the federal Americans with Disabilities Act. Currently, funding is provided by the Social Services Block Grant through the Department of Economic Security. The JLBC Staff recommends continuation of the current federal funding mechanism for this federal mandate.

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Arizona Department of Administration  
 PRIG: Finance

JLBC: Lynne Smith/Phil Case  
 OSPB: Tom Betlach

House Sub: Wong  
 Senate Sub: Turner

DESCRIPTION	FY 1995	FY 1996	FY 1997		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	110.2	109.2	109.2	109.2	109.2
Personal Services	2,048,700	3,168,600	3,141,300	3,325,200	3,346,400
Employee Related Expenditures	513,100	746,600	827,700	750,800	748,900
All Other Operating Expenditures:					
Professional and Outside Services	36,400	841,100	768,700	92,500	96,100
Travel - In State	1,400	5,800	5,800	5,800	5,800
Travel - Out of State	3,200	10,900	10,900	10,900	10,900
Other Operating Expenditures	440,500	490,300	490,300	490,300	490,300
Equipment	136,500	52,500	52,500	52,500	52,500
<b>OPERATING SUBTOTAL</b>	<b>3,179,800</b>	<b>5,315,800</b>	<b>5,297,200</b>	<b>4,728,000</b>	<b>4,750,900</b>
<b>SPECIAL LINE ITEMS</b>					
ENSCO COP	4,582,900	4,586,900	4,585,000	4,585,000	4,585,000
COSF Rent	903,100	946,400	829,500	863,500	987,500
GAAP	609,900	0	0	0	0
Lease-Purchase Rent	429,100	525,500	733,600	711,800	525,500
Tucson State Office Building	131,800	0	0	0	0
Capital Center Lease-Purchase	352,800	0	0	0	0
SLIAG	39,800	0	0	0	0
Cost Recovery/Cash Management	111,500	0	0	0	0
AFIS II	2,102,400	2,575,700	2,346,000	2,562,800	2,552,000
Employee Bus Subsidy	154,300	539,000	0	0	0
Unoccupied Lease-Purchase	0	57,200	57,100	78,900	57,100
AZ State Automated Procurement	0	0	0	644,300	0
HRMS Programming & Support	0	0	0	1,064,100	0
<b>PROGRAM TOTAL</b>	<b>12,597,400</b>	<b>14,546,500</b>	<b>13,848,400</b>	<b>15,238,400</b>	<b>13,458,000</b>
<b>BY FUND SOURCE</b>					
General Fund	12,247,400	14,139,300	13,441,300	14,174,300	13,400,900
Other Appropriated Funds	350,000	407,200	407,100	1,064,100	57,100
Other Non-Appropriated Funds	87,200	112,200	52,000	52,000	52,000
<b>TOTAL - ALL SOURCES</b>	<b>12,684,600</b>	<b>14,658,700</b>	<b>13,900,400</b>	<b>15,290,400</b>	<b>13,510,000</b>

**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.*

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

<b>Change in Funding Summary:</b>	<b>FY 1996 to FY 1997 JLBC</b>	
	<b>\$ Change</b>	<b>% Change</b>
General Fund	\$ (738,400)	(5.2)%
Other Appropriated Funds	(350,100)	(86.0)%
<b>Total Appropriated Funds</b>	<b>\$(1,088,500)</b>	<b>(7.5)%</b>

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of January 1996 Pay Adjustment \$ 165,400 GF
- ERE Rates (21,500) GF
- Rent 41,100 GF
- Other (1,800) GF

**AFIS II** (350,000) OF      350,000 GF

The recommended amount reflects the replacement of the \$350,000 Automation Revolving Fund (ARF) subsidy with General Fund monies, as the General Fund is a more appropriate funding source. Elimination of the ARF subsidy will result in lower Data Center rates. The Executive concurs with this change, but lists the Arizona State Automated Procurement (ASAP) component in a separate Special Line Item and transfers \$862,300 in programmer costs from the Information Services Division.

**ENSCO COP** (1,900) GF

Reflects an updated lease-purchase payment requirement. The Executive concurs.

**Data Processing** (58,100) GF

The recommended amount reflects full funding of the department's data processing charges. The Executive concurs.

**Employee Bus Subsidy** (539,000) GF

The reduction reflects transfer of this Special Line Item to the Administration cost center. The Executive concurs.

**HRMS** (672,600) GF

The recommended amount reflects a reduction of \$(672,600) to transfer the Data Center charge for HRMS computer run time to the Personnel Fund in the Human Resources cost center. The Executive concurs but places the Personnel Fund monies in this cost center.

**Unoccupied Lease-Purchase** (100) OF

This Special Line Item includes a total of \$57,100 from the Capital Outlay Stabilization Fund (COSF) for the lease-purchase payment on vacant space in the Tucson State Office Building, where the FY 1998 tenants have not yet been identified. The Executive recommends \$78,900 from the General Fund, resulting in a decrease of \$(57,200) from COSF.

\* \* \*

**JLBC Staff Recommended Format** — Operating Lump Sum by Fund with AFIS II and ENSCO COP Special Line Items.

**JLBC Staff Recommended Footnotes**

**Standard Footnotes**

- 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 \$3,314,600 shall be proportionately distributed among all contributing funding sources, including the state General Fund.
- In accordance with A.R.S. § 35-142.01, the Department of Economic Security shall remit to the Department of Administration any monies received as reimbursement from the federal government or any other source for the operation of the DES West

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

Building and any other building lease-purchased by the State of Arizona in which DES occupies space. The Department of Administration shall deposit such monies to the state General Fund and, in cooperation with the Department of Economic Security, shall submit an annual report to the Director of the Joint Legislative Budget Committee specifying these dollar amounts.

### *Deletion of Prior Year Footnotes*

- The JLBC Staff recommends deleting the one-time footnote concerning reporting on the Management Information System function in AFIS II.
- The JLBC Staff recommends deleting the one-time footnote concerning reporting on the automated budgeting component study for AFIS II.
- The JLBC Staff recommends deleting the footnote requiring the department to report on all funds created or abolished during the fiscal year, as similar language is included in the bill relating to the JLBC Staff November 1, 1995 recommendations on fund elimination.

### *Other Issues for Legislative Consideration*

#### — Lease-Purchase Rent

The Executive recommends an increase of \$130,000 GF and \$63,200 OF for expansion and higher rent to allow portions of the department to remain in the Capital Center building, where it relocated during asbestos abatement at the Executive Tower. The JLBC Staff adds \$30,500 OF in the General Services cost center for higher rent, but does not recommend the remainder of the increase because it was not required in the department's asbestos abatement plan, which was presented to the Joint Committee on Capital Review. For further discussion, refer to the Technical Adjustments section of the FY 1997 Analysis and Recommendation Book.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Arizona Department of Administration  
 PROG: General Services

JLBC: Lynne Smith/Phil Case  
 OSPB: Tom Betlach

House Sub: Wong  
 Senate Sub: Turner

DESCRIPTION	FY 1995	FY 1996	FY 1997		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	226.5	231.5	229.5	250.8	251.0
Personal Services	4,613,800	4,991,800	4,908,200	4,937,800	4,995,400
Employee Related Expenditures	1,251,500	1,347,600	1,463,100	1,296,500	1,296,700
All Other Operating Expenditures:					
Professional and Outside Services	164,500	18,100	28,100	87,500	82,900
Travel - In State	92,400	89,900	90,200	89,800	89,800
Travel - Out of State	700	1,000	2,800	1,000	1,000
Other Operating Expenditures	1,208,500	1,286,200	1,403,600	1,317,900	1,206,200
Equipment	45,300	54,500	86,400	86,300	79,200
<b>OPERATING SUBTOTAL</b>	<b>7,376,700</b>	<b>7,789,100</b>	<b>7,982,400</b>	<b>7,816,800</b>	<b>7,751,200</b>
<b>SPECIAL LINE ITEMS</b>					
Relocation	84,500	30,000	60,000	60,000	60,000
Utilities	5,833,300	5,985,000	5,985,000	5,985,000	5,985,000
Motor Pool	0	0	0	8,257,800	8,258,500
<b>PROGRAM TOTAL</b>	<b>13,294,500</b>	<b>13,804,100</b>	<b>14,027,400</b>	<b>22,119,600</b>	<b>22,054,700</b>
<b>BY FUND SOURCE</b>					
General Fund	6,059,700	6,193,700	6,194,700	6,087,300	6,034,200
Other Appropriated Funds	7,234,800	7,610,400	7,832,700	16,032,300	16,020,500
Other Non-Appropriated Funds	12,969,800	13,235,200	15,977,600	5,802,200	5,802,200
<b>TOTAL - ALL SOURCES</b>	<b>26,264,300</b>	<b>27,039,300</b>	<b>30,005,000</b>	<b>27,921,800</b>	<b>27,856,900</b>

**Program Description** — *General Services is comprised of Tenant Services, Building and Planning Services, and Construction Services. Tenant Services manages Arizona Department of Administration (ADOA) 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. Building and Planning Services and Construction Services 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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$ (159,500)	(2.6)%
Other Appropriated Funds	151,600	2.0%
Total Appropriated Funds	\$ (7,900)	0.0%
<b>Appropriate Motor Pool Fund:</b>		
Other Appropriated Funds	\$8,258,500	N/A

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

## *FY 1997 — JLBC Staff Recommended Changes from FY 1996*

### **Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 11,600 OF	\$ 59,800 GF
— ERE Rates	(7,500) OF	(38,300) GF
— Risk Management	(2,500) OF	-0- GF
— Elimination of One-time Equipment	(14,600) OF	(39,900) GF
— Reduction of Other Operating Expenditures	-0- OF	(13,800) GF

### **Child Development Center Rent**

(86,700) GF

The recommended amount includes a decrease of \$(86,700) GF for rent on the Child Development Center. The cost for rent has been shifted to the Personnel Fund. The Executive concurs with the funding shift but does not make the General Fund rent reduction. (See write-up under Human Resources division.)

### **Special Events Coordinators**

(80,500) GF

Includes a decrease of (2) FTE Positions and \$(80,500) GF to transfer the special events coordination function from the department's General Services cost center to Administration. There is no net change to the department's funding or number of FTE Positions. The Executive concurs.

### **Appropriate Motor Pool Fund**

8,258,500 OF

Laws 1994, Chapter 366, requires the JLBC Staff to recommend the elimination of a minimum of 10% of all non-appropriated funds and the conversion of at least 5% of the dollar value of all non-appropriated funds to appropriated status. As presented to the JLBC in November, the JLBC Staff recommends converting the Motor Pool Fund from non-appropriated to appropriated status. The conversion is recommended since monies in the fund are used for operating expenses and follow a predictable expenditure pattern. Appropriating the fund will also improve legislative oversight as the state attempts to comply with the requirements of Laws 1994, Chapter 353. This legislation requires 90% of each state Motor Pool fleet operating in Maricopa County to utilize alternative fuels by December 31, 1997. In addition, appropriating the fund will allow the Legislature to oversee ADOA's plans to pursue competitive contracting. The recommended amount is equivalent to the agency's expenditure plan for the Motor Pool, minus \$(1,900,000) for planned capital improvements. Until the agency can better explain its strategic plan for the Motor Pool, the JLBC Staff recommends deferring all major capital projects. The Executive concurs.

### **Replacement Equipment**

39,300 OF 39,900 GF

The General Fund amount would purchase 30 vacuum cleaners for \$9,000, a trenching machine for \$15,000, and 2 gasoline-powered carts for \$15,900. The Other Fund amount from the Capital Outlay Stabilization Fund (COSF) would purchase a high-performance personal computer and a plotter for Computer Aided Design (CADD) purposes for \$14,700, 1 computer server hard drive for \$6,700, 3 personal computers for \$9,900, and 1 electrical-power quality analyzer for \$8,000. The Executive recommends \$39,800 GF and \$46,600 OF. The higher other fund recommendation includes 1 additional high-performance personal computer.

### **LAN Charges**

64,800 OF

Based on the findings of the Enterprise Network Services (ENS) Program Authorization Review (PAR) (see write-up under the ADOA Summary), the JLBC Staff recommends funding the cost of local area network (LAN) computer services provided by ENS. The General Services division receives services for 36 computers and 12 printers and will be charged an average of \$1,350 per device for the year. This method of funding will eliminate the program subsidy from the Telecommunications Fund. Of the amount, \$32,400 is from COSF and \$32,400 is from the Corrections Fund. The Executive concurs.

### **Capital Center/Executive Tower Relocation**

30,500 OF

The JLBC Staff recommends that ADOA move from its space on the second floor of the Capital Center to enable the Attorney General's office to occupy the space. The recommended amount would fund the higher rent which the department is expected to pay. The Executive adds \$63,200 OF to allow the division to continue to occupy this space. (See FY 1997 Technical Adjustments for more detail.)

### **Relocation Special Line Item**

30,000 OF

The recommended amount includes an additional \$30,000 from COSF, for a total of \$60,000. Based on a figure of \$3.00 per square foot, the increase would allow the division to relocate an additional 10,000 square feet of state office space. The division manages more than 3,000,000 square feet of space and receives numerous requests for minor relocations on an annual basis. Monies in this Special Line Item are intended for unanticipated relocations which will promote the effective and efficiency use of space. The Executive concurs.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### **Utilities Special Line Item**

-0- OF

This Special Line Item funds utility charges, including electric, water, gas, and garbage disposal in state-owned buildings located on the Governmental Mall and in Tucson. The line item is entirely funded through the Capital Outlay Stabilization Fund (COSF). In FY 1994, the Special Line Item appropriation was reduced to reflect anticipated savings from an energy improvements program funded by \$4,500,000 from the Oil Overcharge Fund. The improvements included replacing light fixtures and heating/ventilation/air conditioning equipment. Monies in the Oil Overcharge Fund were transferred from the federal government as a result of a settlement with oil companies.

The energy improvements program proceeded slowly and the full savings were not forthcoming in FY 1994, requiring the JLBC to approve a transfer of \$150,800 to the Special Line Item. For FY 1995, the appropriation was not increased and the department reverted \$151,700. For FY 1996 and FY 1997, the JLBC Staff expects energy savings to hold the line on utility payments. Although it is difficult to quantify savings from the energy improvements program, it is clear that they have been significant. Utility expenditures have been held constant through FY 1995 and the first half of FY 1996, even as utility prices and building usage have increased. The Executive concurs.

Of the \$4,500,000 allocated for the energy improvements program, approximately \$10,000 remains unexpended. The Department of Commerce, which oversees the distribution of the Oil Overcharge monies, estimates that the annual utility cost savings will be approximately \$750,000, plus reduced maintenance costs. Under these assumptions, the program's simple payback will occur over 6 years.

\* \* \*

***JLBC Staff Recommended Format*** — Operating Lump Sum by Fund with Utilities and Relocation Special Line Items

### ***JLBC Staff Recommended Footnotes***

#### ***Standard Footnotes***

- It is the intent of the Legislature that the amount appropriated from the Corrections Fund be expended solely for the oversight of construction projects benefiting the Department of Corrections or the Department of Juvenile Corrections.

#### ***Deletion of Prior Year Footnotes***

- The JLBC Staff recommends deleting the one-time footnote concerning the JLBC review of new FTE Positions for heating/ventilation/air conditioning maintenance and repair.



**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Arizona Department of Administration  
 PRIG: Information Services

JLBC: Lynne Smith/Phil Case  
 OSPB: Tom Betlach

House Sub: Wong  
 Senate Sub: Turner

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	194.3	192.3	186.3	251.5	266.3
Personal Services	5,872,800	6,479,400	6,268,200	6,832,000	8,754,200
Employee Related Expenditures	1,313,200	1,452,700	1,558,100	1,469,500	1,909,600
All Other Operating Expenditures:					
Professional and Outside Services	972,000	315,000	649,200	815,000	625,900
Travel - In State	10,500	11,400	11,400	15,900	21,800
Travel - Out of State	28,100	13,500	13,500	23,100	25,700
Other Operating Expenditures	5,665,000	1,502,000	1,485,100	1,671,500	11,512,800
Equipment	1,108,700	0	0	25,000	844,900
<b>OPERATING SUBTOTAL</b>	<b>14,970,300</b>	<b>9,774,000</b>	<b>9,985,500</b>	<b>10,852,000</b>	<b>23,694,900</b>
<b>SPECIAL LINE ITEMS</b>					
Automation Equipment	0	2,335,500	2,335,500	2,335,500	2,335,500
Software and Licenses	0	2,226,300	2,226,300	2,226,300	2,226,300
Maintenance and Repair	0	1,147,100	1,147,100	1,147,100	1,147,100
Voice Network	0	0	0	10,247,500	0
Wide Area Network	0	0	0	1,677,800	0
<b>PROGRAM TOTAL</b>	<b>14,970,300</b>	<b>15,482,900</b>	<b>15,694,400</b>	<b>28,486,200</b>	<b>29,403,800</b>
<b>BY FUND SOURCE</b>					
General Fund	2,180,000	1,748,600	1,763,200	1,484,300	1,137,700
Other Appropriated Funds	12,790,300	13,734,300	13,931,200	27,001,900	28,266,100
Other Non-Appropriated Funds	8,296,600	19,764,500	20,216,700	6,237,500	6,237,500
<b>TOTAL - ALL SOURCES</b>	<b>23,266,900</b>	<b>35,247,400</b>	<b>35,911,100</b>	<b>34,723,700</b>	<b>35,641,300</b>

**Program Description** — *The Information Services Division operates the Data Center, which provides centralized computer services for approximately 70 state agencies. The division also provides automation planning for most state agencies; state agency telecommunications services; statewide emergency telecommunications services; and operation of the Arizona Financial Information System (AFIS II), the Human Resource Management System (HRMS), the Arizona Procurement Network (APN), and the Benefit Information Tracking System (BITS).*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$(610,900)	(34.9)%
Other Appropriated Funds	930,300	6.8%
Total Appropriated Funds	\$319,400	2.1%
<b>Appropriate Telecommunications Fund:</b>		
Other Appropriated Funds	\$13,601,500	N/A

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

## *FY 1997 — JLBC Staff Recommended Changes from FY 1996*

### **Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 58,600 OF	\$ 15,300 GF
— ERE Rates	(35,000) OF	(6,900) GF
— Risk Management	(11,700) OF	-0- GF
— Rent	13,700 OF	-0- GF

### **1 Program Authorization Review - Appropriate Telecommunications Fund 13,604,700 OF**

The JLBC and OSPB Staffs conducted a **Program Authorization Review** of the **Enterprise Network Services** program during the last year. As a result of that review, the JLBC Staff recommends **modifying** the program to make the non-appropriated Telecommunications Revolving Fund subject to appropriation. The PAR demonstrated a need for legislative review of the Telecommunications System. The Executive recommends appropriating \$11,925,300 for the Telecommunications Fund through 2 Special Line Items: Voice Network and Wide Area Network. Please refer to the ADOA Summary for more information.

### **1 LAN Charges 524,700 OF (313,200) GF**

In accordance with the standard funding approach for the Arizona Department of Administration (ADOA) services to agencies, the JLBC Staff recommends realigning funding of the positions which provide Local Area Network (LAN) services to the department. The Executive concurs. Please refer to the ADOA Summary for more information.

### **HRMS 386,500 OF (386,500) GF**

The recommended amount reflects transfer of the computer staffing costs associated with HRMS from the General Fund to the Automation Revolving Fund. The ARF expenditures will be reimbursed through a Data Center services charge to the Human Resources division. The Executive concurs, but shows the funding in the Finance division rather than the Human Resources division.

### **Automation Equipment -0- OF**

The recommended amount includes continuation of \$1,709,800 OF for mainframe computer funding. The department's current lease on one of its mainframe computers will expire in September 1996, at which time the department will need to replace this computing capacity. The Executive concurs.

The JLBC Staff recommends that these funds be appropriated in a separate bill, which would create both a new state agency responsible for information technology (IT) and a combined legislative, executive, and private sector oversight committee. This new structure would improve statewide coordination for nearly \$200,000,000 spent annually by state government on IT. (For more information, see below.)

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### **JLBC Staff Recommended Format — Lump Sum by Fund**

#### **Other Issues for Legislative Consideration**

##### **— Improved Legislative Oversight of Automation Purchases**

The JLBC Staff again recommends the introduction of legislation to create a separate state agency responsible for statewide information technology planning, coordinating, and consulting. These functions would be removed from the Arizona Department of Administration, which would retain responsibility for centralized Data Center and telephone services to state agencies. The Staff also recommends creation of a combined legislative/executive/private sector oversight committee. The Information Technology Oversight Committee would approve centralized information technology standards and approve major information technology expenditures by individual agencies.

Currently, information technology management decisions in Arizona state government are made on an individual or shared agency basis with insufficient communication with executive and legislative leadership. There is a lack of effective coordination or central authority. The recommended changes are intended to improve oversight and statewide coordination for nearly \$200,000,000 spent annually on information technology for state government. Please refer to the January 1995 JLBC Staff report on information technology for more information.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

In order to provide a central funding source for information technology planning, the JLBC Staff recommends that the information technology legislation also amend A.R.S. § 41-764 to decrease the maximum pro rata charge on Personal Services (which is deposited to the Personnel Fund) from 1% to 0.85%. This charge is set in statute to increase by 0.05% annually until a level of 1% is reached in FY 1998. The charge currently is set at 0.95% for FY 1997. With this change, the Personnel Fund would drop to .80% for 6 months, then remain permanently at the 0.85% FY 1995 level (with annual revenues of approximately \$7,200,000). This allows a surplus of approximately \$350,000 over the JLBC Staff FY 1997 recommended appropriation from this fund. The new Information Technology (IT) agency would be funded with the remaining 0.15% pro rata charge on Personal Services, which would be deposited to an IT planning fund starting January 1, 1997. An estimated \$625,000 would be available in the IT Fund for FY 1997, with \$1,250,000 available in FY 1998. These amounts would be sufficient to fund the new agency from the IT Fund, after a one-time transfer of \$100,000 OF from the ADOA budget in FY 1997. This funding mechanism would result in reductions of \$(273,400) GF and \$(301,200) OF from the JLBC Staff recommended appropriation for ADOA presented here. The dollar changes are not included in the published recommendation because legislation would be required to separate the planning office from ADOA and establish the new fund.

The Auditor General's November 1995 performance audit of the ADOA Information Services Division also supports these reforms. In contrast, the Executive recommends \$1,484,300 GF for a new statewide automation planning office within ADOA. This amount is \$427,000 GF above the JLBC Staff recommendation and \$700,400 GF above the JLBC Staff recommendation after enactment of the proposed information technology legislation. The JLBC Staff recommends that the office be separate from ADOA a) to prevent a conflict of interest between statewide planning and operation of the Data Center and b) to elevate the office to the cabinet level.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Arizona Department of Administration  
PRIG: Capitol Police

JLBC: Lynne Smith/Phil Case  
OSP: Tom Betlach

House Sub: Wong  
Senate Sub: Turner

DESCRIPTION	FY 1995	FY 1996	FY 1997		
	ACTUAL	ESTIMATE	REQUEST	OSP	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	50.0	49.0	49.0	49.0	49.0
Personal Services	925,500	1,028,700	965,100	1,091,700	1,101,900
Employee Related Expenditures	299,700	320,900	340,400	324,600	327,900
All Other Operating Expenditures:					
Professional and Outside Services	13,900	9,900	9,900	9,900	9,900
Travel - In State	35,100	30,000	30,000	30,000	30,000
Travel - Out of State	2,100	0	0	0	0
Other Operating Expenditures	96,800	65,100	65,100	65,100	65,100
Equipment	17,100	219,600	219,700	216,200	122,600
<b>PROGRAM TOTAL</b>	<b>1,390,200</b>	<b>1,674,200</b>	<b>1,630,200</b>	<b>1,737,500</b>	<b>1,657,400</b>
<b>BY FUND SOURCE</b>					
General Fund	1,390,200	1,674,200	1,630,200	1,737,500	1,657,400
<b>TOTAL - ALL SOURCES</b>	<b>1,390,200</b>	<b>1,674,200</b>	<b>1,630,200</b>	<b>1,737,500</b>	<b>1,657,400</b>

**Program Description** — *The Capitol Police department provides police officers and security aides for protection of the Phoenix Capitol Mall and Tucson Office Complex areas.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$(16,800)	(1.0)%

### FY 1997 — JLBC Staff Recommended Changes from FY 1996

#### Standard Changes

- Annualization of January 1996 Pay Adjustment
**\$ 84,700 GF**
- ERE Rates
**(4,500) GF**
- Elimination of One-time Equipment
**(9,700) GF**

#### Replacement Equipment

The recommended amount includes \$9,700 for capital Equipment to phase-in replacement of office equipment in the Tucson and Phoenix Capitol Police offices for the second year of a 3-year period. The Executive recommends \$6,200 for this issue.

**(97,000) GF**

#### Capitol Mall Security System

The Legislature approved \$210,000 in FY 1996 to repair, upgrade, and maintain the Capitol Mall and Tucson Office Complex security systems. The recommended amount includes \$113,000, a reduction of \$(97,000), for these systems which provide fire, access, and video monitoring to numerous buildings on the Capitol Mall and to all buildings on the Tucson Complex. Portions of the Capitol Mall system are obsolete and prone to failure, requiring the Capitol Police to alter their patrols to lock doors and observe otherwise electronically monitored areas. The amount would provide closed circuit television replacement equipment to adequately monitor Capitol Mall buildings including the Executive Tower, Department of Revenue, the House of Representatives, and the Senate. The Executive recommends a continuation of the FY 1996 funding level to expand the number of facilities covered by the Phoenix system.

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*JLBC Staff Recommended Format* — Operating Lump Sum by Fund

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Arizona Department of Administration  
 PROG: Risk Management

JLBC: Lynne Smith/Phil Case  
 OSPB: Tom Betlach

House Sub: Wong  
 Senate Sub: Turner

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	152.0	152.0	158.0	157.0	156.0
Personal Services	1,412,500	1,726,200	1,974,200	1,913,800	1,875,700
Employee Related Expenditures	323,400	407,900	519,600	434,700	425,000
All Other Operating Expenditures:					
Professional and Outside Services	240,200	264,500	263,900	263,900	263,900
Travel - In State	6,600	21,600	24,900	28,600	31,400
Travel - Out of State	3,000	12,400	9,400	9,400	9,400
Other Operating Expenditures	360,400	513,700	490,100	488,800	475,900
Equipment	57,600	19,800	39,400	56,700	70,000
<b>OPERATING SUBTOTAL</b>	<b>2,403,700</b>	<b>2,966,100</b>	<b>3,321,500</b>	<b>3,195,900</b>	<b>3,151,300</b>
<b>SPECIAL LINE ITEMS</b>					
Liability and Property Losses	31,609,900	37,666,700	40,421,000	40,326,000	40,326,000
Attorney General Defense RM	4,707,000	4,981,800	5,330,300	4,988,800	4,993,700
Insurance Premiums	1,550,400	5,498,500	4,818,000	4,818,000	4,818,000
Loss Control Grants	388,000	250,000	250,000	250,000	250,000
<b>PROGRAM TOTAL</b>	<b>40,659,000</b>	<b>51,363,100</b>	<b>54,140,800</b>	<b>53,578,700</b>	<b>53,539,000</b>
<b>BY FUND SOURCE</b>					
Other Appropriated Funds	40,659,000	51,363,100	54,140,800	53,578,700	53,539,000
<b>TOTAL - ALL SOURCES</b>	<b>40,659,000</b>	<b>51,363,100</b>	<b>54,140,800</b>	<b>53,578,700</b>	<b>53,539,000</b>

**Program Description** — *The Risk Management section 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.*

<b>Change in Funding Summary:</b>	<u>FY 1996 to FY 1997 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
Other Appropriated Funds	\$2,175,900	4.2%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

<b>Standard Changes</b>	
— Annualization of January 1996 Pay Adjustment	
— ERE Rates	\$ 60,900 OF
— Risk Management	(44,600) OF
— Rent	(11,200) OF
	6,200 OF

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### **Liability and Property Losses/Related Expenditures**

**2,659,300 OF**

Includes an increase of \$2,659,300 to reflect the expected costs for self-insured Risk Management losses and for expenditures related to settling these losses, based on an annual actuarial study conducted for the state. The Executive concurs.

### **Environmental Cleanup**

**218,700 OF**

The recommended amount includes an increase of 4 FTE Positions and \$218,700 to hire project managers to oversee the clean up of contaminated state-owned land, where mandated by law. The number of Risk Management claims for asbestos, hazardous waste, and underground storage tank remediation has increased from 44 claims in FY 1991 to 91 claims (totaling \$10,200,000) at the beginning of FY 1996. The Executive concurs and recommends \$213,200.

### **Equipment**

**4,800 OF**

The recommended amount includes a total of \$24,600 for replacement of computer equipment. The Executive concurs.

### **Actual Expenditures**

**(37,700) OF**

Includes a decrease of \$(37,700) to adjust operating expenditures to reflect the actual expenditures of the department. The Executive concurs.

### **Insurance Premiums**

**(680,500) OF**

Includes a decrease of \$(680,500) for the cost of private insurance policies purchased for specific property and liability expenses where the department deems it more cost effective to cede risk to an outside insurer. The reduced amount reflects the department's projection of lower private insurance costs and constitutes full funding of the FY 1997 requirement. The Executive concurs.

\* \* \*

***JLBC Staff Recommended Format*** — Lump Sum by Fund with a Special Line Item Lump Sum and with an Attorney General Defense-Risk Management Special Line Item

### ***JLBC Staff Recommended Footnotes***

#### ***Deletion of Prior Year Footnotes***

- The JLBC Staff recommends deleting the footnote on the Attorney General Pilot Program, which has now been completed.
- The JLBC Staff recommends deleting the footnote specifying the number of Special Line FTE Positions.

### ***Other Issues for Legislative Consideration***

#### — **Administrative Investigations**

The Executive recommends an additional 1 FTE Position and \$45,700 to hire an investigator to assist agencies in non-criminal investigations and loss prevention related to violations of state policies and procedures. In FY 1995, there were 159 employee-related claims totaling \$4,800,000.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Arizona Department of Administration  
 PRIG: Workers' Compensation

JLBC: Lynne Smith/Phil Case  
 OSPB: Tom Betlach

House Sub: Wong  
 Senate Sub: Turner

DESCRIPTION	FY 1995	FY 1996	FY 1997		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	18.0	17.0	17.0	17.0	17.0
Personal Services	373,700	406,800	415,600	411,300	411,300
Employee Related Expenditures	93,400	106,100	110,900	97,400	97,200
All Other Operating Expenditures:					
Professional and Outside Services	203,200	274,600	274,600	195,000	195,000
Travel - In State	100	3,900	3,900	3,900	3,900
Travel - Out of State	700	1,000	1,000	1,000	1,000
Other Operating Expenditures	93,900	128,600	121,900	122,600	122,600
Equipment	4,800	2,400	4,900	4,900	4,900
<b>OPERATING SUBTOTAL</b>	<b>769,800</b>	<b>923,400</b>	<b>932,800</b>	<b>836,100</b>	<b>835,900</b>
<b>SPECIAL LINE ITEMS</b>					
Workers' Compensation Losses	14,057,700	17,652,000	18,891,000	18,208,000	18,208,000
Premium Tax	287,700	381,000	292,800	292,800	292,800
Insurance Premiums	294,100	500,000	293,000	293,000	293,000
University Student Health Work Program	116,400	159,500	159,500	159,500	159,500
Transfers Out: Loss Control Grants	150,000	150,000	150,000	150,000	150,000
Attorney General Defense-WC	117,500	120,100	120,100	120,400	120,100
<b>PROGRAM TOTAL</b>	<b>15,793,200</b>	<b>19,886,000</b>	<b>20,839,200</b>	<b>20,059,800</b>	<b>20,059,300</b>
<b>BY FUND SOURCE</b>					
Other Appropriated Funds	15,793,200	19,886,000	20,839,200	20,059,800	20,059,300
<b>TOTAL - ALL SOURCES</b>	<b>15,793,200</b>	<b>19,886,000</b>	<b>20,839,200</b>	<b>20,059,800</b>	<b>20,059,300</b>

**Program Description** — *The Workers' Compensation section makes Workers' Compensation payments to state employees and former employees who are injured in the course of performing state duties. 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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
Other Appropriated Funds	\$173,300	0.9%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 6,000 OF
— ERE Rates	(10,400) OF
— Risk Management	(1,200) OF
— Rent	1,900 OF

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

— Elimination of One-time Equipment (2,400) OF

**Workers Compensation Losses/Related Expenditures** 556,000 OF

Includes an increase of \$556,000 to reflect expected costs for self-insured workers' compensation losses and for expenditures related to settling those losses, based on an annual actuarial study conducted for the state. The Executive concurs.

**Equipment and Supplies** (1,800) OF

Includes a total of \$4,900 for replacement of 2 computers and a decrease of \$(6,700) for maintenance contracts and supplies no longer needed by the department. The Executive concurs.

**Professional and Outside Services** (79,600) OF

The recommended amount includes the elimination of funding for one-time consultant costs. The Executive concurs.

**Insurance Premium Taxes** (88,200) OF

The reduced amount reflects full funding of the FY 1997 requirement. The Executive concurs.

**Insurance Premiums** (207,000) OF

The reduced amount reflects the department's projection of lower private insurance costs and constitutes full funding of the FY 1997 requirement. The Executive concurs.

\* \* \*

***JLBC Staff Recommended Format*** — Lump Sum by Fund with a Special Line Item Lump Sum and with an Attorney General Defense - Workers' Compensation Special Line Item

***JLBC Staff Recommended Footnotes***

***Deletion of Prior Year Footnotes***

— The JLBC Staff recommends deleting the footnote specifying the number of Special Line FTE Positions.



**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Arizona Department of Administration  
 PRIG: Human Resources

JLBC: Lynne Smith/Phil Case  
 OSPB: Tom Betlach

House Sub: Wong  
 Senate Sub: Turner

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	122.0	122.0	143.0	123.0	119.5
Personal Services	3,199,200	3,591,500	4,124,900	3,653,300	3,627,100
Employee Related Expenditures	744,800	847,400	1,043,600	827,900	815,200
All Other Operating Expenditures:					
Professional and Outside Services	107,900	267,000	362,000	267,000	267,000
Travel - In State	9,300	11,400	13,400	11,400	11,400
Travel - Out of State	10,000	4,500	11,200	4,500	4,500
Other Operating Expenditures	790,300	731,500	1,270,200	817,500	832,700
Equipment	91,100	7,000	391,300	18,200	10,000
<b>OPERATING SUBTOTAL</b>	<b>4,952,600</b>	<b>5,460,300</b>	<b>7,216,600</b>	<b>5,599,800</b>	<b>5,567,900</b>
<b>SPECIAL LINE ITEMS</b>					
Special Recruitment	23,700	43,500	60,000	43,500	43,500
Personnel Automation Project	175,000	175,000	175,000	175,000	175,000
Classification Project	383,300	426,900	0	0	0
Facility Improvements	0	0	221,200	0	0
Resumix	0	0	0	292,800	0
Data Center Services	0	0	0	0	1,062,700
<b>PROGRAM TOTAL</b>	<b>5,534,600</b>	<b>6,105,700</b>	<b>7,672,800</b>	<b>6,111,100</b>	<b>6,849,100</b>
<b>BY FUND SOURCE</b>					
Other Appropriated Funds	5,534,600	6,105,700	7,672,800	6,111,100	6,849,100
Other Non-Appropriated Funds	201,161,600	212,778,300	218,272,800	218,272,800	218,272,800
<b>TOTAL - ALL SOURCES</b>	<b>206,696,200</b>	<b>218,884,000</b>	<b>225,945,600</b>	<b>224,383,900</b>	<b>225,121,900</b>

**Program Description** — *The Human Resources 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 equal to 0.95% of state agency payrolls. Under A.R.S. § 41-764, this pro rata charge is scheduled to rise by 0.05% annually, until a level of 1% is reached in FY 1998.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
Other Appropriated Funds	\$743,400	12.2%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of January 1996 Pay Adjustment
- ERE Rates
- Risk Management

**\$ 40,400 OF  
 (37,000) OF  
 (9,000) OF**

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

- Rent 11,700 OF
- Elimination of One-time Equipment (7,000) OF

### **HRMS**

**1,062,700 OF**

The recommended amount reflects an increase of \$676,200 to transfer the Data Center charge for HRMS computer run time from the Finance Division's General Fund budget and \$386,500 to transfer the associated Data Center staff charges from the Information Services Division's General Fund budget. The Executive concurs, but places the funding in the Finance Division's budget.

### **Child Development Center**

**108,500 OF**

The recommended amount includes an increase of \$90,500 to replace General Fund rent for the Child Development Center with Personnel Fund monies. The Human Resources Division has responsibility for the center, which is run by a private contractor. Operating costs are funded through charges to parents. The General Fund reduction is made in the General Services cost center, which previously provided rent funding. The recommended amount also includes an increase of \$18,000 for repair and replacement of equipment for the center. The Executive concurs with the additions, but does not make the General Fund rent reduction.

### **Classification Project**

**(426,900) OF**

This Special Line Item funded a project to develop a new job classification system for possible implementation statewide. The department and contractor will develop implementation and funding options and present the results of the project to the Legislature this session, prior to adoption of a new job classification system. The recommended amount eliminates funding and (2.5) FTE Positions, as the project will be completed in FY 1996. The Executive concurs.

\* \* \*

### ***JLBC Staff Recommended Format — Lump Sum by Fund***

### ***JLBC Staff Recommended Footnotes***

#### ***Deletion of Prior Year Footnotes***

- The JLBC Staff recommends deleting the footnote on the Classification Project, as the project ends in FY 1996.

### ***Other Issues for Legislative Consideration***

#### **— Turnover Analyst**

The Executive adds 1 FTE Position and \$36,100 to analyze state employee turnover trends in order to discern the underlying causes and recommend alternatives. The JLBC Staff does not recommend the addition of this position because turnover analysis is a core function of the department, which should be handled by the existing staff.

#### **— Resumix**

The Executive recommends 1) an increase of \$292,800 in a new Special Line Item to complete the Resumix automated hiring system and 2) use of the \$175,000 Personnel Automation Project Special Line Item for upgrades to the division's LAN equipment and software. The JLBC Staff recommends that the division instead continue to use the Personnel Automation Project Special Line Item for completion of the Resumix system.

**AHCCCS**  
**(AHC)**

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Arizona Health Care Cost Containment System  
Agency Summary

JLBC: Michael Bradley/Jeffrey  
Schmied OSPB: Shelli Silver

House Sub: Weiers  
Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Administration	55,778,200	63,707,200	63,810,500	59,165,500	64,968,400
DES-AHCCCS	35,579,100	38,708,400	38,122,500	37,923,400	37,385,100
DHS-AHCCCS	15,605,300	16,618,900	17,441,800	16,444,600	16,446,500
Long-Term Care	334,021,900	372,482,400	418,975,900	418,023,400	414,506,800
Acute Care	1,175,354,600	1,248,987,200	1,297,757,600	1,278,120,800	1,296,089,000
<b>AGENCY TOTAL</b>	<b>1,616,339,100</b>	<b>1,740,504,100</b>	<b>1,836,108,300</b>	<b>1,809,677,700</b>	<b>1,829,395,800</b>

### OPERATING BUDGET

Full Time Equivalent Positions	2,181.2	2,197.4	2,195.7	2,195.7	2,209.7
Personal Services	46,498,500	49,880,400	50,441,400	49,445,700	50,892,200
Employee Related Expenditures	11,233,700	12,498,400	13,931,500	12,508,000	12,494,100
All Other Operating Expenditures:					
Professional and Outside Services	6,472,300	9,508,500	9,198,600	9,508,500	9,508,500
Travel - In State	686,300	731,800	733,600	733,600	737,000
Travel - Out of State	48,400	77,600	83,100	73,300	79,400
Other Operating Expenditures	16,603,900	18,217,000	19,085,200	19,090,000	18,533,900
Equipment	2,752,200	1,671,500	1,757,500	1,081,800	1,755,500
<b>OPERATING SUBTOTAL</b>	<b>84,295,300</b>	<b>92,585,200</b>	<b>95,230,900</b>	<b>92,440,900</b>	<b>94,000,600</b>
Special Line Items	1,532,043,800	1,647,918,900	1,740,877,400	1,717,236,800	1,735,395,200
<b>AGENCY TOTAL</b>	<b>1,616,339,100</b>	<b>1,740,504,100</b>	<b>1,836,108,300</b>	<b>1,809,677,700</b>	<b>1,829,395,800</b>

### BY FUND SOURCE

General Fund	451,182,200	479,355,000	479,346,700	475,896,500	480,188,800
Federal Funds	976,684,000	1,063,280,600	1,122,534,900	1,090,658,700	1,119,096,500
County Funds	186,272,900	192,868,500	216,542,400	212,189,400	208,566,500
Third Party Collections	2,200,000	5,000,000	5,000,000	5,000,000	5,000,000
Tobacco Tax Funds	0	0	12,684,300	25,933,100	16,544,000
<b>TOTAL - ALL SOURCES</b>	<b>1,616,339,100</b>	<b>1,740,504,100</b>	<b>1,836,108,300</b>	<b>1,809,677,700</b>	<b>1,829,395,800</b>

**Agency Description** — The Arizona Health Care Cost Containment System, or AHCCCS, is Arizona's 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.

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Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$ 833,800	0.2%
Other Funds	<u>88,057,900</u>	<u>7.0%</u>
Total Funds	\$88,891,700	5.1%

*The JLBC Staff Recommendation and the Executive Recommendation are based on current law and do not reflect any changes which may occur as a result of federal budget decisions. The JLBC Staff recommendation includes forecasted numbers based upon actual client counts and expenditures through the end of November 1995, while due to their differing schedule, the Executive numbers are based on actuals through October 1995. The JLBC Staff will be providing a revised forecast to the Legislature prior to adoption of the AHCCCS budget for FY 1997 in order to provide the most up-to-date information. If Medigra, or any other significant changes, are passed through Congress and signed by the President, the JLBC Staff will provide supplemental information for the Legislature's consideration.*

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 567,300 TF	\$ 235,200 GF
— ERE Rates	(203,400) TF	(70,300) GF
— Risk Management	252,300 TF	118,600 GF
— Elimination of One-time Equipment	(1,671,500) TF	(530,200) GF

**ADMINISTRATION**

New ALTCS Eligibility Workers (20 FTE Positions)	870,600 TF	348,200 GF
New Equipment	1,500,000 TF	507,500 GF

**DES-AHCCCS**

MEDICS Development Phase Reduction	(1,469,600) TF	(787,800) GF
MEDICS Support Positions	100,400 TF	50,300 GF

**DHS-AHCCCS**

DHS PASARR Reduction	(180,600) TF	(44,300) GF
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**LONG-TERM CARE**

Population Growth and Inflation	42,142,900 TF	15,738,500 CF
Enforceable Copay on Long-Term Care Visits	(118,500) TF	(40,500) CF

**ACUTE CARE**

FY 1996 Estimated Acute Care Surplus	(42,116,200) TF	(22,686,300) GF
Demographic Changes	44,800,000 TF	7,807,300 GF
Medical Inflation and Capitation Rate Increases	43,332,600 TF	17,009,300 GF
Discontinue \$10,000,000 Discount on State-Only Hospital Bills	10,000,000 TF	-0- GF
Maintain County Acute Contribution at a Fixed Amount	-0- TF	-0- GF
Resume Phase-Down of Quick Pay Discount on Categorical Bills	12,609,600 TF	-0- GF
Change in the Federal Medical Assistance Percentage	-0- TF	-0- GF
Disproportionate Share Payments (Preliminary Estimate)	-0- TF	1,471,700 GF
Medicare Premiums	2,587,200 TF	898,300 GF
Qualified Medicare Beneficiaries	1,192,500 TF	416,000 GF

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<b>Behavioral Health Title XIX Federal Matching Funds</b>	<b>(19,500,000) TF</b>	<b>-0- GF</b>
<b>One-Time Additional Appropriation</b>	<b>(2,500,000) TF</b>	<b>(2,500,000) GF</b>
<b>Inclusion of Gaming Revenues in Eligibility Determination</b>	<b>(200,000) TF</b>	<b>(70,000) GF</b>
<b>Enforceable Copay on Acute Care and Emergency Visits</b>	<b>(3,103,900) TF</b>	<b>(1,339,700) GF</b>

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

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Arizona Health Care Cost Containment System  
 PROG: Administration

JLBC: Michael Bradley/Jeffrey  
 Schmied OSPB: Shelli Silver

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	1,061.7	1,091.2	1,091.2	1,091.2	1,111.2
Personal Services	25,558,600	27,027,700	27,348,100	26,358,200	27,739,600
Employee Related Expenditures	5,913,200	6,250,400	7,619,200	6,397,700	6,398,800
All Other Operating Expenditures:					
Professional and Outside Services	6,174,400	9,416,300	9,106,400	9,416,300	9,416,300
Travel - In State	180,800	195,200	195,200	195,200	199,800
Travel - Out of State	41,000	75,400	75,400	65,500	75,400
Other Operating Expenditures	10,241,800	10,632,200	10,925,400	10,925,400	10,943,100
Equipment	2,244,300	1,671,500	1,757,500	1,081,800	1,755,500
<b>OPERATING SUBTOTAL</b>	<b>50,354,100</b>	<b>55,268,700</b>	<b>57,027,200</b>	<b>54,440,100</b>	<b>56,528,500</b>
<b>SPECIAL LINE ITEMS</b>					
DOA Data Center	5,273,200	8,247,100	6,591,900	4,540,000	8,247,100
Indian Advisory Council	150,900	191,400	191,400	185,400	192,800
<b>PROGRAM TOTAL</b>	<b>55,778,200</b>	<b>63,707,200</b>	<b>63,810,500</b>	<b>59,165,500</b>	<b>64,968,400</b>
<b>BY FUND SOURCE</b>					
General Fund	26,426,200	28,501,300	28,872,400	27,626,400	29,091,000
Federal Funds	29,352,000	35,205,900	34,938,100	31,539,100	35,877,400
<b>TOTAL - ALL SOURCES</b>	<b>55,778,200</b>	<b>63,707,200</b>	<b>63,810,500</b>	<b>59,165,500</b>	<b>64,968,400</b>

**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 or bills incurred by persons not eligible for health plan enrollment. 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 and for SSI Pickle Eligibility. Eligibility for the Acute Care program is conducted by the Department of Economic Security, counties, and the federal Social Security Administration.*

Change in Funding Summary:	<u>FY 1996 to FY 1997 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$ 589,700	2.1%
Other Funds	671,500	1.9%
<b>Total Funds</b>	<b>\$1,261,200</b>	<b>2.0%</b>

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### *FY 1997 — JLBC Staff Recommended Changes from FY 1996*

#### **Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 309,800 TF	\$ 145,600 GF
— Risk Management	252,300 TF	118,600 GF
— Elimination of One-time Equipment	(1,671,500) TF	(530,200) GF

#### **New Equipment**

1,500,000 TF      507,500 GF

Includes funding for upgrade and replacement of computers, peripherals, telephones, copiers, automobiles and other capital replacement equipment. The Executive recommends \$530,200 GF, \$1,081,800 TF for equipment. The JLBC Staff TF amount is significantly higher due to the enhanced matching percentage for Title 19 computer system maintenance.

#### **ALTCS Eligibility Workers**

870,600 TF      348,200 GF

The JLBC Staff recommends an additional 20 FTE Positions (8 FTE Positions are General Fund) to perform financial and medical eligibility determinations for the Arizona Long-Term Care System (ALTCS). The ALTCS program is projected to continue to have client growth rates of around 9% to 10% per annum. To manage this increase in population without increasing the error rate or reducing eligibility screening standards, and also increasing the cost of the ALTCS program, sufficient eligibility workers must be added. The Executive does not recommend any additional eligibility positions to cover expected caseload growth. AHCCCS estimates that failure to fund these positions would result in an increase in ALTCS costs of approximately \$4.5 million due to higher percentages of applicants qualifying for services due to reduced ability to insure all eligibility standards are met.

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### *JLBC Staff Recommended Format — Operating Lump Sum with Special Line Items by Program*

#### *JLBC Staff Recommended Footnotes*

##### *Standard Footnotes*

- It is the intent of the Legislature that the appropriation for the Department of Administration 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.
- Of the \$64,968,400 expenditure authority for Administration, \$29,091,000 is appropriated from the General Fund.

#### *Other Issues for Legislative Consideration*

- Department of Administration (DOA) Data Center Charges  
The Executive recommends a reduction of \$1,557,000 GF, \$3,707,100 TF to the DOA Data Center Special Line Item. This would leave \$4,540,000 TF for computer services costs, compared with the JLBC Staff recommendation of \$8,247,100 TF, which is unchanged from the FY 1996 appropriation. AHCCCS is the largest customer of the DOA Data Center, and has expended between \$6,273,233 to \$7,725,366 each year between FY 1991 and FY 1995. The appropriation for the current year is \$8,247,100 based on expected increases in both cost and utilization. While actual expenses may end up being lower than this amount, it is very unlikely to be lower by a magnitude of nearly \$4 million. It is also to be expected that with the new Transitional Medical Assistance program, Family Planning Services program, and continuing ALTCS growth, utilization will increase rather than drop in FY 1997. As the major customer of the DOA Data Center, a significant reduction in the funding of computer costs may jeopardize the ability of the DOA Data Center to maintain operations. For these reasons, the JLBC Staff does not recommend this issue.
- Administration Funding Proportion Adjustment  
The Executive recommends an increase of \$761,000 GF and lowers federal funds substantially in order adjust the state match percentage from the current appropriation level of 45% to 47% to reflect shifts in costs between federal and state-only programs. AHCCCS has transferred funds in some years in order to have sufficient state matching funds to draw down federal funds for administration. The JLBC Staff recommendation also addresses this issue, but not as a separate increase. The JLBC Staff has used the department's expenditure plan in formulating the FY 1997 recommendation which solves the funding mix



**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

issue. The Executive used the original expenditure plan upon which the appropriation for FY 1996 was based, however, under the lump sum appropriation format adopted for AHCCCS they have the flexibility to make this type of adjustment.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Arizona Health Care Cost Containment System  
 PROG: DES - AHCCCS

JLBC: Michael Bradley/Jeffrey  
 Schmied OSPB: Shelli Silver

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995	FY 1996	FY 1997		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	1,094.5	1,079.5	1,079.5	1,079.5	1,073.5
Personal Services	20,712,600	22,252,200	22,490,000	22,486,800	22,546,500
Employee Related Expenditures	5,266,700	6,096,600	6,160,200	5,957,200	5,941,300
All Other Operating Expenditures:					
Professional and Outside Services	292,600	63,300	63,300	63,300	63,300
Travel - In State	492,200	514,300	516,100	516,100	514,900
Travel - Out of State	4,900	2,200	7,700	7,800	4,000
Other Operating Expenditures	6,044,600	7,534,400	8,109,400	8,114,000	7,540,400
Equipment	504,400	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>33,318,000</b>	<b>36,463,000</b>	<b>37,346,700</b>	<b>37,145,200</b>	<b>36,610,400</b>
<b>SPECIAL LINE ITEMS</b>					
DES DDSA	130,400	201,000	201,000	200,800	201,800
DES PASARR	31,300	205,400	205,400	201,400	203,500
MEDICS	2,099,400	1,839,000	369,400	376,000	369,400
<b>PROGRAM TOTAL</b>	<b>35,579,100</b>	<b>38,708,400</b>	<b>38,122,500</b>	<b>37,923,400</b>	<b>37,385,100</b>
<b>BY FUND SOURCE</b>					
General Fund	18,801,100	19,464,300	19,127,500	19,023,300	18,743,200
Federal Funds	16,778,000	19,244,100	18,995,000	18,900,100	18,641,900
<b>TOTAL - ALL SOURCES</b>	<b>35,579,100</b>	<b>38,708,400</b>	<b>38,122,500</b>	<b>37,923,400</b>	<b>37,385,100</b>

**Program Description** — *The appropriation for DES - AHCCCS represents an allocation of costs incurred by the Department of Economic Security (DES) 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" (MAO) in the federal SOBRA program for pregnant women and children.*

Change in Funding Summary:	<u>FY 1996 to FY 1997 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$ (721,100)	(3.7)%
Other Funds	<u>(602,200)</u>	<u>(3.1)%</u>
Total Funds	\$(1,323,300)	(3.4)%

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

***FY 1997 — JLBC Staff Recommended Changes from FY 1996***

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 251,200 TF	\$ 87,400 GF
— ERE Rates	(205,300) TF	(71,000) GF

**Medicaid Eligibility Determination and Information Control System (MEDICS)** (1,469,600) TF (787,800) GF

MEDICS is an automated medical assistance eligibility system for determining AHCCCS eligibility in the federal SOBRA program for pregnant women and children and other Medical Assistance Only (MAO) programs. The Department of Economic Security (DES) began conversion to the MEDICS system in FY 1993, in what was envisioned as a 30-month project. The reduction reflects the elimination of \$585,900 TF for the annualization of positions eliminated last fiscal year, and the elimination of funding for 9 additional FTE Positions and \$883,700 TF to reflect completion of the project. The Executive recommended only the reduction of \$585,900 TF and transferred the remainder of funding to the operating budget where they will be part of the permanent base.

The Special Line Item appropriation remains at \$369,400 TF for lease-purchase costs associated with the new system hardware. Lease-purchase costs are expected to be \$360,800 TF in FY 1998, \$69,000 TF in FY 1999, \$7,900 TF in FY 2000. After FY 2000 no more costs are anticipated.

**MEDICS Support Positions**

100,400 TF 50,300 GF

DES requested moving 9 FTE Positions and \$883,700 TF to the operating budget as a permanent increase for support of the new MEDICS system. The JLBC Staff recommends the addition of 3 FTE Positions and \$100,400 TF, \$50,300 GF for ongoing support of the MEDICS system. The positions include a Management Analyst I FTE Position for user support and help desk activities, a Management Analyst II for program analysis, and a Program and Projects Specialist to prepare user documentation and act as a liaison to AHCCCS. The Executive recommended moving all 9 FTE Positions and \$883,700 TF to the operating budget as requested by the agency.

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

***JLBC Staff Recommended Footnotes***

***Standard Footnotes***

- Of the \$37,385,100 expenditure authority for DES - AHCCCS, \$18,743,200 is appropriated from the state General Fund.
- 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 1997 Budget - Analysis and Recommendations

DEPT: Arizona Health Care Cost Containment System  
 PROG: DHS - AHCCCS

JLBC: Michael Bradley/Jeffrey  
 Schmied OSPB: Shelli Silver

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	25.0	26.7	25.0	25.0	25.0
Personal Services	227,300	600,500	603,300	600,700	606,100
Employee Related Expenditures	53,800	151,400	152,100	153,100	154,000
All Other Operating Expenditures:					
Professional and Outside Services	5,300	28,900	28,900	28,900	28,900
Travel - In State	13,300	22,300	22,300	22,300	22,300
Travel - Out of State	2,500	0	0	0	0
Other Operating Expenditures	317,500	50,400	50,400	50,600	50,400
Equipment	3,500	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>623,200</b>	<b>853,500</b>	<b>857,000</b>	<b>855,600</b>	<b>861,700</b>
<b>SPECIAL LINE ITEMS</b>					
Children's Rehabilitative Services	14,750,800	15,000,000	16,000,000	15,000,000	15,000,000
DHS PASARR	115,100	391,200	210,600	214,800	210,600
Indirect Cost-Licensure	116,200	374,200	374,200	374,200	374,200
<b>PROGRAM TOTAL</b>	<b>15,605,300</b>	<b>16,618,900</b>	<b>17,441,800</b>	<b>16,444,600</b>	<b>16,446,500</b>
<b>BY FUND SOURCE</b>					
General Fund	425,700	688,700	646,100	646,400	647,300
Federal Funds	15,179,600	15,930,200	16,795,700	15,798,200	15,799,200
<b>TOTAL - ALL SOURCES</b>	<b>15,605,300</b>	<b>16,618,900</b>	<b>17,441,800</b>	<b>16,444,600</b>	<b>16,446,500</b>

**Program Description** — *The appropriation for DHS - AHCCCS represents an allocation of costs incurred by the Department of Health Services (DHS) 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.*

Change in Funding Summary:	<u>FY 1996 to FY 1997 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$ (41,400)	(6.0)%
Other Funds	(131,000)	(0.8)%
Total Funds	\$(172,400)	(1.0)%

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

***FY 1997 — JLBC Staff Recommended Changes from FY 1996***

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 6,300 TF	\$ 2,200 GF
— ERE Rates	1,900 TF	700 GF

**DHS PASARR Reduction**

\$ (180,600) TF      \$ (44,300) GF

The JLBC Staff recommends a reduction of 1.7 FTE Positions and \$180,600 TF, 0.4 FTE Positions and \$44,300 GF from the DHS-PASARR Special Line Item due to reduced need for these program expenditures. The Department of Health Services (DHS) has not utilized this funding in the past few years and this reduction realigns the appropriated amount with actual needs. The reduction in this line item should not effect the overall level of activity currently performed. The Executive concurs.

\* \* \*

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

***JLBC Staff Recommended Footnotes***

***Standard Footnotes***

- Of the \$16,446,500 expenditure authority for DHS - AHCCCS, \$647,300 is appropriated from the State 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.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Arizona Health Care Cost Containment System  
 PROG: Long-Term Care

JLBC: Michael Bradley/Jeffrey  
 Schmied OSPB: Shelli Silver

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995	FY 1996	FY 1997		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0	0.0	0.0
<b>SPECIAL LINE ITEMS</b>					
ALTCS Lump Sum Appropriation	333,812,200	372,272,700	418,755,700	417,813,700	414,297,100
Board of Nursing	209,700	209,700	220,200	209,700	209,700
<b>PROGRAM TOTAL</b>	<b>334,021,900</b>	<b>372,482,400</b>	<b>418,975,900</b>	<b>418,023,400</b>	<b>414,506,800</b>
<b>BY FUND SOURCE</b>					
General Fund	0	0	0	0	0
Federal Funds	221,848,400	246,303,400	276,316,100	274,247,800	272,629,800
County Funds	112,173,500	126,179,000	142,659,800	143,775,600	141,877,000
<b>TOTAL - ALL SOURCES</b>	<b>334,021,900</b>	<b>372,482,400</b>	<b>418,975,900</b>	<b>418,023,400</b>	<b>414,506,800</b>

**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 non-federal share of the administrative cost of ALTCS is borne by the state. The AHCCCS Administration conducts ALTCS eligibility determination and is also responsible for contracting with providers. As in the Acute Care program, providers receive a monthly capitation payment that covers the full range of ALTCS services, including acute medical services.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
County Funds (CF)	\$15,698,000	12.4%
Federal Funds (FF)	\$26,326,400	10.7%
Total Funds	\$42,024,400	11.3%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**ALTCS Lump Sum Appropriation** **\$42,142,900 TF \$15,738,500 CF**  
 The JLBC Staff recommendation is based on 14,684 average annual member years and 9% population growth over the staff's revised FY 1996 estimate. The revised FY 1996 estimate includes projected growth of 9% for the remainder of the year. The estimate also reflects 4% medical inflation for an average FY 1997 per member per month cost of \$2,351, which includes the cost of Capitation, Fee-For-Service, Reinsurance, Medicare Premiums and Nurse Aid Training costs. In addition to the medical inflation projected for FY 1997, the revised FY 1996 estimate includes 4% medical inflation for the remainder of the year.

The enrollment for the ALTCS program has grown steadily at the 9% to 10 % range for the last few years. Current projections show continued growth in this range for the next few years, and then growth at a slower rate in the 4% to 5% range. Medical inflation, or cost per client, has fluctuated over the life of the program due to increased utilization of home-and-community-based

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

services (HCBS). However, placements into HCBS are likely to reach an equilibrium soon and may not provide future cost savings that lower overall cost per client. For this reason, the projection for medical inflation is based on a similar, or slightly higher cost curve than that of the Acute Care program. The cost may rise faster than Acute Care due to the limited degree of competition among providers in the ALTCS program.

The JLBC Staff recommendation would require a county Long-Term Care contribution of \$141,877,000 for FY 1997 which is an increase of \$15,698,000, or 12.4% over the FY 1996 appropriation. The increase is attributable to 9% population growth, 4% medical inflation, a reduction in federal matching percentage and other factors. In accordance with Laws 1993, Chapter 184 (H.B. 2160), the county Long-Term 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.

The Executive recommends an increase of \$45,541,000 TF. This would require a county Long-Term Care contribution of \$143,775,600 for FY 1997, which is an increase of \$17,596,600, or 13.9% over the original FY 1996 appropriation. The Executive uses a population growth factor of 7.8% for FY 1996, and 7.4% for FY 1997, coupled with a 4.15% medical inflation rate. The base used by the Executive is higher than that used by the JLBC Staff due in part to the Executive budget recommendation being prepared at an earlier date.

### **Applying an Enforceable Copay on Long Term-Care Visits**

(118,500) TF      (40,500) CF

For a full discussion of this issue, please refer to the program narrative for the Acute Care program. The savings shown here are those associated with clients in the ALTCS program. The Executive did not recommend this issue.

\* \* \*

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

*JLBC Staff Recommended Footnotes*

#### *Standard Footnotes*

- Pursuant to A.R.S. § 11-292B, the FY 1996-1997 non-federal portion of the costs of providing Long-Term Care system services is \$141,877,000.
- Any federal funds that AHCCCS passes through to the Department of Economic Security 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 1997 Budget - Analysis and Recommendations

DEPT: Arizona Health Care Cost Containment System  
 PROG: Acute Care

JLBC: Michael Bradley/Jeffrey  
 Schmied OSPB: Shelli Silver

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0	0.0	0.0
<b>SPECIAL LINE ITEMS</b>					
Capitation	718,462,400	777,021,700	804,000,300	775,260,700	765,275,200
Fee For Service	197,668,600	188,285,200	219,426,300	225,153,300	280,728,300
Reinsurance	47,524,800	49,850,000	45,632,500	35,783,800	36,382,200
Deferred Liability	16,449,000	0	0	0	0
Medicare Premiums	16,486,800	12,332,200	20,460,400	18,805,900	14,450,500
Qualified Medical Beneficiaries	3,078,900	7,380,300	4,014,700	3,431,900	7,565,900
Disproportionate Share	124,512,300	114,186,900	114,186,900	112,958,400	114,186,900
Children's Title XIX Beh Health	32,376,400	45,000,000	38,500,000	33,139,400	38,500,000
Adult Title XIX Beh Health	18,795,400	45,000,000	32,000,000	31,731,000	32,000,000
Gen Mental Hlth/Sub Abuse	0	7,000,000	6,852,200	7,521,000	7,000,000
Additional Appropriations	0	2,930,900	0	0	0
State Emergency Services	0	0	0	11,163,500	0
Quick Pay Discount	0	0	0	13,171,900	0
Private Hospital Discount	0	0	0	10,000,000	0
Tobacco Tax Monies	0	0	12,684,300	0	0
<b>PROGRAM TOTAL</b>	<b>1,175,354,600</b>	<b>1,248,987,200</b>	<b>1,297,757,600</b>	<b>1,278,120,800</b>	<b>1,296,089,000</b>
<b>BY FUND SOURCE</b>					
General Fund	405,529,200	430,700,700	430,700,700	428,600,400	431,707,300
Federal Funds	693,526,000	746,597,000	775,490,000	750,173,500	776,148,200
County Funds	74,099,400	66,689,500	73,882,600	68,413,800	66,689,500
Third Party Collections	2,200,000	5,000,000	5,000,000	5,000,000	5,000,000
Tobacco Tax Funds	0	0	12,684,300	25,933,100	16,544,000
<b>TOTAL - ALL SOURCES</b>	<b>1,175,354,600</b>	<b>1,248,987,200</b>	<b>1,297,757,600</b>	<b>1,278,120,800</b>	<b>1,296,089,000</b>

**Program Description** — *The AHCCCS Acute Care program is the medical services component of 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 (HMO) 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 or practitioner. 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. In cases involving catastrophic medical expenses, AHCCCS supplements capitation through Reinsurance in order to preserve health plan financial viability.*



**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$ 1,006,600	0.2%
Other Funds	<u>46,095,200</u>	<u>5.6%</u>
Total Funds	\$47,101,800	3.8%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**FY 1996 Estimated Acute Care Surplus**

\$ (42,116,200) TF    \$ (22,686,300) GF

The JLBC Staff is estimating expenditures for the Acute Care program to be \$22,686,300 GF and \$42,116,200 TF less than the FY 1996 appropriation. This surplus is due to lower than projected population and capitation growth. This adjustment is shown so that the following amounts accurately reflect the amounts of cost increases or decreases associated with FY 1997 estimates. The Executive does not present this recommendation in a comparable way, but also indicates a surplus for FY 1996.

**Demographic Change**

44,800,000 TF    7,807,300 GF

The JLBC Staff recommendation reflects overall FY 1997 population growth among enrolled members (member years) decreasing by 0.2% below the JLBC Staff revised FY 1996 estimate. These estimates reflect those AHCCCS members enrolled in capitated health plans, and 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. While overall population growth is projected to remain relatively flat, larger increases in more costly population categories and declines in other relatively less costly categories are projected. Therefore, while there is no overall growth, shifting between rate codes and higher fee-for-service expenditures result in a substantial overall increase.

The Executive does not present their recommendation in a comparable way, however, overall the Executive recommendation is higher by \$9,985,500 TF for Capitation, lower by \$21,239,600 TF for Fee-For-Service, and lower by \$598,400 TF for Reinsurance. The large difference in Fee-For-Service is due to a JLBC Staff projected deficit for this Special Line Item in the current year and a higher growth estimate for FY 1997.

**Medical Inflation and Capitation Rate Increases**

43,332,600 TF    17,009,300 GF

The JLBC Staff recommendation includes the following estimates for per member per month (PMPM) cost growth for FY 1997: Capitation - 4%; Fee-For-Service - 5%; and Reinsurance - 4%. These result in an estimated increase in cost of \$17,009,300 GF and \$43,332,600 TF. The Executive does not present their recommendation in a comparable way, but uses similar medical inflation rates.

**Discontinue \$10,000,000 Reduction on State-Only Hospital Bills**

10,000,000 TF    -0- GF

The JLBC Staff recommends discontinuing the \$10,000,000 reduction in private hospital reimbursement on state-only (Medically Needy/Medically Indigent) bills for FY 1997. This reduction was first instituted pursuant to Laws 1993, Chapter 6, 2nd Special Session which applied only to FY 1994 and FY 1995. The discount was extended for FY 1996, but the JLBC Staff recommends discontinuing this policy for FY 1997 and appropriating Tobacco Tax funds to support the reimbursement. The Executive concurs.

**Resume Phase-Down of Quick Pay Discount on Categorical Reimbursement**

12,609,600 TF    -0- GF

The JLBC Staff recommends resuming the phase-down of the "Quick Pay Discount" for FY 1997 (9% state-only; 3% federal), resulting in an additional cost of \$12,609,600 TF. The JLBC Staff also recommends that the state share of this cost, \$4,522,800, be appropriated from the Tobacco Tax Fund. This quick pay discount is a reduction in the reimbursement for bills paid "quickly" by AHCCCS (within 30 days of receipt). Prior to FY 1996, the 10% quick pay discount for state-only reimbursement was to be lowered by 1% each year beginning March 1, 1996, until reaching 1% in 2004. The federal reimbursement was scheduled to be lowered from 6% to 3% on October 1, 1995, and finally to 1% on October 1, 1996; however, Laws 1995, Chapter 5, 1st Special Session delayed any further reductions until FY 1997. Rather than delay the phase-down any further, the JLBC Staff recommends proceeding with the phase-out schedule as modified by Chapter 5. The Executive concurs.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### **County Acute Care Contribution**

-0- TF

-0- GF

The JLBC Staff recommendation maintains the county contribution to the Acute Care program at the current year level of \$66,689,500. Under this recommendation, the state would bear a state match increase of \$17,550,600 for Acute Care (General Fund and Tobacco Tax Funds), while the counties would continue to bear the increase in ALTCS which is estimated to be \$15,698,000 for FY 1997. The Executive recommends increasing the county Acute Care contribution by \$1,724,300, or 2.6%.

### **Change in the Federal Medical Assistance Percentage (FMAP)**

-0- TF

-0- GF

The JLBC Staff recommends an increase of \$2,021,100 State Match for a change in the federal matching rate known as the FMAP. The JLBC Staff recommends using Tobacco Tax funds to support the resulting loss of federal matching funds. This rate is based on a relationship between a 3-year "moving average" for Arizona per capita income and national average per capita income. For federal fiscal year 1997, Arizona's FMAP is estimated to decrease from 65.85% to 65.53%, producing a state match increase. Along with FY 1996, this is one of the few times that the FMAP has decreased and resulted in a cost to the General Fund. Although this change results in an increase in the AHCCCS General Fund budget, it is a positive development because it indicates Arizona's per capita income grew faster over the 3-year period than the U.S. average. The Executive does not recommend this issue.

### **Disproportionate Share Payments**

-0- TF

1,471,700 GF

The JLBC Staff recommendation includes increased funding of \$1,471,700 GF and \$-0- TF for a change in the amount of disproportionate share money estimated by AHCCCS. The additional funding reflects the FY 1996 increase; the FY 1997 amount is projected to be the same. Disproportionate Share is a federal 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 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 provides payments to counties not having county-operated hospitals. These are referred to as county in-lieu payments.

It is important to note that the Disproportionate Share Payment figures are only preliminary and will change. At the end of this program section is a table which shows a simplified depiction of the Disproportionate Share Program since its creation. The Executive recommends an increase of \$137,600 GF and a decrease of \$1,228,300 TF.

### **Medicare Premiums**

2,587,200 TF

898,300 GF

The JLBC Staff recommendation includes increased funding of \$898,300 GF and \$2,587,200 TF for Medicare Premiums. 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. The Executive recommends an increase of \$2,271,200 GF, \$6,473,700 TF.

### **Qualified Medicare Beneficiaries (QMBs)**

1,192,500 TF

416,000 GF

The JLBC Staff recommendation includes \$416,000 GF and \$1,192,500 TF for the QMBs line item. 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 5,467 member years and \$60.60 per member per month. The Executive recommends a decrease of \$1,330,000 GF, \$3,948,400 TF.

### **Behavioral Health Title XIX Federal Matching Funds**

(19,500,000) TF

-0- GF

The JLBC Staff recommendation includes a decrease of \$19,500,000 TF for this line item. This amount reflects a decrease in the JLBC Staff's estimate of federal funds to be passed through to the Department of Health Services (DHS) in FY 1997 for behavioral health services received by Title XIX-eligible clients. State matching funds are appropriated in the DHS budget. The reason that less federal matching authority is required is due to lower than expected growth in population and in capitation rates.

Title XIX behavioral health services were started for children in FY 1991, for seriously mentally ill in FY 1993, and for the adult general mental health and substance abuse populations in FY 1996. In addition to be recently created programs, each has undergone changes as capitation rates were established and adjusted. These factors made projecting federal participation very difficult, and therefore the federal expenditure authority for the past few years was set high enough to allow for any eventuality.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

However, there is now sufficient historical information to accurately project federal expenditures for these programs. As a result, the resulting reduction is not a cut to services, but merely reflects more accurately what actual federal expenditures will ultimately be for these programs. The Executive makes a similar reduction of \$24,608,600 TF.

**One-time Additional Appropriation**

(2,500,000) TF (2,500,000) GF

The JLBC Staff recommendation reflects the removal of one-time funding of \$2,500,000 for AHCCCS; Temporary Assistance to Counties provided in Laws 1995, Chapter 300. For FY 1996, Gila, Cochise and Santa Cruz Counties received a one-time appropriation to assist with health care costs. The Executive concurs.

**Inclusion of Gaming Revenues in Eligibility Determination**

(200,000) TF (70,000) GF

The JLBC Staff recommends amending income eligibility standards to include gaming revenues paid to individuals including payments made to restricted trust accounts for specific individuals. (At the time of printing this document, it was uncertain if this will require a waiver or if it can be accomplished simply through administrative rule). In the calendar year such revenues are received they should be used in income determination, and in following years any unexpended amounts should be included in asset determinations. The Executive does not recommend this issue.

**Applying an Enforceable Copay on Acute Care and Emergency Visits**

(3,103,900) TF (1,339,700) GF

The JLBC Staff recommends applying an enforceable copayment of \$5 on primary care visits and \$10 on emergency care visits, with no copayment for emergency visits which result in inpatient treatment. The amount of savings shown are for the first fiscal year only and reflect only 6 months of savings. The proposal at full implementation would save an estimated \$7,334,100 GF and \$17,231,800 TF, per year. The savings for the first few years are smaller due to the requirement that the enforceable copayment be "grand fathered" in for existing clients. As new clients enter the system, or existing clients have eligibility interrupted, the copayment can then be applied. This recommendation requires a waiver from the federal government; however, 2 states have already had similar waiver proposals approved by the Health Care Financing Administration (HCFA).

The advantages to copayments are three-fold: 1) there is a cost savings to the state; 2) copayments often improve the no-show rate for appointments because they create a sense of value; and 3) copayments often reduce improper use of emergency room services and over utilization of acute care services. The Executive does not recommend this issue.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

**DISPROPORTIONATE SHARE BENEFITS**

	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997<sup>1/</sup></u>
<b>Maricopa County</b>						
Revenues	48,551,500	57,849,700	67,144,900	69,430,600	69,968,100	69,968,100
Costs	<u>(43,145,900)</u>	<u>(48,661,400)</u>	<u>(56,480,200)<sup>2/</sup></u>	<u>(48,435,800)<sup>2/</sup></u>	<u>(58,228,500)</u>	<u>(58,228,500)</u>
Net Benefit	5,405,600	9,188,300	10,664,700	14,994,800	11,739,600	11,739,600
<b>Pima County</b>						
Revenues	11,603,200	13,825,400	16,046,800	15,203,100	16,889,200	16,889,200
Costs	<u>(8,448,700)</u>	<u>(9,558,300)</u>	<u>(11,094,100)</u>	<u>(9,097,100)</u>	<u>(11,437,600)</u>	<u>(11,437,600)</u>
Net Benefit	3,154,500	4,267,100	4,952,700	6,106,000	5,451,600	5,451,600
<b>Other Counties</b>						
Revenues	911,200	1,414,600	1,641,900	2,039,900	1,800,500	1,800,500
Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Benefit	911,200	1,414,600	1,641,900	2,039,900	1,800,500	1,800,500
<b>TOTAL BENEFITS - COUNTIES</b>	<b><u>9,471,300</u></b>	<b><u>14,870,000</u></b>	<b><u>17,259,300</u></b>	<b><u>23,140,700</u></b>	<b><u>18,991,700</u></b>	<b><u>18,991,700</u></b>
<b>Private Hospitals</b>						
Revenues	6,826,900	10,598,000	12,300,900	15,250,200	13,535,200	13,535,200
Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Benefit	6,826,900	10,598,000	12,300,900	15,250,200	13,535,200	13,535,200
<b>TOTAL BENEFITS - PRIVATE</b>	<b><u>6,826,900</u></b>	<b><u>10,598,000</u></b>	<b><u>12,300,900</u></b>	<b><u>15,250,200</u></b>	<b><u>13,535,200</u></b>	<b><u>13,535,200</u></b>
<b>State - General Fund</b>						
Gross Dispro Payments	73,586,200	92,526,000	107,392,900	124,398,700	114,186,900	114,186,900
GF Match	<u>(28,084,400)</u>	<u>(32,492,700)</u>	<u>(37,703,000)</u>	<u>(43,152,500)</u>	<u>(40,180,500)</u>	<u>(40,180,500)</u>
Distributions	<u>(20,036,300)</u>	<u>(34,306,300)</u>	<u>(39,818,600)</u>	<u>(66,865,800)</u>	<u>(44,520,800)</u>	<u>(44,520,800)</u>
Net Benefit	25,465,500	25,727,000	29,871,300	14,380,400	29,485,600	29,485,600
<b>State - ASH</b>						
Revenues	5,693,400	8,838,300	10,258,400	10,646,600	11,993,900	11,993,900
Reversions	0	0	0	17,828,300	0	0
Costs	<u>(1,955,300)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Benefit	3,738,100	8,838,300	10,258,400	28,474,900	11,993,900	11,993,900
<b>TOTAL BENEFITS - STATE</b>	<b><u>29,203,600</u></b>	<b><u>34,565,300</u></b>	<b><u>40,129,700</u></b>	<b><u>41,855,300</u></b>	<b><u>41,479,500</u></b>	<b><u>41,479,500</u></b>
<b>TOTAL BENEFITS - ALL BENEFITS</b>	<b><u>45,501,800</u></b>	<b><u>60,033,300</u></b>	<b><u>69,689,900</u></b>	<b><u>81,246,200</u></b>	<b><u>74,006,400</u></b>	<b><u>74,006,400</u></b>

<sup>1/</sup> The current estimate being used for FY 1997 is very preliminary and will be adjusted.

<sup>2/</sup> The actual costs varies from that shown due to a deferred withholding of \$7,818,900. The deferral is adjusted out for accurate comparison.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

**Standard Footnotes**

— Of the appropriation for disproportionate share payments made pursuant to A.R.S. § 36-2903.01R, the sum of \$\_\_\_\_\_ is for qualifying county operated hospitals, \$\_\_\_\_\_ is for deposit in the Arizona State Hospital Disproportionate Share Payment Fund and \$\_\_\_\_\_ is for other qualifying disproportionate share hospitals. The remaining \$\_\_\_\_\_ is for in-lieu payments to counties having a population of 500,000 persons or less according to the most recent United States decennial

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census, in an amount which is the difference between the disproportionate share payments made pursuant to A.R.S. § 36-2903.01R, and \$\_\_\_\_\_, if the disproportionate share payments are less than \$\_\_\_\_\_. For each county that would receive less than \$\_\_\_\_\_ 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 \$ \_\_\_\_\_. (These numbers will be added later when the Disproportionate Share numbers are final.)

- Of the \$1,296,089,000 expenditure authority for Acute Care, \$431,707,300 is appropriated from the state General Fund.

### *Other Issues for Legislative Consideration*

- **Shift State Emergency Services Program to Tobacco Tax**  
The Executive recommends shifting responsibility for the state match for the State Emergency Services program to the Tobacco Tax Fund. This would result in General Fund savings of \$11,163,500. The JLBC Staff did not recommend this cost shift.
- **Transfer to Stabilization Fund**  
The Executive recommends transferring an additional \$71,250,000 of Tobacco Tax Fund Medically Needy Account monies to the MN/MI Stabilization Fund for a total transfer of \$86,250,000. This transfer represents approximately 6.7% of the total Acute Care budget for 1 year. The JLBC Staff did not make a recommendation concerning the transfer of these funds. The table below shows a comparison of the Executive and JLBC Staff recommendations for the usage of Tobacco Tax Medically Need account monies.
- The table below shows estimated revenues and expenditures for only the Medically Needy Account portion of the Tobacco Tax Fund. Amounts shown for transplants, transfers to DHS, and \$15,000,000 of transfer to AHCCCS for the MN/MI Stabilization Fund are currently in statute.

#### Tobacco Tax and Health Care Fund - Medically Needy Account

	<u>Executive</u>	<u>JLBC Staff</u>
<b>FY 1996 Ending Balance</b>	<b>\$ 74,858,300</b>	<b>\$ 74,858,300</b>
Revenues	<u>70,644,000</u>	<u>70,644,000</u>
· FY 1997 Funds Available	<u>145,502,300</u>	<u>145,502,300</u>
<b>Expenditures/Transfers:</b>		
Transplants	11,656,600	11,656,600
Private Hospital Reimbursement	10,000,000	10,000,000
Phase-Down of Quick Pay Discount	4,522,800	4,522,800
Offset Loss in Federal Funding	-0-	2,021,100
Refinance State Emergency Service Program	11,163,500	-0-
Transfer to DHS	<u>15,955,000</u>	<u>15,955,000</u>
Subtotal	53,297,900	44,155,500
Existing Transfer to AHCCCS - MN/MI Stabilization Fund	<u>15,000,000</u>	<u>15,000,000</u>
Proposed Transfer to AHCCCS - MN/MI Stabilization Fund	71,250,000	-0-
<b>FY 1997 Ending Balance</b>	<b><u>\$ 5,954,400</u></b>	<b><u>\$86,346,800</u></b>

- **AFDC Transitional Medical Assistance Program**  
The Executive recommends an increase of \$567,300 GF for the AFDC Transitional Medical Assistance pilot program. The JLBC Staff did not break these costs out individually, and they are therefore reflected in the overall Acute Care Special Line Items.

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### — Eliminate State-only Recipients With Medicare HMO Coverage Available

The Executive recommends eliminating AHCCCS coverage for state-only individuals that are eligible for Medicare HMO coverage. The Medicare HMO coverage is similar in scope and quality, and primarily federally funded. The Executive preserves coverage to Medicare eligibles in areas without participating HMOs and for those afflicted by end-stage renal disease which would not receive care from Medicare. The Executive proposal would save approximately \$1,571,300 GF.

**COMMUNITY COLLEGES  
(COM)**



## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: State Board of Directors for Community Colleges      JLBC: Bruce Groll/Lynne Smith      House Sub: Wong  
 Agency Summary      OSPB: Rita Sauv      Senate Sub: Turner

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
State Board Administration	729,300	668,700	721,400	664,000	680,400
Teacher Certification	136,800	140,200	140,600	135,700	144,800
Aid to Colleges	97,316,300	101,520,900	104,640,700	102,271,500	102,746,900
Technology Assisted Learning	0	0	0	0	1,100,000
<b>AGENCY TOTAL</b>	<b>98,182,400</b>	<b>102,329,800</b>	<b>105,502,700</b>	<b>103,071,200</b>	<b>104,672,100</b>
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	14.0	13.0	12.0	12.0	13.0
Personal Services	582,300	543,800	540,700	541,700	541,700
Employee Related Expenditures	107,100	98,100	109,100	90,400	98,100
All Other Operating Expenditures:					
Professional and Outside Services	14,000	9,600	27,700	9,200	9,600
Travel - In State	34,300	37,400	38,000	37,400	38,000
Travel - Out of State	3,400	0	3,500	0	0
Other Operating Expenditures	108,500	105,700	121,400	116,700	106,700
Equipment	6,500	4,300	21,600	4,300	21,100
<b>OPERATING SUBTOTAL</b>	<b>856,100</b>	<b>798,900</b>	<b>862,000</b>	<b>799,700</b>	<b>815,200</b>
Special Line Items	97,326,300	101,530,900	104,640,700	102,271,500	103,856,900
<b>AGENCY TOTAL</b>	<b>98,182,400</b>	<b>102,329,800</b>	<b>105,502,700</b>	<b>103,071,200</b>	<b>104,672,100</b>
<b>BY FUND SOURCE</b>					
General Fund	98,045,600	102,189,600	105,362,100	102,935,500	104,527,300
Other Appropriated Funds	136,800	140,200	140,600	135,700	144,800
Federal Funds	2,651,500	3,230,000	2,946,300	2,946,300	2,946,300
<b>TOTAL - ALL SOURCES</b>	<b>100,833,900</b>	<b>105,559,800</b>	<b>108,449,000</b>	<b>106,017,500</b>	<b>107,618,400</b>

**Agency Description** — *The Arizona community college system is comprised of a state board of directors and 10 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 governance 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.*



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Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$2,337,700	2.3%
Other Appropriated Funds	4,600	3.3%
Total Appropriated Funds	\$2,342,300	2.3%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

— Annualization of January 1996 Pay Adjustment		\$ 800 OF	\$ 5,400 GF
— ERE Rates		3,700 OF	(3,400) GF
— Risk Management		500 OF	800 GF
— Rent		(300) OF	-0- GF
— Elimination of One-time Equipment		(600) OF	(2,700) GF

**Teacher Certification Base Reconciliation**

The JLBC Staff recommendation reduces by \$(8,600) the authorized Other Funds appropriation as per the State Board of Directors for Community Colleges' (State Board) request due to salary adjustments for refilled positions reflecting differing skills and knowledge of the new employees. The recommended amount includes a Personal Services reduction of \$(7,600) and a reduction for Employee Related Expenditures of \$(1,000). The Executive concurs.

(8,600) OF

**Travel - In State**

The JLBC Staff recommends a \$600 increase for reimbursement to State Board members and staff who often must travel great distances across the state to attend board meetings and district visitations. State mileage reimbursement has been increased \$0.01 per mile from \$0.29 to \$0.30 per mile. The Executive does not address this issue.

600 GF

**Equipment**

The JLBC Staff recommends a one-time increase of \$10,000 GF and \$6,000 OF for a new digital telephone system to replace their technologically obsolete phone system; a one-time increase of \$1,000 GF and \$600 OF for a computer modem for the file server enabling electronic interface with the community college districts and universities; and a one-time increase of \$2,500 OF for document scanner software to facilitate Teacher Certification records management and retention. The Executive recommends maintaining equipment at the State Board's FY 1996 amount of \$3,300.

9,100 OF      11,000 GF

**Operating State Aid**

The JLBC Staff recommends funding an enrollment increase by community college district at an average rate of \$1,025 per full-time student equivalent (FTSE), resulting in a systemwide General Fund increase of \$463,300, or 0.6% over FY 1996. The Executive concurs.

463,300 GF

**OPERATING AID RECOMMENDATION**

Districts	FY 1996	FY 1997	FY 1997	FY 1997	FY 1997	FY 1996-FY 1997
	Operating Aid	Changes Without "Hold Harmless"	Funding Without "Hold Harmless"	Changes With "Hold Harmless"	JLBC Rec.	\$ Change
Cochise	\$ 4,778,400	\$ (217,300)	\$ 4,561,100	\$217,300	\$4,778,400	\$ 0
Coconino	1,955,500	206,000	2,161,500	0	2,161,500	206,000
Graham	4,318,100	15,400	4,333,500	0	4,333,500	15,400
Maricopa	33,818,400	154,800	33,973,200	0	33,973,200	154,800
Mohave	3,008,700	(19,500)	2,989,200	19,500	3,008,700	0
Navajo	3,639,300	(59,400)	3,579,900	59,400	3,639,300	0
Pima	15,359,800	(164,000)	15,195,800	164,000	15,359,800	0
Pinal	5,073,200	(106,600)	4,966,600	106,600	5,073,200	0
Yavapai	3,863,700	(11,300)	3,852,400	11,300	3,863,700	0
Yuma/La Paz	4,234,200	87,100	4,321,300	0	4,321,300	87,100
<b>Total</b>	<b>\$80,049,300</b>	<b>\$(114,800)</b>	<b>\$79,934,500</b>	<b>\$578,100</b>	<b>\$80,512,600</b>	<b>\$463,300</b>

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Laws 1995, Chapter 196, modified the formula for calculating and allocating Operating State Aid to community college districts. The new law resulted in 2 significant changes to A.R.S. § 15-1466: 1) The inflation component of the formula was eliminated, subject to legislative discretion to set a growth rate referenced by A.R.S. § 15-901B2(b), and 2) The \$/FTSE adjustment to a district's prior year Operating State Aid appropriation now "holds harmless" districts with declining FTSE by adjusting state aid in an amount that reflects only growth in the FTSE enrollment count. This enrollment adjustment is calculated by multiplying the increase in the most recent years' actual FTSE for each district by the average state aid per FTSE appropriated in the current fiscal year.

Current 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 1996 levels may be offset by a transfer from Capital Aid.

The old formula allocated state aid on a two-step "base-plus" methodology, whereby each district's current year appropriation was adjusted for inflation per the GDP Price Deflator and each district would have received an adjustment for the growth or decline in actual FTSE enrollment. The cost to fund a 2.1% GDP deflator for FY 1997 is an additional \$1,681,000.

### FULL TIME STUDENT EQUIVALENT COUNT (FTSE) Arizona Community Colleges

Districts	FY 1994 Actual	FY 1995 Actual	Change: FY 1994-FY 1995	
	Combined FTSE *	Combined FTSE *	Combined FTSE *	%
Cochise	3,225	3,013	(212)	(6.57)%
Coconino	1,186	1,387	201	16.95
Graham	2,368	2,383	15	0.63
Maricopa	43,506	43,657	151	0.35
Mohave	2,054	2,035	(19)	(0.93)
Navajo	2,220	2,162	(58)	(2.61)
Pima	15,096	14,936	(160)	(1.06)
Pinal	3,164	3,060	(104)	(3.29)
Yavapai	2,501	2,490	(11)	(0.44)
Yuma/La Paz	<u>2,895</u>	<u>2,980</u>	<u>85</u>	<u>2.94</u>
<b>Total</b>	<b>78,215</b>	<b>78,103</b>	<b>(112)</b>	<b>(0.14)%</b>

\* Combined FTSE includes basic actual (operational), additional short-term, operating/open exit and skill center classes.

The enrollment growth component of the formula provides increased funding even though systemwide actual FTSE declined (112), or (0.1)%, between FY 1994 and FY 1995. This is the second consecutive year that total system FTSE has declined. At an average rate of \$1,025/FTSE, the cost to fully fund enrollment growth is \$463,300. The overall change in FTSE encompasses wide differences ranging from (6.6)% for Cochise to +16.9% for Coconino and is significantly influenced by the (212) FTSE decrease at Cochise, the (160) FTSE decrease at Pima and the (104) FTSE decrease at Pinal. Without the "hold harmless" provision, operating aid would have declined by \$(114,800). The "hold harmless" provision adds \$578,100 to the formula cost in FY 1997, for a net increase of \$463,300.

While the JLBC Staff recommendation includes funding for the "hold harmless" provision, we believe that a continuous FTSE decline should eventually result in lower operating aid. For example, Cochise, Pima and Pinal each have experienced 3 consecutive years of actual audited FTSE decline totaling (1,127) or (5.1)%; at the same time, their total Operating State Aid has increased \$1,200,000 or 4.8%, including the FY 1997 recommendation. To address this issue in the future, the JLBC Staff recommends that the Legislature develop a funding formula model that adjusts both the operating and capital outlay funding formulas to more equitably account for continuous, longer-term reductions in full-time student equivalent enrollment, effective July 1, 1997. This issue is discussed in detail in *Other Issues for Legislative Consideration*, Statutory Change to Account for Continuous FTSE Decline.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### Capital Outlay State Aid

59,600 GF

The JLBC Staff recommends a net increase of \$59,600, or 0.4%, over the FY 1996 Capital Outlay State Aid appropriation. This sum is derived by funding the statutory rates of \$210/FTSE for districts with 5,000 or less FTSE, and \$160/FTSE for districts with greater than 5,000 FTSE, and "holding harmless" at the FY 1996 appropriated amounts those districts that would receive reduced state aid. This structure would assure that current year growth districts are not inadvertently penalized because of prior year funding decisions and is consistent with legislative intent: for FY 1996, the Legislature funded districts for growth at the statutory rates, but appropriated funds at the FY 1995 level to "hold harmless" those districts that experienced FTSE declines. The Executive recommends a \$(415,800) reduction.

The current statutory Capital Outlay State Aid formula, as modified by Laws 1995, Chapter 196, provides per capita funding to districts based on the district's size and most recent years' actual FTSE. Districts with 5,000 or less FTSE would receive \$210/FTSE, while districts with greater than 5,000 FTSE would receive \$160/FTSE for FY 1997. The new law resulted in the elimination of the inflation component, subject to legislative discretion to set a growth rate as discussed above. A 2.1% estimated GDP deflator adjustment would have cost \$282,800.

Strictly applying the statutory formula without inflation would generate a systemwide Capital Outlay State Aid net decrease of \$(439,700), or (3.2)%, from the FY 1996 appropriation. The "hold harmless" provision, however, costs \$499,300 for an overall net increase of \$59,600 in Capital Outlay State Aid.

### CAPITAL OUTLAY AID RECOMMENDATION

<u>Districts</u>	FY 1996 Capital Outlay Aid	FY 1997 Changes Without "Hold Harmless"	FY 1997 Funding Without "Hold Harmless"	FY 1997 Changes With "Hold Harmless"	FY 1997 JLBC Rec.	FY 1996-FY 1997 \$ Change
Cochise	\$ 698,300	\$ (65,600)	\$ 632,700	\$ 65,600	\$ 698,300	\$ 0
Coconino	249,200	42,100	291,300	0	291,300	42,100
Graham	571,800	(71,400)	500,400	71,400	571,800	0
Maricopa	7,163,900	(178,800)	6,985,100	178,800	7,163,900	0
Mohave	431,600	(4,200)	427,400	4,200	431,600	0
Navajo	466,400	(12,400)	454,000	12,400	466,400	0
Pima	2,511,700	(121,900)	2,389,800	121,900	2,511,700	0
Pinal	685,000	(42,400)	642,600	42,400	685,000	0
Yavapai	525,500	(2,600)	522,900	2,600	525,500	0
Yuma/La Paz	<u>608,300</u>	<u>17,500</u>	<u>625,800</u>	<u>0</u>	<u>625,800</u>	<u>17,500</u>
<b>Total</b>	<b>\$13,911,700</b>	<b>\$(439,700)</b>	<b>\$13,472,000</b>	<b>\$499,300</b>	<b>\$13,971,300</b>	<b>\$59,600</b>

Additionally, as noted in the operating aid narrative above and discussed in detail in *Other Issues for Legislative Consideration*, the JLBC Staff recommends that the Legislature develop a funding formula model that adjusts capital outlay aid to more equitably account for continuous, longer-term declines in full-time student equivalent enrollment, effective July 1, 1997.

### Equalization Aid

703,100 GF

Laws 1992, Chapter 345, amended the previous statutes regarding Equalization Aid. The law established a new minimum assessed valuation (AV) required to establish a community college district (\$448,017,200) and provided that this amount would increase by an "equalization growth factor" defined as 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 beyond. For FY 1996, the minimum primary assessed valuation was \$506,708,500. This amount is adjusted by 3.42%—the average percent change in primary assessed valuation for tax years 1994 and 1995, as shown in the following table—to obtain the new FY 1997 minimum primary assessed valuation base amount of \$524,037,900. 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.

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**EQUALIZATION GROWTH FACTOR**

<u>District</u>	<u>Tax Year 1994</u>	<u>Tax Year 1995</u>	<u>Percent Growth</u>
	<u>Primary AV</u>	<u>Primary AV</u>	
Cochise	\$ 404,496,637	\$409,738,705	0.01%
Coconino	713,464,908	735,540,111	3.09
Graham	62,780,975	66,084,400	5.26
Mohave	773,445,922	830,779,742	7.41
Navajo	504,185,270	486,626,476	(3.48)
Pinal	564,820,363	568,149,572	0.59
Yavapai	776,405,938	829,329,208	6.82
Yuma/La Paz	<u>502,902,287</u>	<u>523,192,638</u>	<u>4.03</u>
<b>Total</b>	<b>\$4,302,502,300</b>	<b>\$4,449,440,852</b>	<b>3.42%</b>

The JLBC Staff recommends fully funding the Equalization Aid component of the statutory formula for FY 1997. The net increase cost of full funding of Equalization Aid is \$703,100, or 9.3%, to the FY 1996 appropriation. Four districts continue to be eligible to receive Equalization Aid in FY 1997: Cochise, Graham, Navajo and Yuma/La Paz. The Executive concurs.

**EQUALIZATION AID RECOMMENDATION**

<u>Districts</u>	<u>FY 1996</u> <u>Equalization Aid</u>	<u>FY 1997</u> <u>JLBC Recommendation</u>	<u>FY 1996-FY 1997</u> <u>% Change</u>	<u>FY 1996-FY 1997</u> <u>\$ Change</u>
Cochise	\$1,400,300	\$1,565,900	11.83%	\$165,600
Graham	6,081,800	6,274,000	3.16	192,200
Navajo	25,700	411,500	1,501.17	385,800
Yuma/La Paz	<u>52,100</u>	<u>11,600</u>	<u>(77.74)</u>	<u>(40,500)</u>
<b>Total</b>	<b>\$7,559,900</b>	<b>\$8,263,000</b>	<b>9.30%</b>	<b>\$703,100</b>

The following table represents the total JLBC Staff recommendation for Operating State Aid, Capital Outlay Aid, and Equalization Aid:

**TOTAL FY 1997 JLBC STAFF RECOMMENDATION**

<u>Districts</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1997</u>	<u>FY 1997</u>	<u>Total</u>	<u>FY 1996-1997</u>	<u>FY 1996-1997</u>
	<u>Total</u>	<u>Operating State Aid</u>	<u>Capital Outlay</u>	<u>Equalization Aid</u>		<u>% Change</u>	<u>\$ Change</u>
Cochise	\$ 6,877,000	\$ 4,778,400	\$ 698,300	\$1,565,900	\$7,042,600	2.41%	\$165,600
Coconino	2,204,700	2,161,500	291,300	0	2,452,800	11.25	248,100
Graham	10,971,700	4,333,500	571,800	6,274,000	11,179,300	1.89	207,600
Maricopa	40,982,300	33,973,200	7,163,900	0	41,137,100	0.38	154,800
Mohave	3,440,300	3,008,700	431,600	0	3,440,300	0.00	0
Navajo	4,131,400	3,639,300	466,400	411,500	4,517,200	9.34	385,800
Pima	17,871,500	15,359,800	2,511,700	0	17,871,500	0.00	0
Pinal	5,758,200	5,073,200	685,000	0	5,758,200	0.00	0
Yavapai	4,389,200	3,863,700	525,500	0	4,389,200	0.00	0
Yuma/La Paz	<u>4,894,600</u>	<u>4,321,300</u>	<u>625,800</u>	<u>11,600</u>	<u>4,958,700</u>	<u>1.31</u>	<u>64,100</u>
<b>Total</b>	<b>\$101,520,900</b>	<b>\$80,512,600</b>	<b>\$13,971,300</b>	<b>\$8,263,000</b>	<b>\$102,746,900</b>	<b>1.21%</b>	<b>\$1,226,000</b>

**Technology Assisted Learning (Telecommunications)**

**1,100,000 GF**

The JLBC Staff recommends a \$1,100,000 increase for planning and developing a coordinated statewide technology assisted learning network as stipulated in *New Footnotes* below. The State Board and the community college districts have identified increases totaling \$100,000 and \$8,090,600, respectively, in their FY 1997 "Critical Issues" budget requests for specific technology assisted learning priorities. (Critical Issues are not part of the formal budget request, but were identified by the State Board as high priority needs.) Information technology is an increasingly important component of the Arizona community college system's operations. Technology is being used to create new educational access in remote communities and interconnect college and university campuses throughout Arizona and beyond its borders, nationally and internationally. Technology assisted learning

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

includes classroom computers, interactive television and distance education networks. Arizona's community colleges currently offer over 500 for-credit courses via electronic media in diverse subjects such as advertising, biology, history, computer science, psychology and algebra. Technology assisted learning may also be a cost-effective means for accommodating some of Arizona's anticipated postsecondary enrollment growth.

Recognizing the merits of the State Board's and districts' requests, consideration must be given to growing legislative concerns about statewide coordination of effort, efficient resource utilization and telecommunication system compatibility. Therefore, of the \$1,100,000 recommended, \$100,000 is allocated to the State Board as a one-time grant to design a statewide plan for interconnecting and consolidating community college, university and K-12 telecommunication systems (video, voice and data) and to tie individual community college districts' electronic delivery systems together and allow increased multi-district shared delivery of instruction. Planning design and development of the system must be coordinated and integrated with the university and K-12 educational systems to maximize state resources and facilities. The JLBC Staff recommends that the remaining \$1,000,000 be allocated by the State Board to community college districts with priority to service in rural areas, subject to review and approval by the Joint Legislative Budget Committee. The Executive does not address this issue.

\* \* \*

***JLBC Staff Recommended Format*** — Operating Lump Sum with District-by-District Special Line Items and Technology Assisted Learning Special Line Item. The Executive recommends a Lump Sum appropriation by division with Special Line Items.

### ***JLBC Staff Recommended Footnotes***

#### ***Continuation of New FY 1996 Footnotes***

- The \$144,800 recommended for the Certification Fund is intended for the specific purpose of defraying teacher certification costs and includes \$134,800 for total direct certification costs of staff salaries, Employee Related Expenditures and all other direct operating expenses, and \$10,000 for related Indirect Costs for administrative expenses incurred by the board.

#### ***New Footnotes***

- The \$1,100,000 recommended for Technology Assisted Learning (Telecommunications) shall be appropriated to the State Board of Directors for Community Colleges as a Special Line Item. Of this sum, \$100,000 shall be appropriated to the State Board as a one-time grant to design a statewide plan for interconnecting and consolidating community college, university and K-12 telecommunication systems (video, voice and data) and to tie individual community college districts' electronic delivery systems together. The statewide network plan and resource allocation recommendation shall be presented to the Joint Legislative Budget Committee (JLBC) for review and approval. Subsequent to this review and expenditure authorization by the JLBC, the remaining \$1,000,000 shall be allocated by the State Board to community college districts with priority to service in rural areas.

#### ***Deletion of Prior Year Footnotes***

- The JLBC Staff recommends deleting the footnote concerning the sum of \$700,000 appropriated for development of educational areas at Williams Air Force Base as part of Maricopa Community College District's Operating State Aid, the exemption relating to lapsing of appropriations, and the reversion of unexpended or unencumbered monies. The Williams property as stipulated has been successfully conveyed by the federal government to the Maricopa Community College District.

#### ***Other Issues for Legislative Consideration***

- **Statutory Change to Account for Continuous FTSE Decline**

Although the JLBC Staff is recommending "hold harmless" in FY 1997 for both Operating State Aid and Capital Outlay State Aid, we believe that a continuous FTSE decline should eventually result in lower state aid to more equitably account for these reductions in student enrollment and the corresponding reduced educational costs. For example, Cochise, Pima and Pinal each have experienced 3 consecutive years of actual audited FTSE decline totaling (1,127) or (5.1)%; at the same time, their total state aid has increased \$1,400,000 or 4.9%, including the FY 1997 recommendation. To address this issue in the future, the JLBC Staff recommends developing a funding formula model that adjusts operating and capital aid budgets to more equitably account for continuous, longer-term reductions in full-time student equivalent enrollment.



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One option, the *2-Year Stepped Decline* model, would reduce operating and capital outlay aid after 2 consecutive years of decreases in FTSE. In FY 1998, for a district with 2 consecutive years declining FTSE the model would work as follows: (1) the amount of operating aid would be the *lesser of a)* the district's current year operating aid appropriation minus the product of the difference in the 2 prior years audited FTSE multiplied by the average total \$/FTSE operating aid appropriated in the current fiscal year for all districts, or b) the district's current fiscal year appropriated amount; and (2) the amount of capital outlay aid would be the result of multiplying the district's prior year audited FTSE count and the designated \$/FTSE statutory formula amount. Annual FTSE growth would be funded according to the current methodology. If this provision were in effect during FY 1997, the JLBC Staff recommendation for combined operating and capital aid would have been reduced by \$(805,100).

The JLBC Staff recommends that the Legislature develop a funding formula model that adjusts operating and capital aid budgets to more equitably account for continuous, longer-term reductions in full-time student equivalent enrollment to be effective July 1, 1997.

### — State Board FTE Position Reduction

The Executive recommends elimination of 1 FTE Position and \$2,500 Employee Related Expenditures without reducing salary savings. Alternatively, the JLBC Staff recommends retaining the 1 FTE vacant General Fund position voluntarily unfunded by the State Board. In recent years, the State Board has elected to use salary savings from a temporarily vacant position to provide substantial salary increases to some staff. Last year the Legislature, in concurrence with the recommendations of both the JLBC Staff and the Executive, eliminated the vacant position and corresponding salary and ERE savings. Rather than again reallocating funds internally to fund the remaining positions, the State Board elected to eliminate another position and is requesting a (1) FTE Position reduction without a corresponding salary reduction. At the same time, the State Board is requesting as a "Critical Issue" a new 1 FTE Position and an additional \$41,700 to establish a research associate position similar to the one they just eliminated. The JLBC Staff recommends that the state's interests are best served if the State Board retains the 10 General Fund FTE Positions currently appropriated and the flexibility to reallocate funds internally in the future should additional staff become essential.

### — Articulation

Articulation refers to the transferability of for-credit courses taken at Arizona's community colleges to Arizona's public universities. During the past several years, efforts have been made with limited success by the Arizona Board of Regents (ABOR) and the State Board to reach consensus on articulation criteria and design a process. A Course Equivalency Guide was developed to mitigate the problem, but it is cumbersome, confusing and sometimes unreliable as requirements change periodically. In theory, an Arizona community college student completing an Associate in Arts (AA) or Associate in Science (AS) degree should be able to transfer into any of Arizona's 3 public universities with junior status without loss of credit; likewise, a student completing a number of specified "basic core" courses toward an associate degree should be able to transfer credits into any of Arizona's 3 public universities on a course-by-course (direct course equivalent) basis without loss of credit. In practice, the system generally works. However, this is not always the case: some students have been denied transfer credit and were required to repeat 1 or more courses; others have received general studies credit, but the credit did not apply to their major. *While the data on the number of these occurrences is scarce, the impact may be significant: increased education costs to the state, increased time to graduation, loss of student time and income.* Part of the problem is that each university has different undergraduate criteria, often for the "same" degree program. The JLBC Staff agrees that each university's independence to determine program curricula and degree requirements is vital, but that curricula nuances and course requirement differentials should occur at the upper division level.

The State Board and ABOR are now united in their efforts to resolve this issue and head off possible legislation initiated by a coalition of the 10 community college districts. To facilitate timely resolution of this matter, the Legislature may wish to consider a directive encouraging all parties to reach consensus on an articulation agreement that assures transferability of a basic core curriculum (in whole or part) from any Arizona community college to any Arizona public university by fiscal year-end June 30, 1996. Essential elements might include a common university "basic core" curriculum, a common community college and university lower-division course numbering system, and a common number of credit hours awarded for "basic core" courses.

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The Legislature may also wish to consider a directive to the JLBC Staff, in consultation with the Higher Education Research Advisory Board (HERAB), to conduct a study to assess the fiscal impact to the state resulting from lost transfer credits and repeated courses. The study should include increased education costs to the state, increased time to graduation, and loss of student time and income as noted above. Essential data requirements from the community colleges and universities include the number of community college transfer students, the number of credit hours transferred, the number of credit hours accepted, the number of courses and credit hours accepted and applied toward the student's major, the number of courses and credit hours accepted but not applied toward the student's major, and the number of courses and credit hours repeated.

**DEPARTMENT OF CORRECTIONS  
(DOC)**



# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: State Department of Corrections  
Agency Summary

JLBC: Lorenzo Martinez/Karen Bock  
OSPB: Doug Tucker/John McCarthy

House Sub: Hart  
Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Adult Institutions	264,799,800	307,937,000	352,298,300	329,411,900	339,750,800
Health Services	45,325,900	50,186,400	57,535,200	56,890,300	56,281,400
Human Resources & Development	5,272,700	5,996,700	7,081,600	6,051,000	6,672,900
Administration	20,472,600	23,332,800	22,278,400	25,051,800	23,136,500
Community Corrections	12,018,400	26,873,400	30,417,400	29,662,700	30,016,800
<b>AGENCY TOTAL</b>	<b>347,889,400</b>	<b>414,326,300</b>	<b>469,610,900</b>	<b>447,067,700</b>	<b>455,858,400</b>

## OPERATING BUDGET

Full Time Equivalent Positions	7,313.4	7,944.4	9,095.9	8,632.4	8,607.9
Personal Services	172,770,200	193,026,400	219,528,200	215,672,100	215,319,000
Employee Related Expenditures	52,275,200	59,835,700	69,266,100	65,066,200	65,223,500
All Other Operating Expenditures:					
Professional and Outside Services	26,267,000	27,840,300	31,980,900	30,968,100	31,214,900
Travel - In State	498,000	671,300	775,800	753,800	726,300
Travel - Out of State	49,800	93,600	96,900	96,700	97,000
Other Operating Expenditures	47,225,300	53,664,500	59,052,100	58,444,100	58,645,600
Equipment	4,736,800	10,394,900	9,411,900	4,607,700	5,183,000
<b>OPERATING SUBTOTAL</b>	<b>303,822,300</b>	<b>345,526,700</b>	<b>390,111,900</b>	<b>375,608,700</b>	<b>376,409,300</b>
Special Line Items	44,067,100	68,799,600	79,499,000	71,459,000	79,449,100
<b>AGENCY TOTAL</b>	<b>347,889,400</b>	<b>414,326,300</b>	<b>469,610,900</b>	<b>447,067,700</b>	<b>455,858,400</b>

## BY FUND SOURCE

General Fund	333,127,700	387,926,500	444,069,800	428,526,600	429,317,300
Other Appropriated Funds	14,761,700	26,399,800	25,541,100	18,541,100	26,541,100
Other Non-Appropriated Funds	23,827,400	26,248,900	28,023,500	28,023,500	28,023,500
Federal Funds	73,900	135,000	185,200	185,200	185,200
<b>TOTAL - ALL SOURCES</b>	<b>371,790,700</b>	<b>440,710,200</b>	<b>497,819,600</b>	<b>475,276,400</b>	<b>484,067,100</b>

**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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$41,390,800	10.7%
Other Appropriated Funds	<u>141,300</u>	<u>0.5%</u>
Total Appropriated Funds	\$41,532,100	10.0%

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

## *FY 1997 — JLBC Staff Recommended Changes from FY 1996*

### **Standard Changes**

- Annualization of January 1996 Pay Adjustment \$ 2,290,300 GF  
Of this amount, \$218,800 is for Classification Maintenance Review adjustments.
- ERE Rates (513,300) GF
- Risk Management 1,373,000 GF
- Rent 22,700 GF
- Elimination of One-time Costs (1,977,300) GF

### **Annualization of Prior Year Prison Openings**

Start-up costs are eliminated and operating costs are annualized for the Globe and Apache expansions, Eyman-SMU II, and Yuma-Cheyenne prison units. (2,608,800) GF

### **New Prisons**

24,224,700 GF

Provides partial year funding to support the operation of 4 new prison projects. The opening of these prisons will increase the state prison capacity by 1,400 beds in FY 1997.

- Yuma Cheyenne: The Cheyenne Unit is an 800-bed Level III (medium security) prison. The sum of \$7,361,000 and 236.5 FTE Positions are recommended for the first 400 beds to be opened in June 1996. In addition, \$5,593,000 and 123.5 FTE Positions are recommended for the second 400 beds to be opened in September 1996. The Executive recommends \$7,670,400 and 230.5 FTE Positions for the first 400 beds and \$5,750,900 and 145 FTE Positions for the second 400 beds.
- Eyman Tents: The sum of \$6,507,500 and 147.5 FTE Positions are recommended for 400 Level II (minimum security) tent beds to be opened in July 1996 at the Eyman complex in Florence. The Executive recommends \$6,813,700 and 155.5 FTE Positions.
- Tucson Minors Beds: The sum of \$4,763,200 and 142 FTE Positions are recommended for 200 minors beds to be opened in December 1996. The Executive recommends \$4,159,100 and 131 FTE Positions.

Annualization requirements in FY 1998 for these prisons will result in a reduction of approximately \$(3,171,800). An additional 800 Level IV beds have been authorized at Yuma. These beds will not come on-line until FY 1998 and do not require any funding in FY 1997.

### **Private Beds Annualization**

4,623,300 GF

The amount annualizes the cost for 400 privately-operated DWI beds that were authorized in FY 1996. These beds are expected to open in May 1996. The Executive concurs.

### **Population Growth**

9,294,900 GF

It is estimated that the average daily population (ADP) under department jurisdiction will increase by 3,084 (of which 1,284 represent unanticipated FY 1996 growth) in FY 1997. The funding reflects the marginal costs the department will incur for each additional inmate that enters the prison system. The Executive estimates an ADP increase of 3,045 and recommends \$8,997,000.

### **Continuation of CSO Pay Plan**

3,365,000 GF

Provides 33 Correctional Sergeant positions and \$1,221,500 to continue the portion of the CSO Pay Plan approved in FY 1996 that would add a total of 100 Correctional Sergeant positions to the department. The final addition of 34 sergeant positions will be required in FY 1998. The amount also includes \$2,143,500 for the first year implementation of the CSO II salary step system. Under this component of the plan, CSO IIs with a satisfactory evaluation are eligible for 2.5% salary increase every year. The Executive recommends \$3,417,700.

### **Food Adjustment**

1,709,800 GF

The amount provides additional funding for the anticipated increase in the number of meals served and an inflationary increase in the cost of meals. By the end of FY 1997, the department expects to have all food services provided by private contractors. The Executive recommends \$1,857,600.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### **Lease/Lease-Purchase Payments**

141,300 OF

The amount provides funding for the following:

- \$(26,300) decrease for the 1993 Lease-Purchase payment totaling \$12,037,800 in FY 1997
- \$176,700 increase for the 1994 Lease-Purchase payment totaling \$12,422,200 in FY 1997
- \$(9,100) decrease for the Apache County lease payment totaling \$1,081,100 in FY 1997

The Executive is reflecting an additional \$(8,000,000) reduction resulting from construction cost savings.

### **Shock Incarceration**

-0- GF

Both the JLBC Staff and the Executive recommend elimination of the shock incarceration program. The cost for a shock incarceration bed is higher than a general population bed. The intent of the shock incarceration program was to divert young adult offenders from the prison system. Recidivism rates for this population have been comparable if not higher than those for the general population. The shock incarceration unit (SUI) contains 150 beds. This unit would be converted to a general population unit with 80 beds. The department estimates that the conversion would make available over \$1,000,000 and 34 of the 44 FTE positions for operating and supervision costs associated with the 800 emergency tent beds the department is using to ease the overcrowding situation. This recommendation requires statutory changes. The JLBC Staff recommends a session law change for FY 1997, but permanent law revisions to A.R.S. § 13-915 and A.R.S. § 41-1604.8 will also be necessary.

Detail for the following items can be found in the **Adult Institutions** section.

<b>County Jail Costs</b>	21,500 GF
<b>Waste Water Treatment</b>	134,400 GF
<b>Education Programs</b>	(701,700) GF

Detail for the following item can be found in the **Health Services** section.

<b>Mental Health Services</b>	366,900 GF
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Detail for the following items can be found in the **Human Resources and Development** section.

<b>Correctional Program Officer</b>	271,800 GF
<b>Correctional Officer Training Academy (COTA)</b>	327,100 GF

Detail for the following items can be found in the **Community Corrections** section.

<b>Private Return to Custody Per Diem Increase</b>	365,000 GF
<b>Privatization Evaluation</b>	50,000 GF
<b>Parole Supervision</b>	241,800 GF
<b>Interstate Compact Probation</b>	(1,490,300) GF

\* \* \*

**Program Authorization Review Recommendation** — The JLBC and OSPB Staffs conducted a **Program Authorization Review of the Complex Administration** subprogram during the last year. As a result of that review, the JLBC Staff recommends **modifying** the subprogram. While the concept of complex management should be maintained, the JLBC Staff recommends that the Department of Corrections revise its program list to reallocate the subprogram resources and functions into more appropriate programs.

Complex Administration evolved over time as the state prison system expanded to various locations throughout the state. The state currently has 42 individual prison units with 8 complex administrations to provide overhead staff services to the units and enforce and implement centrally developed policies and procedures. This organizational structure provides a manageable span of control over field operations for the Adult Institutions Division.

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While the review concluded that, "Complex Administration is the most applicable management model for the manner in which Arizona has chosen to build prisons," the current definition of the subprogram overlaps many other programs and "... the Department may wish to consider incorporating the functions of this Complex Administration Subprogram into more appropriate program categories."

Furthermore, the subprogram goals of achieving consistent operation and general cost efficiency in all prison units could not be verified without performance and expenditure data on a complex-by-complex basis. The department already provides some complex-by-complex data on a limited basis in their annual budget request for the Adult Institutions and Health Services Divisions, and in their annual per capita cost report. However, as program budgeting advances, the department should establish procedures for collecting and reporting performance and expenditure data on a complex-by-complex basis to establish benchmarks and measure progress towards achieving the stated goals of the programs.

**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 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.
- See individual sections for other footnotes.

**Other Issues for Legislative Consideration**

- **Uniform Allowance Reduction**  
The Executive recommends a \$(583,000) reduction in the department's uniform allowance base. The department implemented a \$50 per month uniform allowance for eligible employees in the prior year, but did not receive funding for the \$10 per month increase. Both the JLBC Staff and Executive recommendations continue to fund uniform allowance for new prisons at \$40 per month.
- See individual sections for other issues.

**Additional Prison Capacity**

The following table provides a comparison of the projected month-end prison population, the number of beds (expressed as the Operational Capacity), and the Projected Bed Shortage. The Additional Prison Beds column indicates when previously authorized beds and new recommended beds (italicized) will come on-line. A total of 2,239 (of which 600 are privately operated) new beds will come on-line in FY 1996. An additional 930 beds are scheduled to come on-line in FY 1997. The projections assume that the prison population will increase by 150 inmates each month, resulting in bed deficits ranging from a low of (1,558) to a high of (2,708) in FY 1997. An additional 2,275 beds are shown as coming on-line in FY 1998.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

State of Arizona Projected Prison Population July 1995 to July 1998					
Month	Year	Population Projection <sup>1/</sup>	Additional Prison Bed	Operational Capacity	Bed Shortage
July	1995	21,247 <sup>2/</sup>		18,486	(2,761)
August	1995	21,431 <sup>2/</sup>		18,486	(2,945)
September	1995	21,535 <sup>2/</sup>		18,486	(3,049)
October	1995	21,695 <sup>2/</sup>		18,486	(3,209)
November	1995	21,682 <sup>2/</sup>		18,486	(3,196)
December	1995	21,663 <sup>2/</sup>		18,486	(3,177)
January	1996	21,813	+400 Private DWI Beds		
			-29 Beds Aspen Conversion	18,857	(2,956)
February	1996	21,963	+768 Male Level V Florence	19,625	(2,338)
March	1996	22,113		19,625	(2,488)
April	1996	22,263		19,625	(2,638)
May	1996	22,413	+400 Private DWI Beds		
			+200 Private RTC Beds		
			+100 Level II Globe	20,325	(2,088)
June	1996	22,563	+400 Level III Yuma	20,725	(1,838)
July	1996	22,713	-70 Beds Eliminate Shock Incarceration		
			+400 Level Eyman Tents	21,055	(1,658)
August	1996	22,863		21,055	(1,808)
September	1996	23,013	+400 Level III Yuma	21,455	(1,558)
October	1996	23,163		21,455	(1,708)
November	1996	23,313		21,455	(1,858)
December	1996	23,463	+200 Minors Tucson	21,655	(1,808)
January	1997	23,613		21,655	(1,958)
February	1997	23,763		21,655	(2,108)
March	1997	23,913		21,655	(2,258)
April	1997	24,063		21,655	(2,408)
May	1997	24,213		21,655	(2,558)
June	1997	24,363		21,655	(2,708)
July	1997	24,513		21,655	(2,858)
August	1997	24,663		21,655	(3,008)
September	1997	24,813		21,655	(3,158)
October	1997	24,963	+400 Level IV Yuma	22,055	(2,908)
November	1997	25,113		22,055	(3,058)
December	1997	25,263		22,055	(3,208)
January	1998	25,413	+400 Level IV Yuma	22,455	(2,958)
February	1998	25,563	+400 Level III Female New Complex	22,855	(2,708)
March	1998	25,713		22,855	(2,858)
April	1998	25,863	+400 Level IV New Complex	23,255	(2,608)
May	1998	26,013	+275 Level V Minors New Complex	23,530	(2,483)
June	1998	26,163		23,530	(2,633)
July	1998	26,313	+400 Level IV New Complex	23,930	(2,383)

<sup>1/</sup> Based on 150 additional inmates per month

<sup>2/</sup> Actual prison population.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### Corrections Fund

The Corrections Fund is for the construction, major maintenance, and purchase or lease of correctional facilities or state-operated juvenile facilities. The Legislature may also appropriate monies in this fund for the operation of these facilities. Revenues deposited to the fund are from luxury taxes on alcohol and tobacco products.

Current commitments from the Corrections Fund include \$22,319,200 from past construction projects, \$48,050,000 for construction projects authorized in FY 1996 that would add 1,300 beds to the corrections system, and \$25,399,800 in on-going commitments for lease and lease-purchase payments.

The JLBC Staff Capital Budget recommendation includes a \$46,400,000 transfer in FY 1997 and a \$24,600,000 transfer in FY 1998 from the General Fund to the Corrections Fund to fund 5 construction projects that would provide for the complete build out of the infrastructure for a new complex and add 1,875 new beds to the corrections system. These projects are listed in the following chart under the FY 1997 Capital Budget Recommendation section. The Executive recommends adding a total of 4,500 beds, of which 4,150 would build out the proposed new complex. The new complex beds would come on-line in FY 1998 and FY 1999. The Executive uses a combination of General Fund, Corrections Fund, and Certifications of Participation (COP) funding spread over a 5-year period (final payments occur in FY 2002).

	State of Arizona Corrections Fund				
	FY 1985-1995	FY 1996	FY 1997	FY 1998	FY 1999
<b>Beginning Balance</b>	<b>\$0.0</b>	<b>\$19,407.3</b>	<b>\$18,115.5</b>	<b>\$4,159.7</b>	<b>\$503.9</b>
<b>Revenues <sup>1/</sup></b>					
General Fund & Other Deposits	269,584.2	21,993.1	22,181.5	22,242.3	22,139.0
General Fund Repayment Transfers	10,397.0	22,850.0	46,400.0	24,600.0	-
Corrections Fund Adjustment Account	-	21,434.0	18,000.0	-	-
Revetments	514.1	-	-	-	-
Total Revenues	387.5	-	-	-	-
	<b>280,882.8</b>	<b>46,277.1</b>	<b>86,581.5</b>	<b>46,842.3</b>	<b>22,139.0</b>
<b>Total Funds Available</b>	<b>\$280,882.8</b>	<b>\$85,684.4</b>	<b>\$104,697.0</b>	<b>\$51,002.0</b>	<b>\$22,642.9</b>
<b>Expenditures</b>					
Prison Construction & Maintenance	194,336.6	4,585.6	-	-	-
Operating Budgets	38,794.3	-	-	-	-
DOA Corrections Facilities Staffing	1,921.3	359.5	396.2	396.2	396.2
Drug Enforcement Activities	10,411.5	38.5	-	-	-
FY 1993 Lease-Purchase Payments	12,871.0	12,064.1	12,037.8	12,012.5	-
FY 1994 Lease-Purchase Payments	1,009.1	12,245.5	12,422.2	12,418.3	12,415.1
Apache County Lease Payments	662.5	1,090.2	1,081.1	1,071.1	1,083.5
<b>FY 1995 Capital Budget</b>					
Youthful Offender Facility 100 Beds	350.0	3,150.0	-	-	-
Yuma 400 Level III Beds	969.9	11,270.9	-	-	-
Globe 100 Level III Bed Addition	142.2	2,546.7	-	-	-
Convert Aspen to Mental Health Unit	7.1	367.9	-	-	-
<b>FY 1996 Capital Budget</b>					
Level IV to Level V Conversions	-	450.0	-	-	-
Tucson 100 Minors Beds	-	1,500.0	1,000.0	-	-
Yuma 400 Level III Beds	-	8,000.0	1,700.0	-	-
Yuma 800 Level IV Beds	-	6,700.0	24,300.0	-	-
Yuma Complex Buildings	-	1,200.0	1,200.0	-	-
New Complex Master Planning (White Tanks)	-	2,000.0	-	-	-
Total Expenditures	\$261,475.5	\$67,568.9	\$54,137.3	\$25,898.1	\$13,894.8
<b>Fund Balance</b>	<b>\$19,407.3</b>	<b>\$18,115.5</b>	<b>\$50,559.7</b>	<b>\$25,103.9</b>	<b>\$8,748.1</b>
<b>FY 1997 Capital Budget Recommendation</b>					
New Complex infrastructure	-	-	9,000.0	-	-
Eyman 400 Level II Tent Beds	-	-	2,500.0	-	-
New Complex 400 Level III Female Beds	-	-	10,000.0	3,500.0	-
New Complex 800 Level IV Beds	-	-	17,250.0	15,250.0	-
New Complex 275 Level V Minors Beds	-	-	7,650.0	5,850.0	-
<b>Projected Fund Balance</b>	<b>\$19,407.3</b>	<b>\$18,115.5</b>	<b>\$4,159.7</b>	<b>\$503.9</b>	<b>\$8,748.1</b>

<sup>1/</sup> Starting with FY 1996, the estimated revenues are based on a 3-year rolling average and incorporate any transfers from the Corrections Fund Adjustment Account.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: State Department of Corrections  
PRIG: Adult Institutions

JLBC: Lorenzo Martinez/Karen Bock  
OSPB: Doug Tucker/John McCarthy

House Sub: Hart  
Senate Sub: Chesley

DESCRIPTION	FY 1995	FY 1996	FY 1997		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	6,298.9	6,769.4	7,819.4	7,400.4	7,373.4
Personal Services	140,182,100	154,887,200	177,456,700	174,422,200	174,027,700
Employee Related Expenditures	44,229,600	50,292,400	58,622,900	54,985,800	55,162,100
All Other Operating Expenditures:					
Professional and Outside Services	4,388,200	6,523,000	6,934,800	6,920,400	6,941,300
Travel - In State	325,000	396,100	490,900	478,400	451,900
Travel - Out of State	36,400	62,000	69,000	68,800	69,100
Other Operating Expenditures	32,547,300	36,206,700	40,871,000	39,393,600	39,603,600
Equipment	3,230,000	6,456,400	8,671,100	2,344,400	4,702,600
<b>OPERATING SUBTOTAL</b>	<b>224,938,600</b>	<b>254,823,800</b>	<b>293,116,400</b>	<b>278,613,600</b>	<b>280,958,300</b>
<b>SPECIAL LINE ITEMS</b>					
Food	21,238,700	22,107,300	27,273,000	27,181,400	27,170,700
Work Incentive Pay Plan	4,679,000	5,059,400	5,782,500	5,752,700	5,757,900
Discharge Expense	187,600	283,600	322,200	323,100	322,800
1993 Lease-Purchase Payments	12,084,300	12,064,100	12,037,800	9,037,800	12,037,800
1994 Lease-Purchase Payments	1,009,100	12,245,500	12,422,200	7,422,200	12,422,200
Apache County Prison Lease	662,500	1,090,200	1,081,100	1,081,100	1,081,100
Education Programs	0	263,100	263,100	0	0
<b>PROGRAM TOTAL</b>	<b>264,799,800</b>	<b>307,937,000</b>	<b>352,298,300</b>	<b>329,411,900</b>	<b>339,750,800</b>
<b>BY FUND SOURCE</b>					
General Fund	250,043,900	281,537,200	326,757,200	310,870,800	313,209,700
Other Appropriated Funds	14,755,900	26,399,800	25,541,100	18,541,100	26,541,100
Other Non-Appropriated Funds	9,483,700	10,902,900	12,375,400	12,375,400	12,375,400
Federal Funds	73,900	135,000	185,200	185,200	185,200
<b>TOTAL - ALL SOURCES</b>	<b>274,357,400</b>	<b>318,974,900</b>	<b>364,858,900</b>	<b>341,972,500</b>	<b>352,311,400</b>

**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 Eymen); as well as 4 stand alone prisons located in Yuma, Globe, Fort Grant, and 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.*

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$31,672,500	11.2%
Other Appropriated Funds	<u>141,300</u>	<u>0.5%</u>
Total Appropriated Funds	\$31,813,800	10.3%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of January 1996 Pay Adjustment \$1,829,600 GF  
 Of this amount, \$147,900 represents Classification Maintenance Review adjustments.
- ERE Rates (397,400) GF
- Rent 4,500 GF  
 The amount represents an increase in Land Lease payments.
- Elimination of One-time Costs (672,200) GF

**Annualization of Prior Year Prison Openings**

Start-up costs are eliminated and operating costs are annualized for the Globe and Apache expansions, Eyman-SMU II, and Yuma-Cheyenne prison units. (194,600) GF

**New Prisons**

Provides partial year funding to support the operation of 4 new prison projects. The opening of these prisons will increase the state prison capacity by 1,400 beds in FY 1997. 20,780,000 GF

	FTE Positions		Funding	
	OSPB	JLBC	OSPB	JLBC
Yuma 1st 400 Beds	205.0	215.0	\$6,367,700	\$6,594,200
Yuma 2nd 400 Beds	123.0	104.0	4,632,000	4,593,600
Eyman Tents	133.0	129.0	5,523,900	5,454,300
Tucson Minors	120.0	127.0	3,580,400	4,137,900

Annualization requirements in FY 1998 for these prisons will result in a reduction of approximately \$(2,604,700).

**Population Growth**

It is estimated that the average daily population (ADP) under department jurisdiction will increase by 3,084 (of which 1,284 represent unanticipated FY 1996 growth) in FY 1997. The funding reflects the marginal costs the department will incur for each additional inmate that enters the prison system. The Executive estimates an ADP increase of 3,045 and recommends \$5,655,700. 5,793,600 GF

**Continuation of CSO Pay Plan**

Provides 33 Correctional Sergeant positions and \$1,221,500 to continue the portion of the CSO Pay Plan approved in FY 1996 that would add a total of 100 Correctional Sergeant positions to the department. The final addition of 34 sergeant positions will be required in FY 1998. The amount also includes \$2,143,500 for the first year implementation of the CSO II salary step system. Under this component of the plan, CSO IIs with a satisfactory evaluation are eligible for a 2.5% salary increase every year. The Executive recommends \$3,417,700. 3,365,000 GF

**County Jail Costs**

Provides funding to increase payments to Pima County from \$40.18 to \$50 per day per inmate. Under court judgement, the department is required to reimburse Pima County at the \$50 per diem for each inmate housed in the Pima jail and awaiting transfer to the state correctional system. The Executive concurs. 21,500 GF



## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### **Waste Water Treatment**

134,400 GF

The amount funds 2 FTE Positions to supervise and operate the waste water treatment plants at the Winslow and Douglas prison complexes. Department of Environmental Quality rules require on-site supervision. The Executive did not address this issue.

### **Food Adjustment**

1,709,800 GF

The amount provides additional funding for the anticipated increase in the number of meals served and an average inflationary increase of 5% in the cost of meals. By the end of FY 1997, the department expects to have all food services provided by private contractors. The Executive recommends \$1,832,100.

### **Education Programs**

(701,700) GF

The amount eliminates \$(263,100) provided by Laws 1995, Chapter 158 for the department to establish identification, evaluation, and placement procedures for pupils with disabilities; for evaluating pupils; and for providing teachers for education programs for minors and pupils with disabilities. The amount also reflects an additional \$(438,600) reduction resulting from A.R.S. § 15-1372. Pursuant to the statute, the Department of Corrections will begin receiving state aid from the Department of Education in FY 1997. The estimate for FY 1997 is \$438,600. These monies will supplant current operating expenditures for 6 FTE positions and are to be deposited in the State Education Fund for Correctional Education, which is administered by the Department of Corrections. The State Education Fund for Correctional Education is a non-appropriated fund. The Executive concurs, but reflects the state aid offset as lower funding for operating costs of the Tucson Minors beds (see New Prisons).

### **Lease/Lease-Purchase Payments**

141,300 OF

The amount provides funding for the following:

- \$(26,300) decrease for the 1993 Lease-Purchase payment totaling \$12,037,800 in FY 1997
- \$176,700 increase for the 1994 Lease-Purchase payment totaling \$12,422,200 in FY 1997
- \$(9,100) decrease for the Apache County lease payment totaling \$1,081,100 in FY 1997

The Executive is reflecting an additional \$(8,000,000) reduction resulting from construction cost savings.

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### ***JLBC Staff Recommended Format*** — Modified Lump Sum by Agency

### ***JLBC Staff Recommended Footnotes***

#### ***Deletion of Prior Year Footnotes***

- Delete footnote requiring JLBC review of CSO Pay Plan. This footnote is no longer necessary.

### ***Other Issues for Legislative Consideration***

- Inmate Chain Gangs  
The Executive recommends 17 FTE Positions and \$500,000 to fund chain gang work crews.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: State Department of Corrections  
 PRIG: Health Services

JLBC: Lorenzo Martinez/Karen Bock  
 OSPB: Doug Tucker/John McCarthy

House Sub: Hart  
 Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	587.5	627.0	723.5	702.0	695.5
Personal Services	19,006,100	22,677,200	26,091,900	26,024,400	25,556,300
Employee Related Expenditures	4,628,900	5,488,200	6,316,800	6,127,100	6,004,600
All Other Operating Expenditures:					
Professional and Outside Services	18,855,600	17,545,800	20,105,900	20,020,100	20,140,800
Travel - In State	42,600	49,400	58,100	57,800	55,500
Travel - Out of State	1,400	2,000	2,000	2,000	2,000
Other Operating Expenditures	2,704,600	3,988,600	4,633,000	4,469,300	4,354,700
Equipment	86,700	435,200	327,500	189,600	167,500
<b>PROGRAM TOTAL</b>	<b>45,325,900</b>	<b>50,186,400</b>	<b>57,535,200</b>	<b>56,890,300</b>	<b>56,281,400</b>
<b>BY FUND SOURCE</b>					
General Fund	45,325,900	50,186,400	57,535,200	56,890,300	56,281,400
Other Non-Appropriated Funds	200,500	337,800	260,000	260,000	260,000
<b>TOTAL - ALL SOURCES</b>	<b>45,526,400</b>	<b>50,524,200</b>	<b>57,795,200</b>	<b>57,150,300</b>	<b>56,541,400</b>

**Program Description** — *This division provides 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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$6,095,000	12.1%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of January 1996 Pay Adjustment \$ 292,900 GF
- Of this amount, \$45,000 represents Classification Maintenance Review adjustments.
- ERE Rates (117,700) GF
- Elimination of One-time Costs (56,600) GF

**Annualization of Prior Year Prison Openings**

Start-up costs are eliminated and operating costs are annualized for the Globe expansion, Eyman-SMU II, and Yuma-Cheyenne prison units. (99,300) GF

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

**New Prisons**

**2,559,400 GF**

Provides partial year funding for the Health Services costs associated with the opening of 4 new prison projects.

	<u>FTE Positions</u>		<u>Funding</u>	
	<u>OSP</u>	<u>BC</u>	<u>OSP</u>	<u>BC</u>
Yuma 1st 400 Beds	20.5	16.5	\$1,103,600	\$567,800
Yuma 2nd 400 Beds	19.0	16.5	869,800	762,400
Eyman Tent	19.5	15.5	1,000,700	773,300
Tucson Minors	10.0	14.0	416,000	455,900

Annualization requirements in FY 1998 for these prisons will result in a reduction of approximately \$(98,400).

**Population Growth**

**3,149,400 GF**

It is estimated that the average daily population (ADP) under department jurisdiction will increase by 3,084 (of which 1,284 represent unanticipated FY 1996 growth) in FY 1997. The funding reflects the marginal costs the department will incur for each additional inmate that enters the prison system and also funds high health care costs for inmates housed in private facilities. The Executive estimates and ADP increase of 3,045 and recommends \$3,005,100.

**Mental Health Services**

**366,900 GF**

The amount provides 6 FTE Positions and funding for the department to ensure that mental health programming and facilities for female inmates are in parity with those provided to male inmates. The department requested these resources as a result of the Casey vs. Lewis court ruling which found that the department was deficient in this area. The Executive recommends \$372,200.

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*JLBC Staff Recommended Format* — Modified Lump Sum by Agency

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: State Department of Corrections  
 PRIG: Human Resources & Development

JLBC: Lorenzo Martinez/Karen Bock  
 OSPB: Doug Tucker/John McCarthy

House Sub: Hart  
 Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	73.0	92.0	102.0	95.0	100.0
Personal Services	2,496,500	2,639,700	3,116,200	2,752,500	3,097,900
Employee Related Expenditures	603,000	687,500	791,300	694,400	761,700
All Other Operating Expenditures:					
Professional and Outside Services	880,700	966,800	1,063,500	892,200	931,700
Travel - In State	58,600	86,000	90,900	85,100	85,100
Travel - Out of State	4,700	5,700	3,000	3,000	3,000
Other Operating Expenditures	1,112,000	1,600,900	1,891,000	1,598,000	1,687,200
Equipment	117,200	10,100	103,900	25,800	84,500
<b>OPERATING SUBTOTAL</b>	<b>5,272,700</b>	<b>5,996,700</b>	<b>7,059,800</b>	<b>6,051,000</b>	<b>6,651,100</b>
<b>SPECIAL LINE ITEMS</b>					
Work Incentive Pay Plan	0	0	21,800	0	21,800
<b>PROGRAM TOTAL</b>	<b>5,272,700</b>	<b>5,996,700</b>	<b>7,081,600</b>	<b>6,051,000</b>	<b>6,672,900</b>
<b>BY FUND SOURCE</b>					
General Fund	5,272,700	5,996,700	7,081,600	6,051,000	6,672,900
Other Non-Appropriated Funds	16,700	8,300	0	0	0
<b>TOTAL - ALL SOURCES</b>	<b>5,289,400</b>	<b>6,005,000</b>	<b>7,081,600</b>	<b>6,051,000</b>	<b>6,672,900</b>

**Program Description** — *The division provides organizational planning, personnel administration, staff development and training.*

<b>Change in Funding Summary:</b>	<b>FY 1996 to FY 1997 JLBC</b>	
	<b>\$ Change</b>	<b>% Change</b>
General Fund	\$676,200	11.3%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of January 1996 Pay Adjustment \$ 30,800 GF  
 Of this amount, \$6,300 is for Classification Maintenance Review adjustments.
- ERE Rates (17,700) GF
- Elimination of One-time Costs (2,900) GF

**Annualization of Prior Year Prison Openings**

Start-up costs are eliminated and operating costs are annualized for the Globe expansion, Eyman-SMU II, and Yuma-Cheyenne prison units. (462,900) GF

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

**New Prisons**

**530,000 GF**

Provides partial year funding for training and recruitment costs associated with the opening of 4 new prison projects.

	<u>FTE Positions</u>		<u>Funding</u>	
	<u>OSP</u>	<u>JB</u>	<u>OSP</u>	<u>JB</u>
Yuma 1st 400 Beds	1.0	1.0	\$ 49,300	\$ 49,200
Yuma 2nd 400 Beds	1.0	1.0	165,500	170,000
Eyman Tent	1.0	1.0	200,100	190,100
Tucson Minors	0.0	0.0	113,300	120,700

Annualization requirements in FY 1998 for these prisons will result in a reduction of approximately \$(362,700).

**Correctional Program Officer Pay**

**271,800 GF**

The amount provides funding for the implementation of a new classification structure that will provide financial parity between program staff (CPOs) and security staff (CSOs). The new structure will reclass CPO I's and CPO II's as CSO III's, and reclass CPO III's and CPO Supervisors as CSO IV's. The entry level salary for CSO III's will be \$25,000 and for CSO IV's the entry level salary will be \$28,000. After reaching the CSO II level, an employee will have the option of pursuing the new 'program' CSO III - CSO IV career path or the security CSO sergeant, lieutenant, captain, . . . career path. The Executive did not address this issue.

**Correctional Officer Training Academy (COTA)**

**327,100 GF**

The amount provides funding for the department to assume full management and operation of the COTA facilities in Tucson. These facilities are currently used by law enforcement agencies to train cadets. The Department of Public Safety (DPS), which currently operates the facilities, is relocating its training program to Phoenix. The Department of Corrections (DOC) currently has an inter-agency agreement with DPS for the use of approximately 50% of the facilities. DOC has established regional training centers to handle the department's training needs that cannot be accommodated with their 50% space allocation. The excess capacity resulting from the DPS departure will allow DOC to consolidate all of its training activities in one location. The Executive did not address this issue.

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***JLBC Staff Recommended Format*** — Modified Lump Sum by Agency

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: State Department of Corrections  
PRIG: Administration

JLBC: Lorenzo Martinez/Karen Bock  
OSP: Doug Tucker/John McCarthy

House Sub: Hart  
Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSP	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	197.0	212.0	233.0	221.0	221.0
Personal Services	6,309,700	6,290,000	6,807,900	6,579,000	6,587,600
Employee Related Expenditures	1,555,700	1,657,400	1,796,700	1,609,200	1,611,300
All Other Operating Expenditures:					
Professional and Outside Services	1,937,500	2,293,200	2,636,600	2,625,300	2,641,000
Travel - In State	42,600	89,900	93,100	91,300	90,800
Travel - Out of State	6,700	17,900	17,900	17,900	17,900
Other Operating Expenditures	9,614,700	10,173,900	10,238,600	11,592,200	11,581,300
Equipment	1,005,700	2,321,500	198,600	2,047,900	117,600
<b>OPERATING SUBTOTAL</b>	<b>20,472,600</b>	<b>22,843,800</b>	<b>21,789,400</b>	<b>24,562,800</b>	<b>22,647,500</b>
<b>SPECIAL LINE ITEMS</b>					
Alternative Fuels	0	489,000	489,000	489,000	489,000
<b>PROGRAM TOTAL</b>	<b>20,472,600</b>	<b>23,332,800</b>	<b>22,278,400</b>	<b>25,051,800</b>	<b>23,136,500</b>
<b>BY FUND SOURCE</b>					
General Fund	20,466,800	23,332,800	22,278,400	25,051,800	23,136,500
Other Appropriated Funds	5,800	0	0	0	0
Other Non-Appropriated Funds	14,126,500	14,999,900	15,388,100	15,388,100	15,388,100
<b>TOTAL - ALL SOURCES</b>	<b>34,599,100</b>	<b>38,332,700</b>	<b>37,666,500</b>	<b>40,439,900</b>	<b>38,524,600</b>

**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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$(196,300)	(0.8)%

## FY 1997 — JLBC Staff Recommended Changes from FY 1996

### Standard Changes

— Annualization of January 1996 Pay Adjustment

Of this amount, \$18,100 is for Classification Maintenance Review adjustments.

**\$ 83,700 GF**

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

— ERE Rates	(114,800) GF
— Risk Management	1,373,000 GF
— Rent	17,900 GF
— Elimination of One-time Costs	(411,300) GF

**Annualization of Prior Year Prison Openings** (1,852,000) GF

Start-up costs are eliminated and operating costs are annualized for the Eyman-SMU II and Yuma-Cheyenne prison units.

**New Prisons** 355,300 GF

Provides partial year funding for administrative and investigative costs associated with the opening of 4 new prison projects.

	<u>FTE Positions</u>		<u>Funding</u>	
	<u>OSPB</u>	<u>JLBC</u>	<u>OSPB</u>	<u>JLBC</u>
Yuma 1st 400 Beds	4.0	4.0	\$149,800	\$149,800
Yuma 2nd 400 Beds	2.0	2.0	83,600	67,000
Eyman Tent	2.0	2.0	89,000	89,800
Tucson Minors	1.0	1.0	49,400	48,700

Annualization requirements in FY 1998 for these prisons will be result in a reduction of approximately \$(106,000).

**Population Growth** 351,900 GF

It is estimated that the average daily population (ADP) under department jurisdiction will increase by 3,084 (of which 1,284 represent unanticipated FY 1996 growth) in FY 1997. The funding reflects the marginal costs the department will incur for each additional inmate that enters the prison system. The amount provides for the additional services required from the Arizona Department of Administration's Data Center for document processing and inmate record maintenance as well as additional legal services associated with inmate litigation. The Executive estimates an ADP increase of 3,045 and recommends \$336,200.

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*JLBC Staff Recommended Format* — Modified Lump Sum by Agency

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: State Department of Corrections  
 PRIG: Community Corrections

JLBC: Lorenzo Martinez/Karen Bock  
 OSPB: Doug Tucker/John McCarthy

House Sub: Hart  
 Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	157.0	244.0	218.0	214.0	218.0
Personal Services	4,775,800	6,532,300	6,055,500	5,894,000	6,049,500
Employee Related Expenditures	1,258,000	1,710,200	1,738,400	1,649,700	1,683,800
All Other Operating Expenditures:					
Professional and Outside Services	205,000	511,500	1,240,100	510,100	560,100
Travel - In State	29,200	49,900	42,800	41,200	43,000
Travel - Out of State	600	6,000	5,000	5,000	5,000
Other Operating Expenditures	1,246,700	1,694,400	1,418,500	1,391,000	1,418,800
Equipment	297,200	1,171,700	110,800	0	110,800
<b>OPERATING SUBTOTAL</b>	<b>7,812,500</b>	<b>11,676,000</b>	<b>10,611,100</b>	<b>9,491,000</b>	<b>9,871,000</b>
<b>SPECIAL LINE ITEMS</b>					
Food	167,300	172,300	197,400	197,800	171,900
Work Incentive Pay Plan	37,300	38,000	37,700	37,700	37,700
Discharge Expense	6,400	7,200	7,200	7,200	7,200
Community Provider Beds	3,994,900	6,588,000	6,570,000	6,570,000	6,570,000
Return To Custody Beds	0	2,196,000	2,190,000	2,555,000	2,555,000
DWI Beds	0	6,195,900	10,804,000	10,804,000	10,804,000
<b>PROGRAM TOTAL</b>	<b>12,018,400</b>	<b>26,873,400</b>	<b>30,417,400</b>	<b>29,662,700</b>	<b>30,016,800</b>
<b>BY FUND SOURCE</b>					
General Fund	12,018,400	26,873,400	30,417,400	29,662,700	30,016,800
<b>TOTAL - ALL SOURCES</b>	<b>12,018,400</b>	<b>26,873,400</b>	<b>30,417,400</b>	<b>29,662,700</b>	<b>30,016,800</b>

**Program Description** — *The Community Corrections Division 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 division 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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$3,143,400	11.7%



## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### *FY 1997 — JLBC Staff Recommended Changes from FY 1996*

#### **Standard Changes**

- Annualization of January 1996 Pay Adjustment \$ 53,300 GF  
Of this amount, \$1,500 is for Classification Maintenance Review adjustments.
- ERE Rates 134,300 GF
- Rent 300 GF
- Elimination of One-time Costs (834,300) GF  
Of this amount, \$34,100 represents annualization of operating costs for monitoring and evaluation of privatized beds. The remaining \$(868,400) reduction represents elimination of one-time costs associated with private beds and staffing parole services at a 50:1 parolees-to-parole officer ratio.

**Private Beds Annualization** 4,623,300 GF  
The amount annualizes the cost for 400 privately-operated DWI beds that were authorized in FY 1996. These beds are expected to open in May 1996. The Executive concurs.

**Private Return to Custody Per Diem Increase** 365,000 GF  
The amount increases the per diem rate for 200 privately-operated Return to Custody (RTC) beds from \$30 to \$35. These beds were authorized in FY 1994, however, the department has been unable to solicit a responsive bid. The Executive concurs.

**Privatization Evaluation** 50,000 GF  
The amount represents funding to contract for a private evaluation of the Marana treatment facility. A.R.S. § 41-1609 requires that an evaluation of private facilities be conducted before any private contract is renewed in order to ensure that the state is generating a savings or greater service by contracting for private beds. The Director of DOC and the JLBC are responsible for the comparison of quality of services. The Executive did not address this issue.

**Parole Supervision** 241,800 GF  
Provides 4 parole officer positions to maintain a 50:1 parolee-to-officer ratio. The Executive did not address this issue.

**Interstate Compact Probation** (1,490,300) GF  
The amount represents the elimination of (30) FTE Positions and associated funding for supervision responsibilities of interstate compact probationers. This responsibility is being transferred to the Courts. The Executive recommends a reduction of \$(1,121,900).

\* \* \*

***JLBC Staff Recommended Format*** — Modified Lump Sum by Agency

#### ***JLBC Staff Recommended Footnotes***

##### *Deletion of Prior Year Footnotes*

- The JLBC Staff recommends deleting the footnote relating to funding for Interstate Compact probation supervision. This footnote is no longer necessary. The department has implemented an agreement to transfer supervision of Interstate Compact probationers to the Courts.
- The JLBC Staff recommends deleting the footnote requesting that the Department of Corrections collect data on revocations of released offenders.

**ARIZONA STATE SCHOOLS FOR  
THE DEAF AND THE BLIND  
(SDB)**

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Arizona State Schools for the Deaf and the Blind  
Agency Summary

JLBC: Rachele Child/Stefan  
Shepherd OSPB: Lori Sheen

House Sub: Wong  
Senate Sub: Turner

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Phoenix Day School	5,217,500	5,491,800	6,564,100	5,481,000	5,564,500
Diagnostic Testing/Education Center	1,876,300	1,983,800	0	1,964,900	0
Tucson Campus	14,158,500	14,733,600	14,957,400	14,886,600	13,302,900
Administration/Statewide Programs	0	0	4,789,300	0	3,768,800
<b>AGENCY TOTAL</b>	<b>21,252,300</b>	<b>22,209,200</b>	<b>26,310,800</b>	<b>22,332,500</b>	<b>22,636,200</b>

### OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	515.4	519.9	582.8	535.4	524.4
Personal Services	13,590,000	14,532,500	15,936,600	14,835,200	14,839,300
Employee Related Expenditures	2,976,100	3,122,700	4,081,900	3,070,000	3,047,100
All Other Operating Expenditures:					
Professional and Outside Services	423,500	383,200	622,300	388,200	485,500
Travel - In State	59,800	62,400	66,000	62,400	62,400
Travel - Out of State	0	0	21,000	0	7,000
Food	125,800	115,100	115,100	115,100	115,100
Other Operating Expenditures	3,459,000	3,364,100	3,753,500	3,315,500	3,282,700
Equipment	618,100	629,200	1,714,400	546,100	797,100
<b>AGENCY TOTAL</b>	<b>21,252,300</b>	<b>22,209,200</b>	<b>26,310,800</b>	<b>22,332,500</b>	<b>22,636,200</b>

### BY FUND SOURCE

General Fund	16,169,000	16,798,000	21,018,300	16,970,300	17,305,700
Other Appropriated Funds	5,083,300	5,411,200	5,292,500	5,362,200	5,330,500
Other Non-Appropriated Funds	1,543,100	1,881,700	2,062,800	2,062,800	2,062,800
Federal Funds	1,220,100	1,157,000	1,016,700	1,016,700	1,016,700
<b>TOTAL - ALL SOURCES</b>	<b>24,015,500</b>	<b>25,247,900</b>	<b>29,390,300</b>	<b>25,412,000</b>	<b>25,715,700</b>

**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 main campuses, a day school in Phoenix and a residential campus in Tucson, as well as a diagnostic center in Tucson, satellite preschools in the Tucson and Phoenix metropolitan areas, and regional offices in Tucson, Yuma and Flagstaff from which school district cooperatives are operated. ASDB also serves children 0-2 throughout the state. Systemwide, ASDB serves approximately 536 students in the K-12 programs, 125 children in preschools, 357 infant/toddlers in regional areas, and 291 children through the regional cooperatives.*

#### Change in Funding Summary:

	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$507,700	3.0%
Other Appropriated Funds	(80,700)	(1.5)%
Total Appropriated Funds	\$427,000	1.9%

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

***FY 1997 — JLBC Staff Recommended Changes from FY 1996***

**Standard Changes**

— ERE Rates	\$ (113,400) OF	\$ (21,900) GF
— Risk Management	-0- OF	(58,600) GF
— Rent	-0- OF	15,400 GF
— Elimination of One-time Capital and Non-Capital Equipment	-0- OF	(851,400) GF
— Base Adjustment	(76,300) OF	51,300 GF
— Other	-0- OF	(8,500) GF
<b>Salary Adjustment (see Other Issues below)</b>	<b>64,800 OF</b>	<b>172,500 GF</b>
<b>Counselor</b>	<b>36,900 OF</b>	<b>-0- GF</b>
<b>Physical Therapist</b>		<b>38,400 GF</b>
<b>Night Supervisor</b>		<b>24,500 GF</b>
<b>Personnel Analyst</b>		<b>31,400 GF</b>
<b>Equipment</b>		<b>932,600 GF</b>
<b>Tuition Fund Transfer</b>		<b>100,000 GF</b>
<b>Travel - Out of State</b>		<b>7,000 GF</b>
<b>HVAC Cleaning</b>	<b>7,300 OF</b>	<b>-0- GF</b>
<b>Above-ground Diesel Tank</b>		<b>75,000 GF</b>

\* \* \*

***JLBC Staff Recommended Format — Modified Lump Sum by Program***

***JLBC Staff Recommended Footnotes***

***Deletion of Prior Year Footnotes***

- The JLBC Staff recommends deletion of the footnote requiring ASDB to report quarterly all Travel - Out of State expenditures. Please see discussion below under Travel - Out of State for details.

***Other Issues for Legislative Consideration***

— **Cost Center Restructuring**

The JLBC Staff proposes a restructuring of ASDB's cost centers. For FY 1996, ASDB's 3 cost centers are the Phoenix Day School for the Deaf, Arizona Diagnostic Testing and Education Center (ADTEC) and the Tucson Campus. For FY 1997 the JLBC Staff proposes the following 3 cost centers: Phoenix Day School for the Deaf, Tucson Campus, and Administration/Statewide Programs. The new Phoenix Day School cost center will be almost identical to the old center, adjusted only for a small transfer associated with the agency's preschool programs and support for ADTEC. The ADTEC cost center will be folded into the new Tucson cost center. ASDB has already implemented these changes administratively. The Administration/Statewide Programs cost center will be carved out of the old Tucson cost center. Please see individual cost centers for further details. The Executive does not recommend this issue.

— **Salary Adjustment**

Laws 1995, Chapter 196 eliminated the provision requiring the JLBC to use the results of the Arizona Department of Administration (ADOA) annual salary equity survey in making its recommendation for funding Personal Services 1 year in arrears. This salary equity survey, created by Laws 1988, Chapter 237, examines salaries for ASDB employees and compares them to salaries in school districts with relatively large special education programs. Additionally, Laws 1995, Chapter 4, 1st Special Session increased the number of school districts studied from 3 to 5 for FY 1996. This summer, ADOA surveyed Tucson Unified, Mesa Unified, Washington Elementary, Paradise Valley Union, and Scottsdale Union.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

ADOA's salary equity study found the following to be the average percentage increases for inflation in the districts surveyed: 1.31% for certificated staff, 1.04% for classified staff, and 0.94% for administrators. The survey found that staff in 3 of the 5 districts received step increases; staff in the other 2 districts did not receive step increases. A "step increase" is the increase associated with an additional year of service on teacher salary schedules. Certified staff in all 5 districts received educational growth advancements, as did classified and administrative staff in 3 of those 5 districts.

Because of the difficulties associated with recommending 3/5ths of a step increase, which would necessitate the agency to restructure its salary schedule, the JLBC Staff is recommending a full step increase for ASDB staff, effective January 1, 1997. This increase will require annualization in FY 1998. The full step increase will equal approximately the same increase in pay for ASDB's employees as the partial step increase plus inflation adjustment called for by the ADOA study, but will not require ASDB to re-write its salary schedule. For ASDB as a whole, this increase totals \$172,500 GF and \$64,800 OF in additional Personal Services and Employee Related Expenditures. These totals are distributed among the 3 cost centers.

The step increase amount varies by employee, but ranges between the following:

Certified Employees: \$1,240 and \$1,862 (2.7% and 6.0%)  
 Classified Employees: \$316 and \$1,355 (2.5%)  
 Administrative Employees: \$815 and \$2,107 (2.5%)

### ASDB TEACHER PAY ADJUSTMENTS FY 1989 THROUGH FY 1996

	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
APP	4.9%	4.3%	4.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Salary Equity	9.0%	8.0%	4.6%	0.0%	6.7% <sup>1/</sup>	0.0% <sup>2/</sup>	1.4%	5.3%
ASDB's Portion of Statewide Increase	3.5%	1.5% <sup>3/</sup>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Teacher Pay Increase	17.4%	12.3%	9.5%	0.0%	6.7%	0.0%	1.4%	5.3%
Statewide Increase	3.6%	1.5%	4.8%	0.0%	4.4%	0.0%	5.0% <sup>4/</sup>	2.0%
Difference Teacher Pay vs. Statewide	13.8%	10.8%	4.7%	0.0%	2.3%	0.0%	(3.6)% <sup>4/</sup>	3.3%

<sup>1/</sup> Includes a 2% unfunded adjustment for FY 1992 and a 4.7% adjustment for FY 1993.

<sup>2/</sup> This was consistent with the ADOA study results.

<sup>3/</sup> Only went to non-teaching positions.

<sup>4/</sup> State employees received a 3% increase on July 1, 1994 and a 2% increase on April 1, 1995.

The Executive does not recommend funding for this issue.

#### — Flagstaff Land Lease

ASDB holds a lease on 10 acres of land near Flagstaff for the purpose of constructing an outdoor education camp. Since the land is part of its own School for the Deaf and Blind trust land grant, it pays no rent on the land. There is an opportunity cost associated with not leasing the land to someone else who would pay into ASDB's Endowment Fund, but the potential revenues from doing so would be small. ASDB has included in its capital request for the future \$500,000 to develop this outdoor education camp. The JLBC Staff notes several problems associated with this plan, including 1) ASDB currently has no staff in Flagstaff for running or caring for such a facility; 2) ASDB's main facility is located in Tucson, many hours from Flagstaff; 3) the facility would lend itself best for use in the summer, when ASDB is not in session and the vast majority of the students who board at ASDB are spending time with their families; and 4)

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

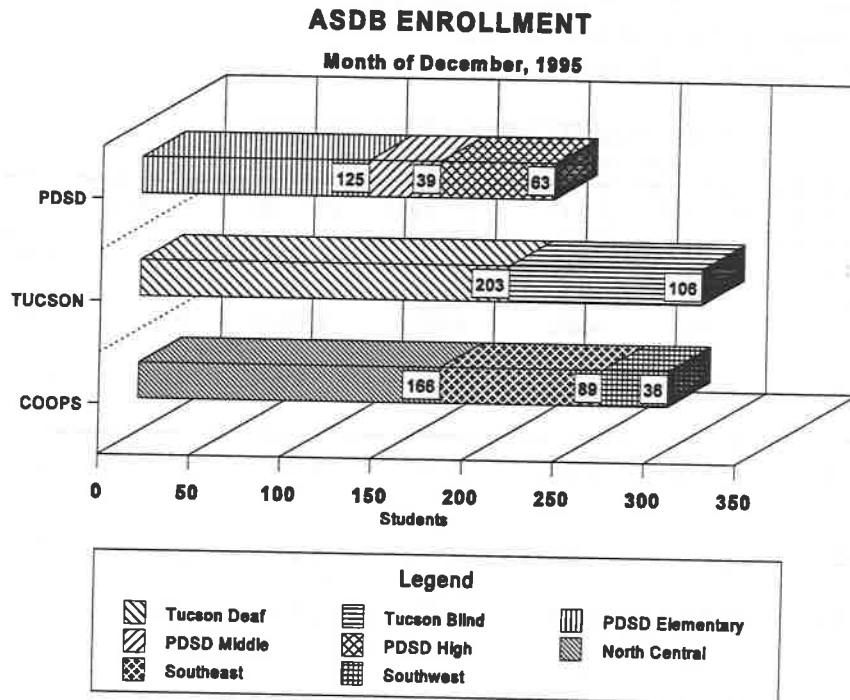
the JLBC Staff believes that the requested \$500,000 to develop the facility would best be used to address critical issues at the existing campuses. The land lease is currently projected to expire in FY 1998, and the JLBC Staff recommends that it not be renewed at that time. The Executive does not address this issue.

### — Travel - Out of State

JLBC Staff recommends that the Legislature resume appropriating funds to ASDB for Travel - Out of State. Funds for Travel - Out of State have come from ASDB's Trust Fund; it is expected that the Board will use the funds previously dedicated to Travel - Out of State to purchasing assistive technology devices. The JLBC Staff also recommends deleting the footnote requiring quarterly reports to the Legislature concerning Travel - Out of State expenditures. Funding is spread across the 3 new cost centers. The Executive does not recommend funding this issue or deleting the footnote.

### — Enrollment Projections

Enrollment for ASDB agencywide is currently expected to decrease slightly from the FY 1996 appropriated student count. For more detailed information on enrollment within ASDB programs, including non-voucher but not including preschool and outreach programs, please refer to the chart below.



## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Arizona State Schools for the Deaf and the Blind  
 PROG: Phoenix Day School

JLBC: Rachelle Child/Stefan  
 Shepherd OSPB: Lori Sheen

House Sub: Wong  
 Senate Sub: Turner

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	137.4	138.4	157.6	144.4	137.4
Personal Services	3,556,000	3,830,900	4,277,600	3,961,400	3,880,800
Employee Related Expenditures	783,200	834,100	1,095,600	823,700	797,400
All Other Operating Expenditures:					
Professional and Outside Services	114,100	62,600	59,300	62,600	59,300
Travel - In State	14,400	8,100	1,100	8,100	1,100
Travel - Out of State	0	0	3,000	0	1,500
Food	29,200	30,900	30,900	30,900	30,900
Other Operating Expenditures	446,200	410,900	509,000	410,900	396,700
Equipment	274,400	314,300	587,600	183,400	396,800
<b>PROGRAM TOTAL</b>	<b>5,217,500</b>	<b>5,491,800</b>	<b>6,564,100</b>	<b>5,481,000</b>	<b>5,564,500</b>
<b>BY FUND SOURCE</b>					
General Fund	3,301,400	3,529,100	4,601,400	3,518,300	3,553,200
Other Appropriated Funds	1,916,100	1,962,700	1,962,700	1,962,700	2,011,300
Other Non-Appropriated Funds	7,300	37,300	32,800	32,800	32,800
Federal Funds	173,200	248,600	188,500	188,500	188,500
<b>TOTAL - ALL SOURCES</b>	<b>5,398,000</b>	<b>5,777,700</b>	<b>6,785,400</b>	<b>5,481,000</b>	<b>5,785,800</b>

**Program Description** — *The Phoenix Day School for the Deaf (PDS) provides a comprehensive educational program for hearing impaired students. PDS is projected to serve 227 students in the K-12 programs in the following categories: 181 hearing impaired, 20 multiply disabled and 26 multiple disabilities with severe sensory impairments (MDSSI).*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$24,100	0.7%
Other Appropriated Funds	<u>48,600</u>	<u>2.5%</u>
Total Appropriated Funds	\$72,700	1.3%

### FY 1997 — JLBC Staff Recommended Changes from FY 1996

**Standard Changes**

— ERE Rates	\$(70,300) OF	\$30,000 GF
— Elimination of One-time Capital and Non-Capital Equipment	-0- OF	(354,000) GF
— Voucher Shift	17,200 OF	(17,200) GF

Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

**Cost Center Reorganization**

(64,000) GF

In the reorganization of ASDB's cost centers, the JLBC Staff recommends the transfer of (2) FTE positions and \$(64,000) from PDSB to the Tucson and Administration/Statewide Programs cost centers, associated with the agency's preschool programs and support for the Arizona Diagnostic Testing and Education Center. The Executive does not recommend this transfer.

**Salary Adjustment**

64,800 OF -0- GF

The JLBC Staff recommends an increase of \$64,800 in Personal Services and Employee Related Expenditures for a full step increase for all employees at PDSB, effective January 1, 1997. This increase will require annualization in FY 1998. Please see the summary for more details. The Executive does not recommend any salary adjustment.

**Counselor**

36,900 OF -0- GF

The JLBC Staff recommends funding for an additional counselor. PDSB currently has 1 counselor for 227 students. Counselors help students with mental health, educational, and vocational problems. As the student population comes from an increasingly bilingual and poor population, the current counselor is able to do little more than address crisis problems. A counselor is needed to help address some of these issues before they become serious problems. The recommended amount includes an increase of 1 FTE Position, \$30,800 in Personal Services and \$6,100 in Employee Related Expenditures. The Executive concurs.

**Above-ground Diesel Tank**

75,000 GF

The JLBC Staff recommends \$75,000 for the one-time purchase of an above-ground diesel storage tank. As PDSB moves toward a diesel-based fleet, it requires access to diesel fuel. The additional tank will allow PDSB to supply its own fuel more inexpensively. The Executive does not recommend funding for this issue.

**Equipment**

352,800 GF

The JLBC Staff recommends a total of \$31,000 for non-capitalized equipment and a total of \$38,500 for replacement capitalized equipment. This amount is expected to replace the following types of items: amplifiers, typewriters, computers, tables, projectors, televisions, video recorders, audio recorders, lawn mowers, weed eaters, leak detectors, mobile radios, tools, drafting machines, appliances, piano, stereo equipment, a copy machine, audio equipment, and a photocopier.

The recommended amount also includes a total of \$270,000 for 2 replacement buses and 3 replacement mini-buses, and a total of \$13,300 for a replacement car.

A.R.S. § 41-803 outlines the alternative fuels requirement for the state motor fleet, and provides that "The departments and agencies excluded from participation in the state motor vehicle fleet . . . shall develop and implement a program for alternative fuels and fuel economy for their motor vehicle fleets substantially similar to the standards set forth in this section." ASDB has received an informal Attorney General opinion which indicates that ASDB is under no burden to comply at this time, but does plan to move towards a diesel fleet. The JLBC Staff believes this issue needs further review.

The Executive recommends a total of \$38,200 for replacement equipment and \$65,200 for 3 replacement vehicles.

**Travel - Out of State**

1,500 GF

Please see the summary for more details. The Executive does not recommend any increase for Travel - Out of State.

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**JLBC Staff Recommended Format — Modified Lump Sum by Program**

**JLBC Staff Recommended Footnotes**

**Standard Footnotes**

— Prior to the expenditure of any voucher funds in excess of the \$2,011,300 shown above, the Schools for the Deaf and the Blind shall report the intended use of the funds to the Speaker of the House of Representatives, the President of the Senate, the Chairmen of the Appropriations Committees, and the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting.



**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

***Other Issues for Legislative Consideration***

— Demographic/Deflator Changes

As can be seen in the table below, ASDB expects an increase of 7 students enrolled at PDSB in FY 1997 over the appropriated FY 1996 student count. The increase in voucher funding is used to fund the salary adjustment and counselor issues described above.

**PHOENIX DAY SCHOOL FOR THE DEAF (PDSB)  
STUDENT COUNTS**

	<u>Actual FY 1996 Student Count*</u>	<u>Appropriated FY 1996 Student Count</u>	<u>Estimated FY 1997 Student Count</u>	<u>Difference FY 1997 Estimated vs. FY 1996 Appropriated</u>
Multiple Disabilities with Severe Sensory Impairments	26	29	26	(3)
Multiple Disabilities	20	14	20	6
Hearing Impaired	<u>181</u>	<u>177</u>	<u>181</u>	<u>4</u>
TOTAL	<u>227</u>	<u>220</u>	<u>227</u>	<u>7</u>

\* Actual FY 1996 student count as of December 1995.

— Executive Recommendation

The Executive recommends an increase of 2 FTE Positions and \$75,600 for an Audiologist and an Augmentative Communication Specialist in order to meet requirements of federally-mandated individual education plans for students. Although the number of MDSSI students has increased in recent years, that increase does not have a disproportionate impact on the audiology department. In addition, the JLBC Staff is recommending that ASDB's Trust Funds be used to address assistive technology issues.

The Executive also recommends an increase of 3 FTE Positions and \$129,500 for Bus Drivers and Bus Aide Positions and 2 new mini-buses. Since PDSB has recently restructured its bus routes to bring all of its routes below 90 minutes, JLBC Staff does not recommend additional monies for this issue.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Arizona State Schools for the Deaf and the Blind      JLBC: Rachele Child/Stefan      House Sub: Wong  
 PROG: Diagnostic Testing/Education Center      Shepherd OSPB: Lori Sheen      Senate Sub: Turner

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	65.9	65.9	0.0	65.9	0.0
Personal Services	1,415,700	1,512,200	0	1,512,100	0
Employee Related Expenditures	345,900	358,900	0	340,100	0
All Other Operating Expenditures:					
Professional and Outside Services	47,700	82,800	0	82,800	0
Travel - In State	2,900	800	0	800	0
Food	0	4,200	0	4,200	0
Other Operating Expenditures	62,100	24,900	0	24,900	0
Equipment	2,000	0	0	0	0
<b>PROGRAM TOTAL</b>	<b>1,876,300</b>	<b>1,983,800</b>	<b>0</b>	<b>1,964,900</b>	<b>0</b>
<b>BY FUND SOURCE</b>					
General Fund	1,236,800	1,315,400	0	1,296,500	0
Other Appropriated Funds	639,500	668,400	0	668,400	0
<b>TOTAL - ALL SOURCES</b>	<b>1,876,300</b>	<b>1,983,800</b>	<b>0</b>	<b>1,964,900</b>	<b>0</b>

**Program Description** — *The Arizona Diagnostic Testing and Education Center (ADTEC) provides diagnostic evaluation and educational programming for multiple disabilities with severe sensory impairments (MDSSI) students as referred by school districts throughout the state. This cost center is being proposed for elimination as the students previously served by ADTEC are now being served by the Tucson campus.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$(1,315,400)	(100.0)%
Other Appropriated Funds	<u>(668,400)</u>	<u>(100.0)%</u>
Total Appropriated Funds	\$(1,983,800)	(100.0)%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

Transfer of Appropriation to Tucson Cost Center \$(668,400) OF \$(1,315,400) GF

\* \* \*

**JLBC Staff Recommended Footnotes**

**Deletion of Prior Year Footnotes**  
 — The JLBC Staff recommends deleting the footnote concerning notification of voucher funds in excess of the amount appropriated for ADTEC and the footnote concerning the number of students enrolled in ADTEC because this cost center is being proposed for elimination. The Executive does not recommend the cost center reorganization.

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Arizona State Schools for the Deaf and the Blind  
 PROG: Tucson Campus

JLBC: Rachele Child/Stefan  
 Shepherd OSPB: Lori Sheen

House Sub: Wong  
 Senate Sub: Turner

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	312.1	315.6	337.9	325.1	317.2
Personal Services	8,618,300	9,189,400	8,818,900	9,361,700	8,569,500
Employee Related Expenditures	1,847,000	1,929,700	2,259,000	1,906,200	1,740,000
All Other Operating Expenditures:					
Professional and Outside Services	261,700	237,800	197,900	242,800	192,900
Travel - In State	42,500	53,500	9,500	53,500	5,800
Travel - Out of State	0	0	9,000	0	3,400
Food	96,600	80,000	84,200	80,000	84,200
Other Operating Expenditures	2,950,700	2,928,300	2,534,300	2,879,700	2,325,200
Equipment	341,700	314,900	1,044,600	362,700	381,900
<b>PROGRAM TOTAL</b>	<b>14,158,500</b>	<b>14,733,600</b>	<b>14,957,400</b>	<b>14,886,600</b>	<b>13,302,900</b>

<b>BY FUND SOURCE</b>					
General Fund	11,630,800	11,953,500	11,627,600	12,155,500	9,983,700
Other Appropriated Funds	2,527,700	2,780,100	3,329,800	2,731,100	3,319,200
Other Non-Appropriated Funds	1,535,800	1,844,400	103,500	2,030,000	103,500
Federal Funds	1,046,900	908,400	239,300	828,200	239,300
<b>TOTAL - ALL SOURCES</b>	<b>16,741,200</b>	<b>17,486,400</b>	<b>15,300,200</b>	<b>14,886,600</b>	<b>13,645,700</b>

**Program Description** — *The Tucson Campus provides a comprehensive residential educational program for visually and hearing impaired students. The school currently serves 309 students in the K-12 programs in the following categories: 155 hearing impaired, 65 visually impaired, 64 multiple disabilities with severe sensory impairments (MDSSI) and 25 multiply disabled students.*

Change in Funding Summary:	<u>FY 1996 to FY 1997 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$(1,969,800)	(16.5)%
Other Appropriated Funds	<u>539,100</u>	<u>19.4%</u>
Total Appropriated Funds	\$(1,430,700)	(9.7)%

### **FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

— ERE Rates	\$ (43,100) OF	\$ (51,900) GF
— Rent	-0- OF	10,000 GF
— Elimination of One-time Capital and Non-Capital Equipment	-0- OF	(497,400) GF
— One-Time OSHA Mandates and LAN Design	-0- OF	(8,500) GF

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### **Cost Center Reorganization**

668,400 OF (2,302,900) GF

As part of the overall ASDB cost center reorganization, the JLBC Staff recommends the creation of the Administration/Statewide Programs cost center, and the consolidation of the Tucson cost center with the ADTEC cost center. This new Administration/Statewide Programs cost center was previously part of the Tucson Campus cost center. The reorganization necessitates the transfer of \$1,983,800 and 65.9 FTE Positions from the ADTEC cost center to the Tucson Campus cost center, and the transfer of \$(3,666,500) and (69.8) FTE Positions from the Tucson cost center to the Administration/Statewide Programs cost center. This reorganization will also require the transfer of \$48,200 and 2 FTE Positions from the Phoenix Day School for the Deaf cost center to the Tucson cost center. The Executive does not recommend the cost center reorganization.

### **Salary Adjustment**

134,900 GF

The JLBC Staff recommends an increase of \$134,900 in Personal Services and Employee Related Expenditures for a full step increase for all employees at the Tucson cost center, effective January 1, 1997. This increase would require annualization in FY 1998. Please see the summary for more details. The Executive does not recommend any salary adjustment.

### **Physical Therapist**

38,400 GF

The JLBC Staff recommends an additional Occupational/Physical Therapist. The Tucson Campus has experienced an increase in the number of students who are multiply disabled as well as students with motor difficulties. The recommend amount includes \$31,200 in Personal Services, \$6,200 in Employee Related Expenditures, and \$1,000 in Other Operating Expenditures. The Executive concurs.

### **Night Supervisor**

24,500 GF

The JLBC Staff recommends an increase of 1.5 Night Supervisor FTE Positions. Night supervisors care for students with severe multiple disabilities in the dormitories. When a night supervisor must devote his or her attention to 1 particular student, the rest of the dorm goes effectively unsupervised. As the percentage of the population at the Tucson Campus with multiple disabilities grows, students in the dormitories need more intense supervision. The additional FTE Positions will provide an additional night supervisor to rotate among the dormitories during each overnight shift, 7 nights a week. The recommended amount includes \$18,600 in Personal Services and \$5,900 in Employee Related Expenditures. The Executive does not recommend funding for these positions.

### **Personnel Analyst**

31,400 GF

The JLBC Staff recommends an additional personnel analyst for the Tucson Campus. The number of employees receiving personnel services statewide has increased from 609 in FY 1991 to an estimated 1,100 for FY 1997; this increase has occurred across all cost centers. In addition to this increased workload, ASDB is devolving many of its day-to-day personnel functions to individual campuses. The recommended amount includes \$25,000 in Personal Services, \$5,400 in Employee Related Expenditures, and \$1,000 in Other Operating Expenditures. The Executive concurs, but adds an additional 0.5 FTE Position and \$11,400 for a Payroll Technician.

### **HVAC Cleaning**

7,300 OF

-0- GF

The JLBC Staff recommends appropriating \$7,300 in Other Operating Expenditures from ASDB's Enterprise Fund to clean the evaporative cooling ducts on the Tucson Campus. Although the buildings that are evaporatively cooled are on average 34 years old, the cooler ducts have never been cleaned. Since the ducts can be sources of airborne bacteria, leaving them uncleaned means running a higher risk of respiratory diseases. The Executive does not recommend this funding.

### **Equipment**

579,800 GF

The JLBC Staff recommends a total of \$179,500 for replacement non-capitalized equipment and a total of \$124,500 for replacement capitalized equipment. This amount is expected to replace the following types of items: file chests, chairs, braillewriters, desks, tables, paper cutters, mobile laboratory, refrigerators, microwaves, sofas, vacuum cleaners, calculators, lights, projectors, speakers, ingredient bins, microphones, video cameras, typewriters, lamps, computers, TDDs, televisions, chargers, language masters, receivers, transmitters, printers, audio recorders, and tutorettes.

The JLBC Staff also recommends a total of \$195,000 for 3 replacement buses and \$80,800 for 4 replacement cars.

The Executive recommends a total of \$246,900 for replacement equipment and \$115,800 for replacement vehicles.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

**Base Adjustment** (93,500) OF 68,500 GF  
 Due to a reduction in expected land endowment revenue, the JLBC Staff recommends reducing Other Operating Expenditures estimates by \$(25,000) OF. Due to estimated reduced voucher funding, the JLBC Staff also recommends the transfer of funding for 3 FTE Positions, constituting \$54,700 in Personal Services and \$13,800 in Employee Related Expenditures, from Voucher Funds to the General Fund.

**Travel - Out of State** 3,400 GF  
 Please see the summary for more details. The Executive does not recommend an increase for Travel - Out of State.

\* \* \*

### *JLBC Staff Recommended Format* — Modified Lump Sum by Program

### *JLBC Staff Recommended Footnotes*

#### *Standard Footnotes*

— Prior to the expenditure of any voucher funds in excess of the \$2,940,300 shown above, the Schools for the Deaf and the Blind shall report the intended use of the funds to the Speaker of the House of Representatives, the President of the Senate, the Chairmen of the Appropriations Committees, and the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting.

— All out-of-state tuition collections above \$91,000 received by the Arizona Schools for the Deaf and the Blind are appropriated for operating expenditures and authorized capital outlay projects.

#### *Continuation of New FY 1996 Footnotes*

— All endowment earnings above \$280,600 received by the Arizona Schools for the Deaf and the Blind are appropriated for operating expenditures.

#### *Other Issues for Legislative Consideration*

— **Demographic/Deflator Changes**  
 As can be seen in the table below, ASDB expects a decrease in total enrollment at the Tucson Campus of 10 students from the appropriated FY 1996 student count to the FY 1997 school year.

#### TUCSON CAMPUS STUDENT COUNTS

	Actual FY 1996 <u>Student Count*</u>	Appropriated FY 1996 <u>Student Count**</u>	Estimated FY 1997 <u>Student Count</u>	Difference FY 1997 Estimated vs. <u>FY 1996 Appropriated</u>
Multiple Disabilities with Severe Sensory Impairments	64	67	64	(3)
Multiple Disabilities	25	22	25	3
Visually Impaired	65	77	65	(12)
Hearing Impaired	<u>155</u>	<u>153</u>	<u>155</u>	<u>2</u>
<b>TOTAL</b>	<u>309</u>	<u>319</u>	<u>309</u>	<u>(10)</u>

\* Actual FY 1996 student count as of December 1995.

\*\* FY 1996 counts include students formerly included in ADTEC cost center.

#### — Executive Recommendation

The Executive recommends an increase of 3 FTE Positions and \$115,300 for a Learning Disabilities Specialist, an Orientation and Mobility Specialist, and a Communications Specialist in order to meet the requirements of federally-

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

mandated student individual education plans. The JLBC Staff believes the learning disabilities and communications services currently provided to students are still sufficient. Additionally, since the number of visually impaired students is decreasing, there is no need for an additional orientation specialist.

The Executive recommends an increase of 4 FTE Positions and \$57,600 for 4 student aides to assist MD/MDSSI. The JLBC Staff is recommending an increase of 1.5 Night Supervisor FTE Positions to assist students with severe multiple disabilities in the dormitories. (See paragraph above.) The Executive recommends an increase of \$10,000 in Other Operating Expenses for interpreter/brailist services. The JLBC Staff does not recommend this increase because the amount of needed services has remained the same.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Arizona State Schools for the Deaf and the Blind      JLBC: Rachelle Child/Stefan      House Sub: Wong  
 PROG: Administration/Statewide Programs      Shepherd      OSPB: Lori Sheen      Senate Sub: Turner

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	0.0	0.0	87.3	0.0	69.8
Personal Services	0	0	2,840,100	0	2,389,000
Employee Related Expenditures	0	0	727,300	0	509,700
All Other Operating Expenditures:					
Professional and Outside Services	0	0	365,100	0	233,300
Travel - In State	0	0	55,400	0	55,500
Travel - Out of State	0	0	9,000	0	2,100
Other Operating Expenditures	0	0	710,200	0	560,800
Equipment	0	0	82,200	0	18,400
<b>PROGRAM TOTAL</b>	<b>0</b>	<b>0</b>	<b>4,789,300</b>	<b>0</b>	<b>3,768,800</b>
<b>BY FUND SOURCE</b>					
General Fund	0	0	4,789,300	0	3,768,800
Other Non-Appropriated Funds	0	0	1,926,500	0	1,926,500
Federal Funds	0	0	588,900	0	588,900
<b>TOTAL - ALL SOURCES</b>	<b>0</b>	<b>0</b>	<b>7,304,700</b>	<b>0</b>	<b>6,284,200</b>

**Program Description** — *The proposed Administration/Statewide Programs cost center coordinates programs that serve the entire state apart from the Tucson and Phoenix campuses. It includes the 3 regional cooperatives and 6 preschool programs. It also provides statewide resources to school districts. In addition, the cost center would have responsibility for ASDB Administration.*

<b>Change in Funding Summary:</b>	<u>FY 1996 to FY 1997 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$3,768,800	100.0%

### **FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**  
 — Risk Management  
 — Rent

(58,600) GF  
 5,400 GF

**Cost Center Reorganization**

**3,682,300 GF**

As part of the overall ASDB cost center reorganization, the JLBC Staff recommends the creation of the Administration/Statewide Programs cost center. This new cost center was previously part of the Tucson Campus cost center. The reorganization necessitates the transfer of \$3,666,500 and 69.8 FTE Positions from the Tucson to the Administration/Statewide Programs cost center, and the transfer of \$15,800 from Phoenix Day School for the Deaf. The Executive does not recommend the cost center reorganization.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

**Salary Adjustment**

**37,600 GF**

The JLBC Staff recommends an increase of \$37,600 in Personal Services and Employee Related Expenditures for a full step adjustment for all employees in the Administration/Statewide Programs cost center, effective January 1, 1997. This increase will require annualization in FY 1998. Please see the summary for more details. The Executive does not recommend any salary adjustment.

**Transfer of Sensory Impairment Tuition Fund from the Arizona Department of Education**

**100,000 GF**

Laws 1990, Chapter 348, Section 31 created the Sensory Impairment Tuition Fund to "facilitate the most appropriate placement of sensory impaired pupils." The Legislature has appropriated \$100,000 to the Arizona Department of Education (ADE) every year since FY 1991 for this purpose. ADE has awarded the entire amount of the appropriation to ASDB every year. The JLBC Staff recommends appropriating these funds directly to ASDB. ADE has stated that they have no objection to transferring the monies to ASDB. The Executive does not recommend this issue.

**Travel - Out of State**

**2,100 GF**

Please see the summary for more details. The Executive does not recommend any increase for Travel - Out of State.

\* \* \*

***JLBC Staff Recommended Format*** — Modified Lump Sum by Agency

***Other Issues for Legislative Consideration***

— Demographic/Deflator Changes

As can be seen in the table below, ASDB preschool program enrollments are below FY 1996 appropriated levels. Although enrollment in these programs is expected to increase in FY 1997, current staffing levels are sufficient to address such an increase.

**PRESCHOOL PROGRAMS STUDENT COUNTS**

	<u>Actual FY 1996 Student Count*</u>	<u>Appropriated FY 1996 Student Count</u>	<u>Estimated FY 1997 Student Count</u>	<u>Difference FY 1997 Estimated vs. FY 1996 Appropriated</u>
CHIC (Tucson) <sup>1/</sup>	33	40	37	(3)
CHIC (Phoenix) <sup>1/</sup>	31	36	32	(4)
Gilbert HI <sup>2/</sup>	6	6	8	2
COOP/VI (Phoenix) <sup>3/</sup>	26	23	30	7
VIP (Tucson) <sup>4/</sup>	9	17	13	(4)
Gilbert VI <sup>5/</sup>	<u>4</u>	<u>3</u>	<u>5</u>	<u>2</u>
<b>TOTAL</b>	<b><u>109</u></b>	<b><u>125</u></b>	<b><u>125</u></b>	<b><u>0</u></b>

Actual FY 1996 student count as of December 1995.

- <sup>1/</sup> Center for Hearing Impaired Children.
- <sup>2/</sup> Preschool for Hearing Impaired Children.
- <sup>3/</sup> Cooperative Program for Visually Impaired Children.
- <sup>4/</sup> Preschool for Visually Impaired Children.
- <sup>5/</sup> Preschool for Visually Impaired Children.



**DEPARTMENT OF  
ECONOMIC SECURITY  
(DES)**

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Economic Security  
Agency Summary

JLBC Analyst: Cawley/Child  
OSPB Analyst: Richard Zelznak

House Sub: Weiers  
Senate Sub: Huppenthal

DESCRIPTION	FY 1995	FY 1996	FY 1997		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Administration	28,221,200	31,793,500	34,005,600	33,189,500	33,171,000
Developmental Disabilities	33,113,800	39,474,400	32,072,900	38,019,900	36,866,800
Long Term Care	41,508,500	45,751,300	53,124,600	50,670,100	54,134,600
Benefits and Medical Eligibility	125,998,600	129,434,600	125,045,700	117,174,800	119,968,200
Child Support Enforcement	3,737,400	3,083,400	3,765,200	2,806,300	3,238,600
Aging and Community Services	14,493,100	16,433,000	16,398,800	16,123,000	15,958,900
Children and Family Services	98,235,400	109,978,500	112,725,900	113,728,700	109,093,000
Child Protective Services Training	468,400	514,900	514,900	513,600	515,400
Employment and Rehabilitation Services	16,131,200	19,202,400	19,231,200	20,164,700	18,192,700
<b>AGENCY TOTAL</b>	<b>361,907,600</b>	<b>395,666,000</b>	<b>396,884,800</b>	<b>392,390,600</b>	<b>391,139,200</b>
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	2,682.6	2,689.6	2,814.7	2,751.3	2,606.6
Personal Services	67,887,600	63,752,500	66,209,300	64,914,400	62,858,900
Employee Related Expenditures	16,279,600	15,160,600	15,653,200	14,928,900	14,312,200
All Other Operating Expenditures:					
Professional and Outside Services	2,349,700	2,588,600	2,593,000	2,473,000	3,632,000
Travel - In State	2,054,200	2,045,100	2,184,100	2,155,400	2,118,200
Travel - Out of State	61,600	70,200	71,900	71,500	70,200
Food	537,500	158,600	158,400	158,600	158,600
Other Operating Expenditures	18,456,000	21,588,900	21,564,300	20,729,600	21,123,700
Equipment	1,497,700	1,301,300	1,991,800	1,767,300	843,500
<b>OPERATING SUBTOTAL</b>	<b>109,123,900</b>	<b>106,665,800</b>	<b>110,426,000</b>	<b>107,198,700</b>	<b>105,117,300</b>
Special Line Items	252,783,700	289,000,200	286,458,800	285,191,900	286,021,900
<b>AGENCY TOTAL</b>	<b>361,907,600</b>	<b>395,666,000</b>	<b>396,884,800</b>	<b>392,390,600</b>	<b>391,139,200</b>
<b>BY FUND SOURCE</b>					
General Fund	361,571,500	395,249,600	396,468,400	391,975,500	390,722,200
Other Appropriated Funds	336,100	416,400	416,400	415,100	417,000
Other Funds	221,810,900	187,109,500	186,955,300	173,716,700	187,323,500
Federal Funds	654,568,500	694,708,200	697,663,900	652,632,200	702,814,900
<b>TOTAL - ALL SOURCES</b>	<b>1,238,287,000</b>	<b>1,277,483,700</b>	<b>1,281,504,000</b>	<b>1,218,739,500</b>	<b>1,281,277,600</b>

**Agency Description** — *The department provides an array of services for low income households and others in need. These services are provided through the following divisions: 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.*

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$ (4,527,400)	(1.1)%
Other Appropriated Funds	600	0.1%
Total Appropriated Funds	\$ (4,526,800)	(1.1)%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 1,900 OF	\$1,021,100 GF
— ERE Rates	(1,300) OF	(568,200) GF
— Risk Management	-0- OF	(443,700) GF
— Rent	-0- OF	652,800 GF
— Elimination of One-time Equipment	-0- OF	(630,700) GF
— Other	-0- OF	18,000 GF

**FTE Positions**

Reduces a total of (83) General Fund FTE positions as follows: 149,500 GF

- Transfers (88) Child Support Enforcement Staff from General Fund to other funding, but funding offset by increase in General Fund dollars for other operating expenditures
- Eliminates (13) Arizona Training Program Staff at Coolidge
- Adds 1 Developmental Disabilities Co-Pay Administrator
- Adds 1 Long Term Care AHCCCS Capitated Rate Negotiator
- Adds 18.5 Staff for the Child Welfare Automation Project
- Eliminates (2.5) Expert System Automation Staff

**CHILDS Automation Development**

1,756,500 GF

**State Share of Retained Earnings Revenue Decrease**

312,900 GF

**Special Line Items**

**Major changes include:**

— Developmentally Disabled 100% State, Co-Pay, FY 1996 Surplus, Aging Out, Annualization	(2,424,000) GF
— Long Term Care - 4% Caseload Growth, FY 1996 Shortfall, Aging Out, Annualization	8,210,400 GF
— AFDC - No Caseload Growth, FY 1996 Surplus, Decrease in Federal Participation	(6,504,900) GF
— General Assistance - 3.5% Caseload Growth, FY 1996 Surplus	(2,882,400) GF
— Children and Adoption Services	505,400 GF
— Child Care	1,530,400 GF
— Adult Services - Supplemental Payments Surplus and Geriatric Nurse Elimination	(454,600) GF
— Healthy Families	(3,000,000) GF
— Summer School and JOBS	(1,000,000) GF
— Equipment Lease-Purchase Payments	(338,900) GF
— Other	(437,000) GF

\* \* \*

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

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### *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.
- 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 25th of the following month. The report shall include an estimate of a) potential shortfalls in entitlement programs, b) potential federal and other funds, such as the statewide assessment for indirect costs, and any projected surplus in state-supported programs, that may be available to offset these shortfalls, and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation, 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.

#### *Other Issues for Legislative Consideration*

##### — Auditor's General Report on Contracting Services

The November 1995 Auditor General Report examined DES contracting practices for 2 specific types of contracts: those with agencies providing human services and those with businesses providing consulting services. Each division is allowed to do their own contracting; therefore, the audit's scope was agencywide. The 2 types of contracts audited are a subset of DES's total contracting responsibilities. DES spends approximately \$243,000,000 annually on human service contracts alone. For these human services, the rates agreed upon are done so entirely by DES and the provider. In contrast, other rates paid by DES such as day care, medical and dental have ceilings or guidelines established by the federal government or AHCCCS.

Finding I states that DES needs to be more equitable in its rate-setting methodology. The Auditor General found over 10,000 different rates in the state and concluded that DES may have over 100 different rates for the same service. The Auditor General recommended that DES should adopt a uniform rate-setting approach agencywide. This uniform rate-setting approach has been adopted by several states and DES's Rehabilitation Services Administration. The 10 states employing this practice have found the approach to eliminate inequity and has improved provider relations and increased competition for services. In concept, DES agrees with this finding. However, it has several concerns with uniform rate-setting. The department argues that even the states used in the Auditor General report may have a number of rates for a given service for various reasons, such as a different rate for a different level of the same type of service. DES also expressed concern that a uniform rate may not improve relations with providers. Since some providers' current rates may be higher than under a proposed uniform level, their total revenue from DES under a uniform rate system could be lower. Furthermore, DES felt that the implementation and maintenance of a uniform rate-setting system would cost the state between \$100,000 and \$300,000, based on Michigan's and New Mexico's experience.

Finding II states that DES needs to better manage its use of consultants. During FY 1994, DES contracted out over \$4,000,000 to more than 110 consultants. Many of these contracts were multi-year, thereby, creating a larger cost over a number of years. These contracted consultants perform many tasks, including automation system design, policy manual development, and contract negotiation. The Auditor General recommended that DES: 1) develop guidelines governing its use of consultants to help ensure their necessity, plus help determine the need of consultants over the use of agency staff; 2) provide contract management specialists the responsibility and authority to ensure well-written contracts; and 3) ensure that project documentation specifies agency staff positions who are responsible for project management, results, and implementation. DES disagrees with the first recommendation. The department argues that to do so would only create another bureaucratic process within DES. On the second recommendation, the department agrees that the role of the contract management specialist could be examined to ascertain if these positions should have more responsibility and authority given to them. DES, however, does concur with recommendation 3.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Economic Security  
 PROG: Administration

JLBC: Marge Cawley/Rachelle  
 Child OSPB: Richard Zelznak

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	273.3	277.5	296.0	293.5	293.5
Personal Services	10,209,400	9,051,000	9,023,200	9,074,100	9,168,100
Employee Related Expenditures	2,214,700	1,945,000	1,941,300	1,848,900	1,881,200
All Other Operating Expenditures:					
Professional and Outside Services	507,800	690,300	690,300	570,300	570,300
Travel - In State	205,100	198,500	200,700	200,700	200,700
Travel - Out of State	60,700	63,100	65,000	65,000	65,000
Other Operating Expenditures	11,669,300	15,286,200	14,525,100	14,066,800	14,066,900
Equipment	882,100	1,275,300	976,100	976,100	843,500
<b>OPERATING SUBTOTAL</b>	<b>25,749,100</b>	<b>28,509,400</b>	<b>27,421,700</b>	<b>26,801,900</b>	<b>26,795,700</b>
<b>SPECIAL LINE ITEMS</b>					
Public Assistance Collections Fund	215,000	260,400	260,400	259,100	261,000
AZTECS Modification	338,800	7,900	0	0	0
FMCS Modification	132,300	132,300	132,300	132,300	132,300
Lease-Purchase Equipment	1,381,700	1,348,300	2,320,400	2,320,400	2,320,400
Child Welfare Information System	200,000	1,349,000	3,684,600	3,675,800	3,661,600
Expert System	204,300	186,200	186,200	0	0
<b>PROGRAM TOTAL</b>	<b>28,221,200</b>	<b>31,793,500</b>	<b>34,005,600</b>	<b>33,189,500</b>	<b>33,171,000</b>
<b>BY FUND SOURCE</b>					
General Fund	28,006,200	31,533,100	33,745,200	32,930,400	32,910,000
Other Appropriated Funds	215,000	260,400	260,400	259,100	261,000
Other Non-Appropriated Funds	14,390,500	13,422,800	13,238,600	13,238,600	12,978,700
Federal Funds	49,353,600	56,800,200	55,611,500	55,611,500	54,523,600
<b>TOTAL - ALL SOURCES</b>	<b>91,965,300</b>	<b>102,016,500</b>	<b>102,855,700</b>	<b>102,039,600</b>	<b>100,673,300</b>

**Program Description** — *The program consists of the Office of the Director, the Division of Administrative Services, Business and Finance, and Data Administration. This program provides department wide administrative, research and evaluation, financial and computer automation support.*

<b>Change in Funding Summary:</b>	<u>FY 1996 to FY 1997 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
	General Fund	\$1,376,900      4.4%
	Other Appropriated Funds	600              0.2
<b>Total Appropriated Funds</b>	<b>\$1,377,500      4.3%</b>	

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

***FY 1997 — JLBC Staff Recommended Changes from FY 1996***

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 1,900 OF	\$ 133,900 GF
— ERE Rates	(1,300) OF	(87,500) GF
— Risk Management	-0- OF	(443,700) GF
— Rent	-0- OF	652,800 GF
— Elimination of One-time Equipment	-0- OF	(574,300) GF
— Transfers for Travel - Out of State, Occupancy, Lease Purchase Equipment and Other	-0- OF	(1,281,800) GF

**2,319,500 GF**

**Child Welfare Automation**

The JLBC Staff recommends \$1,462,300 and 11.5 FTE Positions for the development project team, which is the next step in this 4-year project. The \$1,462,300 is for the third year of the Children's Information Library and Data Source (CHILDS) information technology project. The estimate for the entire 4-year project is \$28,468,400 in Total Funds (TF). The agency estimated cost distribution over the 4 years follows:

<u>Fiscal Year</u>		<u>State Funds</u>	<u>Total Funds</u>
FY 1995	Planning	\$ 200,000	\$ 1,412,400
	Equipment	2,126,700	7,893,900
FY 1996	Development Planning	1,370,500	6,327,600
	Equipment	97,400	449,800
FY 1997	Programming & Implementation	3,871,600	8,346,900
FY 1998	Programming & Implementation	<u>2,038,400</u>	<u>4,037,800</u>
	<b>4-Year Totals</b>	<b><u>\$9,704,600</u></b>	<b><u>\$28,468,400</u></b>

Starting in FY 1997, operational and maintenance costs are included at an approximate cost of \$1,200,000 (TF) and a state share of \$600,000. Of the \$3,871,600, the sum of \$3,661,600 is directly appropriated into the Child Welfare Automation System Line Item. The remaining estimated cost will be subsumed under the department's Data Administration funding.

CHILDS is to be a comprehensive and integrated system to support the agency's child welfare programs. The system is planned to meet the automation needs of Child Protective Services (CPS), Foster Care, Adoption Services, and the Comprehensive Medical and Dental Program which provides for the health needs of foster care children. CHILDS is planned to interface with other related child welfare programs such as the Foster Care Review Board, which is housed in the Supreme Court, and the Attorney General's Staff, which is responsible for dependency and children issues. State funds will be matched by federal funds at a 75% match rate through September 30, 1996 and at 50% thereafter. The JLBC Staff recommendation includes 7 FTE Positions and \$857,200 for the state's increased match share after October 1, 1996. The Executive concurs and recommends the addition of 18.5 General Fund FTE positions and \$2,326,800.

The JLBC Staff recommends that these funds be appropriated in a separate bill, which would create both a new state agency responsible for information technology (IT) and a combined legislative, executive, and private sector oversight committee. This new structure would improve statewide coordination for nearly \$200,000,000 spent annually by state government on IT.

**Developmental Disabilities Automation Upgrade**

**(50,000) GF**

Eliminates money for the one-time cost for consulting dollars for obtaining a new automation system for the Developmental Disabilities program. To date, the department has been unable to provide information on its plan and resources needed for the next step—the design phase. By the end of FY 1996, the department's consulting contract will be completed. The Executive concurs with the elimination of the money.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### **Fingerprinting Automation**

(70,000) GF

Eliminates the one-time funding for the required cost-benefit analysis for a fingerprinting system for General Assistance and Aid to Families with Dependent Children (AFDC) applicants, which would be operated by the Department of Public Safety. The completed analysis is due by February 1, 1996. If the department decides to implement a fingerprinting system, the agency should propose an option based upon the cost benefit analysis and present it to the Legislature for consideration. The Executive concurs with the elimination of the money.

### **Lease-Purchase Equipment**

972,100 GF

Reflects changes in the yearly lease-purchase payments for 3 different automation projects. The second Mainframe Expansion FY 1997 payment is reduced by \$(329,800). The FY 1997 Central Processing Unit (CPU) Growth lease-purchase payment level will not change. The AFDC Time Limits payment is reduced by \$(9,100). The JLBC Staff recommendation also includes the transfer in of \$1,311,000 from the Other Operating Expenditures line. The transfer amount reflects the lease-purchase payment for the FY 1996 legislatively approved CPU upgrade. The Executive concurs.

### **AZTECS Modifications**

(7,900) GF

Reflects a decrease of \$(7,900) in the lease-purchase payment. The FY 1996 payment was the final one of this lease-purchase. The Executive concurs.

### **Expert System**

(186,200) GF

Eliminates (2.5) FTE Positions and funding for the planning phase of the Expert System. The FY 1996 appropriation provided for the development of an automated Expert System pilot plan for AFDC, Food Stamp and Medical Assistance Only eligibility determination in 2 urban offices. The department will be reporting to the JLBC in January 1996 on its project plan. The department's project plan will be based on its assessment of other states' expert system developments. The Executive concurs with the elimination of the funding.

\* \* \*

***JLBC Staff Recommended Format*** — Operating Lump Sum with Special Line Items for the Program

### ***JLBC Staff Recommended Footnotes***

#### ***Standard Footnotes***

- In accordance with A.R.S. § 35-142.01, the Department of Economic Security shall remit to the Arizona Department of Administration any monies received as reimbursement from the federal government or any other source for the operation of the DES West Building and any other building lease-purchased by the State of Arizona in which DES occupies space. The Arizona Department of Administration shall deposit such monies to the state General Fund and in cooperation with the Department of Economic Security shall submit an annual report to the Director of the Joint Legislative Budget Committee specifying these dollar amounts. (A.R.S. § 35-142.01 requires that the non-General Fund reimbursement be noted in the General Appropriation Act to ensure that the reimbursement is deposited in the state General Fund.)

#### ***Deletion of Prior Year Footnotes***

- The JLBC Staff recommends deletion of 2 one-time footnotes requiring DES to present Information Technology Project plans before the JLBC for review on the child welfare automation system, AFDC Time Limits automation upgrade, and the Expert System.
- The JLBC Staff recommends deletion of the one-time footnote requiring the reversion of the dollars appropriated for AFDC Time Limits and welfare reform evaluation if the federal waivers needed for implementation were not approved. The appropriate federal agencies approved the waivers.
- The JLBC Staff recommends the deletion of the one-time footnote requiring DES to conduct a cost/benefit analysis on a fingerprint system conducted in cooperation with the Department of Public Safety.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### *Other Issues for Legislative Consideration*

#### — Arizona Training Program Coolidge Lease with the Land Department

The Arizona Training Program at Coolidge is located on 280 acres of state trust land, of which only approximately 50 areas are currently being utilized by the main campus. The majority of the remaining 230 acres constitutes a farm area called the "Ponderosa" which is not currently being utilized. The department is currently negotiating with the State Land Department to return to them the 230 acre unutilized Ponderosa. DES holds a lease with the State Land Department for the entire 280 acres. This lease is subject to legislative appropriation and may be terminated if the Legislature does not appropriate the required \$33,600, but may only be amended if all parties to the lease agree. The lease expires in 2003. The JLBC Staff recommends that DES continue its negotiations with the State Land Department and endeavor to return the 230 acre Ponderosa to the charge of the State Land Department in FY 1997.



**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Department of Economic Security  
 PROG: Developmental Disabilities

JLBC: Marge Cawley/Rachelle  
 Child OSPB: Richard Zelznak

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	446.3	447.3	447.3	447.3	438.3
Personal Services	8,864,100	6,429,100	5,289,400	6,423,000	6,546,700
Employee Related Expenditures	2,236,900	1,516,300	1,213,000	1,534,900	1,551,300
All Other Operating Expenditures:					
Professional and Outside Services	540,200	664,900	664,900	664,900	664,900
Travel - In State	191,000	193,500	196,600	196,600	196,600
Food	253,300	20,000	20,000	20,000	20,000
Other Operating Expenditures	868,800	436,800	428,000	428,000	428,000
Equipment	49,500	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>13,003,800</b>	<b>9,260,600</b>	<b>7,811,900</b>	<b>9,267,400</b>	<b>9,407,500</b>
<b>SPECIAL LINE ITEMS</b>					
ASH Community Placement	14,000	34,300	16,100	16,100	16,100
Assistance to Families	436,100	648,800	648,800	648,800	648,800
DD Foster Care	2,031,000	2,031,000	3,152,900	3,379,000	2,031,000
Housekeeping Payments	123,300	142,600	125,000	125,000	125,000
Out-of-District Placement	26,500	64,900	15,100	30,300	30,300
DD Purchase of Care	17,470,000	21,547,100	14,557,800	18,886,300	19,193,500
Stipends and Allowances	9,100	10,400	10,400	10,400	10,400
Arizona Training Program at Coolidge	0	5,734,700	5,734,900	5,656,600	5,404,200
<b>PROGRAM TOTAL</b>	<b>33,113,800</b>	<b>39,474,400</b>	<b>32,072,900</b>	<b>38,019,900</b>	<b>36,866,800</b>
<b>BY FUND SOURCE</b>					
General Fund	33,113,800	39,474,400	32,072,900	38,019,900	36,866,800
Other Non-Appropriated Funds	453,200	195,000	195,000	195,000	195,000
Federal Funds	1,291,500	2,040,700	2,040,700	2,040,700	2,040,700
<b>TOTAL - ALL SOURCES</b>	<b>34,858,500</b>	<b>41,710,100</b>	<b>34,308,600</b>	<b>40,255,600</b>	<b>39,102,500</b>

**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 Long Term Care (LTC) 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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$(2,607,600)	(6.6)%

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

## *FY 1997 — JLBC Staff Recommended Changes from FY 1996*

### **Standard Changes**

— Annualization of January 1996 Pay Adjustment	134,300 GF
— ERE Rates	(89,300) GF
— One-Time Non-Capitalized Equipment	(6,400) GF
— Transfer to Administration Cost Center	(2,400) GF
— Travel - In State	3,100 GF
— Co-Pay Administration (See Below)	47,200 GF

### **ASH Community Placement**

(18,200) GF

The JLBC Staff recommends a decrease of \$(18,800), representing the estimated FY 1996 surplus. The FY 1996 appropriation provided funding for 383 days of services, including mental health and residential care and supervision. The department estimates requiring 297 days of services in FY 1997. At 21 days per client, this would provide services for 14 clients. The department utilized 281 days of service for 14 clients in FY 1995. The recommended amount also includes an increase of \$600 to annualize the January 1, 1996 direct care staff provider increase. The Executive concurs.

### **Housekeeping Payments**

(17,600) GF

The JLBC Staff recommends a decrease of \$(17,600) due to lower than anticipated client counts receiving housekeeping payments. The FY 1996 appropriation funded 185 clients. The recommended amount would fund an average client count of 149 in FY 1997, or the same number as in FY 1995. The Executive concurs.

### **Out-of-District Placement**

(34,600) GF

The JLBC Staff recommends a decrease of \$(35,800) due to lower than anticipated client counts requiring out-of-district placement. The FY 1996 appropriation was to provide services for 3 clients. The department is now estimating 1 client requiring this service in FY 1997. The recommended amount also includes an increase of \$1,200 to annualize the January 1, 1996 direct care staff provider increase. The Executive concurs.

### **Purchase of Care**

(2,353,600) GF

The recommended amount includes the following "aging out" increases:

- \$90,400 to annualize residential and support services for 5 clients who will attain 18 years of age *in FY 1996* and no longer qualify for Foster Care;
- \$5,900 to annualize residential and support services for 5 clients who will turn 22 years of age *in FY 1996* and will no longer receive a public education;
- \$158,000 for residential services for 9 new clients and support services for 10 new clients who will attain 18 years of age *in FY 1997* and will no longer qualify for Foster Care;
- \$146,600 for day programs for 44 new clients and support services for 25 new clients who will turn 22 years of age *in FY 1997* and will no longer receive a public education.

The recommended amount also includes an increase of \$422,400 to annualize the January 1, 1996 direct care staff provider increase, a decrease of \$(1,629,800) associated with the FY 1996 surplus, and a decrease of \$(1,547,100) associated with the implementation of a co-pay or sliding fee scale.

### *Sliding Fee Schedule*

A.R.S. § 36-562 directs the department to by rule prescribe a fee schedule for developmental disability residential programs provided directly or indirectly by the department. Currently, only room and board charges are utilized in calculating any financial participation. Per state law, parental contributions cannot be assessed for clients 18 or older. Payment for non-residential services may be charged under state law, but is not currently being assessed. The amount of liability by law is to be based on the percentage of gross income of the client or his estate or parents. The department has proposed and the JLBC Staff recommends that a fee schedule be adopted and implemented by the department and newly applied to residential, children, and support services in the DD Purchase of Care Special Line Item for those costs attributable to clients under the age of 18. Presumably this would be implemented through a co-pay at the time a service is rendered. The state would then reimburse the private provider for the remainder of the cost of the service.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

As the details for the cost of the sliding fee scale have yet to be developed by the department, the JLBC Staff plans to recommend that the department appear before the Joint Legislative Budget Committee to discuss the details of the scale before the changes are implemented.

The JLBC Staff recommends that the sliding fee scale be designed so as to be capped. For example, it may be capped to require no greater than 4% of the family's yearly income, with no co-payment for family incomes under \$20,000.

To assist the department in implementing this change, the JLBC Staff recommends an increase of 1 FTE Position and \$47,200 in Personal Services and Employee Related Expenditures. (See above under standard changes.)

The Executive has recommended a sliding fee scale be implemented which would result in savings of \$941,400 in FY 1997, based on January 5, 1996 an average 5% co-payment, and an additional savings of just under \$2,000,000 in the Title XIX program (Long Term Care). As the establishment of a sliding fee scale is estimated by the JLBC Staff to be a significant policy change and require a significant amount of work on the part of the department and private providers, the JLBC Staff recommends a sliding fee scale not be implemented in FY 1997 for the Long Term Care program, but be reviewed again in FY 1998. Additionally, the Executive recommendation assumes a co-payment from adult DD clients, either by the client or by the client's parents, which if paid by the parents would require a change in state law.

The Executive recommends an overall decrease in the Purchase of Care Special Line Item of \$(2,660,800), which includes a FY 1996 surplus estimate of \$2,200,000 and the elimination of the \$509,500 for the adult health and safety waiting list (see Standard Footnotes below).

### **Arizona Training Program at Coolidge (ATP-C)**

(270,100) GF

A.R.S. § 36-551 specifies that "As new community residential settings are developed over a period of time," the department shall "reduce the clientele at Arizona training program facilities to those developmentally disabled persons" for which an appropriate community placement is unavailable or whose parent or guardian wants them to remain in an institutional facility. In accordance with this law, the department has been making appropriate placements of those individuals who wish, in consultation with their parent or guardian, to be moved to a community residential home. Accordingly, the population at the ATP-C has been declining. The FY 1996 appropriation was based upon a population of 61 clients (another 93 clients are funded in the Title XIX program). The JLBC Staff estimates the FY 1997 population to equal 57, or a decrease of 4 clients. The Arizona Training Program at Coolidge was appropriated an employee to client ratio of approximately 183 employees to 76 clients (61 in ICF-MRs and 15 in state-operated group home settings on campus) or 2.4 employees to 1 client. Because of the estimated out-placement of 4 clients in FY 1997, the JLBC Staff recommends a decrease of (10) FTE Positions and a decrease of \$(270,100). According to the Institute on Disability and Human Development at the University of Illinois at Chicago, the national staff-to-client in Public Mental Retardation Institutions in 1992 was 2.08:1. As of December 1, ATP-C as a whole had 21 vacant positions. Additionally, of the total 476 FTE Positions appropriated in FY 1996 in the Developmental Disabilities and Long Term Care cost centers for the ATP-C, 13 FTE Positions have district-wide management responsibilities.

The Executive recommends a decrease of \$(78,100) for technical adjustments.

\* \* \*

***JLBC Staff Recommended Format*** — Operating Lump Sum with Special Line Items for the Program

***JLBC Staff Recommended Footnotes***

#### ***Standard Footnotes***

— The department shall report to the Speaker of the House of Representatives, the President of the Senate, the Chairmen of the Appropriations Committees and the Director of the Joint Legislative Budget Committee, a list of providers who received service rate adjustments, and the corresponding percentage increase or decrease, by an unidentifiable provider number. This report shall be issued by December 12, 1996, based upon all information available at that time.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

- It is the intent of the Legislature that any available surplus monies for developmental disability programs be applied toward the waiting list, unless there are insufficient funds to annualize these costs in the subsequent year. The children's waiting list shall receive first priority. The amount appropriated for developmental disabilities shall be used to provide for services for non-Title XIX eligible clients. The amount shall not be used to pay for other purposes, unless a transfer of monies is reviewed by the Joint Legislative Budget Committee.

### *Modification of Prior Year Footnotes*

- It is the intent of the Legislature that monies appropriated for services relating to adult day services in the Division of Developmental Disabilities budget be transferred to the Division of Employment and Rehabilitation Services, Rehabilitation Services Administration, ~~in order~~ to accommodate individuals who are determined by the Division of Developmental Disabilities to need vocational independence in a supported work environment. THESE MONIES MAY BE TRANSFERRED BACK TO THE DIVISION OF DEVELOPMENTAL DISABILITIES IF A SUPPORTED WORK ENVIRONMENT IS NO LONGER THE MOST APPROPRIATE DAY PLACEMENT FOR A CLIENT. *(The JLBC Staff recommends adding the uppercase sentence to clarify that monies should follow the client as clients move from adult day services to Rehabilitation Services Administration's employment related programs and back to adult day.)*

### *Continuation of New FY 1996 Footnotes*

- The Department of Economic Security shall report all new placements into a state-owned ICF-MR in FY 1997 to the Speaker of the House of Representatives, the President of the Senate, the Chairmen of the Appropriations Committees, and the Director of the Joint Legislative Budget Committee, and the reason why this placement, rather than a placement into a privately-run facility for the developmentally disabled, was deemed the most appropriate placement. This report shall be made available by July 15, 1997.

### *Other Issues for Legislative Consideration*

#### — DD Foster Care

The FY 1996 appropriation for DD Foster Care was to provide services for 124 foster care children in family, group home, and ICF/MR settings. The department is currently estimating a caseload in FY 1997 of 174 children, which the JLBC Staff believes is based on possibly inaccurate data from DES's Client Count reports. These reports currently show a total of 84 children in foster care in July 1995. As the JLBC Staff has not received any information from the division to support its request, the JLBC Staff is recommending no increase or decrease in this Special Line Item at this time. The Executive recommends an increase of \$1,348,000.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Department of Economic Security  
 PROG: Long Term Care

JLBC: Marge Cawley/Rachelle  
 Child OSPB: Richard Zelznak

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	1,050.4	1,060.4	1,060.4	1,060.4	1,053.4
Personal Services	23,493,500	18,230,300	18,230,300	18,318,200	18,467,200
Employee Related Expenditures	5,833,600	4,463,800	4,463,800	4,227,400	4,443,000
All Other Operating Expenditures:					
Professional and Outside Services	2,243,200	1,977,200	1,977,200	1,977,200	1,977,200
Travel - In State	522,700	577,500	584,000	584,000	584,000
Travel - Out of State	0	400	400	400	400
Food	592,700	271,800	271,200	271,400	271,800
Other Operating Expenditures	2,190,200	1,744,300	1,656,700	1,656,700	1,656,700
Equipment	119,900	68,400	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>34,995,800</b>	<b>27,333,700</b>	<b>27,183,600</b>	<b>27,035,300</b>	<b>27,400,300</b>
<b>SPECIAL LINE ITEMS</b>					
Acute Care	20,862,700	27,997,300	25,539,700	23,805,100	25,850,900
Fee for Service	8,074,600	7,884,200	10,920,500	10,920,500	10,822,900
LTC Foster Care	6,808,600	9,059,800	7,856,200	6,561,400	7,420,900
LTC Purchase of Care	91,617,400	88,734,900	115,678,700	109,711,400	112,027,000
Stipends and Allowances	192,400	205,400	205,400	205,400	205,400
Arizona Training Program at Coolidge	0	9,134,800	9,135,900	9,358,200	8,849,400
<b>AGENCY TOTAL</b>	<b>162,551,500</b>	<b>170,350,100</b>	<b>196,520,000</b>	<b>187,597,300</b>	<b>192,576,800</b>
<b>BY FUND SOURCE</b>					
General Fund	41,508,500	45,751,300	53,124,600	50,670,100	54,134,600
Federal Funds	121,043,000	124,598,800	143,395,400	136,927,200	138,442,200
<b>TOTAL - ALL SOURCES</b>	<b>162,551,500</b>	<b>170,350,100</b>	<b>196,520,000</b>	<b>187,597,300</b>	<b>192,576,800</b>

**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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$ 8,383,300	18.3%
Federal Funds	13,843,400	11.1%
<b>Total Funds</b>	<b>\$22,226,700</b>	<b>13.0%</b>

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

***FY 1997 — JLBC Staff Recommended Changes from FY 1996***

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 271,100 TF	\$ 271,100 GF
— ERE Rates	(194,800) TF	(47,100) GF
— Elimination of One-time Capitalized and Non-Capitalized Equipment	(131,900) TF	(44,900) GF
— Transfer to Administration Cost Center	(24,100) TF	(8,300) GF
— Travel - In State	6,500 TF	6,500 GF

**AHCCCS Liaison**

The JLBC Staff recommends the increase of 1 FTE Position and \$70,600 in Personal Services and Employee Related Expenditures for the hiring of a position to assist the department with its capitation rate negotiations with the Arizona Health Care Cost Containment System (AHCCCS) and to answer AHCCCS requests for information. In all of the recent years, the negotiation with AHCCCS for the beginning of each federal fiscal year has continued well into the new fiscal year. If the department's budget is converted to more accurately reflect the revenues received from AHCCCS (see below), it is extremely important that the negotiations are begun and concluded in a timely manner. The Executive does not recommend this position.

70,600 TF      70,600 GF

**Acute Care**

The JLBC Staff recommendation incorporates the following changes:

- An increase of \$341,900 GF and \$994,300 TF for full-year 4% client growth. Caseload growth would add 315 clients to the estimated FY 1996 year-end count of 7,887, for a total caseload of 8,202;
- A decrease of \$(1,080,100) GF and \$(3,140,700) TF to compensate for the FY 1996 estimated surplus.

(2,146,400) TF      (738,200) GF

The Executive recommends a decrease of \$(1,385,100) in GF funding, including 4% caseload growth funding which is more than offset by the FY 1996 surplus.

**Fee for Service**

The recommended amount includes an increase of \$141,500 GF and \$411,400 TF for full-year 4% client growth and an increase of \$825,900 GF and \$2,401,500 TF to compensate for the FY 1996 estimated shortfall. Caseload growth would add 1 client to the estimated FY 1996 year-end count of 34 medically fragile children, for a total caseload of 35. The recommended amount will also add 23 clients to the estimated FY 1996 year-end count of 580 on-reservation American Indian clients, for a total FY 1997 caseload of 603. The recommended amount also includes an increase of \$42,800 GF and \$125,800 TF to annualize the direct care staff January 1, 1996 provider rate increase. The Executive recommends an increase of \$1,032,700 GF, which includes 4% caseload growth funding.

2,938,700 TF      1,010,200 GF

**Foster Care**

The JLBC Staff recommends a decrease of \$(520,400) GF and \$(1,513,200) TF to compensate for the estimated FY 1996 surplus and an increase of \$103,800 GF and \$301,900 TF for FY 1997 estimated full-year 4% caseload growth. Caseload growth would add 10 clients to the estimated FY 1996 year-end count of 256, for a total caseload of 239, adjusting for those clients aging out. The recommended amount also includes a decrease of \$(147,100) GF and \$(427,600) TF to adjust for the 22 clients aging out of Foster Care in FY 1996 and the 27 clients aging out of Foster Care in FY 1997. The Executive recommends a decrease of \$(1,232,400) GF, including 4% caseload growth funding which is more than offset by the FY 1996 surplus.

(1,638,900) TF      (563,700) GF

**Purchase of Care**

The JLBC Staff recommends an increase of \$456,800 GF and \$1,343,200 for annualization of the January 1, 1996 direct care staff salary provider increase and the following changes:

23,292,100 TF      8,502,100 GF

— Residential Services		
FY 1996 annualization of 22 clients from foster care	399,800 TF	117,600 GF
FY 1997 aging out of 27 new clients from foster care	389,700 TF	132,500 GF
Caseload Growth of 4%	2,146,500 TF	738,200 GF
TOTAL	2,936,000 TF	988,300 GF

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

The JLBC Staff recommendation provides full-year funding for 4% caseload growth or an additional 72 clients to the estimated FY 1996 year-end count of 1,797, for a total caseload of 1,896 clients in FY 1997, including clients aging into residential services.

— Room and Board		
FY 1997 aging out of 27 new clients from foster care	67,600 TF	67,600 GF
Caseload Growth of 4%	<u>352,400</u> TF	<u>121,200</u> GF
TOTAL	420,000 TF	188,800 GF

The JLBC Staff recommendation provides full-year funding for 4% caseload growth or an additional 72 clients to the estimated FY 1996 year-end count of 1,797, for a total caseload of 1,896 clients in FY 1997, including clients aging into residential services.

— Adult Day (100% State - Basic Education)		
Caseload Growth of 4%	3,300 TF	3,300 GF

The JLBC Staff recommendation provides full-year funding for 4% caseload growth or an additional 2 clients to the estimated FY 1996 year-end count of 50, for a total of 52 clients in FY 1997.

— Adult Day (Title XIX)		
FY 1996 annualization of 42 clients aging out from public school	128,600 TF	43,700 GF
FY 1997 aging out of 25 new clients from public school	106,100 TF	36,100 GF
Caseload Growth of 4%	<u>637,600</u> TF	<u>219,300</u> GF
TOTAL	872,300 TF	299,100 GF

The JLBC Staff recommendation provides full-year funding for 4% caseload growth or an additional 66 clients to the estimated FY 1996 year-end count of 1,657, for a total caseload of 1,748 clients in FY 1997, including those aging out of public school.

— Children's Services (100% State)		
Caseload Growth of 4%	35,300 TF	35,300 GF

The JLBC Staff recommendation provides for full-year funding for 4% caseload growth, or an additional 27 clients to the estimated FY 1996 year-end count of 679 clients, for a total of 706 clients in FY 1997. These services include basic education and are not Title XIX reimbursable.

— Children's Services (Title XIX)		
Caseload Growth of 4%	83,400 TF	28,700 GF

The JLBC Staff recommendation provides for full-year funding for 4% caseload growth, or an additional 49 clients over the estimated FY 1996 year-end count of 1,233, for a total caseload of 1,282 clients in FY 1997. These programs, including day treatment and training and summer programs, provide continuity of training for DD clients when schools are not in session and are Title XIX reimbursable.

— Support Services (Title XIX)		
FY 1997 aging out of 27 new clients from foster care	31,200 TF	10,600 GF
FY 1997 aging out of 41 new clients from public school	47,400 TF	16,100 GF
Caseload growth of 4%	<u>902,000</u> TF	<u>310,200</u> GF
TOTAL	980,600 TF	336,900 GF

— FY 1996 Shortfall		
The JLBC Staff also recommends an increase of \$6,164,900 GF and \$16,618,000 TF to adjust for the FY 1996 shortfall.	16,618,000 TF	6,164,900 GF



## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

The Executive recommends an increase of \$6,529,600, which incorporates a 4 % caseload growth estimate and a co-payment which results in approximately \$2,000,000 in savings. As the establishment of a sliding fee scale is estimated by the JLBC Staff to be a significant policy change that would require a substantial amount of work on the part of the department and private providers, the JLBC Staff recommends a sliding fee scale not be implemented in FY 1997 for the Long Term Care program, but be reviewed again in FY 1998. Additionally, the Executive recommendation assumes a co-payment from adult DD clients, either by the client or by the client's parents, which if paid by the parents would require a change in state law.

### **Arizona Training Program at Coolidge (ATP-C)**

(216,200) TF (75,000) GF

A.R.S. § 36-551 specifies that "As new community residential settings are developed over a period of time," the department shall "reduce the clientele at Arizona training program facilities to those developmentally disabled persons," for which an appropriate community placement is unavailable or whose parent or guardian wants them to remain in an institutional facility. In accordance with this law, the department has been making appropriate placements of those individuals who wish, in consultation with their parent or guardian, to be moved to a community residential home. Accordingly, the population at the ATP-C has been declining. The FY 1996 appropriation was based upon a population of 96 clients (plus another 93 clients funded in the Developmental Disabilities program). The JLBC Staff estimates the FY 1997 population to equal 93, or a decrease of 3 clients. The ATP-C was appropriated at an employee to client ratio of 293 employees to 114 clients (96 in ICF-MRs and 18 in state-operated group home settings on campus) or 2.6 employees to 1 client. Because of the estimated out-placement of 3 clients in FY 1997, the JLBC Staff recommends a decrease of (3) GF and (8) TF FTE Positions and a decrease of \$(75,000) GF and \$(216,200) TF. According to the Institute on Disability and Human Development at the University of Illinois at Chicago, the national staff-to-client in Public Mental Retardation Institutions in 1992 was 2.08:1.

The Executive recommends an increase of \$74,200 GF for technical adjustments.

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### ***JLBC Staff Recommended Format*** — Operating Lump Sum for the Program with Special Line Items

#### ***JLBC Staff Recommended Footnotes***

##### ***Standard Footnotes***

- The department shall report to the Speaker of the House of Representatives, the President of the Senate, the Chairmen of the Appropriations Committees and the Director of the Joint Legislative Budget Committee, a list of providers who received service rate adjustments, and the corresponding percentage increase or decrease, by an unidentifiable provider number. This report shall be issued by December 12, 1996, based upon all information available at that time.

##### ***Other Issues for Legislative Consideration***

- Proposed Arizona Training Center at Tucson Special Line Item

The number of clients at the Arizona Training Center at Tucson (ATC-T) has been falling steadily over the last few years. There are now 12 clients placed at this facility. The JLBC Staff recommends that the Legislature consider Tucson-specific costs, which are currently "above the line" in the agency's operating budget, be identified "below the line" in an Arizona Training Center at Tucson Special Line Item. This will enable the Legislature to identify more clearly the costs associated with this facility, and as the facility is gradually downsized, identify possible savings and transfer of costs associated with the movement of clients. The ATC-T is located on land which will be deeded to the state by the federal government on July 14, 1997. The Executive does not address this issue.

- Possible Budget Conversion

The JLBC Staff is pursuing the possibility of a budget conversion for the Long Term Care cost center, which would convert budgeting to reflect more closely the capitation rates set by AHCCCS on behalf of the federal government and received by the division. If developed in time, the JLBC Staff will present this possibility at the department's budget hearing.

- AHCCCS Capitation Rate Negotiations

At this time, the negotiations between the department and AHCCCS for the FFY 1996 capitation rates have not been finalized. However, the JLBC Staff does not expect any change in the capitated rate other than pass-through monies to the Department of Health Services.



## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### — Pre-Admission Screening Instrument

AHCCCS has implemented changes to the Pre-Admission Screening (PAS) instrument, by which client eligibility for long term care services is determined. The department maintains this will result in more restrictive conditions applied to eligibility and re-eligibility determinations. AHCCCS was granted a transitional waiver effective September 1995, which will continue federal funding for services to those individuals determined not at risk for institutionalization under the new PAS instrument, but who meet incremental eligibility conditions under the waiver and are currently receiving long term care services. Some clients currently receiving long term care services who are found ineligible under the new PAS instrument will be transferred to the 100% state Developmental Disabilities cost center. As no information on the number of clients affected by the new PAS instrument is available to the JLBC Staff at this time, the JLBC Staff has not addressed this issue in its recommendation.

### — Laws 1995, Chapter 250 — Incompetence to Stand Trial

Laws 1995, Chapter 250 requires the Division of Developmental Disabilities to provide services in a secure facility to offenders with developmental disabilities who are incompetent to stand trial and are a threat to public safety. The secure facility and services are to be implemented effective March 1, 1996. The JLBC Staff understands that this will be addressed in additional legislation during the 1996 session and, therefore, has not addressed this issue in its recommendation.

### — Executive Recommendation

The Executive recommends an increase of \$1,027,400 GF to fund residential placements for an estimated 130 clients who are no longer able or no longer desire to live with their families. The JLBC Staff does not recommend this increase at this time, until the division's shortfall issues are explained and addressed.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Economic Security  
 PROG: Benefits & Medical Eligibility

JLBC: Marge Cawley/Rachelle  
 Child OSPB: Richard Zelznak

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	806.2	806.2	830.2	806.2	806.2
Personal Services	17,765,800	18,046,000	19,693,100	18,047,400	18,227,700
Employee Related Expenditures	4,575,700	4,667,300	4,936,400	4,517,500	4,541,300
All Other Operating Expenditures:					
Professional and Outside Services	246,800	300,100	300,100	300,100	300,100
Travel - In State	392,600	458,300	482,800	463,400	463,400
Other Operating Expenditures	3,296,300	3,511,800	3,744,000	3,511,800	3,511,800
Equipment	267,200	0	180,900	0	0
<b>OPERATING SUBTOTAL</b>	<b>26,544,400</b>	<b>26,983,500</b>	<b>29,337,300</b>	<b>26,840,200</b>	<b>27,044,300</b>
<b>SPECIAL LINE ITEMS</b>					
Aid to Families with Dependent Children	86,342,600	87,642,400	82,338,000	78,967,300	81,137,500
General Assistance	12,668,300	13,852,000	12,413,600	10,892,200	10,969,600
Tuberculosis Control	13,700	19,400	19,400	19,400	19,400
Institutional Support Payments	419,600	478,400	478,400	0	478,400
Full Employment Project	0	444,900	445,000	441,700	305,000
Youth Support Research	10,000	14,000	14,000	14,000	14,000
<b>PROGRAM TOTAL</b>	<b>125,998,600</b>	<b>129,434,600</b>	<b>125,045,700</b>	<b>117,174,800</b>	<b>119,968,200</b>
<b>BY FUND SOURCE</b>					
General Fund	125,998,600	129,434,600	125,045,700	117,174,800	119,968,200
Other Non-Appropriated Funds	6,573,100	8,585,400	8,928,200	8,928,200	8,928,200
Federal Funds	215,581,700	223,581,500	211,208,000	211,208,000	211,208,000
<b>TOTAL - ALL SOURCES</b>	<b>348,153,400</b>	<b>361,601,500</b>	<b>345,181,900</b>	<b>337,311,000</b>	<b>340,104,400</b>

**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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$(9,466,400)	(7.3)%

### **FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of January 1996 Pay Adjustment
- ERE Rates
- Travel - In State

\$ 206,300 GF  
 (152,800) GF  
 5,100 GF

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

## AFDC Caseload Growth

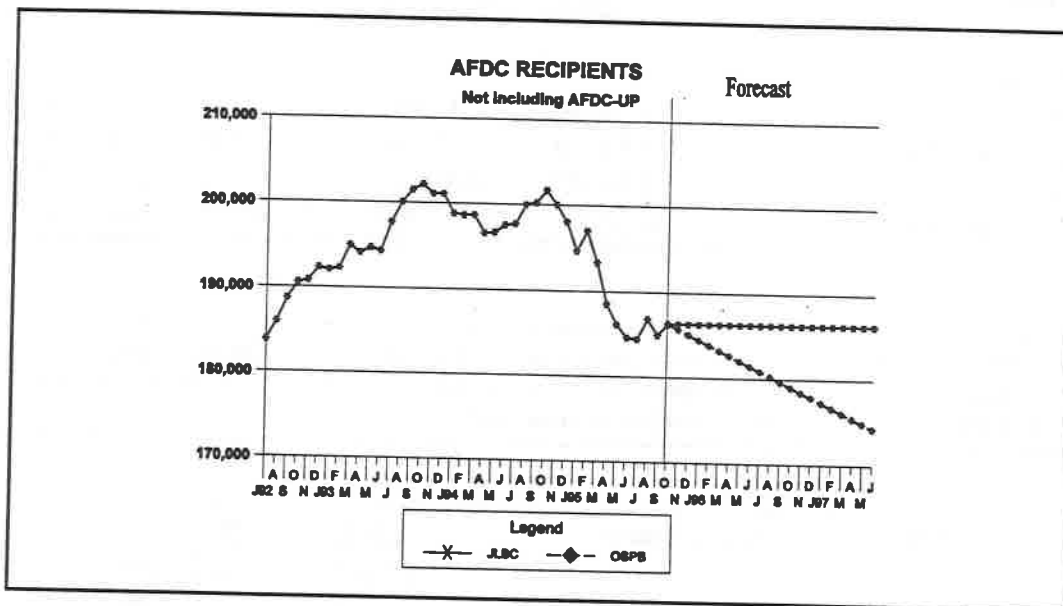
(6,504,900) GF

The JLBC Staff recommendation incorporates the following changes:

- An estimated caseload increase of 0%;
- An estimated FY 1996 surplus of \$(8,548,600). The FY 1996 budget provided for an average duplicated population of 200,050 recipients in the single-parent program and 6,269 recipients in the 2-parent program. The average actual duplicated caseload in FY 1996 to date is 185,436 in the single-parent program and 5,779 in the 2-parent program;
- An increase of \$588,000 due to decreased federal participation. The federal medical assistance percentage (FMAP) is based on the relationship between each state's per capita personal income and that of the nation as a whole for the 3 most recent years. For FY 1997, the federal government's share of AFDC payments for Arizona, due to an improved local economy, will decrease (0.32)%, from 65.85 to 65.53%;
- An increase of \$1,700,000 to end the use of State's Share of Retained Earnings (SSRE) to offset AFDC expenditures. In FY 1993 and FY 1994, the Division of Child Support Enforcement (DCSE) transferred \$500,000 and \$1,000,000 respectively, to the AFDC program. In FY 1995 and FY 1996, it was assumed that DCSE would transfer \$1,700,000 in SSRE to the AFDC program. The payment was not made in FY 1995 and is not expected to be made in FY 1996. Even though the amount of SSRE collected by DCSE has increased since FY 1994, DCSE expenditures have increased at an even greater rate, and DCSE can no longer support its FTE Positions and still make an offsetting payment to AFDC;
- A decrease of \$(244,300) in response to Laws 1994, Chapter 319, which eliminates AFDC benefit increases for families which result from the birth of an additional child, with certain conditions and exceptions. The first month in which the provisions of this bill will impact the AFDC appropriation is September 1996. The department estimates that each month 210 AFDC families will be affected by this provision.

The JLBC Staff estimates that including General Fund and federal monies, under current program guidelines, the state will expend \$244,888,100 on the AFDC program in FY 1997.

Overall, the Executive estimates a total decrease in required AFDC funding of \$(8,675,100), which incorporates a (3.7)% caseload decline from FY 1996 to FY 1997. The JLBC Staff believes that given our mutual forecast for slower economic growth this caseload estimate is too aggressive. Instead, we are projecting steady caseloads.



## General Assistance Caseload Growth

(2,882,400) GF

The JLBC Staff recommendation incorporates the following changes:

- An increase of \$406,000 for an average of 243 new recipients, or 3.55% caseload growth over the estimated FY 1996 population, and an average caseload of 7,089 recipients;
- An estimated FY 1996 surplus of \$(3,073,400). The FY 1996 appropriation assumed an average duplicated caseload of 7,825, or 3.4% caseload growth over FY 1995. The FY 1996 average duplicated caseload to date equals 7,029, a reduction of (10.2)%;

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

- A decrease of \$(215,000) associated with changes in the federal Supplemental Security Income (SSI) program. The sum of \$215,000 was appropriated to the agency in FY 1996 to fund the Representative Payee Program with counties. Certain recipients of General Assistance, although eligible for SSI, are not in the SSI program as they are deemed incapable of handling their own finances. As of December 1994, representative payees may now collect a fee directly from the client's benefit payment to offset the cost of their services.

The Executive recommends a decrease in General Assistance funding of \$(2,959,800), which incorporates a (3.4)% caseload decline in FY 1997, which the JLBC Staff believes is too aggressive for reasons cited above in the AFDC narrative.

### **Full Employment Project**

(137,700) GF

The department was appropriated 4 FTE Positions and \$201,000 in FY 1996 for program implementation costs and \$243,900 to reimburse participating employers for the employer share of Social Security, unemployment insurance, and worker's compensation for 300 participants in the program in FY 1996. It was unknown at the time when the required federal waivers would be received and when the project could begin. The program was initiated November 1, 1995, and the department hopes to enroll 120 participants in the project in FY 1996. For FY 1997, the department hopes to enroll an additional 180 participants, for a 2-year total of 300 participants. The initiating legislation also created the Full Employment Demonstration Project Fund, into which legislative appropriations and federal monies for administering the project are to be placed. These monies are exempt from lapsing. Since the FY 1996 appropriation contained sufficient monies for the reimbursement of participating employers for the costs described above for all 300 participants, and these monies are in the non-lapsing Full Employment Demonstration Project Fund, the JLBC Staff recommends a \$(243,900) GF decrease for FY 1997. The recommended amount also includes an increase of \$106,200 for "duplicate payments" for 180 participants in FY 1997. Laws 1994, Chapter 301, directs the department to suspend regular benefit payments "at the end of the calendar month in which an employer makes the first subsidized wage payment . . ." Therefore, in the first month of subsidized employment, if a participant begins a job, for example, January 2 and is paid by the employer January 16, for the first month, that participant will also receive his/her normal AFDC and Food Stamp benefits.

See below for a discussion of applicable performance measurements relative to this project.

The Executive recommends a technical adjustment of \$(3,200) to this program.

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### ***JLBC Staff Recommended Format*** — Operating Lump Sum with Special Line Items for the Program

#### ***JLBC Staff Recommended Footnotes***

##### *Standard Footnotes*

- The Operating Lump Sum appropriation may be expended on AHCCCS eligibility determinations based upon the results of the Arizona random moment sampling survey.
- The \$14,000 appropriated for youth support research is to be used for a K-12 pilot program to increase school performance and reduce gang activity. The Legislative Oversight Committee of Performance-based Employee Incentive Pilot Projects will oversee the design and implementation of this research program and will report to the Speaker of the House of Representatives, the President of the Senate, the Chairmen of the Appropriations Committees and the Director of the Joint Legislative Budget Committee by June 30, 1997 regarding the design and results of the research program.

##### *Continuation of New FY 1996 Footnotes*

- Notwithstanding A.R.S. § 35-173C, any transfer to or from the \$81,137,500 appropriated for Aid to Families with Dependent Children shall require approval of the Joint Legislative Budget Committee.

##### *Deletion of Prior Year Footnotes*

- The JLBC Staff recommends deleting the footnote concerning the waiver request for the Full Employment Project, as the waiver was approved in May 1995.

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

## *Other Issues for Legislative Consideration*

### — Performance Measurements

#### **AFDC and the JOBS Program**

One of the goals identified by the division is to assist recipients to gain economic independence by referring mandatory recipients to the JOBS program to obtain educational training and job skills. One important outcome measurement of this goal is the percentage of AFDC JOBS participants who entered employment and did not return to AFDC within 6 months of JOBS placement. The division has not collected this information in the past, but the JLBC Staff recommends this be one outcome measurement that the division, in cooperation with the Division of Employment and Rehabilitation Services, starts to collect in FY 1997.

#### **The Full Employment Project**

The department has set aside \$37,500 (GF) and \$75,000 in total funds in FY 1997 for an outside consultant to conduct a comprehensive evaluation of the project as required by Laws 1994, Chapter 301. The department plans to hire the consultant by May of 1996. The evaluation is due no later than November 1, 1997. The JLBC Staff recommends that the Legislature indicate to the department some *a priori* indications of what it would consider to be a successful project. The enacting legislation indicates that the evaluation shall "report on the project's impacts on expenditures, caseload and individual duration of eligibility," as well as cost neutrality. To date, 20 employers have signed up to participate in the program.

#### **Food Stamp/AFDC Fraud Rates**

The Auditor General's performance audit of the Division of Benefits and Medical Eligibility (DBME) dated October, 1993, using available information from other states and interviews of Eligibility Interviewers (EIs) estimated the fraud rate for the Food Stamp and AFDC program in Arizona at between 2% to 28%. In an effort to narrow this range considerably, the division hired a firm to examine Food Stamp and AFDC cases to determine an Arizona-specific fraud rate. This report was made public May 31, 1995. This report found the Arizona fraud rate for Food Stamps to equal 11.1% and 10.3% for AFDC for a sample of 309 cases from August - October of 1994. For one quarter, this fraud rate would indicate an estimated quarterly fraud cost for AFDC of \$5,354,400 and for Food Stamps of \$10,403,100. If the quarterly sample is representative of an entire year's worth of fraud costs, this would lead to a rough annual fraud estimate for both programs of \$62,989,728. As the federal government funds the entire cost of the Food Stamp coupons and for approximately 66% of the AFDC benefit, the majority of these costs are borne by the federal government. The state share of these losses would be approximately \$7,282,000 per year.

#### **Food Stamp/AFDC Error Rates**

Historically, Arizona's Food Stamp and AFDC Error Rates have run above the national average and above the national tolerance rate.

<b><u>FOOD STAMP PROGRAM</u></b>			
<b><u>Federal Fiscal Year</u></b>	<b><u>Arizona Error Rate</u></b>	<b><u>National Error Rate</u></b>	<b><u>Potential Liability</u></b>
1990	10.93%	9.80%	1/
1991	11.23	9.31	1/
1992	13.35	10.69	\$2,494,529
1993	12.29	10.83	\$774,743
1994	15.31	10.32	\$10,077,264

1/ For FFY 1990 and FFY 1991 the state renegotiated a 15% "reinvestment" of \$473,965.

#### **AFDC PROGRAM**

1991	8.31%	4.96%	\$1,592,066
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## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

When error rates run above the national tolerance rate, the state may be liable for substantial penalties, as outlined above. In FY 1990 and FY 1991, the department was able to negotiate a "reinvestment" of \$473,965 into reducing Arizona's error rates. The potential liabilities for the other years are still outstanding. Neither the JLBC Staff nor the Executive has recommended an increase in Eligibility Interviewer staff for FY 1997, in light of the current decline in applications for the AFDC and Food Stamp programs. However, the JLBC Staff believes an opportunity exists for the agency to address Arizona's error rate in FY 1997 with existing staff and lower caseloads.

### — Executive Recommendation

The Executive recommends eliminating the Institutional Support Payments (ISP) program. ISP provides a \$50 monthly payment to approximately 790 clients living in a licensed supervisor care home. ISP clients must be eligible for and be receiving an SSI benefit, and by virtue of this eligibility, are also categorically eligible for acute care services through AHCCCS. The JLBC Staff does not recommend elimination of this program at this time, pending further review.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Economic Security  
 PROG: Child Support Enforcement

JLBC: Marge Cawley/Rachelle  
 Child OSPB: Richard Zelznak

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	755.7	724.0	724.0	722.9	717.2
Personal Services	15,769,200	16,775,200	16,773,400	16,526,800	16,825,000
Employee Related Expenditures	3,947,200	4,534,600	4,534,400	4,061,800	4,153,800
All Other Operating Expenditures:					
Professional and Outside Services	4,392,500	4,615,000	4,096,100	3,585,300	3,778,200
Travel - In State	128,200	159,700	136,100	136,200	141,800
Other Operating Expenditures	3,051,900	2,822,200	2,822,200	2,994,100	2,717,900
Equipment	880,400	24,200	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>28,169,400</b>	<b>28,930,900</b>	<b>28,362,200</b>	<b>27,304,200</b>	<b>27,616,700</b>
<b>SPECIAL LINE ITEMS</b>					
Laws 1994, Ch. 374 Pilot Programs	1,940,900	427,600	0	0	232,100
Automation Lease-Purchase	50,400	0	0	0	88,500
Phase II Conversion	8,828,800	7,083,100	2,216,500	2,216,500	2,216,500
Assignment of Rights	0	171,000	0	0	0
Paternity Establishment	0	0	0	0	723,600
County Contracts	5,657,000	13,013,500	13,111,000	13,304,200	13,111,000
<b>AGENCY TOTAL</b>	<b>44,646,500 <sup>1/</sup></b>	<b>49,626,100 <sup>1/</sup></b>	<b>43,689,700</b>	<b>42,824,900</b>	<b>43,988,400</b>
<b>BY FUND SOURCE</b>					
General Fund	3,737,400	3,083,400	3,765,200	2,806,300	3,238,600
Other Funds	7,795,400	8,979,800	8,044,300	8,951,800	8,672,400
Other Non-Appropriated Funds	0	60,000	60,000	60,000	60,000
Federal Funds	33,113,700	37,562,900	31,880,200	31,066,800	32,077,400
<b>TOTAL - ALL SOURCES</b>	<b>44,646,500</b>	<b>49,686,100</b>	<b>43,749,700</b>	<b>42,884,900</b>	<b>44,048,400</b>

<sup>1/</sup> FY 1995 and FY 1996 shown in Total Funds (TF) for comparability purposes.

**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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$ 155,200	5.0%
Other Funds	(307,400)	(3.4)%
Federal Funds	(5,485,500)	(14.6)%
<b>Total Funds</b>	<b>\$(5,637,700)</b>	<b>(11.3)%</b>



# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

## *FY 1997 — JLBC Staff Recommended Changes from FY 1996*

### Standard Changes

— Annualization of January 1996 Pay Adjustment	\$ 194,500 TF	\$ -0- GF
— ERE Rates	(367,000) TF	-0- GF
— One-Time Non-Capitalized Equipment	(24,200) TF	(2,400) GF

### Total Funds Expenditure Authority

For the first time, in FY 1997, the JLBC Staff recommends that the Division of Child Support Enforcement be budgeted on a "total funds" basis, similar to the current budgeting practices for the Long Term Care System Fund and the Arizona Health Care Cost Containment System (AHCCCS). The division receives funds from the following sources: 1) General Fund appropriations; 2) State's Share of Retained Earnings (SSRE) and incentive payments; and 3) federal matching dollars. The General Fund appropriation plus SSRE and incentive payments together constitute 34% of the program's funds. These funds are then matched by federal dollars to equal 66% of the program's funds. Because there are so many different sources of funds for this program, the JLBC Staff believes the Legislature will have a better view of the public resources being expended on this program if the division is budgeted on a "total funds" basis. In order to make this shift as administratively simple as possible, the JLBC Staff is recommending that the required 34% state dollars for all FTE Positions, Personal Services, and Employee Related Expenditures be funded by SSRE and incentive payments, while the General Fund pay the state's 34% matching requirement for all operating expenditures and Special Line Items. This results in a shift of 88 formerly General Fund FTE Positions into SSRE, but no increase or decrease in the General Fund appropriation.

The Executive recommends the Child Support Administration Fund become subject to legislative appropriation in FY 1997. This fund contains SSRE and federal incentive payments.

### Child Support Arrearage Distribution

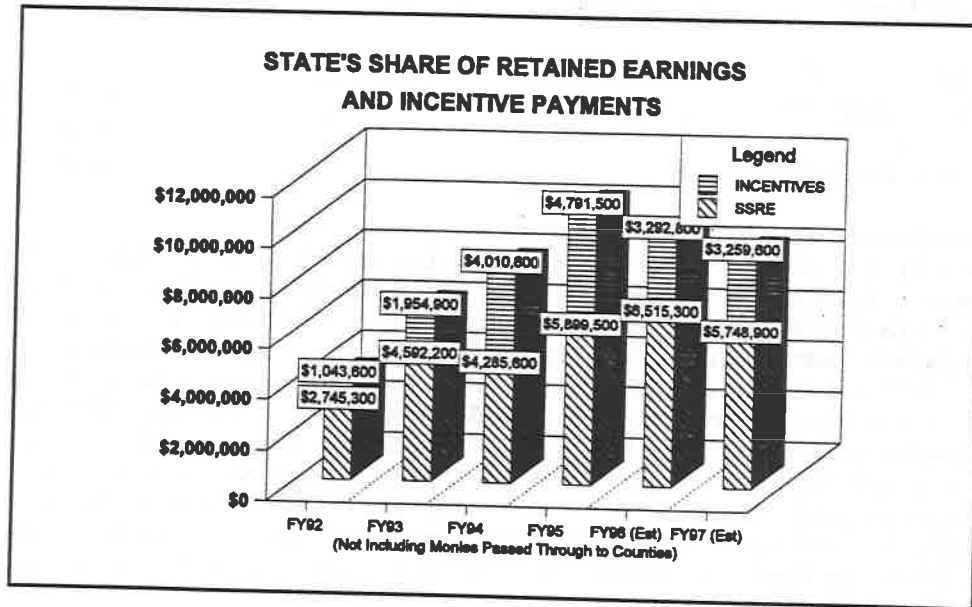
44,000 TF      312,900 GF

Laws 1995, Chapter 206 allows for a proportionate distribution for any arrearages owed by non-custodial parents to the state and to custodial parents, effective June 1, 1996. These custodial parents must previously have received Aid to Families with Dependent Children (AFDC) benefits, but subsequently have left the program. Under prior law, AFDC arrearages were paid first before arrearages owed to custodial parents were addressed. As this is anticipated to lower revenues received by DES in the form of the SSRE and federal incentive payments, Chapter 206 appropriated in FY 1996 \$73,100 GF to compensate for 1 month of lost revenue and an additional \$33,300 GF to reprogram the agency's computer system to incorporate the change. In FY 1997, the JLBC Staff recommends annualization for the 1 month of lost revenue equal to \$778,000 TF be restored to the agency in the form of an increase in SSRE of \$431,800, which would have otherwise been used by the agency to increase the amount of SSRE used in the Administration cost center, and a General Fund increase of \$346,200. This increase is recommended to be incorporated into the agency's operating budget. The JLBC Staff recommended amount also includes a decrease of \$(33,300) GF for the one-time reprogramming expense. Please see the discussion below regarding reconciling the actual amount of lost revenue associated with this change in statute with original estimates in FY 1998. Finally, the JLBC Staff recommends the remaining \$73,100 from Chapter 206 be moved into the division's operating budget, to be matched with \$141,900 in federal funds.

In FY 1997 the JLBC Staff estimates the division will earn \$9,044,500 in SSRE and federal incentive payments, not including monies passed through to participating counties. Of this amount, the JLBC Staff estimates \$1,900,000 will be expended by the agency in the Administration cost center for overhead and pooled costs. The sum of \$1,851,700 was expended in FY 1995. The remaining amount, \$7,144,500, will be available to couple with the General Fund appropriation to equal the state's 34% share of the cost of this program.



**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**



The Executive assumes that SSRE and incentive payments will be sufficient enough in FY 1997 that a General Fund increase will be unnecessary.

**Automation Lease-Purchase**

The JLBC Staff recommends the transfer of \$88,500 GF from the division's operating budget to a Automation Lease-Purchase Special Line Item (previously Automation Equipment). The sum of \$88,500 represents the division's lease-purchase interest payment for previously purchased automation equipment and is not eligible for federal matching.

-0- TF                      -0- GF

**Phase II Conversion and Loss of Federal Enhanced Match**

The division's centralized computer system, ATLAS, was originally required by the federal government to be federally certified by October 1995. However, at this time only Montana has received conditional certification of their computer system. The enhanced 90/10 automation federal matching rate, unless changed by Congress, will not be in effect for FY 1997, and will result in a loss of federal funds of \$(5,296,200) and (6.8) FTE Positions, which effects the Phase II Conversion Special Line Item and the division's operating budget. The division estimates that they will achieve federal certification early in CY 1996. The remaining monies in the Phase II Conversion Special Line Item are for ongoing system maintenance. Once the true cost of ongoing system maintenance is established, these monies may be moved to the division's operating budget.

(5,384,000) TF                      (87,800) GF

**Laws 1994, Chapter 374 Pilot Programs**

Laws 1994, Chapter 374 appropriated \$67,500 GF and \$198,500 TF to the division for a study to determine 1) whether visitation was occurring in paternity cases; 2) whether there was an interest in establishing visitation if it was not occurring; 3) to analyze existing paternity statutes and court procedures to determine whether they create obstacles to establishing visitation; 4) to determine whether visitation impacts timeliness and compliance in payment of child support; and 5) to determine what percentage of paternity cases involved AFDC, and whether support orders entered in paternity cases were adequate to remove women from the welfare rolls. From this study, several recommendations were made including encouraging visitation in paternity cases, an overhaul of paternity statutes and court procedures, and the granting of a visitation order with many paternity determinations. As this was funding for a one-time study, the JLBC Staff recommends discontinuation of the funding.

(198,500) TF                      (67,500) GF

The remaining funding in the Special Line Item supports 1 FTE Position who is located at the Maricopa County Court Building at 201 West Jefferson. The division handles all IV-D cases in Maricopa County. The intent of the pilot is to make IV-D services more readily available to custodial parents as they work with the courts on divorce, custody, visitation and paternity issues. As this pilot program has only recently been fully implemented, the JLBC Staff recommends retaining the funding. The JLBC Staff also recommends that some criteria be developed which could be used to indicate the relative success of this pilot and whether or not it should be expanded into other counties which also do not handle IV-D cases. There are more than sufficient funds left in this Special Line Item to expand this pilot into other counties, although more FTE Positions would need to be approved.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

The Executive recommends the elimination of all funding for these pilot programs.

### **Paternity Establishment Special Line Item**

-0- TF

-0- GF

The JLBC Staff recommends the monies for paternity establishment be placed in a Special Line Item, as this subprogram receives enhanced 90% funding from the federal government. The sum of \$723,600 would be transferred from Professional and Outside Services to this new Special Line Item. These funds are used for DNA testing and blood testing. Approximately 50% of child support cases are subject to the establishment of paternity through testing. The Executive does not recommend the creation of this Special Line Item.

### **County Contracts**

97,500 TF

-0- GF

The division contracts with several Arizona counties to run the IV-D program. Consequently, SSRE and federal incentives are passed through to these counties, as well as the 66% federal match, which matches SSRE and incentive pass-through monies as well as county appropriations. The \$97,500 TF increase represents an increase in the FY 1997 pass-through of SSRE and incentives.

\* \* \*

*JLBC Staff Recommended Format* — Operating Lump Sum for the Program with Special Line Items

### *Other Issues for Legislative Consideration*

#### — Administrative Cost Recovery Option

According to the General Accounting Office report dated June 1992, many non-AFDC clients being served by the IV-D program may "not be within the low-income population to whom the Congress envisioned providing" child support enforcement services. Bureau of the Census data for 1989 indicate that approximately 53% of the individuals requesting non-AFDC child support enforcement services in that year had family incomes exceeding 150% of the federal poverty level even before any child support was collected. To help defray the costs of providing these services, federal law requires that non-AFDC applicants be charged a mandatory application fee of up to a maximum of \$25. This fee may be recovered later from the noncustodial parent. States also have the option of recovering actual non-AFDC service costs from the custodial or noncustodial parent and charging fees for specific services. Currently, Arizona "charges" a \$1 mandatory application fee, which is then paid for by the state. Arizona also charges a \$25 fee, which is deducted from collections, covering both federal and state income tax offsets. The division estimates it will collect \$60,000 from this income tax offset fee in FY 1996 and plans to expend this money to pay for administrative errors or, under certain circumstances, not-sufficient-funds checks received by the division.

The JLBC Staff recommends that Arizona either 1) raise its mandatory application fee and charge this fee to the client and attempt to collect from the non-custodial parent or 2) similar to the Ohio program, charge a fee equal to a small percentage of collections. The second option would require a waiver from the federal government, but may be the preferable method because it would charge for a service only if successful collection was made. Alternatively, the division could charge an application fee of \$25 to custodial applicants, attempt to collect this fee from the non-custodial parent, and refund this fee to the custodial parent if no collections are made within a specified time (i.e., 1 year) upon application by the custodial parent. It is the understanding of the JLBC Staff that this option may be pursued through other legislation during the 1996 legislative session. If this is not the case, the JLBC Staff plans to revise its recommendation for the DES budget hearing. These funds could be used for a variety of purposes, including an incentive program for caseworkers, reclassifications, or training.

Depending on the amount and structure of the application fee, the JLBC Staff estimates that the division could recover \$1,290,000 in FY 1997. This amount is based upon an application fee of \$25. An average of \$615,700 was collected by the states in FFY 1994.

#### — Child Support Collections Goals

For FY 1995, the division set an original goal of collecting \$150,549,600, which was subsequently revised down to \$108,500,000. The division's actual collections for FY 1995 reached \$107,335,700, or 99% of their revised goal. For FY 1996 the division has set a goal of collecting \$121,500,000, and for FY 1997 a goal of \$137,500,000.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

- Report to the Joint Legislative Budget Committee on the Effect of S.B. 1227  
The JLBC Staff recommends that the division keep track of the actual loss of SSRE revenue associated with the implementation of S.B. 1227 so adjustments may be made accordingly in the division's FY 1998 budget. This report may be requested in writing from the Appropriations Chairmen.
- Auditor General's Report on the Payments and Distribution Function  
The Auditor General's July 5, 1995 report on the payments and distribution function of the Division of Child Support Enforcement (DCSE) presented 2 findings: 1) the payments and distribution function should be centralized; and 2) DCSE should do more to ensure accurate distribution of child support payments.
- 1) Currently, Title IV-D payments collected from noncustodial parents are processed at 15 different locations statewide. The Auditor General recommended DCSE reduce the number of processing locations from 15 to 1. This could provide an option to contract the payments and distribution function to a private vendor. This change will require legislative action, and is therefore not addressed in the JLBC Staff recommendation for FY 1997. It is the JLBC Staff's understanding that this may be addressed legislatively during the 1996 legislative session. The Auditor General recommended further study regarding costs and steps necessary to centralize all Title IV-D and non-Title IV-D payments and distributions.
  - 2) The Auditor General recommended DCSE request that the Arizona Department of Administration-Personnel readdress the minimum qualifications of debt team members; ensure that debt team staff receive accurate, ongoing training; monitor debt calculations for accuracy; and review debts for accuracy. The JLBC Staff believes these recommendations can be addressed internally by DCSE within existing resources.

— Intergovernmental Agreements with Counties

The division contracts with certain counties to enforce child support orders. These counties are eligible for SSRE and incentive monies, which they may use to couple with county appropriations to equal the required 34% of the cost of the program. Federal monies equal to 66% of the program are also passed through to the counties. In the case of Cochise and Navajo Counties, as indicated below, the SSRE, incentives and federal dollars passed through surpassed each county's actual expenditures over the 2-year period shown. The division is required to pass federal incentives along to the counties, but is not required to pass SSRE through to the counties. The division has intergovernmental agreements in which they have agreed to pass to counties the increase in SSRE over a certain base amount. The JLBC Staff recommends that any intergovernmental agreement which results in a greater amount passed through than the county is expending be renegotiated, and the division retain the increase in SSRE.

### COUNTY TOTALS STATE FY 1994 AND FY 1995

	<u>Expenditures</u>	<u>66% FFP</u>	<u>SSRE</u>	<u>Incentives</u>	<u>Profit/(Loss)</u>
Apache	\$ 105,061	\$ 105,061 <sup>1/</sup>			\$ -0-
Cochise	840,903	542,319	\$173,333	\$200,613	75,362
Coconino	82,066	82,066 <sup>1/</sup>			-0-
Gila	1,077,727	746,664 <sup>1/</sup>	80,198	31,341	(219,524)
La Paz	324,276	220,355	8,486	746	(94,689)
Maricopa	4,293,650	2,833,809		278,046	(1,181,795)
Navajo	535,211	385,965 <sup>1/</sup>	100,433	67,576	18,758
Pima	8,684,061	6,183,178	724,835	549,820	(1,226,228)
Pinal	2,479,194	1,722,323 <sup>1/</sup>	160,316	200,254	(296,302)
Santa Cruz	83,487	83,487 <sup>1/</sup>			-0-
<b>TOTAL</b>	<b>\$18,505,636</b>	<b>\$12,905,227 <sup>1/</sup></b>	<b>\$1,247,601</b>	<b>\$1,328,396</b>	<b>\$(2,924,418)</b>

<sup>1/</sup> FFP also includes the state share of 34% for the ATLAS Clerks of the Court function.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### — Federal Office of Child Support Enforcement's Nineteenth Annual Report to Congress

The Nineteenth Annual Report to Congress prints "Box Scores" for state's child support enforcement programs. These scores indicate, among other things, a "cost-effectiveness" ratio which indicates how many dollars in child support the program collects when it spends \$1 in administrative expenditures. Arizona has consistently ranked among the bottom of all states in this ratio. The latest report ranks Arizona 54th of all states and territories listed. In FFY 1994, Arizona collected \$1.78 for each \$1 administrative dollar spent. This may be due in a small part to the fact that Arizona collects a relatively large amount of child support on behalf of other states, and this amount is not included in the numerator of the cost-effectiveness ratio. As last year, the JLBC Staff recommends the division try to pinpoint other facts which cause Arizona to rank last in the country on this performance measure.

### — Success of Recent Privatization Efforts

The division was required by Laws 1994, Chapter 374 to test the effectiveness of private sector involvement in the provision of child support enforcement services. In response, the division has privatized all child support activities in Santa Cruz and Yavapai Counties. Additionally, the division has hired 2 collection agencies to assist in child support enforcement in Apache, Coconino, Graham, Maricopa, Mohave, and Yuma Counties. In FY 1995, the vendors were paid \$1,110,911, of which the federal government's share was \$733,201 and the state's share was \$377,710. The efforts of the vendor resulted in SSRE collections of \$764,294. Consequently, the state was able to earn \$386,584 above what it paid out in vendor fees.

### — Federal Legislation

There are provisions which are currently part of the federal welfare reform bill which would have some funding implications for the division. The program is not envisioned to be blocked or capped, and the federal participation would remain at 66% of program costs. However, there may be new federal requirements enacted, such as state registry of all child support orders, both IV-D and non IV-D; a state directory or new hires and mandatory new hire reporting (which is currently voluntary); and administrative as opposed to judicial processed in certain areas such as genetic testing and uncontested paternity and centralized payment processing.

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Economic Security  
 PROG: Aging & Community Services

JLBC: Marge Cawley/Rachelle  
 Child OSPB: Richard Zelznak

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	85.8	85.8	91.8	85.8	85.8
Personal Services	2,573,900	2,637,700	2,774,500	2,639,000	2,665,400
Employee Related Expenditures	579,500	594,300	631,200	572,400	575,800
All Other Operating Expenditures:					
Professional and Outside Services	20,100	16,000	16,000	16,000	16,000
Travel - In State	147,900	150,900	163,100	154,400	154,400
Other Operating Expenditures	248,300	221,900	272,800	221,900	221,900
Equipment	16,100	0	42,200	0	0
<b>OPERATING SUBTOTAL</b>	<b>3,585,800</b>	<b>3,620,800</b>	<b>3,899,800</b>	<b>3,603,700</b>	<b>3,633,500</b>
<b>SPECIAL LINE ITEMS</b>					
Emergency Assistance	825,600	857,700	857,700	857,700	857,700
Food Distribution Information	24,200	24,200	24,200	24,200	24,200
Homeless Shelter	1,234,900	1,236,100	1,236,100	1,236,100	1,236,100
Information and Referral	112,100	112,100	112,100	112,100	112,100
Rural Food Bank Project	253,400	351,300	351,300	351,300	351,300
Adult Services	8,293,700	9,080,500	8,799,700	8,819,900	8,625,900
LTC Ombudsman	116,700	117,900	117,900	118,000	118,100
Respite Care Pilot Program	42,500	32,400	0	0	0
Domestic Violence Prevention	0	1,000,000	1,000,000	1,000,000	1,000,000
Navajo Senior Centers	4,200	0	0	0	0
<b>PROGRAM TOTAL</b>	<b>14,493,100</b>	<b>16,433,000</b>	<b>16,398,800</b>	<b>16,123,000</b>	<b>15,958,900</b>
<b>BY FUND SOURCE</b>					
General Fund	14,493,100	16,433,000	16,398,800	16,123,000	15,958,900
Other Non-Appropriated Funds	3,064,000	3,993,000	3,912,600	3,912,600	3,912,600
Federal Funds	41,761,100	46,574,200	44,928,600	44,928,600	44,928,600
<b>TOTAL - ALL SOURCES</b>	<b>59,318,200</b>	<b>67,000,200</b>	<b>65,240,000</b>	<b>64,964,200</b>	<b>64,800,100</b>

**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 productive 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.*

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

<b>Change in Funding Summary:</b>	<b>FY 1996 to FY 1997 JLBC</b>	
	<b>\$ Change</b>	<b>% Change</b>
General Fund	\$(474,100)	(2.9)%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 31,400 GF
— ERE Rates	(22,000) GF
— Other	3,500 GF

**Adult Services - Supplemental Payments Surplus and Elimination of Geriatric Nurse Program** (454,600) GF  
 The JLBC Staff recommendation reduces this Special Line Item by \$(454,600), which reflects an agency projected surplus of \$434,400 in the Supplemental Payments Program and a savings of \$20,200 with the department requested elimination of the Geriatric Nurse program. The Supplemental Payments program provides a continuation of care and services, such as housekeeper, home health aide and visiting nurse services, for Supplemental Security Income (SSI)-eligible households. The Department of Economic Security (DES) provides services to their clientele based upon severity of need. Program costs are borne fully by the state. The following reflects FY 1996 and FY 1997 caseload and cost estimates:

	FY 1996		FY 1997	
	Average # of Monthly Clients	Average Monthly Cost	Average # of Monthly Clients	Average Monthly Cost
Home Health Aide	347	\$96.35	366	\$96.34
Housekeeping Payments	2,543	66.18	2,039	\$65.04
Visiting Nurse	197	71.87	165	\$71.62

The Geriatric Nurse program funded the cost of a geriatric nurse to dispense drugs to the elderly in Pima County. Program costs are borne fully by the state. The department requests the abolishment of this program.

The funds in the Adult Services Special Line Item provide for a community-based continuum of care and services for abused, neglected, and exploited adults. Other programs funded in this Special Line Item include Non-Medical Home Care services to non-SSI recipients, state match dollars for the Older Americans Act, Assessments and Case Management for the elderly needing service based upon the person's ability to perform activities of daily living, family support, and financial status.

The Executive reduces supplemental payments by \$(260,600) and retains \$173,800 in Adult Services to be used for Non-Medical Home Care services and \$20,200 for the Geriatric Nurse program in Pima County.

**Respite Care Pilot Program**

(32,400) GF

Funding for this pilot project ends. The pilot provided funds for unpaid care givers to receive short-term relief and support to run errands, keep medical appointments, go shopping, or time alone. The Executive concurs.

\* \* \*

**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for the Program

**JLBC Staff Recommended Footnotes**

**Standard Footnotes**

- It is the intent of the Legislature that the \$112,100 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 1997 Budget - Analysis and Recommendations

### *Deletion of Prior Year Footnotes*

- The JLBC Staff recommends deleting the footnote concerning the matching of \$50,000 of state General Fund dollars in the Rural Food Bank Project with \$45,000 from the federal Social Services Block Grant (SSBG) for the Statewide Gleaning Project, since the agency agreed to do so and the amount is now part of the program's base. In addition, the JLBC Staff recommends, as part of the Laws 1994, Chapter 366 requirement, to appropriate SSBG funds.
- The JLBC Staff recommends deleting the footnote concerning the matching of \$250,000 of state General Fund dollars in Adult Services with \$250,000 from the federal Social Services Block Grant for non-medical home and community based services as the amount is now part of the program's base. In addition, the JLBC Staff recommends, as part of the Laws 1994, Chapter 366 requirement, to appropriate SSBG funds.

### *Other Issues for Legislative Consideration*

#### — Potential Federal Budget Impact

Many of the elderly and community services receive substantial federal dollars. In addition, this cost center contains several programs that are 100% federally funded. At the time the state budget recommendation was prepared, federal budget negotiations were ongoing. Several of the federal programs will be impacted by the federal budget decisions. Programs in this cost center which are 100% state funded and will not be directly impacted by the pending federal budget decisions are Emergency Assistance, Food Distribution Information, Information and Referral, Rural Food Bank Project, and Long-Term Care (LTC) Ombudsman.

#### — Auditor General's Report

The 1995 Auditor General Report provided 2 findings with which the department agreed. Finding I stated that Adult Protective Services (APS) should centralize its intake function since standard procedures are not followed and cases are sometimes classified differently. The department has already successfully centralized its Child Protective Services intake function, and the department has indicated commitment to doing the same for APS. Finding II stated that APS lacks formal training for its workers which may place workers and clients at risk. Specifically, workers lacked training in interpreting medical records and the required records of licensed nursing facilities. The department is committed to providing core and ongoing training and has identified the need for funding to develop competency-based training. However, no training funding was requested within the FY 1997 budget request. In addition to the 2 findings, the Auditor General identified 2 other issues. Arizona's elderly population is increasing at a rapid rate, specifically its 85-and-older segment, which is the aged group needing long-term care. Secondly, the Auditor General briefly discussed the duplication and overlap among agencies serving the elderly. In addition to DES providing service to the elderly, AHCCCS, the counties, and the Area Agencies on Aging also provide similar services.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Department of Economic Security  
 PROG: Children and Family Services

JLBC: Marge Cawley/Rachelle  
 Child OSPB: Richard Zelznak

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995	FY 1996	FY 1997		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	605.9	605.9	651.9	651.9	605.9
Personal Services	18,077,300	18,290,700	19,441,800	19,410,300	18,476,200
Employee Related Expenditures	4,068,100	4,125,500	4,434,300	4,264,000	4,005,500
All Other Operating Expenditures:					
Professional and Outside Services	224,300	26,300	26,300	26,300	26,300
Travel - In State	891,700	792,800	884,500	884,500	806,000
Travel - Out of State	0	0	1,300	1,300	0
Other Operating Expenditures	1,321,600	1,202,800	1,619,300	1,619,300	1,202,800
Equipment	228,300	0	791,200	791,200	0
<b>OPERATING SUBTOTAL</b>	24,811,300	24,438,100	27,198,700	26,996,900	24,516,800
<b>SPECIAL LINE ITEMS</b>					
Adoption Services	12,610,200	16,135,800	15,917,600	15,145,600	15,145,600
Children Services	35,971,400	41,105,400	43,170,300	41,679,800	42,414,300
High Risk Infant Services	535,100	666,200	799,400	799,400	666,200
Intensive Family Services	2,182,200	2,364,800	1,237,600	2,364,800	2,364,800
Child Severance Project	191,100	463,200	649,900	649,900	649,900
Comprehensive Medical & Dental	2,794,900	2,794,900	2,794,900	2,794,900	2,794,900
Day Care Subsidy	12,635,100	13,692,300	10,671,100	13,001,800	19,915,700
JOBS Child Care	2,235,100	2,268,700	2,891,500	3,780,400	0
Transitional Child Care	2,364,000	2,776,300	3,948,000	3,098,400	0
Transitional Extension Pilot	0	64,800	416,800	416,800	416,800
Videotaping	205,000	208,000	0	0	208,000
Healthy Families Pilot	1,700,000	3,000,000	3,030,100	3,000,000	0
<b>PROGRAM TOTAL</b>	98,235,400	109,978,500	112,725,900	113,728,700	109,093,000
<b>BY FUND SOURCE</b>					
General Fund	98,235,400	109,978,500	112,725,900	113,728,700	109,093,000
Other Non-Appropriated Funds	5,609,500	7,195,000	7,897,700	7,897,700	7,897,700
Federal Funds	85,079,300	97,161,200	101,559,700	101,559,700	101,559,700
<b>TOTAL - ALL SOURCES</b>	188,924,200	214,334,700	222,183,300	223,186,100	218,550,400

**Program Description** — *The program provides staff resources, such as Child Protective Service (CPS) 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.*

<b>Change in Funding Summary:</b>	<b>FY 1996 to FY 1997 JLBC</b>	
	<b>\$ Change</b>	<b>% Change</b>
General Fund	\$(885,500)	(0.8)%



**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

***FY 1997 — JLBC Staff Recommended Changes from FY 1996***

**Standard Changes**

- Annualization of January 1996 Pay Adjustment \$ 210,700 GF
- ERE Rates (145,200) GF
- Other 13,200 GF

**Adoption Services**

(990,200) GF

Funding in this Special Line Item subsidizes the adoption of children who otherwise would entail high financial risks to prospective parents because of physical, mental or emotional disorders or who, because of age, sibling relationship, or racial or ethnic background would otherwise be difficult to place in adoption. The funding provides for ongoing maintenance and/or payment for special services depending on each eligible child's needs. The recommendation includes a transfer in of \$623,600 from Children Services for the 153 foster care children anticipated to move to adoption status and qualifying for the adoption subsidy in FY 1997. The recommendation also includes a decrease of \$(1,613,800), which reflects the decrease in the average annual cost per child. Costs have been decreasing and will continue to do so as the department continues taking steps to use less costly placements and by requiring all eligible children to participate under Title XIX (AHCCCS) guidelines. The JLBC Staff recommendation assumes a monthly average of 2,707 subsidized children, which is 192 new children, a 7.7% increase. Besides the 153 children moving from foster care, another 39 privately placed special needs children will be added. The estimated average annual cost is \$7,171.44 per child, which is \$857.83 lower than the FY 1996 department estimate. The recommendation also assumes another \$98,600 is needed for non-recurring adoption expenses. The recommendation assumes at least \$4,366,100 in Title IV-E federal funds. The JLBC Staff concurs with the Executive.

**Children Services**

1,308,900 GF

Monies in this Special Line Item fund a range of contracted services—in-home, out-of-home, and Child Protective Services—to ensure the well-being of children who are abused or neglected. The JLBC Staff recommendation reflects the transfer out of \$(623,600) to Adoption Services and the adding of \$1,932,500 for the projected increasing costs in CPS and out-of-home services. The recommendation assumes an increase of \$756,000 in federal and other funds for a total funds amount of \$65,758,600.

Traditionally, increases in this program have been based on estimated growth in the number of CPS reports appropriate for investigation. The department projects minimal growth in these reports through FY 1997. However, costs in CPS services and out-of-home services are growing due to the severity of the cases and the problems of the children who are entering the system. Out-of-home placements include shelter care, foster care, and residential group home placements. The fastest growing placement is residential group homes, where children are placed who need intensive therapeutic intervention. For a one-year period from September 1994 to September 1995, group home placements increased 66%. The placement of children in this type of setting increases the department's cost, since a group home placement can cost 4 to 10 times more than a family foster care placement. Another reason for the increase in residential group home placements is the lack of lower cost alternatives.

The Executive recommends the transfer out of \$(623,600) to Adoption Services and adding \$1,198,000 for the anticipated growth in cost due to the higher number of residential group home placements.

**Child Severance Project**

186,700 GF

This funding provides for expediting procedures to terminate parent-child relationships for the purpose of placing children for adoption. DES may use the funds to a) enter into an intergovernmental agreement with the Attorney General for legal and paralegal services, or b) contract for social services incurred in expediting severance and adoption. The JLBC Staff recommendation will provide for an additional 90 severance cases filed and 55 additional social study cases to be completed, which is an 18.8% and 10.7% increase, respectively, over the FY 1996 estimated 570 cases filed and studied. The Executive concurs.

**Day Care**

1,178,400 GF

The JLBC Staff recommends consolidating all the child care Special Line Items into this 1 Special Line Item. DES provides services for a total of 6 child care programs. In recent years, this Special Line Item included funding for 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 JLBC Staff recommends including the JOBS and Transitional Child Care funding in this line as well so it is more visible to the public of how much funding is provided for day care services for lower income families. In addition, the department can more readily utilize state funds to match federal funds for the federal day care programs if it is necessary. The JLBC Staff retains the Transitional Extension Pilot as a Special Line Item since it is a pilot and must be evaluated separately. The State Day Care Subsidy is not a statutory entitlement

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

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. The following table provides the estimated number of children served, average monthly subsidy, and estimated funding for each of the 6 child care programs. For all 6 programs, the average monthly subsidy level is the same as the FY 1996 budgeted amount. The estimated average number of children served varies from the FY 1996 budgeted amount for AFDC-Employed, AFDC-At Risk, JOBS Child Care, and Transitional Child Care.

### Child Care Programs

<u>Program</u>	<u>Average Number of Children Served</u>	<u>Average Monthly Subsidy</u>	<u>Funding Source</u>		
			<u>Federal</u>	<u>State</u>	<u>Total</u>
State Day Care Subsidy	12,328	\$ 99.63	\$ 6,489,800	\$ 8,249,000	\$14,738,800
AFDC-Employed	3,376	193.15	5,134,500	2,691,300	7,825,800
AFDC-At Risk	2,646	192.00	4,000,000	2,096,600	6,096,600
CCDBG	4,411	188.07	9,954,900	-0-	9,954,900
JOBS Child Care	5,443	168.30	7,212,300	3,780,400	10,992,700
Transitional Child	<u>3,865</u>	<u>194.25</u>	<u>5,911,200</u>	<u>3,098,400</u>	<u>9,009,600</u>
Total	32,069	\$152.32	\$38,702,700	\$19,915,700	\$58,618,400

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. A General Appropriation Act footnote limits services to the funds that are available. (See the footnote below.) This program is funded through 2 sources: a state appropriation and the Social Services Block Grant (SSBG). For this program in FY 1997, no new money is added.

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 65.61% federal 34.39% state match. For FY 1997, \$(690,500) is reduced for a 21.3% projected lower caseload, or 914 fewer children, than was budgeted for in FY 1996.

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 \$11.22, which is the same as the FY 1996 budgeted amount. Federal funding is capped and is estimated to be \$4,000,000 for FY 1996. The state share should not exceed the required amount needed to match the federal capped share. Due to a change in the state/federal match, \$35,100 is added to meet the higher state match in FY 1997, which will add 16 more children, or a 0.6% increase, to the caseload over the FY 1996 budgeted amount.

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 \$10.58, which is the same as the FY 1996 budgeted amount.

The JOBS Child Care program 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. The increase is based on a 34.39%/65.61% state/federal match rate. The \$1,511,700 represents a projected 64.8% increase, or 2,140 more children, than budgeted for in FY 1996. Of the \$1,511,700, the sum of \$1,166,400 is for a FY 1996 shortfall and \$345,300 is for the growth during FY 1997. The growth in this program reflects an Executive initiative to move 100% state-funded day care subsidy clients who self-initiated employment into this program to take advantage of the federally matched dollars.

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The Transitional Child Care program 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. The increase is based on a 34.39%/65.61% state/federal match rate. All families are required to make co-payments based upon a sliding fee schedule. The average monthly co-payment is projected to be \$18.58, which is the same as the FY 1996 budgeted amount. The increase of \$322,100 provides for a 10.4% caseload increase of 363 more children than the FY 1996 budgeted amount.

The Executive recommendation funds the Day Care programs at the same level as the JLBC Staff recommendation, but the Executive maintains the separate line items for Transitional and JOBS Child Care.

### **Transitional Extension Pilot**

The pilot is a joint demonstration program, which extends Transitional Child Care and Arizona Health Care Cost Containment System (AHCCCS) benefits from 12 to 24 months for eligible families who leave the AFDC program. The recommended increase reflects full-year funding of this program which started November 1, 1995 and anticipated caseload growth. The recommendation assumes a FY 1997 average monthly caseload of 510 children at a monthly subsidy of \$194.25. The increase of \$352,000 includes \$157,400 for a FY 1996 shortfall and \$194,600 for annualization and caseload growth. The FY 1997 increase reflects a projected 28.5% caseload increase, or 113 more children than the FY 1996 budgeted amount.

352,000 GF

### **Healthy Families Pilot**

Laws 1994, Chapter 1, 9th Special Session provided funding for contracts to create the healthy families pilot program. This pilot program provides services to children under 5 years of age and members of their families that are designed to prevent child abuse or neglect and to promote child development and wellness. The legislation also required these pilot programs to be evaluated by the Auditor General. The report was released in late December of 1995. Given that the initial 2-year funding for this program was provided outside of the budget process, the JLBC Staff recommends that the Legislature once again determine whether to continue funding this pilot program through separate legislation. The Executive recommends continuing the FY 1996 appropriation level.

(3,000,000) GF

The Auditor General Report concluded that the department successfully brought the Healthy Families Program into operation. It awarded contracts timely and efficiently, developed participant eligibility criteria as mandated by the Legislature, and provided agency level administrative services at no cost to the program. Almost all of the funding has been expended on service or quality assurance. In FY 1995, of the \$1.7 million appropriated 94% went directly to services and 5.6% was contracted for quality assurance. For FY 1996, 91% is budgeted for service delivery, 5.3% for quality assurance, 2% on data management, and 1.6% is unallocated. All but the 1.6%, or about \$50,000, is currently allocated to be contracted out to 5 providers to serve 13 sites in 5 counties (Coconino, Maricopa, Pima, Santa Cruz, and Yavapai). Prior to the creation of this program, DES started and continues to operate a similar program at 4 sites - 2 in Tucson, 1 in Prescott and 1 in Casa Grande - through monies from the Child Abuse Prevention Fund. An additional site is funded in Yuma by the Regional Behavioral Health Authority.

Although first-year cost per family were somewhat high, the Auditor General found it to be comparable with the Hawaii's Healthy Start program, which is the model upon which the Arizona's Healthy Families is based. Including the in-kind contributions from the contractors, the cost per family was \$3,693. The Auditor General projected that as the program grows, the cost should come closer to \$3,000 per family.

DES is working with the Auditor General to develop evaluation data for the Auditor General's final outcome evaluation due in December 1997. This report was unable to provide outcome information. The major Auditor General recommendations with which the department agreed are that DES should more strictly enforce the provisions of the program's contract performance incentives than it has to date and continue to enhance its collaborative efforts with other entities providing similar services.

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*JLBC Staff Recommended Format* — Operating Lump Sum with Special Line Items for the Program

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### *JLBC Staff Recommended Footnotes*

#### *Continuation of FY 1996 Footnotes*

- Of the \$19,915,700 appropriated for Day Care, \$8,249,000 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. This provision may not be construed to impose a duty of an officer, agent or employee of this state to discharge a responsibility or to create any right in a person or group if the discharge or right would require an expenditure of state monies in excess of the \$8,249,000 appropriation.

#### *Deletion of Prior Year Footnotes*

- The JLBC Staff recommends the deletion of the one-time footnote for the establishment of a study committee on the issue of contract case management and related liability.
- The JLBC Staff recommends the deletion of the one-time footnote requiring the department to implement a foster family quality support initiative to increase foster family satisfaction through semi-monthly payments to foster parents and monthly surveying a random sample of foster parents. The department is required to report to the health and welfare appropriations subcommittees by February 1 and October 1 of 1996 summarizing the monthly satisfaction surveys, provide information on the number of foster families recruited and retained, as well as the number of reports of abuse or neglect in foster family homes. The department was also required to apply for the performance based incentive pilot program established under Laws 1993, Chapter 114.

### *Other Issues for Legislative Consideration*

#### — CPS Case Weighting Initiative

The Executive recommends 49 FTE Positions and \$2,727,400 for a 3-year phase of a new case management methodology to improve CPS productivity, quality, and staff retention. This initiative assumes a basis for equitable staffing standards and data to identify trends associated with different types of cases and related resource needs. The case types included in this initiative are: intake, foster care, group care, adoption services, family resource development, and information and referral. If approved, the department should establish performance measures that capture the initiative's affect on case managers' productivity, quality and staff retention.

#### — Executive Recommendation on High Risk Infant Services and Videotaping

The Executive recommends a \$133,200 increase for the High Risk Infant Services program, which will serve an additional 82 families, a total of 493 families at an estimated cost of \$1,621 per family. The JLBC Staff recommendation maintains funding at the current year level, which will serve 411 families at the estimated cost of \$1,621, which is the same as the FY 1996 estimate.

The Executive recommends elimination of (3) FTE positions and \$(208,000) for the Videotaping program, which is a pilot program in Pima County created by the 1990 Omnibus Child Protective Services legislation. The intent of this program was to pilot a program which coordinated the actions of law enforcement agencies and DES in interviewing alleged child victims of sexual abuse. The goal was to lower the number of interviews these children would have to experience. Since the state program was established in Pima County, federal funding has been utilized in most Arizona counties and in several cities to establish similar programs. The department offered this program for elimination. The JLBC Staff recommendation retains this program at its current year level.

#### — Other Special Line Items - No Change

Intensive Family Services and Comprehensive Medical and Dental Program (CMDP) reflect no changes from their FY 1996 General Fund appropriation. Intensive Family Services will serve 515 families at an estimated cost of \$4,592, which is the same as the FY 1996 estimate. CMDP funding assumes an average of 8,112 children served at an annual average cost of \$962.48 per child and assumes a total other funds contribution of \$5,012,700, which is an increase of \$710,300 over the FY 1996 estimate. According to A.R.S. § 8-512, the state shall provide comprehensive medical and dental care to the extent that funds are available. The Executive concurs with the JLBC Staff recommendation on these Special Line Items.



**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Department of Economic Security  
 PROG: Child Protective Services Training Program

JLBC: Marge Cawley/Rachelle  
 Child OSPB: Richard Zelznak

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0	7.0	7.0
Personal Services	178,000	157,000	157,000	157,000	158,600
Employee Related Expenditures	38,900	40,900	40,900	39,600	39,800
All Other Operating Expenditures:					
Professional and Outside Services	108,300	231,700	231,700	231,700	231,700
Travel - In State	6,000	9,300	9,300	9,300	9,300
Travel - Out of State	900	5,200	5,200	5,200	5,200
Other Operating Expenditures	136,300	70,800	70,800	70,800	70,800
<b>PROGRAM TOTAL</b>	<b>468,400</b>	<b>514,900</b>	<b>514,900</b>	<b>513,600</b>	<b>515,400</b>
<b>BY FUND SOURCE</b>					
General Fund	347,300	358,900	358,900	357,600	359,400
Other Appropriated Funds	121,100	156,000	156,000	156,000	156,000
Federal Funds	164,900	217,600	217,600	217,600	217,600
<b>TOTAL - ALL SOURCES</b>	<b>633,300</b>	<b>732,500</b>	<b>732,500</b>	<b>731,200</b>	<b>733,000</b>

**Program Description** — This program funds training for Child Protective Services (CPS) investigators, CPS case managers and employees of child welfare agencies and community treatment programs. The program is funded through the General Fund and the Children and Family Services Training Program (CFST) Fund. A.R.S. § 8-503.01 established a CFST Fund whose revenues are 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 CFST Fund dollars fund the development and procurement of training consultants and materials. Laws 1994, Chapter 325, mandated that General Fund dollars will cover all expenses associated with the FTE Positions who provide the training. The department also utilizes federal Title IV-E monies that are available for training activities. These federal funds offset state expenditures.

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$500	0.1%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

- Standard Changes**
- Annualization of January 1996 Pay Adjustment
  - ERE Rates
- \$ 1,800 GF  
(1,300) GF**

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**JLBC Staff Recommended Format** — Lump Sum for the Program

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Economic Security  
 PROG: Employment and Rehabilitation Services

JLBC: Marge Cawley/Rachelle  
 Child OSPB: Richard Zelznak

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	110.3	108.7	109.7	108.7	108.7
Personal Services	2,533,400	2,690,000	2,713,100	2,690,700	2,717,900
Employee Related Expenditures	601,100	663,300	669,400	640,400	644,000
All Other Operating Expenditures:					
Professional and Outside Services	55,700	91,000	95,400	95,400	91,000
Travel - In State	71,100	85,000	88,000	87,400	87,400
Travel - Out of State	0	1,900	400	0	0
Other Operating Expenditures	279,100	288,000	275,000	270,300	271,900
Equipment	24,000	2,700	1,400	0	0
<b>OPERATING SUBTOTAL</b>	<b>3,564,400</b>	<b>3,821,900</b>	<b>3,842,700</b>	<b>3,784,200</b>	<b>3,812,200</b>
<b>SPECIAL LINE ITEMS</b>					
Vocational Rehabilitation Services	3,167,100	3,189,400	3,202,500	3,189,400	3,189,400
Independent Living Rehab. Services	529,000	558,200	558,200	558,200	558,200
Job Search Stipends	173,900	173,900	173,900	173,900	173,900
<b>JOBS</b>	<b>4,318,700</b>	<b>4,257,300</b>	<b>4,757,400</b>	<b>4,257,300</b>	<b>4,257,300</b>
Employment Support Services	4,878,100	6,701,700	7,196,500	6,701,700	6,701,700
Other Receipts	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Summer School and Jobs, Ch. 236	0	1,000,000	0	2,000,000	0
<b>PROGRAM TOTAL</b>	<b>16,131,200</b>	<b>19,202,400</b>	<b>19,231,200</b>	<b>20,164,700</b>	<b>18,192,700</b>
<b>BY FUND SOURCE</b>					
General Fund	16,131,200	19,202,400	19,231,200	20,164,700	18,192,700
Other Non-Appropriated Funds	183,925,200	144,678,500	144,678,900	144,678,900	144,678,900
Federal Funds	112,342,500	117,564,300	118,215,400	118,215,400	117,564,300
<b>TOTAL - ALL SOURCES</b>	<b>312,398,900</b>	<b>281,445,200</b>	<b>282,125,500</b>	<b>283,059,000</b>	<b>280,435,900</b>

**Program Description** — *The 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) programs. Several 100% federally funded programs are located in this division such as the Unemployment Insurance Benefit program and the Job Training Partnership Act (JTPA) program.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$(1,009,700)	(5.3)%

Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

*FY 1997 — JLBC Staff Recommended Changes from FY 1996*

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 31,600 GF
— ERE Rates	(23,000) GF
— Elimination of One-time Equipment	(2,700) GF
— Other	(15,600) GF

**Summer School and Jobs**

(1,000,000) GF

Laws 1995, Chapter 236, provided \$1,000,000 for distribution to counties based on specified population levels for summer youth employment and education and gang prevention programs for economically disadvantaged youth. The bill also created an income tax credit for employers hiring qualifying youth. The bill ended the programs effective June 30, 1996. To continue the expenditure for Laws 1995, Chapter 236, additional legislation will be needed to extend these programs. JLBC was required to review the effectiveness of the Summer School and Jobs Tax Credit program. JLBC Staff used information provided by DES, the Department of Revenue, the Governor's Division of Workforce Development, and from interviews with participating employers. Due to confidentiality agreements, participating students could not be interviewed for this evaluation. Although more than 2,200 applications were distributed to community and business groups as well as through local employment offices, DES received only 66 inquiries: 37 from businesses, 17 from community groups, and 12 from students. For this specific program of the Chapter 236 legislation, 8 students met all the requirements and were enrolled in the program which required them to be in summer school and to have secured a job. Five employers were certified for the tax credit, which is estimated to cost the state \$3,700 in income tax revenue. If the program is continued, modifications need to be considered such as earlier promotion of the program, more promotion to students, redesign of the application form, integration of this program with others that DES administers, and greater targeting of students who otherwise would not stay in summer school or acquire a job.

In addition to the Summer School and Jobs Tax Credit program, Chapter 236 appropriated \$1,000,000 for summer youth employment, education, and gang prevention activities for economically disadvantaged youth. DES, through an intergovernmental agreement, transferred the money to the Governor's Division of Workforce Development. This Governor's division distributed the \$1,000,000 to 18 cities, 6 counties, and 5 school districts, who passed their funds on to neighborhood associations throughout the state. According to the Division of Workforce Development's data, 9,883 youth participated in this program. The program began July 1 and concluded Labor Day week-end. Although no formal evaluation was conducted, this Governor's division reports that gang activities and recorded incidents were reduced during the program and juvenile crime was reduced.

The Executive recommends retaining the original \$1,000,000 as outlined in Laws 1995, Chapter 236, plus adding another \$1,000,000 for Project Intervention. Project Intervention provides job training, substance abuse prevention, and housing rehabilitation to Arizona neighborhoods experiencing high levels of gang activity, poverty, substance abuse and unemployment.

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*JLBC Staff Recommended Format* — Operating Lump Sum with Special Line Items for the Program

*JLBC Staff Recommended Footnotes*

*Standard Footnotes*

- It is the intent of the Legislature that the \$4,257,300 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 that the Special Administration Fund serve as the source for the \$500,000 of Other Receipts.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### *Other Issues for Legislative Consideration*

#### — Funding for Vocational Rehabilitation (VR) and Employment Support Services (ESS) Caseload Growth

Starting in FY 1994, clients from the Divisions of Developmental Disabilities (DDD) and Long Term Care System Fund (LTCSF) were transferred to the Rehabilitation Services Administration (RSA) for employment related programs. The transfer was finalized in FY 1995 with 1,611 client cases being funded in ESS. During FY 1995 and FY 1996, funding was approved for developmentally disabled client caseload growth for both programs. Since the beginning of the transfer in FY 1994, 135 cases were closed in VR and 50 cases were closed from ESS for various reasons. Although these cases were closed, no money has been deducted from these lines for these number of cases over the past 2 years. The department argues that there is an extensive waiting list of individuals referred by DDD and LTCSF for employment related programs. JLBC Staff believes that the 1,611 clients moved in FY 1995 were all the clients who were specified for these programs. Since then, all DDD clients who were eligible due to aging out and anticipated caseload growth have been funded. Due to RSA's retaining the funding for the 185 client cases that were closed, funds should be available in FY 1997 for the anticipated caseload growth of 75 clients. See the modified prior year footnote in the Division of Developmental Disabilities on monies following the client as a client moves from adult day services to Rehabilitation Services Administration's employment related programs and back to adult day services.

#### — Performance Measurements

One of the goals identified by the agency's Division of Benefits and Medical Eligibility is to assist recipients in gaining economic independence by referring mandatory recipients to the JOBS program to obtain educational training and job skills. One important outcome measurement of this goal is the percentage of AFDC JOBS participants who entered employment and did not return to AFDC within 6 months of JOBS placement. The agency has not collected this information in the past, but the JLBC Staff recommends this be one outcome measurement that the agency starts to collect in FY 1997.



**DEPARTMENT OF EDUCATION  
(ADE)**

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Department of Education  
Agency Summary

JLBC: Steve Schimpp/Justin Garosi  
OSPB: Rita Sauv

House Sub: Wong  
Senate Sub: Turner

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
State Board of Education	139,800	160,700	144,700	161,100	143,800
General Services Administration	8,096,500	9,224,800	17,755,700	10,255,100	10,021,700
Assistance to Schools	1,665,967,000	1,765,034,900	1,882,161,600	1,857,732,600	1,850,362,800
Vocational Education	1,312,800	1,325,800	0	1,322,900	0
<b>AGENCY TOTAL</b>	<b>1,675,516,100</b>	<b>1,775,746,200</b>	<b>1,900,062,000</b>	<b>1,869,471,700</b>	<b>1,860,528,300</b>

**OPERATING BUDGET**

<i>Full Time Equivalent Positions</i>	222.1	226.4	201.7	198.9	199.7
Personal Services	5,171,600	5,530,900	4,428,300	5,515,500	4,435,300
Employee Related Expenditures	1,181,100	1,230,900	1,073,400	1,180,700	942,500
All Other Operating Expenditures:					
Professional and Outside Services	173,200	39,500	70,300	57,900	57,400
Travel - In State	103,700	115,600	93,400	118,500	94,000
Travel - Out of State	37,500	29,500	36,800	36,800	36,800
Other Operating Expenditures	1,578,500	1,783,100	1,524,200	1,747,500	1,584,100
Equipment	240,100	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>8,485,700</b>	<b>8,729,500</b>	<b>7,226,400</b>	<b>8,656,900</b>	<b>7,150,100</b>
Special Line Items	1,667,030,400	1,767,016,700	1,892,835,600	1,860,814,800	1,853,378,200
<b>AGENCY TOTAL</b>	<b>1,675,516,100</b>	<b>1,775,746,200</b>	<b>1,900,062,000</b>	<b>1,869,471,700</b>	<b>1,860,528,300</b>

**BY FUND SOURCE**

General Fund	1,675,516,100	1,775,746,200	1,900,062,000	1,869,471,700	1,860,528,300
Other Non-Appropriated Funds	67,420,600	66,155,700	68,366,100	68,366,100	68,366,100
Federal Funds	373,869,800	447,922,200	405,146,000	405,146,000	405,146,000
<b>TOTAL - ALL SOURCES</b>	<b>2,116,806,500</b>	<b>2,289,824,100</b>	<b>2,373,574,100</b>	<b>2,342,983,800</b>	<b>2,334,040,400</b>

**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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$84,782,100	4.8%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of January 1996 Pay Adjustment
- ERE Rates

\$ 72,900 GF  
(12,700) GF

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

— Risk Management	28,900 GF
— Rent	30,800 GF

**Basic State Aid** **\$86,698,500 GF**

Student Growth (10.0% growth for preschool disabled students; 2.5% growth for K-8 students; and 3.5% growth for 9-12 students)	\$ 66,609,400 GF
Charter Schools	50,094,000 GF
Sudden Growth (full funding)	(5,086,100) GF
Career Ladder Step Increases	(2,102,100) GF
Retirement Recapture	(3,439,300) GF
Department of Juvenile Corrections Education Program	104,100 GF
Department of Corrections Education Program	438,600 GF
Other Adjustments	(2,637,400) GF
Assessed Valuation Growth at 1.8%	(7,420,100) GF
Endowment Earnings	<u>(9,862,600) GF</u>
Total	<b>\$86,698,500 GF</b>

**Additional State Aid ("Homeowners' Rebate")** **8,950,400 GF**

**Other Formula Programs** **(3,344,500) GF**

**Dropout Prevention** **(2,182,900) GF**

**Family Literacy** **(1,000,600) GF**

**Restructure of FY 1996 State Block Grant to State Block Grant — Early Childhood Education** **(5,000,000) GF**

**Other Changes** **451,300 GF**

**Creation of State Block Grant — Vocational Education** **-0- GF**

\* \* \*

*JLBC Staff Recommended Format* — Varies by Program

*JLBC Staff Recommended Footnotes* — See Individual Program Pages

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Department of Education  
 PROG: State Board of Education

JLBC: Steve Schimpp/Justin Garosi  
 OSPB: Rita Sauv

House Sub: Wong  
 Senate Sub: Turner

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	2.5	2.5	2.0	2.5	2.0
Personal Services	50,000	65,600	57,400	66,200	57,400
Employee Related Expenditures	12,200	15,900	13,900	15,700	13,000
All Other Operating Expenditures:					
Professional and Outside Services	28,600	19,500	16,100	16,600	16,100
Travel - In State	2,400	5,000	4,900	7,900	4,900
Travel - Out of State	11,600	2,000	9,300	9,300	9,300
Other Operating Expenditures	35,000	52,700	43,100	45,400	43,100
<b>PROGRAM TOTAL</b>	<b>139,800</b>	<b>160,700</b>	<b>144,700</b>	<b>161,100</b>	<b>143,800</b>
<b>BY FUND SOURCE</b>					
General Fund	139,800	160,700	144,700	161,100	143,800
<b>TOTAL - ALL SOURCES</b>	<b>139,800</b>	<b>160,700</b>	<b>144,700</b>	<b>161,100</b>	<b>143,800</b>

**Program Description** — *The 9-member State Board of Education (ADE) 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 9-member State Board for Vocational and Technological Education exercises general supervision over the conduct of vocational and technological education in the public school system. The board members (other than the Superintendent of Public Instruction) are appointed by the Governor for 4-year terms.*

<b>Change in Funding Summary:</b>	<b>FY 1996 to FY 1997 JLBC</b>	
	<b>\$ Change</b>	<b>% Change</b>
General Fund	\$(16,900)	(10.5)%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of January 1996 Pay Adjustment \$ 800 GF
- ERE Rates (400) GF

**Charter Schools Administration Costs**

Transfer the 0.5 FTE Position devoted to the State Board for Charter Schools to the "Charter Schools Administration" Special Line Item in the General Services Administration cost center. This change is requested by the agency in order to consolidate personnel and funding related to charter schools administration. The Executive does not concur with this recommendation.

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**JLBC Staff Recommended Format** — Lump Sum for the Program

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Department of Education  
 PROG: General Services Administration

JLBC: Steve Schimpp/Justin Garosi  
 OSPB: Rita Sauv

House Sub: Wong  
 Senate Sub: Turner

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	155.3	157.8	141.9	141.9	141.9
Personal Services	4,349,900	4,570,600	4,370,900	4,544,400	4,377,900
Employee Related Expenditures	994,600	1,010,800	1,059,500	973,900	930,300
All Other Operating Expenditures:					
Professional and Outside Services	75,900	20,000	54,200	41,300	41,300
Travel - In State	61,900	89,600	88,500	89,600	88,500
Travel - Out of State	22,100	27,500	27,500	27,500	27,500
Other Operating Expenditures	1,414,100	1,524,500	1,481,100	1,496,200	1,540,800
Equipment	114,600	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>7,033,100</b>	<b>7,243,000</b>	<b>7,081,700</b>	<b>7,172,900</b>	<b>7,006,300</b>
<b>SPECIAL LINE ITEMS</b>					
Achievement Testing	798,700	1,549,200	2,133,800	2,640,600	2,133,800
Education Commission of the States	49,300	54,400	57,200	57,200	57,200
Special Education Audit	215,400	230,600	230,800	237,300	229,500
Charter Schools Administration	0	147,600	352,200	147,100	344,900
Student Accountability Info System	0	0	0	0	250,000
<b>PROGRAM TOTAL</b>	<b>8,096,500</b>	<b>9,224,800</b>	<b>9,855,700</b>	<b>10,255,100</b>	<b>10,021,700</b>
<b>BY FUND SOURCE</b>					
General Fund	8,096,500	9,224,800	9,855,700	10,255,100	10,021,700
Other Non-Appropriated Funds	3,562,400	3,232,300	2,439,100	2,439,100	2,439,100
<b>TOTAL - ALL SOURCES</b>	<b>11,658,900</b>	<b>12,457,100</b>	<b>12,294,800</b>	<b>12,694,200</b>	<b>12,460,800</b>

**Program Description** — *The General Services Administration (GSA) 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 of Public Instruction is funded through this cost center.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$796,900	8.6%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of January 1996 Pay Adjustment
  - ERE Rates
  - Annualization of Office of Administrative Hearings Transfer
  - Risk Management
- \$ 54,800 GF  
 (1,200) GF  
 (12,900) GF  
 28,900 GF

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

- Rent 30,800 GF
- Other - Standard adjustment for Education Commission of the States 2,800 GF

### **Voluntary Reduction in FTE Positions (120,900) GF**

The JLBC Staff recommends approval of the agency's voluntary reduction of (13.4) FTE Positions and \$120,900 from the GSA operating budget. This is made possible by eliminating the use of redundant clerical pool staff, allowing unused limited FTE Positions to lapse, and not filling positions which have been vacant for extended periods of time. The Executive concurs with the elimination of (13.4) FTE Positions, but projects that this will result in a \$(121,000) savings in Personal Services and ERE.

### **Transfer to Gifted Support (30,300) GF**

The JLBC Staff recommends the transfer of the (0.5) FTE Program Specialist position in GSA that performs duties related to the Gifted Support program in the Assistance to Schools cost center to the Assistance to Schools cost center. (The Gifted Support program is part of the State Block Grant program in FY 1996, but is recommended for restoration as a separate Special Line Item for FY 1997.) This transfer will allow the agency to consolidate personnel and funding in support of the Gifted Support program. The Executive does not concur with this recommendation.

### **Transfer from GSA Operating Budget to Charter Schools Administration Special Line Item (179,500) GF**

The JLBC Staff recommends approval of the agency's request to transfer (4) FTE Positions and \$(179,500) from the GSA operating budget to the Charter Schools Administration Special Line Item in GSA. These positions will provide general administrative support for the 42 charter schools operating in FY 1996 and for the additional 50 charter schools anticipated for FY 1997. This support includes technical assistance via workshops and site visits to schools and applicants regarding the application and chartering processes, school finance, and other aspects of school operation. The Executive does not concur with this recommendation.

### **Charter Schools Administration 179,500 GF**

The JLBC Staff recommends that the operating budget of the Charter Schools Administration Special Line Item be increased by 4 FTE Positions and \$179,500 in order to reflect the transfer from the GSA operating budget described above. The Executive recommends a \$(500) decrease for Charter Schools Administration, resulting in a total appropriation of \$147,100.

### **Transfer from State Board of Education Cost Center to Charter Schools Administration 17,300 GF**

The JLBC Staff recommends approval of the agency's request to transfer the 0.5 FTE Position that currently provides administrative support for the State Board for Charter Schools in the State Board of Education cost center to the Charter Schools Administration Special Line Item in GSA. This transfer will allow the agency to consolidate personnel and funding in support of charter schools administration. The Executive does not concur with this recommendation.

### **Special Education Audit (7,000) GF**

The JLBC Staff recommends approval of the agency's request to eliminate (2.5) of the 5 FTE Positions in this Special Line Item, in order to reflect the agency's partial contracting out of duties for the biennial Special Education Audit. Increases in Professional and Outside Services costs would offset savings in Personal Services, but ERE savings of approximately \$(7,000) would be realized. The Executive concurs with the FTE elimination, but recommends a \$6,700 increase for the program, resulting in a total appropriation of \$237,300.

### **Achievement Testing 584,600 GF**

The JLBC Staff recommends the following for achievement testing (Norm Reference Testing and ASAP):

- A total of \$411,901 for Norm Referenced Test (NRT) based on full testing of grades 4, 8, and 10. This represents an increase of \$373,000 due to the expiration of the prior contract which reportedly was highly discounted by Riverside Publishing as a concession for maintaining the contract for Arizona's ASAP testing (described below). Starting in FY 1997, ADE proposes administering the NRT to grades 4, 8 and 10 rather than grades 4, 7 and 10 (as was done in prior years) so that both the NRT and ASAP testing programs will be administered to the same grade levels. The Executive recommends an increase of \$1,091,400 for achievement testing, in order to allow the NRT to be administered to every student in grades 3-12, not just to students in grades 4, 8 and 10.
- A total of \$1,721,900 (an increase of \$211,600) for the Arizona Student Assessment Plan (ASAP) essential skills testing, with full testing for grades 4, 8 and 10. Components of the increase include \$285,400 for printing costs for student booklets and \$204,300 for printing costs for teacher manuals; \$(540,900) in Professional and Outside Services; \$8,000 for scoring by Arizona teachers; \$(531,000) for Form D development; \$(101,000) in royalties for Forms A, B and C; and \$886,900 for scoring.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

**Student Accountability Information System**

**250,000 GF**

The agency is requesting \$7,900,000 for the development and implementation of a computerized data collection and retrieval system that would provide ADE, legislative and executive staff, and the public with on-line access to attendance, financial reporting and student accountability data from school districts. During FY 1996, ADE plans to use federal "Goals 2000" funds in order to pay for \$812,500 in anticipated planning and development costs. The JLBC Staff recommends (1) that \$250,000 be appropriated for development of the Student Accountability Information System during FY 1997, (2) that the initial scope of the project be limited to the automation of student attendance records, and (3) that a General Appropriation Act footnote require ADE to submit a project plan to the Joint Legislative Budget Committee prior to expending funding for the project.

The JLBC Staff recommends that the proposed \$250,000 in FY 1997 funding for this project be appropriated in a separate bill, which would create both a new state agency responsible for information technology (IT) and a combined legislative, executive, and private sector oversight committee. This new structure would improve statewide coordination for nearly \$200,000,000 spent annually by state government on IT.

The Executive does not recommend any funding for this request.

\* \* \*

***JLBC Staff Recommended Format*** — Modified Lump Sum for the Program

***JLBC Staff Recommended Footnotes***

***New Footnotes***

- Prior to expending \$250,000 for information technology, the Department of Education shall submit a project plan to the Joint Legislative Budget Committee for review.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Education  
 PROG: Assistance to Schools

JLBC: Steve Schimpp/Justin Garosi  
 OSPB: Rita Sauv

House Sub: Wong  
 Senate Sub: Turner

DESCRIPTION	FY 1995	FY 1996	FY 1997		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<i>Full Time Equivalent Positions</i>	39.1	38.8	57.8	28.2	55.8
<b>SPECIAL LINE ITEMS</b>					
Basic State Aid	1,446,902,500	1,558,128,700	1,668,752,900	1,652,705,700	1,644,827,200
Prior Year State Aid	53,500,000	0	0	0	0
Additional State Aid	120,494,500	148,250,300	155,585,400	157,219,400	157,200,700
Assistance to School Districts	516,500	487,800	19,400	19,400	0
Certificates of Educational Convenience	8,171,700	7,012,500	4,142,400	4,142,400	4,142,400
Perm. Spec. Ed. Inst. Voucher Fund	5,942,700	6,727,100	6,595,800	6,603,900	6,595,800
Spec. Ed. Plcmnt. Res. Ed. Vchr. Fund	2,072,200	2,103,800	2,250,200	2,240,900	2,245,200
Academic Contest Fund	50,000	50,000	50,000	50,000	50,000
Academic Decathlon	81,400	84,300	84,600	85,000	85,000
Adult Education Assistance	3,543,400	3,556,600	4,762,100	3,557,500	3,557,100
Arizona Geographic Alliance	50,000	50,000	50,000	50,000	50,000
Arizona Humanities Council	40,000	40,000	40,000	40,000	40,000
Arizona Principals' Academy	25,200	25,200	25,200	25,200	25,200
AZ School Service Through Ed. Tech.	234,000	234,000	234,000	234,000	234,000
Arizona Teacher Evaluation	292,900	305,100	191,900	206,400	190,700
Career Ladders	0	0	170,500	0	130,800
Charter Schools Stimulus Fund	940,000	1,000,000	1,000,000	1,000,000	1,000,000
Chemical Abuse	760,400	849,200	849,200	851,100	849,200
County Jail Education Start-up	0	250,000	0	0	0
Dropout Prevention	2,153,900	0	2,185,000	0	0
Extended School Year	482,000	500,000	500,000	500,000	500,000
Family Literacy Pilot	962,300	1,000,600	0	1,000,700	0
Full-Day Kindergarten	1,356,500	0	0	0	0
Gifted Support	953,200	0	1,292,900	0	1,290,100
Juvenile Crime Omnibus	2,355,400	5,000,000	5,000,000	5,000,000	5,000,000
K-3 Support	5,363,500	0	0	0	0
Optional Performance Incentive Progs.	0	100,000	100,000	100,000	200,000
Preschool At-Risk	2,592,600	0	0	0	0
Residential Placement	7,400	100,000	100,000	100,000	100,000
School Report Cards	190,700	300,000	300,000	300,000	300,000
Scotopic Sensitivity Irlen Syndrome	0	0	90,000	0	90,000
State Block Grant--Early Childhood	0	22,911,400	20,470,300	15,725,700	14,464,600
State Block Grant--Vocational Educ.	0	0	7,219,800	0	7,194,800
Tuition Fund	100,000	100,000	100,000	100,000	0
Vocational Education Assistance	2,822,900	2,835,000	0	2,835,000	0
Vocational Education Program Support	1,009,300	1,033,300	0	1,040,300	0
Vocational-Technological Education	1,999,900	2,000,000	0	2,000,000	0
<b>PROGRAM TOTAL</b>	<b>1,665,967,000</b>	<b>1,765,034,900</b>	<b>1,882,161,600</b>	<b>1,857,732,600</b>	<b>1,850,362,800</b>
<b>BY FUND SOURCE</b>					
General Fund	1,665,967,000	1,765,034,900	1,882,161,600	1,857,732,600	1,850,362,800
Other Non-Appropriated Funds	63,858,200	62,923,400	65,927,000	65,927,000	65,927,000
Federal Funds	373,869,800	447,922,200	405,146,000	405,146,000	405,146,000
<b>TOTAL - ALL SOURCES</b>	<b>2,103,695,000</b>	<b>2,275,880,500</b>	<b>2,353,234,600</b>	<b>2,328,805,600</b>	<b>2,321,435,800</b>



**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Department of Education  
 PROG: Assistance to Schools

**Program Description** — Assistance to Schools includes 6 formula programs and 21 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.

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$85,327,900	4.8%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**BASIC STATE AID**

**Student Growth**

\$66,609,400 GF

The JLBC Staff recommendation for FY 1997 provides funding for a 10% increase in the Preschool Disabilities (PSD) student count, a 2.5% increase in the elementary student count, a 3.5% increase in the high school student count, and a 5% increase in the Group B student count. Based on these student growth assumptions, an additional \$69,460,900 above the FY 1996 projected requirement will be needed for Basic State Aid in FY 1997. Deducted from this, however, is a base reduction of \$(2,851,500) from the FY 1996 appropriation, due to lower than projected student growth during FY 1996. This deduction results in a net projected increase of \$66,609,400 in the Basic State Aid requirement for FY 1997, as compared with the FY 1996 appropriation.

The FY 1996 Basic State Aid appropriation was based on estimates of 3.5% growth in the elementary student count and 4.8% growth in the high school student count, and the JLBC Staff estimate of 3% growth in net assessed valuation. Actual student growth for the FY 1996 requirement was 3.6% for elementary and 4% for high school funding.

The actual FY 1997 Basic State Aid funding requirement will be based on the final 100th day student count for school year 1995-96.

Fiscal Year	PSD	Percent Change	K-8	Percent Change	9-12	Percent Change	Total	Percent Change	Total Weighted Count	Percent Change
1991	637	37.3%	430,531	2.7%	158,334	(1.2)%	589,502	1.7%	727,529	1.7%
1992	848	33.1	444,474	3.2	159,842	1.0	605,164	2.7	747,981	2.8
1993	1,224	44.3	458,761	3.2	166,056	3.9	626,041	3.4	771,810	3.2
1994	1,610	31.5	474,768	3.5	170,527	2.7	646,905	3.3	798,443	3.5
1995	1,824	13.3	491,198	3.5	176,708	3.6	669,730	3.5	825,927	3.4
1996	2,044	12.1	508,848	3.6	183,743	4.0	694,627	3.9	857,296	3.8
1997 Est.	2,248	10.0	521,569	2.5	190,174	3.5	713,991	2.8	880,349	2.7

The Executive recommends an increase of \$85,752,154 over the FY 1996 requirement based on 10% growth in preschool disabilities, 3.4% growth in elementary, 3.72% in high school, and 5.6% growth for Group B students. This would result in an \$82,900,654 increase over the FY 1996 appropriation, once the \$(2,851,500) FY 1996 base adjustment is deducted.

**1.8% Growth in School District Net Assessed Valuation (NAV)**

(7,420,100) GF

Growth in school district assessed valuation increases the "local share" of total formula funding, and thus offsets increases in state funding. For FY 1997, the JLBC Staff projects an additional \$(19,641,800) offset to Basic State Aid over the actual (versus

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

appropriated) FY 1996 offset due to a projected 1.8% increase in school district assessed valuation for FY 1997. This projected growth rate primarily is due to moderate growth expected in class 3 (commercial) and class 5 (single-family housing). Deducted from this additional offset, however, is an FY 1996 base adjustment of \$12,221,700 due to lower than projected NAV growth for FY 1996 (1.76% actual versus 3% projected). After subtracting out the FY 1996 base adjustment, a net additional Basic State Aid offset for FY 1997 of \$(7,240,100) over the FY 1996 appropriation is projected.

The table below presents historical data on net assessed valuation growth since tax year 1987. Each additional 1% of growth, if evenly throughout the state and among property classes, saves the state about \$9,700,000 (including County Equalization).

<b>Percent Growth/Decline by Class</b>									
<b>Tax Years (NAVS from tax year 1994 were used in FY 1995, etc.)</b>									
<b>Property Class</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996 Projected</b>
1-Mines	25.1%	29.7%	10.5%	26.8%	22.7%	7.2%	(2.2)%	(1.7)	(2.5)
2-Utility	0.7	8.4	(4.1)	(0.3)	(2.9)	(1.1)	(0.4)	(3.2)	(7.0)
2-SRP	4.5	6.1	2.0	0.4	1.7	0.2	1.5	(3.2)	(5.5)
3-Commercial	9.7	10.6	9.6	(1.1)	0.1	(1.0)	(0.6)	(3.6)	4.0
4-Ag/vacant	12.2	12.7	4.8	(1.5)	(5.9)	(5.8)	(2.5)	(2.8)	(3.2)
5-Homeowners	8.6	7.6	3.7	2.4	2.6	3.0	7.2	10.2	5.3
6-Rental	4.5	1.6	(8.0)	(10.7)	(7.7)	(9.4)	(6.9)	8.0	7.2
Other	3.5	18.2	17.3	22.6	11.9	(17.2)	13.5	6.9	14.1
<b>TOTAL</b>	<b>7.2%</b>	<b>8.8%</b>	<b>3.1%</b>	<b>(0.2)%</b>	<b>(0.3)%</b>	<b>(0.7)%</b>	<b>1.4%</b>	<b>1.8%</b>	<b>1.8%</b>

The Executive recommendation assumes 2.0% growth in assessed valuation and an additional offset of \$(17,135,514), which would result in a (\$4,913,814) savings after the \$12,221,700 deduction for the FY 1996 base adjustment.

### County Equalization

A.R.S. § 15-994 provides that the County Board of Supervisors shall levy a county equalization tax. The rate is 53¢ per \$100 of assessed value and is assessed against all property. County Equalization monies are deducted from the total equalization requirement, and this lowers the General Fund requirement. The JLBC Staff projects an offset of \$(699,700) above the FY 1996 estimate as a result of the projected 1.8% growth in assessed valuation. The Executive recommends an additional offset of \$(385,932) based upon a projected 2% increase in assessed value for FY 1997.

(699,700) GF

### Charter Schools

The \$16,300,000 appropriated for charter schools operation in FY 1996, was based on a projected unweighted enrollment of 4,800 students. Revised projections for FY 1996 now anticipate an unweighted enrollment of 6,651 students and a total operating cost of \$31,998,000. For FY 1997, an unweighted student count of 15,000 and total operating costs of \$66,394,000 are projected, which is \$50,094,000 higher than the \$16,300,000 FY 1996 appropriation.

\$50,094,000 GF

The projected \$66,394,000 Basic State Aid requirement for charter schools for FY 1997 assumes transportation costs averaging \$187 per student—the approximate statewide average for regular public schools during FY 1996. If funded according to the standard transportation cost formula, charter school transportation during FY 1996 would cost approximately \$835 per student. This is because charter school students, on average, travel farther to school than students from non-charter public schools. For FY 1996, ADE plans to provide charter schools with per pupil transportation funding that is approximately equal to that provided to non-charter public schools of similar size (approximately \$580 per student).

The table below provides summary statistics for the 42 State Board-approved charter schools in operation during FY 1996 (46 charters were granted, but only 42 schools opened). Enrollment data are based on 40th day counts. The district-by-district funding data shown are agency estimates, and total to \$33,714,107, rather than to the \$31,998,000 JLBC Staff projection cited above, primarily because of differences in assumptions regarding transportation costs.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

<u>Name of School</u>	<u>Enrollment</u>	<u>Total Formula Funding</u>	<u>Formula Funding/Student</u>
ABC Alternative Learning Center	145.6	\$ 1,365,473	\$9,379
AZ Call-A-Teen	81.9	774,317	9,456
AZ Career Academy	287.0	1,216,487	4,239
AZ Montessori Charter	239.4	925,677	3,866
AZ School for the Arts	161.0	689,958	4,285
ATOP Academy	240.6	960,522	3,993
Benjamin Franklin Charter	126.8	648,583	5,115
Boys and Girls Academy	89.4	351,372	3,930
Carmel Comm Integrated Arts	204.7	1,060,428	5,181
CASY Country Day School	79.3	319,656	4,029
Citizen 2000	486.9	2,175,496	4,468
Dragonfleye Charter	146.2	592,926	4,056
Edupreneurship	51.0	286,919	5,623
Edu-Prize	114.7	533,941	4,654
Esperanza Montessori Academy	232.2	1,067,376	4,596
Excel Education Centers, Inc.	188.2	807,288	4,290
Foothills Academy	61.9	256,442	4,140
Gateway Community High	225.0	1,079,542	4,798
Glenman Montessori	59.6	238,234	3,997
Greyhills Academy High	398.8	2,087,363	5,235
Heritage Academy, Inc.	250.0	1,260,249	5,041
Intelli School	58.4	288,361	4,942
Kingman Academy of Learning	184.5	845,364	4,582
Learn Center School	52.0	321,609	6,186
Life Development Institute	13.1	58,416	4,451
Life School College Prep	91.4	489,142	5,351
Mingus Springs Charter School	72.0	285,702	3,968
New School for the Arts	206.0	1,335,755	6,484
Northern AZ Career Academy	115.4	515,199	4,466
Pima County Adult Education	120.6	514,910	4,268
Pine Forest	86.6	741,375	8,558
PPEP TEC	250.1	1,314,627	5,257
Primeria Alta Learning	129.0	599,626	4,648
Scottsdale Horizons Primary	188.1	1,417,629	7,539
Sedona Charter School	86.1	537,051	6,239
Success School	92.1	663,386	7,204
Teen Choice Leadership	124.0	931,818	7,512
Touchstone Community Charter	150.1	1,013,017	6,750
Twenty First Century Charters	44.2	327,076	7,404
Valley Academies	488.7	1,841,206	3,768
Ventana Academic School	63.0	252,009	4,000
Villa Montessori Charter School	165.4	722,580	4,369
<b>TOTAL</b>	<b>6,651.0</b>	<b>\$33,714,107</b>	<b>(not applicable)</b>
<b>STATEWIDE AVERAGE</b>	<b>158.4</b>	<b>\$ 802,717</b>	<b>\$5,293</b>

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The Executive recommends an increase of \$55,268,000 and a total of \$71,568,000 for charter schools operation for FY 1997.

### **Increase in Endowment Revenue**

(9,862,600) GF

Endowment earnings of the Permanent State School Fund offset the cost of Basic State Aid. Endowment earnings consist of interest on securities held in the fund and receipts from leases of state lands. Proceeds from sales of state lands are used to increase the size of the fund. The FY 1997 JLBC Staff recommendation includes an offset of \$(67,062,600) for Endowment Earnings, compared to the \$(57,200,000) offset upon which the FY 1996 Basic State Aid appropriation was based. This higher offset will decrease the General Fund cost of Basic State Aid by \$(9,862,600). The Executive recommendation includes an increased offset of \$(9,629,680) for Endowment Earnings.

### **Change in Retirement Contribution Rate**

(3,439,300) GF

Laws 1995, Chapter 191, provides that if the employer contribution rate to the State Retirement Plan is less than 5.09% for the budget year, the Basic State Aid "base level amount" for that year is reduced to reflect the savings. This reduction is referred to as "retirement recapture." The JLBC Staff recommends an increase in the retirement recapture of \$(2,939,300) for FY 1997, due to a lowering of the retirement contribution rate from 3.85% in FY 1996 to 3.69% in FY 1997. In addition, a \$(500,000) retirement recapture base adjustment from FY 1996 is added to this estimate in order to reflect a higher than projected retirement recapture offset for FY 1996. This results in a projected total FY 1997 retirement recapture increase of \$(3,439,300). The Executive recommends an additional \$(3,765,100) for retirement recapture, which would result in an increased offset of \$(4,265,100) after the \$(500,000) FY 1996 base adjustment.

### **State Education Fund for Committed Youth**

104,100 GF

Laws 1989, Chapter 266, established the State Juvenile Educational System (SJES) and provided for the calculation and apportionment of equalization assistance for the system beginning in FY 1992. This SJES is administered by the Department of Juvenile Corrections (DJC) and provides educational services for juveniles incarcerated at DJC facilities. Formula funding for SJES is deposited into the State Education Fund for Committed Youth (SEFCY) established by A.R.S. § 15-1372(B). The JLBC Staff recommends an increase of \$104,100 to \$1,421,646 in FY 1997 funding for the SEFCY based on an FY 1996 40th day unweighted count of 411.8 SJES students. The FY 1995 40th day unweighted SJES student count was 377.1. The Executive recommends an increase of \$100,900.

### **State Education Fund for Correctional Education**

438,600 GF

Laws 1995, Chapter 158, established the State Education Fund for Correctional Education (SEFCE) and authorized separate formula funding for educational costs of pupils committed to the state Department of Corrections (DOC) who are 18 years old or younger or who are 21 years old or younger and have a disability. It also required that FY 1997 (first year) formula funding be based on an unweighted student count of 164.0, a weighted count of 271.051, and an emotional disabilities-private (ED-P) Group B count equal to at least 25% of the student count. In addition, the law requires that the base support level and capital outlay amounts calculated by the Basic State Aid funding formula be multiplied by 0.5. Based on these assumptions, the Basic State Aid requirement for the SEFCE is estimated to be \$438,600. Prior to FY 1997, formula funding for students now served through the SEFCE was channeled through the DJC (formerly the Department of Youth Treatment and Rehabilitation). The Executive recommends \$438,900 in Basic State Aid funding for this program in FY 1997.

### **Sudden Growth**

(5,086,100) GF

A.R.S. § 15-948 provides that school districts, after the first 40 days or 100 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 is calculated on either student growth above 5% (at the full Base Level) or above 3% (at one-third the Base Level). The JLBC Staff recommends \$20,856,100 for Sudden Growth, fully funding the actual requirement.

This is a \$(5,086,100) decrease from the FY 1996 appropriation of \$25,942,200. However, \$(6,997,800) of this represents the change from the FY 1996 appropriation to the current JLBC Staff estimate of the FY 1996 requirement. The implicit \$1,911,700 estimated increase assumes that the 40th day counts show 0% growth in preschool disabilities, 1.5% in elementary, 5.5% in high school, and 0% in group B for the 1996-1997 school year. The projected 100th day counts for FY 1997 show 8% growth in preschool disabilities, 2% in elementary, 4.5% in high school, and 5% in group B.

The Executive recommends a decrease of (5,929,311) based on a projected funding requirement of \$20,012,889.

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**Career Ladder Step Increase**

**(2,102,100) GF**

Career Ladder is a teacher performance compensation program, which allows participating districts to increase their Base Levels 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; the Placement Phase: not greater than a 2.5% increase in the first year or not greater than 4% in the second year; and the Effective Career Ladder Phase: not greater than a 5.5% increase. The Career Ladder program is an optional program and 29 districts currently participate. No new districts will be participating in FY 1997.

The projected FY 1997 requirement for career ladder step increases is \$1,030,300 which is \$(2,102,100) less than the amount appropriated for FY 1996. The projected requirement is lower for FY 1997 because fewer participating districts will be moving to higher phases of the program. The total cost of the program is estimated to be \$38,323,900 in FY 1997: \$26,565,893 in state funding and \$11,758,007 in funding received from the Qualifying Tax Rate.

The Executive recommends a decrease of \$(859,360) for career ladder step increases and projects that the state share of the program will be \$25,283,840.

**Career Ladder Base Adjustment**

**1,599,500 GF**

The Career Ladder step increase for FY 1996 becomes part of the base requirement for the Career Ladder program in FY 1997. This results in a \$1,599,500 increase in the overall Basic State Aid requirement for FY 1997. A total of \$3,132,400 was appropriated for career ladder step increases in FY 1996, but the actual requirement was only \$1,599,500.

**Rapid Decline**

**(1,145,800) GF**

The JLBC Staff projects a decreased requirement of \$(1,145,800) for Rapid Decline for FY 1997, to a level of \$455,400 based on current student growth projections. Rapid Decline (A.R.S. § 15-492) is a provision in the Basic State Aid formula that buffers the loss of formula funding for school districts that experience sudden and substantial declines in enrollment. Such declines primarily occur during times of economic downturn in rural areas with local economies that are highly dependent upon a major industry, such as mining. Since the FY 1996 requirement for Rapid Decline was \$(889,100) less than the amount appropriated, and since no major economic downturn is expected during FY 1997 for districts that historically have received Rapid Decline funding, a reduction of \$(1,145,800) from the FY 1996 appropriated amount is recommended. The Executive projects a \$(1,080,900) decrease in the Rapid Decline requirement for FY 1997.

**Open Enrollment--Special Education**

**(612,500) GF**

The recommendation includes a decrease of \$(612,500) for transportation and other costs associated with special education students participating in open enrollment, based on a revised projection of the FY 1996 funding requirement. Laws 1994, Chapter 2, 9th Special Session, provides for open enrollment in districts other than those of the residence of the student. For students with disabilities, the attending districts may charge the department for excess costs above the amount received from the school funding formula for educating these children. The Executive projects a \$(600,000) decrease in the funding requirement for this program.

**Other Adjustments**

**(1,778,900) GF**

The County Equalization offset to Basic State Aid (described above) is reduced each year by costs associated with 1) the small schools service program [A.R.S. § 15-365], 2) costs of educating pupils who are incarcerated in county juvenile detention centers [A.R.S. § 15-913], and 3) costs of educating eligible pupils who are incarcerated in county jails [A.R.S. § 15-913.01]. The JLBC Staff projects that the FY 1997 costs of the small schools service program will increase by \$5,600 to a total of \$1,162,000, and that the formula funding cost of county juvenile detention center education will increase by \$52,500 to a total of \$1,001,900. Formula funding requirements for county jail education are projected to remain at the FY 1996 level of \$572,000. The Executive includes changes in funding requirements for the small schools service program and county juvenile detention center education in its county equalization projections rather than as separate adjustments. The Executive concurs with the projected funding requirement of \$572,000 for county jail education.

The recommendation also assumes a decrease of \$(1,028,100) for prior year adjustments to school district budgets, a decrease of \$(963,500) for miscellaneous collections, an increase of \$52,600 for tuition loss [A.R.S. § 15-954], an increase of \$238,400 for financial and compliance audits [A.R.S. § 15-914], a decrease of \$(368,800) for the cost of transporting students in unorganized areas, and an increase of \$232,400 for small school transportation [A.R.S. § 15-963]. The changes reflect actual requirements for Basic State Aid. The Executive concurs regarding miscellaneous collections, but recommends a decrease of \$(14,600) for tuition loss and an increase of \$247,800 for financial and compliance audits.

**TOTAL BASIC STATE AID**

**\$86,698,500**

The Executive recommendation assumes an overall increase of \$94,577,000.



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***ADDITIONAL STATE AID ("HOMEOWNERS' REBATE PROGRAM")***

The FY 1996 appropriation of \$148,250,300 and the FY 1997 recommendation of \$157,200,700 are based upon the following assumptions:

<b><u>Additional State Aid Budget Assumptions</u></b>			
	<b><u>Estimated FY 1996</u></b>	<b><u>JLBC Recommendation FY 1997</u></b>	<b><u>OSPB Recommendation FY 1997</u></b>
Class 5 Property Growth	10.0%	5.3%	5.0%
Growth in Average School District Tax Rates	1.2	0.5	1.0
Rebate Percentage	35.0	35.0	35.0

Laws 1994, Chapter 41 freezes the rebate percentage rate at 35% for tax year 1994 and thereafter. 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. The Additional State Aid adjustments are as follows:

**5.3% Increase in Class 5 Property and 0.5% Increase in Average School District Tax Rates**

**8,571,300 GF**

**for Class 5 Properties**  
Unlike Basic State Aid, Additional State Aid expenditures rise as Class 5 property values rise. Class 5 property is expected to grow somewhat faster than other classes during FY 1997.

**Homeowners' Rebate Under Constitutional 1% Cap**

**(140,200) GF**

The Constitution requires that residential (Class 5) primary property taxes not exceed 1% of a property's full cash value. In effect, the state pays school districts for any portion of a school district's primary levy that would leave a homeowner's property tax bill at more than 1% of the house's full cash value. The total size of this portion is \$3,561,300. A decrease of \$(140,200) from the FY 1996 appropriation is projected for this program for FY 1997, for a total appropriation of \$3,561,300. This, however, represents a \$652,700 increase over the estimated actual FY 1996 requirement of \$2,908,600, which was \$(792,900) less than the FY 1996 appropriation of \$3,701,500 due to unforeseen property tax reductions in Tucson Unified School District.

**Retirement Recapture**

**519,300 GF**

For FY 1996, \$(519,300) was included in additional state aid as an offset for retirement recapture for non-state aid districts. Since savings resulting from the Arizona State Retirement System contribution rate being less than 5.09% now is removed as a reduction in the base support level rather than captured retroactively as "retirement recapture," this offset no longer exists.

***TOTAL ADDITIONAL STATE AID INCREASE***

***\$8,950,400***

The Executive recommendation of \$8,969,100 assumes 5% growth in Class 5 property values and a 1% increase in local tax rates.

***OTHER STATUTORY FORMULA PROGRAMS***

**Assistance to School Districts for Children of State Employees**

**(487,800) GF**

Includes a reduction of \$(487,800) for the Assistance to School Districts for Children of State Employees (ASDCSE) program [A.R.S. § 15-976], since Laws 1994, Chapter 2, 9th Special Session essentially eliminated funding for this program through changes in A.R.S. § 15-825. Formerly, this program used Certificates of Educational Convenience to pay the full estimated tuition costs for students whose parents are employed by and domiciled at certain state institutions. Participating school districts now receive formula funding for these students directly through Basic State Aid. The Executive recommends a reduction of \$(468,400) for this program.

**Certificates of Educational Convenience**

**(2,870,100) GF**

The JLBC Staff projects a \$(2,870,100) reduction in the funding requirement for Certificates of Educational Convenience (CEC's) [A.R.S. § 15-825] due to changes related to open enrollment laws described in A.R.S. § 15-816.01. These changes now allow school districts to be reimbursed directly through Basic State Aid for costs associated with educating most out-of-district students. Only the excess Group B costs for such students is now funded through CEC's. The Executive concurs.

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**Permanent Special Education Institutional Vouchers** (131,300) GF  
The JLBC Staff projects a reduction of \$(131,300) in the funding requirement for Permanent Special Education Institutional Vouchers [A.R.S. § 15-1202], based on Department of Education estimates. The Executive projects a \$(123,200) decrease in the funding requirement for this program.

**Special Education Placement and Residential Education Voucher Fund** 144,700 GF  
The JLBC Staff projects an increase of \$144,700 in the funding requirement for the Special Education Placement and Residential Education Voucher Fund [A.R.S. § 15-1182], based on Department of Education estimates. The JLBC Staff also recommends approval of 1 FTE Position for administration of this fund. No base increase in Personal Services or ERE is associated with this approval. The Executive recommends an increase of \$137,100 for this program and does not recommend approval of 1 FTE Position.

### *NON-FORMULA PROGRAMS*

#### **Standard Changes**

- Annualization of January 1996 Pay Adjustment 7,000 GF
- ERE 3,800 GF

#### **Arizona Teacher Evaluation**

The JLBC Staff recommends approval of the agency request to eliminate (3) FTE Positions which no longer are needed due to administrative streamlining, resulting in an estimated savings of \$(112,400). The concurs with the reduction in FTE Positions, but projects a \$(99,000) savings due a recommended \$11,600 increase in funding to update the Arizona Teacher Proficiency Exam. (112,400) GF

#### **Career Ladder Administration**

The JLBC Staff recommends approval of the agency request for 1 FTE position for administration of the Career Ladder program. Laws 1990, Chapter 319 stipulated that for FY 1993 and thereafter, the department must submit, as part of its budget request, items sufficient to cover the expenses of providing career ladder program technical assistance to the State Board, the Career Ladder Advisory Committee and school districts. The JLBC Staff recommends \$130,800 in funding for this new Special Line Item, in order to comply with the legislative intent of Laws 1990, Chapter 319. The Executive does not recommend funding for Career Ladder Administration. 130,800 GF

#### **Chemical Abuse**

The JLBC Staff recommends approval of the agency request eliminate (3.6) FTE Positions that are unfilled and no longer needed for program operation. Since the positions to be eliminated presently are vacant, the only projected savings is \$(10,000) in ERE savings, less a \$600 increase in pass-through funding to school districts, for a total savings of \$(9,400). The Executive concurs with the reduction in FTE Positions but projects no ERE savings. (9,400) GF

#### **County Jail Education Start-Up**

Laws 1994, Chapter 158 provided a one-time appropriation of \$250,000 in FY 1996 for start-up of educational programs for juveniles incarcerated in county jails. The Executive concurs. (250,000) GF

#### **Program Authorization Review - Dropout Prevention**

The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of the Dropout Prevention program during the last year. As a result of that review, the JLBC Staff recommends eliminating the funding and (1.5) FTE Positions currently allocated for this program. This reduction will appear in the State Block Grant—Early Childhood Special Line Item rather than as a reduction in the Dropout Prevention Special Line Item, since funding for this program was included in the State Block Grant for FY 1996. (2,182,900) GF

Laws 1988, Chapter 308 created the Dropout Prevention program as a 4-year pilot program funded on a competitive grant basis. Thirteen sites with high proportions of at-risk students participated in the pilot program. Laws 1992, Chapter 305 extended the program indefinitely beyond the pilot phase “until such time that sufficient funding for statewide at-risk programs and services is provided by the Legislature through a weight in the funding formula.” Such a weight, however, has not been established, and the original sites have continued to receive program funding during the past 3 “post-pilot” years.

The PAR report noted that reliable data on dropout rates are not available, especially for individual schools or school districts, which makes it difficult to measure the effectiveness of this program. As a result, it was concluded that “although the program has been

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in effect since 1989, its impact on dropout rates is unclear. Effective strategies for dropout prevention have not been clearly documented. There are no measures of costs and success ratios for the different dropout prevention strategies used in the program. Overall, the current performance measures do not adequately gauge the effectiveness of the program.”

In addition, the program serves only 10 districts. In the past, the program has tended to operate as a permanent operating subsidy for these selected districts. On equity grounds, it does not appear justified to continue to provide this subsidy to a few districts. Although ADE is currently planning to shift at least part of these subsidies to new districts, ADE still lacks sufficient funds to provide statewide funding. As noted above, however, the program's impact is not clear enough to justify statewide funding.

The Executive concurs, but projects a savings of \$(2,185,000).

**Family Literacy** (1,000,600) GF  
FY 1996 funding for this program was appropriated through Laws 1994, Chapter 1 (H.B. 2001), 9th Special Session, which provided \$975,000 for the pilot program in FY 1995 and \$1,000,000 in FY 1996. In addition, the 2% pay raise authorized by the FY 1996 General Appropriation Act resulted in a \$600 increase for this program for FY 1996. Given that the initial 2-year funding for this program was provided outside of the budget process, the JLBC Staff recommends that the Legislature once again determine whether to continue funding this pilot program through separate legislation. A reduction of (0.5) FTE Positions is associated with this recommendation.

Laws 1994, Chapter 1, 9th Special Session required that the pilot program be evaluated by the Auditor General. The report from this Audit was issued during December, 1995. The audit found that the program is based on a national model, that its service delivery is adapted to fit the needs of Arizona's diverse population, and that most of the 25 program sites "show strong potential for success in achieving overall program goals and objectives." The report notes, however, that the budgets approved by ADE for the individual program sites for FY 1996 exceed the appropriation provided, which will force mid-year reductions in services at some sites. The audit report recommends that ADE expand and enhance its monitoring activities for the program.

The Executive recommends continuation funding for this program.

**Gifted Support** 30,300 GF  
The JLBC Staff recommends approval of the agency's request to remove this program from the State Block Grant (Early Childhood) program in FY 1997 and restore it as an independent Special Line Item, since funding for the program is formula-related and the proposed FY 1997 State Block Grant is composed of early childhood programs only. A transfer of \$1,259,800 and 1.5 FTE Positions from the State Block Grant (early childhood) is recommended in this regard. Also, the JLBC staff concurs with the agency's request to transfer \$30,300 and 0.5 FTE Positions from the General Services Administration (GSA) cost center to the restored Gifted Support Special Line item, as described in the related discussion for the GSA cost center. This would provide a total of \$1,290,100 and 2 FTE Positions for Gifted Support in FY 1997.

A.R.S. § 15-772 provides that school districts complying with the statutory provisions relating to programs for gifted students may apply to the State Board of Education for additional funding equal to \$55 per student for 3% of their student count, or \$1,000, whichever is greater. The Executive does not recommend restoring Gifted Support as a separate Special Line Item in FY 1997, nor the transferring of 0.5 FTE Positions to the program from GSA.

**Optional Performance Incentive Programs** 100,000 GF  
The JLBC Staff recommends an increase of \$100,000 for Optional Performance Incentive Programs (OPIP) in order to allow more school districts to participate in OPIP programs, which provide modest across-the-board pay increases to participating school districts that demonstrate improved levels of parental satisfaction. The Executive does not recommend an increase for this program.

**Preschool At-Risk** -0- GF  
Laws 1994, Chapter 2, 9th Special Session appropriated \$10,000,000 for expansion of the Preschool At-Risk program in FY 1995. In addition to \$2,605,400 already in the budget, the intent was to fund a \$12,605,400 program. Due to delays in expanding the program, all \$10,000,000 of this non-lapsing appropriation was carried forward into FY 1996. During FY 1996, half of this carry-forward amount will be added to the \$12,605,400 General Appropriation Act funding for the program (via the State Block Grant Special Line Item) resulting in approximately \$17,605,400 in FY 1996 funding. ADE would use the other \$5,000,000 of carry-forward to fund the program at \$17,605,400 in FY 1997. As indicated in the table below, the JLBC staff recommends returning this program to its originally intended level of \$12,605,400.



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<u>Preschool At-Risk Program</u>				
	<u>FY 1995 (Original Plan)</u>	<u>FY 1995 (Revised Plan)</u>	<u>FY 1996 (Estimated)</u>	<u>FY 1997 (JLBC Recommendation)</u>
Base Appropriation	\$12,605,400	\$2,605,400	\$12,605,400	\$7,605,400
Expansion Funds from Laws 1994, 9th SS	10,000,000	10,000,000	-0-	-0-
Funds Carried Forward	-0-	(10,000,000)	-0-	-0-
Carry-forward Funds Used	<u>-0-</u>	<u>-0-</u>	<u>5,000,000</u>	<u>5,000,000</u>
<b>Total Funds Used</b>	<b><u>\$12,605,400</u></b>	<b><u>\$2,605,400</u></b>	<b><u>\$17,605,400</u></b>	<b><u>\$12,605,400</u></b>

The Auditor General's office presently is completing a review of this program, and is expected to issue its audit report by mid-January of 1996.

The Executive concurs.

**State Block Grant—Early Childhood (called "State Block Grant" during FY 1996)**

**(5,003,300) GF**

The ADE FY 1997 budget request proposes that the State Block Grant program be modified by removing the Dropout Prevention and Gifted Support components of the program and restoring them as separate line items, and by adding in a Family Literacy component. This would group together the 4 current ADE programs pertaining to early childhood education: 1) Full-Day Kindergarten, 2) Family Literacy pilot, 3) K-3 Support, and 4) Preschool At-Risk. The JLBC Staff concurs with the removal of Gifted Support from the block grant and with its restoration as a separate Special Line Item, since this program is formula driven and does not pertain solely to early childhood education. The JLBC Staff, however, recommends elimination of the Dropout Prevention program, as discussed in the in Dropout Prevention section above. Also, the JLBC Staff recommends that renewal of funding for the Family Literacy pilot be determined by the legislature through separate legislation, as described in the Family Literacy section above.

The JLBC staff concurs with the agency's request to eliminate (1.2) unfilled FTE Positions from the block grant. A savings of approximately \$(3,300) in ERE costs would result from the voluntary elimination of (1.2) FTE Positions. The temporary base reduction for the Preschool At-Risk program discussed above would reduce funding by \$(5,000,000), but is offset by the use of FY 1995 carry-forward monies. While it appears that base funding is reduced by \$5,000,000, it must be noted that the JLBC Staff recommendation leaves funding at the originally intended level.

For FY 1997, the JLBC Staff recommends that ADE target 50% of State Block Grant funds toward school districts with high percentages of students from low income families, and 50% across all districts. Also, the JLBC Staff recommends that ADE be required to present its distribution plan to the Joint Legislative Budget Committee for review prior to the distribution of FY 1997 block grant funds to school districts.

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<b>State Block Grant--Early Childhood</b>		
<u>Programs Represented in Block Grant</u>	<u>FY 1996 Appropriations (prior to allowable shifting)</u>	<u>FY 1997 Recommendation (prior to allowable shifting)</u>
Dropout Prevention	\$ 2,183,800	\$ -0- (eliminate program)
Full Day Kindergarten	1,406,200	1,406,200
Gifted Support	1,251,900	-0- (restore separate budget)
K-3 Support	5,461,100	5,461,100
Preschool At-Risk	12,605,400	7,605,400
Technical Adjustments	<u>3,000</u>	<u>(8,100)</u>
Subtotal	\$22,911,400	\$14,464,600
Carry-Forward Used	<u>-0-</u>	<u>5,000,000</u>
<b>Total</b>	<b><u>\$22,911,400</u></b>	<b><u>\$19,464,600</u></b>

The Executive does not concur with the recommended restructuring of the State Block Grant program.

**State Block Grant--Vocational Education** 1,325,800 GF  
 The ADE FY 1997 budget request proposes the creation of a block grant for vocational education. This block grant would consolidate funding from the formerly separate Vocational Education cost center and from the 3 existing vocational education-related Special Line Items in the Assistance to Schools cost center. The JLBC Staff concurs with this proposal, as it should help to streamline administrative requirements and encourage greater flexibility for funding vocational education programs. Total FY 1997 funding would equal the sum of FY 1996 funding for the 4 programs plus \$700 in miscellaneous adjustments, including Classification Maintenance Review pay increases and annualization of the 2% FY 1996 pay raise. The remaining \$1,325,800 cost shown in the table above reflects the transfer of funding and 26.3 FTE Positions from the Vocational Education cost center. The JLBC Staff recommends that ADE be required to present its plan for distributing vocational education block grant funds to the Joint Legislative Budget Committee for review prior to distributing these funds to school districts.

<b>State Block Grant--Vocational Education</b>				
<u>Program</u>	<u>FY 1996 Appropriation</u>	<u>FY 1997 Technical Adjustments</u>	<u>Transfer to Voc Ed Block Grant</u>	<u>FY 1997 Appropriation</u>
Voc Ed Cost Center	\$1,325,800	\$ -0-	\$(1,325,800)	\$ -0-
Voc Ed Assistance	2,835,000	-0-	(2,835,000)	-0-
Voc Ed Prog Support	1,033,300	700	(1,034,000)	-0-
Voc-Tech Education	<u>2,000,000</u>	<u>-0-</u>	<u>(2,000,000)</u>	<u>-0-</u>
Subtotal	\$7,194,100	\$700	\$(7,194,800)	\$ -0-
State Block Grant--Voc Ed	\$ -0-	\$ -0-	\$ 7,194,800	\$7,194,800

The Executive does not concur with the creation of the State Block Grant for Vocational Education.

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### **Vocational Education Assistance**

-0- GF

The JLBC Staff concurs with the agency request to transfer all \$2,835,000 in FY 1997 funding for this Special Line Item into the proposed State Block Grant for Vocational Education, as described above. The Executive concurs with funding this program at its FY 1996 level, but does not concur with transferring the program into the proposed State Block Grant for Vocational Education.

### **Vocational Education Program Support**

(5,600) GF

The JLBC Staff concurs with the agency request to eliminate (2) FTE Positions which presently are vacant in this Special Line Item. This results in an ERE savings of approximately \$(5,600). The JLBC Staff also concurs with the agency request to transfer all FY 1997 funding for this Special Line Item into the proposed State Block Grant for Vocational Education, as described above. The \$(5,600) ERE savings from eliminating 2 FTE Positions plus a \$4,400 ERE rate change and \$1,900 pay raise annualization for this program result in the \$700 FY 1997 Technical Adjustments figure for this program cited in the State Block Grant--Vocational Education table above. The Executive does not concur with the proposed reduction in FTE Positions for this program, nor with the transferring of this program into the proposed State Block Grant for Vocational Education.

### **Vocational-Technological Education**

-0- GF

The JLBC Staff concurs with the agency request to transfer all \$2,000,000 in FY 1997 funding for this Special Line Item into the proposed State Block Grant for Vocational Education, as described above. The Executive concurs with funding this program at its FY 1996 level, but does not concur with transferring the program into the proposed State Block Grant for Vocational Education.

### **Tuition Fund**

(100,000) GF

The JLBC Staff recommends transferring this fund to the Arizona School for the Deaf and the Blind (ASDB), since it is the only agency receiving monies from the fund, and it is simpler to appropriate these monies to ASDB directly. The Executive does not make a recommendation on this issue.

### **Scotopic Sensitivity Irlen Syndrome**

90,000 GF

Laws 1995, Chapter 145 appropriated \$90,000 for a 2-year pilot program related to Scotopic Sensitivity Irlen Syndrome--a perceptual processing disorder that can be compensated for through the use of colored overlays and specialized lenses.

\*\*\*

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

### ***JLBC Staff Recommended Footnotes***

#### ***Standard Footnotes***

- **Basic State Aid** - The above state 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 state General Fund appropriation, when combined with other appropriations, reflects the major portion of the estimated \$1,711,889,800 total requirement for Basic State Aid support. The difference between the estimated total amount required and the state 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 state General Fund monies.

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 that 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.

- **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.

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- 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.
- Permanent Special Education Institutional Voucher Fund - The appropriated amount is for special education costs of students from the Arizona State Schools for the Deaf and the Blind and the Arizona State Hospital, in accordance with A.R.S. § 15-1202.
- Special Education Placement and Residential 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.
- 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 10% 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 Principals' Academy - The appropriated amount is for the costs of administering the principals' academy and for the instructional or program costs of the academy.
- Arizona Teacher Evaluation - The appropriated amount is for funding the Arizona Teacher Proficiency Examination, the administration and evaluation of the examination in state and United States Constitutions and assisting with the alternative secondary certification program.
- 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.
- Extended School Year - The appropriated amount is for assistance to school districts providing extended school year programs to handicapped pupils.
- 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.
- Arizona Geographic Alliance - The appropriate amount is to enable the department to participate in the National Geographic Society's Geography Alliance program, which is designed to increase the geographic and social studies literacy of students in grades K-12.

### *Deletion of Prior Year Footnotes*

- The JLBC Staff recommends deleting the footnote relating to the State Block Grant, since it is recommended that this program be restructured into the proposed State Block Grant for Early Childhood Programs. A new footnote pertaining to the recommended state block grant for early childhood programs is found below.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

- The JLBC Staff recommends deleting the footnote relating to the Assistance to School Districts for Children of State Employees program, since no funding is recommended for this program.
- The JLBC Staff recommends deleting the footnote relating to the Tuition Fund, since it is recommended that this program now be funded through the Arizona State Schools for the Deaf and the Blind.
- The JLBC Staff recommends deleting the footnote relating to the Vocational Education Assistance, Program Support, and Technological Education programs, since it is recommended that these programs now be funded through the State Block Grant for Vocational Education.

### *New Footnotes*

- Career Ladder Administration - The appropriated amount is to cover the expenses of providing career ladder program technical assistance to the State Board, the Career Ladder Advisory Committee and school districts.
- State Block Grant for Early Childhood Education - The appropriated amount is for block grants to schools offering instructional programs for students in preschool through grade three.

The department of education shall devise a plan for allocating and distributing funds for the state block grant for early childhood programs, and shall present this plan to the Joint Legislative Budget Committee for review prior to the fund distribution. This plan shall target 50% of grant funds toward school districts with high percentages of students from low income families, and 50% across all school districts.

A maximum of two percent of the appropriation for the state block grant for early childhood programs special line item may be used by the department of education for administration of the block grant program.

- State Block Grant for Vocational Education - The appropriated amount is for block grants to schools and community colleges that have vocational education programs.

The department of education shall devise a plan for allocating and distributing funds for the state block grant for vocational education, and shall present this plan to the Joint Legislative Budget Committee for review prior to the fund distribution.

It is the intent of the Legislature that the greatest possible proportion of monies appropriated for the State Block Grant for Vocational Education be passed on to schools to support their vocational education programs, rather than being used for state-level administration of vocational education programs.

- Gifted Support - The appropriated amount is for assistance to school districts for special programs to meet the needs of gifted pupils.

### *Other Issues for Legislative Consideration*

- Elimination of Retirement Recapture

The JLBC Staff believes that the Legislature should consider setting the base level amount for FY 1997 as described in A.R.S. § 15-941.01, but repealing this statute for FY 1998 and subsequent fiscal years. This would simplify computations for Basic State Aid, and should not effect Basic State Aid appropriations substantially, since retirement contribution rates are expected to remain within a narrow range in future years.

- FY 1996 Supplemental

The JLBC Staff project that a Department of Education supplemental of \$9,591,800 is required for FY 1996, largely because of a projected shortfall in Basic State Aid for charter school operations. As shown in the table below, the projected FY 1996 shortfall in Basic State Aid for charter schools operation partially is offset by higher than projected endowment earnings and lower than projected Sudden Growth and Student Growth funding requirements for FY 1996.

The need for this supplemental is due in part to the "double funding" of students who attended public schools during FY 1995, but who attend charter schools during FY 1996. This double funding occurs because regular public schools are funded based on prior year student counts, whereas charter schools are funded based on current year student counts

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during their first year of operation. As a result, both the public schools that these students attended during FY 1995 and the charter schools that they attend during FY 1996 receive formula funding for them during FY 1996.

	<b><u>FY 1996 Basic State Aid Supplemental</u></b>		
	<b><u>FY 1996 Appropriation</u></b>	<b><u>FY 1996 Projected</u></b>	<b><u>Difference</u></b>
Charter Schools	\$ 16,300,000	\$ 31,998,000	\$15,698,000
NAV Growth	(27,687,000)	(15,465,300)	12,221,700
Sudden Growth	25,942,200	18,944,400	(6,997,800)
Endowment Earnings	(57,200,000)	(63,087,600)	(5,887,600)
Student Growth	91,968,300	89,116,800	(2,851,500)
Other	<u>1,508,805,200</u>	<u>1,506,214,200</u>	<u>(2,591,000)</u>
<b>TOTAL</b>	<b><u>\$1,558,128,700</u></b>	<b><u>\$1,567,575,700</u></b>	<b><u>\$ 9,591,800</u></b>

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DEPT: Department of Education  
 PROG: Vocational Education

JLBC: Steve Schimpp/Justin Garosi  
 OSPB: Rita Sauv

House Sub: Wong  
 Senate Sub: Turner

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	26.3	26.3	0.0	26.3	0.0
Personal Services	771,700	894,700	0	904,900	0
Employee Related Expenditures	174,300	204,200	0	191,100	0
All Other Operating Expenditures:					
Professional and Outside Services	68,700	0	0	0	0
Travel - In State	39,400	21,000	0	21,000	0
Travel - Out of State	3,800	0	0	0	0
Other Operating Expenditures	129,400	205,900	0	205,900	0
Equipment	125,500	0	0	0	0
<b>PROGRAM TOTAL</b>	<b>1,312,800</b>	<b>1,325,800</b>	<b>0</b>	<b>1,322,900</b>	<b>0</b>
<b>BY FUND SOURCE</b>					
General Fund	1,312,800	1,325,800	0	1,322,900	0
<b>TOTAL - ALL SOURCES</b>	<b>1,312,800</b>	<b>1,325,800</b>	<b>0</b>	<b>1,322,900</b>	<b>0</b>

**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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$(1,325,800)	(100)%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of January 1996 Pay Adjustment
  - ERE Rates
  - Other - To maintain spending at the FY 1996 level to meet federal "maintenance of effort" requirements.
- \$ 10,300 GF  
 (14,900) GF  
 4,600 GF

**Transfer to Assistance to Schools Cost Center**

The JLBC Staff concurs with the agency request to transfer the entire budget for this cost center (maintained at its FY 1996 actual level) to a new "State Block Grant-Vocational Education" Special Line Item in the Assistance to Schools Cost Center. Also recommended for consolidation into the new block grant is funding for the 3 vocational education-related Special Line Items that currently exist in the Assistance to Schools cost center. The Executive does not concur with the recommended transfer of funding to the proposed block grant.

**(1,325,800) GF**

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### *JLBC Staff Recommended Footnotes*

*Transfer of Prior Year Footnote to New "State Block Grant—Vocational Education" Special Line Item in the Assistance to Schools Cost Center*

- The above 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.



**DEPARTMENT OF  
ENVIRONMENTAL QUALITY  
(DEQ)**

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Environmental Quality

JLBC: Renée E. Bahl  
OSP: Marcel Benberou

House Sub: Wong  
Senate Sub: Turner

DESCRIPTION	FY 1995	FY 1996	FY 1997		
	ACTUAL	ESTIMATE	REQUEST	OSP	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	373.6	379.9	433.8	427.9	413.4
Personal Services	6,395,000	7,089,800	7,617,000	7,314,200	7,358,100
Employee Related Expenditures	1,388,900	1,603,600	1,907,300	1,604,500	1,591,500
All Other Operating Expenditures:					
Professional and Outside Services	92,900	166,900	166,900	125,900	159,900
Travel - In State	159,800	167,400	167,400	167,400	167,400
Travel - Out of State	14,200	35,100	35,100	38,100	35,100
Other Operating Expenditures	1,334,800	1,597,800	1,597,800	1,615,000	1,679,900
Equipment	228,600	315,400	265,100	228,300	452,600
<b>OPERATING SUBTOTAL</b>	<b>9,614,200</b>	<b>10,976,000</b>	<b>11,756,600</b>	<b>11,093,400</b>	<b>11,444,500</b>
<b>SPECIAL LINE ITEMS</b>					
WQARF Priority Site Remediation	892,000	1,550,000	2,900,000	1,550,000	1,705,000
WQARF Federal Match	0	0	0	0	118,300
Lake Havasu City Dredging	0	500,000	0	0	0
Uniform Cleanup Standards	0	50,000	0	0	0
Regulatory Reform	0	(6,000)	(6,000)	(6,000)	0
Environmental Health Reserve	105,800	250,000	250,000	150,000	100,000
Air Quality Program	122,300	125,300	189,400	125,100	0
Air Permit Administration Program	2,650,000	4,670,900	5,203,000	4,429,800	4,984,800
Emissions Control Program	3,527,100	8,978,100	10,458,600	7,864,900	8,364,500
Hazardous Waste Program	665,100	248,000	387,900	293,100	302,500
Hazardous Waste Site Remediation	0	34,600	34,600	34,600	34,600
Solid Waste Program	0	0	990,800	734,000	880,300
Special Waste Program	58,200	90,500	0	0	0
Used Oil Program	89,800	152,600	0	0	0
Aquifer Protection Permit Program	1,107,000	1,308,700	664,000	662,700	666,100
Water Quality Program	0	0	5,239,700	4,149,300	3,543,300
<b>AGENCY TOTAL</b>	<b>18,831,500</b>	<b>28,928,700</b>	<b>38,068,600</b>	<b>31,080,900</b>	<b>32,143,900</b>
<b>BY FUND SOURCE</b>					
General Fund	11,252,100	13,984,000	15,564,600	13,450,100	14,033,900
Other Appropriated Funds	7,579,400	14,944,700	22,504,000	17,630,800	18,110,000
Other Non-Appropriated Funds	38,231,200	65,316,000	38,291,100	38,291,100	38,291,100
Federal Funds	14,941,800	17,385,000	8,322,500	8,322,500	8,322,500
<b>TOTAL - ALL SOURCES</b>	<b>72,004,500</b>	<b>111,629,700</b>	<b>84,682,200</b>	<b>77,694,500</b>	<b>78,757,500</b>

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Department of Environmental Quality

**Agency Description** — *The Arizona Department of Environmental Quality's (ADEQ) 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 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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$ 49,900	0.4%
Other Appropriated Funds	3,165,300	21.2%
Total Appropriated Funds	\$3,215,200	11.1%

***FY 1997 — JLBC Staff Recommended Changes from FY 1996***

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 39,300 OF	\$ 94,600 GF
— ERE Rates	(28,500) OF	(69,200) GF
— Annualization of Office of Administrative Hearings Transfer	-0- OF	(6,000) GF
— Risk Management	-0- OF	91,900 GF
— Rent	-0- OF	69,200 GF
— Elimination of One-time Equipment	(191,600) OF	(315,400) GF

**Replacement Equipment**

127,100 OF      265,100 GF

The JLBC Staff recommends a net increase of \$392,200 for replacement equipment. The Executive recommends an additional \$133,300 from the General Fund and \$74,000 from Other Funds for replacement equipment.

**Information Technology**

350,000 GF

The JLBC Staff recommends an additional 5 FTE Positions and \$476,800 from the General Fund to finish development of ADEQ's Office of Information Technology (OIT). This is the last phase of expansion. The second phase of expansion was approved by the Joint Legislative Budget Committee last year. In the 1994 Auditor General's report, ADEQ was severely criticized for its lack of integrated data. Currently, the different environmental programs have separate data processing units and often data is not sharable. The recommended increase would enable the department to design and develop a permit tracking system, to maintain and enhance the management and reporting system, to coordinate and orchestrate the geographical information systems, and to support the data administration function.

The 5 recommended FTE Positions include 1 Geographic Information Systems (GIS) Senior Analyst to coordinate GIS throughout the agency, 1 Program Manager to supervise analysts and project leaders, 1 Program Analyst to develop and maintain departmentwide database management systems, 1 Project Leader for database management projects, and 1 Management Information Specialist to work as a help desk analyst for the agency. The recommended increase includes an additional \$40,000 in Professional and Outside Services to enable the department to hire consultants for short-term programming development. This increased amount for contracting is in lieu of the department hiring limited programmer positions. Of the recommended increase, \$200,000 is one-time equipment and operating expenditures. Also included in our total recommendation is a decrease of \$(91,800), which was one-time non-capitalized equipment for OIT expansion in FY 1996. The JLBC Staff also recommends a decrease of \$(35,000) from the General Fund for a one-time network installation contract in FY 1996. The Executive concurs. The Executive recommends an additional 3 FTE Positions and a net increase of \$221,900 from the General Fund for OIT expansion.

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The JLBC Staff recommends that these funds be appropriated in a separate bill, which would create both a new state agency responsible for information technology (IT) and a combined legislative, executive, and private sector oversight committee. This new structure would improve statewide coordination for nearly \$200,000,000 spent annually by state government on IT.

### **WQARF Priority Site Remediation**

**155,000 GF**

The JLBC Staff recommends an increase in the Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation Special Line Item of \$155,000 from the General Fund to augment hazardous waste site remediation in Arizona. When combined with monies freed up by the WQARF federal match (see below), the JLBC Staff recommendation provides a net increase of 18% in General Fund monies available for state cleanup. The agency currently has 23 sites listed on its WQARF priority site list, but only has partial funding for 16 of the sites. The department will use the increased funding to either begin remediation on WQARF sites that are not being actively remediated, or to augment remediation on currently active sites—whichever addresses the most hazardous situation. WQARF monies fund the following: remediation when the responsible parties for the contamination are unknown or unwilling to conduct a clean-up; the costs of overseeing voluntary remediation by private parties; the response to emergency situations that pose an imminent threat to public health and safety or the environment; and the continued monitoring of groundwater contamination. The Executive does not recommend any General Fund increases for WQARF Priority Site Remediation.

Without any additional funding above the current General Fund appropriation, ADEQ will not add any new sites to the priority list for remediation or augment current site remediation. ADEQ estimates that \$19,445,000 is needed for all 23 priority sites to be actively remediated. There are approximately 400 sites in Arizona which are contaminated with hazardous substances. The 1994 Auditor General Report stated that WQARF does not have sufficient funds to support an effective remediation program. ADEQ cleaned up or closed 9 WQARF sites in FY 1994 and 28 in FY 1995; and expects to clean up or close 32 in FY 1996, 34 in FY 1997, and 36 in FY 1998. These remediated sites include WQARF emergency response sites. Site clean-up can range from 1 day (i.e., emergency response or soil removal) to 50 years (i.e., contaminated groundwater treatment).

### **WQARF Federal Match**

**118,300 GF**

The JLBC Staff recommends creating this Special Line Item to meet the 10% Superfund match for federal sites in Arizona. The FY 1997 match is for the Indian Bend Wash site (in Tempe). Currently, there are 12 federal Superfund sites in Arizona. However, only the Indian Bend Wash site meets the federal match criteria of a) no responsible parties to clean-up the site and b) the site poses a significant environmental impact. If other federal sites fit these 2 criteria in the future, then they would be added to the federal match list. The 10% matching requirement began in FY 1996 and no additional monies were added specifically for it in the WQARF Priority Site Special Line Item. ADEQ estimates expending \$95,500 for this match in FY 1996 and \$118,300 for FY 1998. The recommended increase will allow ADEQ to maintain current expenditures for open sites, while securing the federal government's support. If Arizona does not provide a match, there would be no federal remediation. The contract would become null and void and federal monies, \$1,064,500, would be lost. Moreover, the burden of remediation would eventually fall upon the state if it is not remediated by the federal government. The Executive does not recommend additional monies to meet the federal match.

### **Lake Havasu City Dredging**

**(500,000) GF**

The JLBC Staff recommends eliminating all funding for this Special Line Item as it was a one-time appropriation by Laws 1994, Chapter 78. The Executive concurs.

### **Uniform Cleanup Standards**

**(50,000) GF**

The JLBC Staff recommends eliminating all funding for this Special Line Item as it was a one-time appropriation by Laws 1994, Chapter 232. The Executive concurs.

### **Environmental Health Reserve**

**(150,000) GF**

The JLBC Staff recommends a decrease of \$(150,000) from the General Fund for this Special Line Item for a total recommended amount of \$100,000 from the General Fund for FY 1997. This Special Line Item was created in FY 1995 and received a total General Fund appropriation of \$250,000, of which up to \$100,000 could be used for the Arizona Comparative Environmental Risk Project (ACERP) in FY 1995. The remaining monies were to be expended on environmental emergencies for which no other monies were dedicated to address. For FY 1996, ADEQ received another \$250,000 for environmental emergencies. As of December 1995, approximately \$50,000 has been expended on emergencies and \$95,000 has been expended on ACERP. As the total appropriation is non-lapsing, if there are no further expenditures in FY 1996 and with the

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

recommended FY 1997 appropriation of \$100,000, the department should have a total of approximately \$455,000 available in FY 1997 to address unforeseen emergency situations. The Executive recommends a General Fund reduction of \$(100,000).

### **Air Quality Fund**

(125,300) OF

The JLBC Staff recommends appropriating no monies for FY 1997 from this fund for a reduction of \$(125,300) and (3) FTE Positions. By statute this fund is a non-appropriated fund. The Legislature appropriated monies from this fund in FY 1992 making it partially appropriated. Monies are neither gained nor lost by terminating the appropriated portion of this fund. The JLBC Staff will consider this entire fund a candidate to transfer to appropriated status for our November 1996 annual recommendation to the Legislature. The Executive recommends maintaining this fund as partially appropriated with a total recommended amount of \$125,100 and 3 FTE Positions.

### **Air Permit Administration Program**

371,500 OF

The JLBC Staff recommends 4 new FTE Positions and \$472,400 from the Air Permit Administration Fund to expand the Air Permit program in order to maintain current levels of enforcement and customer service. The Air Permit Administration Fund was designed to meet the requirements of the Federal Clean Air Act of 1991 by regulating stationary air pollution sources. The additional FTE Positions include 2 Environmental Engineer Specialists in the Compliance Section and 2 clerical positions. This increase corresponds with a 1994 Air Permit Program workload analysis. The Environmental Engineer Specialists positions will enforce permits, address all technical compliance assessment activities, and help meet permit statutory deadlines. Currently, many engineering positions are filing their own documents. The recommended clerical positions would perform these duties. This increase also includes a one-time cost of \$35,700 for computers and cubicles for the new FTE Positions. The Executive does not recommend this expansion.

The JLBC Staff also recommends an additional one-time \$107,000 for specialized research equipment to sample and monitor air pollutants and to augment the computer server for records tracking. Also included is the removal of a one-time expenditure of \$(200,000) for database programming that was added in FY 1996 and an agency requested reduction of \$(7,700) for Travel - Out of State. The Executive recommends a reduction of \$(100,000) for database programming and concurs with the Travel - Out of State decrease. The JLBC Staff further recommends removing the footnote that allows the department to expend beyond the Air Permit Administration Fund appropriation, as this program is no longer new and expenditures are steady.

### **Emissions Control Program**

(598,400) OF

The Emissions Inspection Fund supports the Emissions Control Program. The purpose of this program is to minimize pollution from motor vehicles. In November 1993, the program was strengthened by incorporating an enhanced vehicular emissions testing program (I/M 240), additional checks on manufacturer installed pollution control equipment, increased limits on the cost of repairs before a vehicle is eligible to be waived from emissions requirements, and remote sensing. Other Emissions Control subprograms include: I/M 240 contract oversight; customer service; waivers (a certificate that waives a failing vehicle to be registered if it is determined that further repairs within the repair cost limit would be ineffective—repair costs are capped at \$450 for 1980 and newer vehicles pursuant to A.R.S. § 49-542L); exemptions (vehicles registered in Arizona but used primarily out-of-state); repair training; fleet inspection (certified vehicle fleet owners are allowed to self-inspect their vehicles); and non-fleet inspection.

The Emissions Inspection Fund's main revenue source is transfers from the Underground Storage Tank (UST) Area A (i.e., Maricopa County) Assurance Account (see Table 1 below and see discussion under "PAR" for more information about the UST Fund). The Emissions Control Program is not self-supporting. During the Air Quality Special Session of 1993, the UST Assurance Account was divided into Area A and all other areas, and legislation required certain amounts to be transferred from the Area A Account to the Emissions Inspection Fund. Laws 1995, Chapter 1, 4th Special Session reduced the FY 1996 transfer from \$8,000,000 to \$0. The past and expected transfer amounts from the UST Area A Assurance Account to the Emissions Inspection Fund are as follows:

- \$2,000,000 in FY 1994
- \$8,000,000 in FY 1995
- \$0 in FY 1996
- 50% of all revenues and interest from FY 1997 to FY 2004

The 3 main Emissions Control subprograms include I/M 240 Buydown, Remote Sensing, and Repair Grants. See Table 1 for the costs of these programs. The JLBC Staff recommends an additional \$1,422,500 from the Emissions Inspection Fund for

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the I/M 240 Buydown Program, a reduction of \$(1,254,000) for the Repair Grant Program, a reduction of (1) FTE Position and \$(30,500) for the operating portion of the Repair Grant Program, a reduction of \$(40,000) in miscellaneous operating expenditures, and a reduction of \$(716,400) for Project Enterprise. The Executive recommends an additional \$591,500 from the Emissions Inspection Fund for the I/M 240 Buydown Program, a reduction of \$(889,200) for the Repair Grant Program, a reduction of \$(721,700) for Project Enterprise, and a reduction of \$(64,400) in miscellaneous operating expenditures. The Executive also recommends adding a footnote which would allow the department to expend over the appropriated level if grant applications exceed the amount allocated for grants. The footnote also has a requirement to report to the Directors of the JLBC and OSPB Staffs before exceeding the amount allocated. The JLBC Staff does not recommend this footnote as there may not be enough monies in the fund to support additional expenditures and the JLBC Staff does not expect the request for grants to exceed the amount recommended.

Table 1

<b><u>EMISSIONS INSPECTION FUND REVENUES AND EXPENDITURES</u></b>			
	<u>FY 1996</u> <u>Estimate</u>	<u>FY 1997</u> <u>JLBC Rec.</u>	<u>Difference</u> <u>FY 1997-FY 1996</u>
Balance Forward	\$7,717,900	\$ 169,200	\$(7,548,700)
UST Transfer In	-0-	5,518,800	5,518,800
Other Revenue	<u>1,429,400</u>	<u>1,371,800</u>	<u>(57,600)</u>
<b>Total Funds Available</b>	<b>\$9,147,300</b>	<b>\$7,059,800</b>	<b>\$(2,087,500)</b>
Operating Budget	\$3,494,100	\$2,692,000	\$ (802,100)
I/M 240 Buydown Program	2,558,600 <sup>1/</sup>	4,001,100	1,442,500
Remote Sensing Buydown	656,700	656,700	-0-
Remote Sensing Contract	914,700	914,700	-0-
Repair Grants	<u>1,354,000</u>	<u>100,000</u>	<u>(1,254,000)</u>
<b>Total Expenditures</b>	<b>\$8,978,100</b>	<b>\$8,364,500</b>	<b>\$ (613,600) <sup>2/</sup></b>
<b>BALANCE FORWARD</b>	<b><u>\$ 169,200</u></b>	<b><u>\$(1,304,700)</u></b>	<b><u>\$(1,473,900)</u></b>

<sup>1/</sup> The FY 1996 Buydown Cost estimates are different between Table 1 and Table 2 as Table 1 shows the amount allocated to make up the FY 1996 appropriation, while Table 2 depicts an updated estimate of what ADEQ thinks the actual cost will be. The updated estimate uses a higher number of vehicles tested than originally expected. ADEQ can exceed the Emissions Inspection Fund FY 1996 appropriation pursuant to a General Appropriation Act footnote. Since the Emissions Inspection Fund's format is Lump Sum, the department can reallocate monies from other program components. We do not expect the Repair Grant expenditures to be as high as allocated in FY 1996 and these monies could be reallocated to fully fund the Buydown Program.

<sup>2/</sup> This amount includes \$(598,400) of policy issues described in the Emissions Control Program narrative, and \$(15,200) in standard changes.

The I/M 240 Buydown Program subsidizes the difference between the price charged and the actual cost of the vehicle emissions inspection test. The current charge to consumers is \$20 per test, while the actual cost is higher (see Table 2 on the following page). For instance, in CY 1995 the true cost of the emissions test was \$24.30. Per A.R.S. § 49-543, the state cannot charge over \$10 for an annual emissions inspection test or \$20 for a biennial test. For FY 1997, ADEQ estimates inspecting 817,700 vehicles with the I/M 240 test in Maricopa County. The recommended increase of \$1,422,500 funds the higher actual cost of the test and the increased number of vehicles to be tested. The Executive recommends an increase of \$591,500 from the Emissions Inspection Fund for the Buydown Program for a total recommended amount of



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\$3,150,100. The JLBC Staff estimates a higher growth rate of 1981 and newer vehicles in FY 1997 and, therefore, a higher buydown cost.

**Table 2**

<u>VEHICLE EMISSIONS INSPECTION BUYDOWN COSTS</u>				
	<u>FY 1995</u> <u>(Actual)</u>	<u>FY 1996</u> <u>(Estimate)</u>	<u>FY 1997</u> <u>(Estimate)</u>	<u>FY 1998</u> <u>(Estimate)</u>
<b>1st Half of Fiscal Year</b>				
Vehicles Tested	NA	351,598	389,400	428,340
Cost/Vehicle	NA	\$24.30	\$24.50	\$25.25
Cost/Vehicle Owner	NA	20.00 <sup>1/</sup>	20.00 <sup>1/</sup>	20.00
Buydown Cost/Vehicle	NA	4.30	4.50	5.25
<b>2nd Half of Fiscal Year</b>				
Vehicles Tested	351,598	389,400	428,340	471,174
Cost/Vehicle	\$24.30	\$24.50	\$25.25	\$25.99
Cost/Vehicle Owner	20.00 <sup>1/</sup>	20.00 <sup>1/</sup>	20.00	20.00
Buydown Cost/Vehicle	4.30	4.50	5.25	5.99
<b>Total Buydown Cost (rounded)</b>	<b><u>\$1,511,900</u></b>	<b><u>\$3,264,200</u></b> <sup>2/</sup>	<b><u>\$4,001,100</u></b>	<b><u>\$5,071,100</u></b>

<sup>1/</sup> From January 1995 to December 1996, the Attorney General is using monies from an Oil Overcharge settlement to subsidize the cost of the test to vehicle owners by \$3.25. Vehicle owners are actually paying \$16.75 per test in the indicated years, but the total cost of the test and they buydown cost remain as shown.

<sup>2/</sup> The FY 1996 Buydown Cost estimates are different between Table 1 and Table 2 as Table 1 shows the amount allocated to make up the FY 1996 appropriation, while Table 2 depicts an updated estimate of what ADEQ thinks the actual cost will be. The updated estimate uses a higher number of vehicles tested than originally expected. ADEQ can exceed the Emissions Inspection Fund FY 1996 appropriation pursuant to a General Appropriation Act footnote. Since the Emissions Inspection Fund's format is Lump Sum, the department can reallocate monies from other program components. We do not expect the Repair Grant expenditures to be as high as allocated in FY 1996 and these monies could be reallocated to fully fund the Buydown Program.

*The Remote Sensing Program* supports remote sensing devices ("Smog Dogs") which monitor carbon monoxide emissions from moving vehicles and read vehicle license plates to notify owners of emissions violations. This program is estimated to identify 32,000 vehicles annually that exceed emissions standards. Because citizens statutorily cannot be charged the inspection fee for an out-of-cycle test, this program's funds reimburse the inspection contractor. The total recommended program cost to pay for out-of-cycles tests for FY 1997 is \$656,700; this amount has not been modified from the FY 1996 appropriation. The Executive concurs. The cost of the remote sensing contract is \$914,700 for FY 1997.

*Project Enterprise* with the Department of Transportation (ADOT) is an information technology project to create new data bases for driver and vehicle records in the Motor Vehicle Division. The contract has not commenced as Project Enterprise is not yet completed. Therefore, the JLBC Staff recommends a reduction of \$(716,400) from the operating budget for a contract with ADOT's Project Enterprise. Project Enterprise will not be completed and available for ADEQ's use in FY 1997. Once Project Enterprise is completed, the Remote Sensing Program can interface with the technology to access the violating vehicle's make, model, and year, as well as the owner's name and address. The Executive recommends a reduction of \$(721,700) for this project. The JLBC Staff will revisit this proposed contract once Project Enterprise is complete.

*The I/M 240 Repair Grant Program* is to provide vouchers, up to \$225, to low income residents for car repairs to pass the emissions test. For FY 1995, \$971,100 was designated for this program; however, only \$586 was expended. For

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FY 1996, \$1,354,000 was allocated; but as of December 13, 1995, only \$1,335 was expended. As participation has been limited thus far, the JLBC Staff does not expect the programs's demand to meet the allocated level and, therefore, recommends a reduction. The JLBC Staff recommends reducing the current level of funding by \$(1,254,000), leaving \$100,000 for grants for FY 1997. The JLBC Staff also recommends reducing the total appropriation by (1) FTE Position and \$(30,500). This accountant position was designated to help administer the grant program. Since the grant program is not as active as originally expected, ADEQ does not need this position to administer grants. The position has never been filled. Another position spends time when needed processing repair grants. The Executive recommends reducing the Repair Grant Program by \$(889,200), leaving a total of \$464,800 for FY 1997.

*Fund Balance.* With the proposed FY 1997 Emissions Inspection Fund budget and no further changes in law, the JLBC Staff estimates expenditures will exceed projected revenues by \$1,300,000 in FY 1997. This assumes that the department will expend their total FY 1996 Emissions Inspection Fund appropriation and that the fund will receive 50% of UST Area A revenues, estimated at \$5,518,800 for FY 1997. In the 4th Special Session, the Legislature suspended the FY 1996 UST transfer to the Emissions Inspection Fund as a result of shortages in the UST Fund. The following are possible solutions to maintain Emissions Inspection Fund solvency through FY 1997.

- *Remove the vehicle inspection fee cap.*
  - If the fee cap was removed and vehicle owners were charged the true cost of the test, the Buydown Program amount would be \$0 and the fund would be solvent in FY 1997 and in future fiscal years. This assumes continued transfers from the UST Fund. Pending further legal review, this option may require a Proposition 108 clause, or a two-thirds majority vote, for enactment.
  - If the fee cap was removed and vehicle owners were charged the true cost of the program, the UST transfer could be eliminated as vehicle owners would provide program revenue. The cost of the inspection test would be increased to cover full program costs. The cost per vehicle would be approximately \$30 for FY 1997. Program costs include not only the I/M 240 test, but also the remote sensing, repair grants, contract oversight, customer service, etc. This option also may require a Proposition 108 clause, or a two-thirds majority vote, for enactment.
- *Charge vehicle owners for failed out-of-cycle tests.* Currently, when a vehicle is caught exceeding emissions standard by the remote sensing devices ("Smog Dogs"), there is no charge for the test. By charging those vehicle owners for the test which are caught by the smog dogs and fail the I/M 240 test, the state's remote sensing buydown cost would decrease by over \$500,000. This assumes 15% of vehicles caught pass the test and are not charged for it. It also assumes vehicle owners are charged the true cost of the test and not the \$20 statutorily capped price. As with the prior options, this proposal may require a Proposition 108 clause, or a two-thirds majority vote, for enactment.
- *Increase the gas tax by one-half cent and earmark it for the UST Fund.* This will increase the amount transferred from the UST Area A Assurance Account to the Emissions Inspection Fund by \$2,700,000 annually, and projected revenues would then slightly exceed recommended expenditures. By itself, this tax increase may require a Proposition 108 clause, or a two-thirds majority vote, for enactment.
- *Appropriate monies from another fund.* An appropriation of approximately \$1,300,000 would solve the FY 1997 Emissions Inspection Fund shortfall, but unless it is a permanent funding source or other legislative changes are made, we would expect a shortfall again in FY 1998.
- *Further reduce program expenditures.* This, in conjunction with a higher projected balance forward into FY 1997, is the Executive's recommendation. The JLBC Staff estimates the I/M 240 Buydown Program will cost more than the Executive allocation. The JLBC Staff estimated 1981 and newer vehicles will grow by 10% in Maricopa County. ADOT figures show an 11.6% statewide growth rate from October 1994 - October 1995 of 1981 and newer vehicles. The Executive's FY 1997 I/M 240 Buydown recommendation is approximately \$(100,000) less than the agency's current FY 1996 estimate which would indicate a decrease in 1981 and newer vehicles in Maricopa County for the upcoming fiscal year. Further, the JLBC Staff's estimate for FY 1997 "Total Funds Available" would fall short of the Executive FY 1997 proposed expenditures by \$800,000 as the Executive assumes a higher balance forward into FY 1997. The JLBC Staff does not recommend further expenditure reductions for FY 1997.

### **Hazardous Waste Program**

The JLBC Staff recommends an increase of 1 FTE Position and \$55,000 from the Hazardous Waste Fund to expand the program's compliance section and decrease the complaint backlog. Compliance cases have 2 sources: complaints and investigations. The recommended position would be responsible for inspections and compliance. The result should be an increase in the number of compliance cases processed. A compliance case includes both long term clean-up cases and short term administrative cases. In FY 1995, this program processed 183 cases and expects to process 183 in FY 1996 and 209 in

55,000 OF



## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

FY 1997 with the recommended increase. The JLBC Staff recommended increase includes a one-time \$2,600 for 1 computer. The Executive recommends an increase of 1 FTE Position and \$39,700 from the Hazardous Waste Fund. ADEQ expects to collect one-time closure/cleanup settlements of approximately \$1,400,000, which will fund this position and augment the program.

### **Solid Waste Program**

861,100 OF

Laws 1995, Chapter 202, established the appropriated Solid Waste Fee Fund. This new program is the consolidation of existing programs that were administered by separate funds in the past: the appropriated Used Oil Fund, the appropriated Special Waste Fund, and the non-appropriated Waste Tire Fund. The revenue sources that have been deposited into these 3 funds (used oil specification fees, special waste management fees, and waste tire fees) will be deposited into the new Solid Waste Fee Fund beginning in FY 1997 and the 3 old funds will be abolished from ADEQ.

Along with the existing revenue sources, the new fund will collect 3 new revenue sources: solid waste landfill registration fees, plan review fees, and expedited permit fees. By statute ADEQ has been allowed to collect these new fees, but has never established fees to recover the department's reasonable direct costs for the processing, review, approval or denial of Solid Waste Facility Plans. These plans are reviewed on an annual basis. ADEQ commissioned Arthur Andersen and Associates to conduct a fee study on Solid Waste Facility Plan reviews and to establish these fees. Currently, there are no rules in place to collect revenue from Solid Waste Facility Reviews. The rules are planned to be adopted by the end of CY 1995 and fees can be collected beginning in FY 1997. ADEQ estimates new fees will generate approximately \$500,000 in FY 1997, and total FY 1997 revenues are estimated at \$960,000.

The JLBC Staff recommends a total appropriation of 12.3 FTE Positions and \$880,300 for the Solid Waste Program. Of this amount, 8.2 FTE Positions and \$433,100 are transferred from the existing Used Oil, Special Waste, and Waste Tire Funds. The additional increase of 4.1 FTE Positions and \$428,000 will be funded from the new fees. These new positions will need to be annualized for FY 1998. The Executive recommends 11.2 FTE Positions and \$734,000 from the Solid Waste Fee Fund.

### **Special Waste Program**

(90,500) OF

The JLBC Staff recommends transferring all remaining monies in the Special Waste Fund to the new Solid Waste Fee Fund. Pursuant to Laws 1995, Chapter 202, the appropriated Solid Waste Fee Fund is established beginning in FY 1997. It is the consolidation of the existing Used Oil Fund, Special Waste Fund, and Waste Tire Fund. The Executive concurs. See Solid Waste Program for more details.

### **Used Oil Program**

(152,600) OF

The JLBC Staff recommends transferring all remaining monies in the ADEQ Used Oil Fund to the new Solid Waste Fee Fund. Pursuant to Laws 1995, Chapter 202, the appropriated Solid Waste Fee Fund is established beginning in FY 1997. It is the consolidation of the existing Used Oil Fund, Special Waste Fund, and Waste Tire Fund. The Executive concurs. See Solid Waste Program for more details.

### **Water Quality Assurance Revolving Fund/Aquifer Protection Permits**

(644,700) OF (3,600) GF

Beginning in FY 1997, the direct costs of the Aquifer Protection Permit (APP) Program will be supported by the Water Quality Fee Fund and not by the Water Quality Assurance Revolving Fund (WQARF). The APP revenue stream will be deposited into the new Water Quality Fee Fund and the annual appropriation from WQARF to the APP Program will terminate, thereby, reducing the WQARF appropriation by \$(644,700) and (9.1) FTE Positions. See the Water Quality Fee Program for more details. The JLBC Staff recommends a decrease of \$(3,600) from the General Fund for APP support. This technical adjustment is a result of ADEQ reorganizing staff between the General Fund APP and the Water Quality Fee Fund. The Executive concurs with the WQARF decrease, but does not recommend a General Fund reduction.

### **Water Quality Program**

3,542,200 OF

Laws 1995, Chapter 202, established the new appropriated Water Quality Fee Fund. This program is the consolidation of the existing Aquifer Protection Permit (APP), Surface Water, and Drinking Water Programs. The APP Program and revenue stream have been transferred to this new fund from the Water Quality Assurance Revolving Fund (WQARF). Along with this existing revenue source, the Water Quality Fee Fund will collect new fees, including: drinking water technical fees, wastewater facility plan fees, water quality certification fees, facility construction compliance and inspection fees, APP plan review fees, and expedited review permit fees. By statute ADEQ has been allowed to collect these fees, but has never established fees to recover the department's reasonable direct costs for the APP and Surface Water Permit Programs. ADEQ estimates the new fees will

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generate over \$5,700,000 in new revenues. Total fund revenue is estimated at \$6,300,000 for FY 1997. ADEQ contracted with Arthur Andersen and Associates in the spring of 1995 to determine fees which would support the direct costs (or billable hours) of the Water Quality Program and which would adequately handle the permit workload. The General Fund, specifically the Aquifer Protection Permit Special Line Item, supports the indirect, or non-billable, costs of the program.

The JLBC Staff recommends total funding of 29.6 FTE Positions and \$3,543,300 from the Water Quality Fee Fund. Of this amount, 9.1 FTE Positions and \$641,100 are transferred from the WQARF/APP Program and 20.5 FTE Positions and \$2,901,100 are new monies and will be annualized for FY 1998. Total one-time costs of \$200,900 are included in FY 1997 for cubicles and computers. The new recommended positions will augment permitting oversight, inspections, compliance and enforcement of the APP Program. The recommended increase also includes resources for the surface water section to address backlogs in enforcement, inspections, water quality certification and technical review. There is a current backlog in facility and construction inspections, water quality certifications, and technical review. The Executive recommends a total appropriation of 47.1 FTE Positions and \$4,149,300 from the Water Quality Fee Fund.

Pursuant to A.R.S. § 49-241.01, ADEQ must permit all existing facilities subject to APPs by January 1, 2001. The current backlog is around 300 permits. ADEQ contends that unless resources are increased, the 2001 deadline for issuing all permits cannot be met. The Arthur Andersen report confirmed this assessment. With the new revenue sources and increased personnel, ADEQ maintains they can meet the statutory due date of year 2001. The General Fund portion of the APP Program will remain at its current level of 16.8 FTE Positions and \$666,100, as the new non-General Fund revenues only support billable hours.

### Indirect Costs

700 OF

Every ADEQ fund, excluding the General Fund, transfers an amount to the non-appropriated Indirect Cost Fund to cover overhead expenses including administrative staff support, telephones, rent, postage, copy services, Risk Management, and the Arizona Department of Administration data center costs. The indirect rate approved for FY 1997 by the U.S. Environmental Protection Agency under the OMB Circular A-87 is 44.06% of Personal Services and Employee Related Expenditures (ERE). The rate decreased from the FY 1996 approved rate of 45.54%; the total amount to shift from all other appropriated funds to the Indirect Cost Fund will increase by \$700. Although the rate decreased, the Personal Services and ERE base has increased (due to salary adjustments and FTE Positions added in FY 1996) so the net shift is positive. This amount does not include any indirect costs associated with the new FTE Positions. The Executive recommends an additional \$44,700 be shifted from other appropriated funds to the Indirect Cost Fund for FY 1997.

\* \* \*

**1** *Program Authorization Review Recommendation* — The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of the Underground Storage Tank Fund program during the last year. As a result of that review, the JLBC Staff recommends modifying the program.

The purpose of the Underground Storage Tank (UST) Program is to prevent, detect, and clean up releases of hazardous substances and petroleum into groundwater and soil. The program, through the UST Assurance Accounts, provides financial coverage to UST owners and operators for upgrade, removal and cleanup of site contamination. Our PAR found that the UST Program has substantially improved efficiency since 1993 and is an effective program, although remediation backlogs still exist in open leaking UST cases. The most significant finding is that the diversions of monies from the Area A (i.e., Maricopa County) Assurance Account have caused delays in reimbursement of claims for Maricopa County tank owners and operators.

During the Air Quality Special Session of 1993, the Assurance Account was divided into Area A and all other areas. The primary revenue source is a one-cent per gallon excise tax on regulated substances stored in USTs; this includes gasoline. The 1993 Special Session also required the following amounts to be transferred from the Area A Account for air quality programs. The FY 1996 amount was modified by Laws 1995, Chapter 1, 4th Special Session from \$8,000,000 to \$0. Transfers out of the Area A Account are as follows:

- \$2,000,000 in FY 1994 to the Emissions Inspection Fund
- \$6,000,000 in FY 1994 to Mass Transit
- \$8,000,000 in FY 1995 to the Emissions Inspection Fund
- \$0 in FY 1996 to the Emissions Inspection Fund
- 50% of all revenues and interest from FY 1997 to FY 2004 to the Emissions Inspection Fund

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Currently, the Area A Account lacks adequate funds to support the UST reimbursement program for all approved requests from tank owners and operators. As of November 30, 1995, Area A's approved claims due to owners and operators was approximately \$11,500,000. ADEQ estimates total unpaid liabilities through the end of FY 1996 at \$17,200,000 and estimates available resources for claim reimbursement at \$8,153,000. This revenue estimate includes the \$8,000,000 that had been scheduled for transfer to the Emissions Inspection Fund, but was terminated by Laws 1995, Chapter 1, 4th Special Session. If the transfers from Area A continue as they are designated in current statute, delays in reimbursement for Maricopa County tank owners and operators will increase. The Non-Area A Assurance Account has a FY 1996 beginning balance of \$32,100,000, and we do not project any insolvency problems with this account in the near future.

The following managerial changes were made by Laws 1995, Chapter 1, 4th Special Session. The JLBC Staff concurs that these changes will better manage the Assurance Accounts' cash flow.

- Requires ADEQ to adopt rules for pre-approval procedures for corrective actions by August 15, 1996. Pre-approval currently is voluntary and the partial financial mechanism is primarily a reimbursement program. With pre-approval, owners and operators would commence cleanup upon notification from ADEQ instead of coming to ADEQ after cleanup has begun or is over. This would allow ADEQ to control costs by approving costs before work has begun and basing the priority of work upon risk to human health and the environment.
- Imposes a time limit of 120 days on the submittal of claims to ADEQ once a site closure letter has been sent to the claimant. A claim will not be processed if it is not submitted within this time frame. ADEQ will notify, by certified mail, owners and operators who have already received a closure letter that they have 120 days from receipt of the letter to submit their claims. This will help ADEQ control costs as unresolved liability makes it difficult to assess the true funding needs related to the Assurance Accounts.
- Institutes a 10% co-payment requirement for reimbursement from the Assurance Account instead of a flat deductible amount. Currently, owners and operators pay a deductible of \$5,000 to receive UST reimbursement up to \$130,000 or pay a deductible of \$25,000 to receive UST reimbursement up to \$200,000. The current deductible system discourages owners, operators, consultants, and contractors from controlling costs. A co-pay system should encourage these parties to use the most cost-effective method, as they will pay a percent of the total cost.
- Places the Assurance Account in the secondary position for coverage after other insurance coverage has been exhausted. The owner or operator is eligible for Assurance Account payment to the extent the costs have not been reimbursed by the insurance and are within the statutory coverage limits.

The JLBC Staff recommends further changes in the UST Program to help ensure future fund solvency by controlling cash flow and costs for both the Area A and Non-Maricopa County Assurance Accounts:

- *Increase the percentage of the co-payment amount for each missed compliance deadline.* Our PAR found, and ADEQ confirms, that in over 70% of open leaking underground storage tank (LUST) cases the extent of contamination (termed "site characterization") had not yet been determined. Currently ADEQ enforces non-compliance through the courts: this is a time consuming and costly process. As voluntary compliance does not appear to be very effective, the JLBC Staff recommends ADEQ approach its enforcement efforts in a different way—by increasing the co-payment amount through missed compliance deadlines. ADEQ should send certified letters to owners and operators to commence site characterization and require an adequate site characterization be due in 240 days. If the deadline is missed, the co-payment percentage should increase. The initial co-payment amount is 10%. It could increase to 15% if the first compliance deadline is missed, to 30% if the next deadline is missed (another 240 days after the first deadline), and so on. Switching to increased co-payment amounts will defer some ADEQ court action, as well as give owners and operators an incentive to complete site characterization in a timely manner. This recommended mechanism should expedite site characterizations so all affected parties will have the information required to estimate total liability for remediation, develop appropriate time lines for corrective actions, project the Assurance Fund cash flow, and address fund solvency.
- *Reduce the maximum corrective action coverage from \$1,000,000 to \$200,000.* The cap was increased through Laws 1995, Chapter 229 and will become effective July 1, 1996. The Assurance Account was designed to be a partial funding mechanism, not a full funding mechanism. The Area A Account cannot support this increased level of reimbursement. If the cap is increased to \$1,000,000, the Assurance Account could expend up to \$900,000 (for the 90% match) per claim. Since the cap has not yet been increased, it could be reduced to the original level without reimbursing some owners and operators at different levels than other owners and operators. Owners and operators should be purchasing private insurance and maintaining the lower cap should encourage them to do it sooner.

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- *Adjust the co-payment amount upward based on the corporation's total assets and ability to pay. A company with higher assets should rely less on the State Assurance Fund and more upon their own assets.*

The Executive recommends modifying the UST Program exactly as it was amended in the recent special session, but suggests exploring the following solutions to ensure continued financial coverage of clean-up costs and protection of the environment: allow ADEQ to issue bonds to leverage revenues; allow risk-based corrective action for groundwater remediation; extend the current UST funding mechanism to 2013; transfer financial coverage functions to private insurance by discontinuing all UST Fund coverage after December 22, 1998; convert UST Fund coverage as a last resort for financial assistance to low income tank owners and to protect the environment; and, reduce the \$1,000,000 maximum liability for corrective action to \$250,000 for soil sites and \$500,000 for groundwater sites.

### *JLBC Staff Recommended Format — Modified Lump Sum by Agency*

### *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.
- 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 appropriation for the Environmental Health Reserve shall only be used for unforeseen emergency situations, and not for on-going projects.

#### *Modification of Prior Year Footnotes*

- Monies appropriated for Water Quality Assurance Revolving Fund (WQARF) priority site remediation AND WQARF FEDERAL MATCH shall be placed in the Water Quality Assurance Revolving Fund as authorized by A.R.S. § 49-282A1. *(This clarifies that appropriations for Superfund matching monies shall be placed in the Water Quality Assurance Revolving Fund.)*

#### *Deletion of Prior Year Footnotes*

- The JLBC Staff recommends deleting the footnote which requires the department to report quarterly to the Legislature on WQARF activities. Instead, the JLBC Staff will request, through letter, an annual WQARF report.
- The JLBC Staff recommends deleting the one-time footnote requiring ADEQ to submit an information technology project plan to the Joint Legislative Budget Committee.
- The JLBC Staff recommends deleting the footnote which allows ADEQ to expend more than the appropriated amount in the Air Permit Administration Fund by reporting to the Director of the JLBC Staff, as this program is no longer new and expenditures are steady.
- The JLBC Staff recommends deleting the footnote which allows ADEQ to expend more than the appropriated amount in the Emissions Inspection Fund by reporting to the Director of the JLBC Staff, as this program is no longer new.

### *Other Issues for Legislative Consideration*

#### *Executive Recommended Format*

The Executive recommends changing the department's format to Operating Lump Sum with Special Line Items. The JLBC Staff recommends maintaining a Modified Lump Sum format.

**DEPARTMENT OF  
HEALTH SERVICES  
(DHS)**



# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Health Services  
Agency Summary

JLBC: Jason Hall/Jennifer Vermeer  
OSP: Melodie Jones

House Sub: Weiers  
Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSP	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Administration	11,830,200	13,576,400	13,587,400	14,092,600	13,827,800
Assurance and Licensure	5,150,600	5,691,800	4,727,500	5,155,700	4,994,600
Public Health	10,983,800	12,079,300	12,738,800	13,323,300	13,819,000
Disease Control Research Commission	1,772,700	1,572,400	1,572,400	1,423,300	1,423,300
Family Health	23,677,600	26,373,700	26,363,200	26,126,800	23,417,700
Behavioral Health	132,679,800	142,731,400	142,662,500	142,257,400	142,518,300
Arizona State Hospital	29,460,600	31,147,000	31,097,800	30,932,400	30,461,900
Laboratory Services	2,545,100	2,706,200	2,706,200	2,695,000	2,565,400
<b>AGENCY TOTAL</b>	<b>218,100,400</b>	<b>235,878,200</b>	<b>235,455,800</b>	<b>236,006,500</b>	<b>233,028,000</b>
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	1,708.2	1,614.2	1,395.1	1,234.4	1,179.1
Personal Services	34,623,100	37,035,900	29,913,200	31,141,100	31,011,900
Employee Related Expenditures	8,440,800	9,173,800	8,232,200	7,392,600	6,975,200
All Other Operating Expenditures:					
Professional and Outside Services	5,855,200	5,311,800	8,017,100	8,009,700	8,061,000
Travel - In State	373,900	530,100	514,500	542,200	532,000
Travel - Out of State	62,000	68,500	68,500	68,500	68,500
Food	654,400	702,200	0	0	0
Other Operating Expenditures	8,624,000	8,054,500	7,429,500	8,608,800	8,037,500
Equipment	1,031,800	1,011,300	893,500	924,500	485,800
<b>OPERATING SUBTOTAL</b>	<b>59,665,200</b>	<b>61,888,100</b>	<b>55,068,500</b>	<b>56,687,400</b>	<b>55,171,900</b>
Special Line Items	158,435,200	173,990,100	180,387,300	179,319,100	177,856,100
<b>AGENCY TOTAL</b>	<b>218,100,400</b>	<b>235,878,200</b>	<b>235,455,800</b>	<b>236,006,500</b>	<b>233,028,000</b>
<b>BY FUND SOURCE</b>					
General Fund	202,621,100	218,713,200	218,641,700	218,855,100	215,866,000
Other Appropriated Funds	15,479,300	17,165,000	16,814,100	17,151,400	17,162,000
Other Non-Appropriated Funds	116,812,300	163,956,000	143,833,200	143,833,200	143,833,200
Federal Funds	100,597,900	106,220,400	108,418,500	108,418,500	108,418,500
<b>TOTAL - ALL SOURCES</b>	<b>435,510,600</b>	<b>506,054,600</b>	<b>487,707,500</b>	<b>488,258,200</b>	<b>485,279,700</b>

**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.*

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$(2,847,200)	(1.3)%
Other Appropriated Funds	<u>(3,000)</u>	<u>(0.0)%</u>
Total Appropriated Funds	\$(2,850,200)	(1.2)%

***FY 1997 — JLBC Staff Recommended Changes from FY 1996***

<b>Standard Changes</b>		
— Annualization of January 1996 Pay Adjustment	\$10,900 OF	\$451,500 GF
— ERE Rates	(4,700) OF	(460,300) GF
— Risk Management	9,400 OF	768,600 GF
— Rent	15,400 OF	33,800 GF
— Elimination of One-time Equipment	(44,000) OF	(1,015,300) GF
<b>Equipment</b>	10,000 OF	454,800 GF
<b>Annualization of Transferred Professional and Outside Services Costs</b>		(17,500) GF
<b>Agency Reorganization</b>		-0- GF
<b>One-time Funding for Information Technology Project</b>		(98,100) GF
<b>Operations and Maintenance</b>		(198,800) GF
<b>Licensure of Public Child Day Care Facilities</b>		387,100 GF
<b>County Health Block Grant</b>		-0- GF
<b>One-time Funding from Additional Appropriation—Prenatal Outreach</b>		(1,400,000) GF
<b>High Risk Perinatal Services</b>		-0- GF
<b>Elimination of Excess Payments to Hospitals—Newborn Intensive Care</b>		(670,000) GF
<b>County Prenatal Services Grant</b>		-0- GF
<b>Alternative Funding for Poison Control</b>		-0- OF
<b>Medical Malpractice Subsidy</b>		(255,000) GF
<b>Southern Arizona Mental Health Center (SAMHC) Privatization</b>		-0- GF
<b>Population Growth in Title 19 Programs</b>		600,200 GF
<b>Movement of Populations to Title 19 Programs</b>		(686,200) GF
<b>Court Monitor Funding</b>		-0- GF
<b>Community Placement Treatment/Community Treatment Contingency</b>		-0- GF

Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

Community Placement Development	(100,000) GF
Arizona State Hospital (ASH) Privatization of Functions	(492,900) GF
Continued Phase-out of Disease Control Research Grants	(149,100) GF

\* \* \*

*JLBC Staff Recommended Format* — Modified Lump Sum by Program

*JLBC Staff Recommended Footnotes*

*Standard Footnotes*

- In addition to the appropriation for the Department of Health Services, earnings on state lands and interest on the investment of the permanent land funds are appropriated to the State Hospital in compliance with the Enabling Act and the Constitution. *(This footnote allows the agency to use its endowment land expendable revenues.)*
- 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, and (c) 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, Substance Abuse, Children's Respite Care, Geriatric Residential Beds, SMI Clozaril Program, Seriously Emotionally Handicapped Children, and Children's Rehabilitative Services. *(This footnote is intended to give the Legislature "early warning" of potential shortfalls and to have the agency provide alternatives.)*

*Modification of an Existing Footnote*

- 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, Substance Abuse, Community Therapeutic Substance Abuse Treatment, Title 19 General Mental Health and Substance Abuse State Match, Seriously Emotionally Handicapped Children, Children's Rehabilitative Services, AHCCCS - Children's Rehabilitative Services, EMS Provider Contracts, State EMS Special Projects, TB Provider Hospital Care, Kidney Program, Adult Cystic Fibrosis, Adult Sickle Cell Anemia, Newborn Intensive Care, Perinatal Services, Prenatal Outreach, Nutrition Services, Geriatric Residential Beds, SMI Clozaril Program, Children's Respite Care, Community Placement Treatment, Community Placement Development, and the Poison Control Center Funding shall require approval of the Joint Legislative Budget Committee (JLBC). The amounts appropriated for these items shall be used exclusively for the contracts for the provision of services to clients UNLESS A TRANSFER OF MONIES IS APPROVED BY THE JLBC. No monies shall be used from these appropriated amounts for any other expenses of the state Department of Health Services. *(This footnote was created to restrict the agency from using monies appropriated for services for administrative costs. The above phrase has been added to allow monies to be transferred from the above line items for administrative services following JLBC approval.)*



# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Health Services  
 PROG: Administration

JLBC: Jason Hall/Jennifer Vermeer  
 OSPB: Melodie Jones

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	235.0	227.5	227.5	227.5	227.5
Personal Services	5,880,400	6,439,400	6,354,800	6,521,900	6,522,400
Employee Related Expenditures	1,431,000	1,547,900	1,748,900	1,444,300	1,445,300
All Other Operating Expenditures:					
Professional and Outside Services	199,500	607,600	615,000	540,500	540,500
Travel - In State	52,300	61,800	68,800	68,800	68,800
Travel - Out of State	14,200	23,000	23,000	23,000	23,000
Other Operating Expenditures	3,318,300	4,070,200	4,068,200	5,164,800	4,859,500
Equipment	477,100	447,100	329,300	329,300	187,700
<b>OPERATING SUBTOTAL</b>	<b>11,372,800</b>	<b>13,197,000</b>	<b>13,208,000</b>	<b>14,092,600</b>	<b>13,647,200</b>
<b>SPECIAL LINE ITEMS</b>					
Morton & Black Canyon Buildings Management	457,400	379,400	379,400	0	180,600
<b>PROGRAM TOTAL</b>	<b>11,830,200</b>	<b>13,576,400</b>	<b>13,587,400</b>	<b>14,092,600</b>	<b>13,827,800</b>
<b>BY FUND SOURCE</b>					
General Fund	11,830,200	13,576,400	13,587,400	14,092,600	13,827,800
Other Non-Appropriated Funds	4,322,300	4,819,400	4,701,500	4,701,500	4,701,500
Federal Funds	139,800	262,200	262,200	262,200	262,200
<b>TOTAL - ALL SOURCES</b>	<b>16,292,300</b>	<b>18,658,000</b>	<b>18,551,100</b>	<b>19,056,300</b>	<b>18,791,500</b>

**Program Description** — *The Administration program encompasses most centralized functions including the Director's Office, business and financial services, and information technology services.*

<b>Change in Funding Summary:</b>	<b>FY 1996 to FY 1997 JLBC</b>	
	<b>\$ Change</b>	<b>% Change</b>
General Fund	\$251,400	1.9%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 83,700 GF
— ERE Rates	(113,600) GF
— Risk Management	768,600 GF
— Rent	46,300 GF
— Elimination of One-time Equipment	(447,100) GF

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### **Equipment**

187,700 GF

As part of the agency's Information Technology System project, \$99,700 is recommended for converting from a mainframe to a wide area network computer system. An additional \$88,000 is recommended to replace forty 386 and 286 model personal computers in the ITS division, and a FAX machine. The Executive recommends retaining the full FY 1996 equipment funding in the amount of \$329,300.

### **One-time Funding for Information Technology Project**

(98,100) GF

In FY 1996, \$920,300 was appropriated for the General Fund share of costs associated with re-engineering the information technology system (ITS). The JLBC Staff recommends a reduction of \$(74,500) in Professional and Outside Services and of \$(23,600) in Other Operating Expenditures for one-time expenditures associated with the project. One-time expenditures for capital equipment have already been eliminated in the standard changes. Also, the sum of \$99,700 has been recommended from the General Fund for FY 1997 capital equipment associated with the ITS project (see discussion above). Overall, \$651,200 remains in the base budget for the continuation of the ITS project.

The Executive recommends a reduction of \$(115,100) in Professional and Outside Services and \$(117,400) in Capital Equipment, leaving \$687,800 in the base budget for the continuation of this project.

### **Agency Reorganization**

22,700 GF

The agency has requested a reorganization of some FTE Positions throughout the department. The net General Fund change for the agency as a whole is \$0. The agency requests that 1 Special Investigations FTE Position be transferred from the Arizona State Hospital to Administration because in the FY 1996 reorganization the position was overlooked and was not transferred with the other special investigations positions. The American Indian Liaison FTE Position is requested for transfer from Behavioral Health Services to Administration because the position now has a wider focus including Tobacco Tax and immunization issues and is better placed within the Administration division. In addition, the agency requests that \$7,400 for security costs be transferred from Family Health Services to Administration. Security costs had been allocated between both divisions, now the Administration division will pay for all security costs.

The agency also requests that the Geographic Information System and its support position be transferred from Administration to Public Health since the system is used primarily for public health related issues. One FTE Position is transferred from Administration to Assurance and Licensure to correct an error from the FY 1996 reorganization. The Executive concurs.

### **Operations & Maintenance**

(198,800) GF

The JLBC Staff recommends a reduction of \$198,800 in the Morton and Black Canyon Buildings Special Line Item. This adjustment is made to reflect the agency's use of federal and other appropriated fund monies to offset the expense of operations and maintenance at the 2 buildings. The O&M charge will be transferred to the Arizona Department of Administration, which will be responsible for providing all building services, either directly or under contract. The Executive recommends retaining this amount of funding and moving the full FY 1996 appropriation of \$379,400 into the operating budget.

\* \* \*

### ***JLBC Staff Recommended Format — Modified Lump Sum by Program***

#### ***JLBC Staff Recommended Footnotes***

##### ***Deletion of Prior Year Footnotes***

- The JLBC Staff recommends the deletion of the one-time footnote concerning information technology services because the project plan has been completed and reviewed by the JLBC.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Department of Health Services  
 PROG: Assurance and Licensure

JLBC: Jason Hall/Jennifer Vermeer  
 OSPB: Melodie Jones

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	171.2	155.8	124.8	133.8	133.8
Personal Services	3,526,200	3,709,100	3,104,600	3,469,000	3,477,500
Employee Related Expenditures	805,800	904,600	854,400	804,200	804,000
All Other Operating Expenditures:					
Professional and Outside Services	54,400	128,200	113,000	109,600	109,600
Travel - In State	131,600	157,700	157,000	174,500	174,500
Travel - Out of State	2,400	2,800	2,800	2,800	2,800
Other Operating Expenditures	575,100	656,400	378,700	447,600	343,200
Equipment	20,100	133,000	117,000	148,000	83,000
<b>OPERATING SUBTOTAL</b>	<b>5,115,600</b>	<b>5,691,800</b>	<b>4,727,500</b>	<b>5,155,700</b>	<b>4,994,600</b>
<b>SPECIAL LINE ITEMS</b>					
Child Care Standards Review Committee	35,000	0	0	0	0
<b>PROGRAM TOTAL</b>	<b>5,150,600</b>	<b>5,691,800</b>	<b>4,727,500</b>	<b>5,155,700</b>	<b>4,994,600</b>
<b>BY FUND SOURCE</b>					
General Fund	5,150,600	5,691,800	4,727,500	5,155,700	4,994,600
Other Non-Appropriated Funds	1,052,500	2,946,900	1,566,200	1,566,200	1,566,200
Federal Funds	2,874,600	1,562,700	2,870,200	2,870,200	2,870,200
<b>TOTAL - ALL SOURCES</b>	<b>9,077,700</b>	<b>10,201,400</b>	<b>9,163,900</b>	<b>9,592,100</b>	<b>9,431,000</b>

**Program Description** — Assurance and Licensure Services monitors and enforces statutes and rules concerning home- and community-based adult health care, behavioral health, and child care group facilities as well as maintains vital records services for birth and death certificates.

<b>Change in Funding Summary:</b>	<u>FY 1996 to FY 1997 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	(\$697,200)	(12.3%)

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

<b>Standard Changes</b>	
— Annualization of January 1996 Pay Adjustment	\$ 57,100 GF
— ERE Rates	(12,600) GF
— Annualization of Office of Administrative Hearings Transfer	(3,400) GF
— Rent	(103,600) GF
— Elimination of One-time Equipment	(133,000) GF

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### **Equipment**

**52,000 GF**

JLBC Staff recommends \$41,000 to replace personal computer equipment across the Assurance and Licensure division. Fifteen of the personal computers are part of an automation plan that will help decrease the backlog in the Office of Behavioral Health Licensure. The rest of the monies will replace computer equipment that is unable to operate software on the LAN. The sum of \$11,000 is recommended to replace a photocopier. An additional \$31,000 recommended for new equipment is related to licensure of child day care facilities and discussed below. The Executive recommends a total of \$148,000 for new equipment.

### **Agency Reorganization**

**(940,800) GF**

The agency has requested a reorganization of some FTE Positions throughout the department. The net General Fund change for the agency as a whole is \$0. Under the agency's plan, 33 FTE Positions from the Office of Vital Records are transferred to Public Health Services from Assurance and Licensure. The Office of Vital Records is more appropriately placed within Public Health Services because it provides a service more related to public health information than facilities licensing.

The agency also requests that a Public Health Education FTE be transferred from Public Health to Assurance and Licensure because the position's duties are related to the licensing of facilities rather than to public health issues. In addition, 1 FTE Position is requested for transfer from Administration to Assurance and Licensure to correct an error from the FY 1996 reorganization. The Executive concurs but retains a portion of Other Operating Expenditures in Assurance and Licensure.

### **Licensure of Public Child Day Care Facilities**

**387,100 GF**

A recent statutory change subjected public child day care programs, such as before and after school programs, to inspection and licensure requirements comparable to those of private facilities. This new requirement adds approximately 500 facilities to the workload of the Office of Child Care Licensure. The JLBC Staff recommends 9 FTE Positions and \$387,100 for Personal Services, Employee Related Expenditures, Equipment and Other Operating Expenditures for the licensure of public school day care programs. The Executive concurs.

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*JLBC Staff Recommended Format* — Modified Lump Sum by Program

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Health Services  
 PROG: Public Health

JLBC: Jason Hall/Jennifer Vermeer  
 OSPB: Melodie Jones

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	124.2	124.2	156.7	158.2	156.7
Personal Services	1,938,300	2,644,700	3,102,900	3,293,000	3,246,100
Employee Related Expenditures	447,600	616,300	853,900	752,400	744,400
All Other Operating Expenditures:					
Professional and Outside Services	47,600	142,200	157,400	159,400	157,400
Travel - In State	62,400	97,100	97,800	108,000	97,800
Travel - Out of State	10,700	16,700	16,700	16,700	16,700
Other Operating Expenditures	353,000	354,100	636,800	633,200	734,500
Equipment	39,400	37,200	53,200	53,200	24,500
<b>OPERATING SUBTOTAL</b>	<b>2,899,000</b>	<b>3,908,300</b>	<b>4,918,700</b>	<b>5,015,900</b>	<b>5,021,400</b>
<b>SPECIAL LINE ITEMS</b>					
Tuberculosis Provider Care and Control	740,900	1,082,000	1,082,000	1,082,000	1,082,000
Direct Grants	578,000	578,000	578,000	578,000	0
Vaccines	1,910,000	1,915,100	1,915,100	1,915,100	1,915,100
Reimbursement to Counties	396,300	396,300	396,300	396,300	0
Loan Repayment Services	26,200	100,000	100,000	100,000	100,000
Regional Contamination	250,000	250,000	250,000	250,000	250,000
Kidney Program	100,000	101,000	101,000	101,000	101,000
STD Control Subventions	46,800	52,500	52,500	52,500	52,500
AIDS Reporting and Surveillance	102,500	125,000	125,000	125,000	125,000
Cancer and Birth Defects Registry	234,800	0	0	0	0
EMS Operations	1,223,900	1,571,700	1,570,800	1,608,100	1,574,500
EMS Provider Contracts	320,700	331,200	331,200	331,200	331,200
State EMS Special Projects	58,900	170,000	270,000	270,000	170,000
Ambulance Replacement	284,400	150,000	0	0	150,000
EMS Regional Coordinating System	83,900	98,200	98,200	98,200	98,200
EMSCOM Development	90,000	0	0	0	0
U of A Poison Control Center Funding	562,500	750,000	570,000	750,000	750,000
Poison Control Center Funding	375,000	500,000	380,000	500,000	500,000
Special Health Care District	700,000	0	0	0	0
County Health Block Grant	0	0	0	0	1,598,100
Underserved Area Health Care Initiative	0	0	0	150,000	0
<b>PROGRAM TOTAL</b>	<b>10,983,800</b>	<b>12,079,300</b>	<b>12,738,800</b>	<b>13,323,300</b>	<b>13,819,000</b>
<b>BY FUND SOURCE</b>					
General Fund	8,715,800	8,508,200	9,518,600	9,765,800	10,245,100
Other Appropriated Funds	2,268,000	3,571,100	3,220,200	3,557,500	3,573,900
Federal Funds	13,251,000	14,532,500	14,723,800	14,723,800	14,723,800
<b>TOTAL - ALL SOURCES</b>	<b>24,234,800</b>	<b>26,611,800</b>	<b>27,462,600</b>	<b>28,047,100</b>	<b>28,542,800</b>

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Department of Health Services  
 PROG: Public Health

**Program Description** — *The Public Health program provides emergency medical services which includes funding for both state and local programs and poison control centers. In addition, the program provides funding for some county health programs, disease prevention, and treatment of a number of specific illnesses.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$1,736,900	20.4%
Other Appropriated Funds	2,800	0.1%
<b>Total Appropriated Funds</b>	<b>\$1,739,700</b>	<b>14.4%</b>

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$10,900 OF	\$47,200 GF
— ERE Rates	(4,900) OF	(36,600) GF
— Risk Management	9,400 OF	-0- GF
— Rent	15,400 OF	97,700 GF
— Elimination of One-time Equipment	(38,000) OF	(37,200) GF

**Equipment**

The sum of \$24,500 is recommended from the General Fund to replace 6 personal computers across the Public Health division and a copier in the Vital Records office. The sum of \$10,000 from the EMS Operating Fund is recommended to replace 5 personal computers. The Executive recommends retaining the full FY 1996 equipment funding of \$53,200 from the General Fund and \$38,000 from the EMS Operating Fund.

**Agency Reorganization**

The agency has requested a reorganization of some FTE Positions throughout the department. The net General Fund change for the agency as a whole is \$0. Under the agency's plan, the Office of Vital Records (33 FTE Positions) is transferred from Assurance and Licensure to Public Health Services. The Office of Vital Records is more appropriately placed within Public Health Services because it provides a service more related to public health information than facilities licensing. The agency also requests that the Geographic Information System and its support position be transferred from Administration to Public Health since the system is used primarily for public health related issues.

1,017,500 GF

Following the FY 1996 agency reorganization, the appropriate funding was transferred, but FTE Positions were overstated in Public Health and understated in Behavioral Health by 0.5. As a result, the agency requests that 0.5 FTE Position be transferred out of Public Health to Behavioral Health Services. In addition, a Public Health Education FTE is transferred from Public Health to Assurance and Licensure because the position's duties are related to the licensing of facilities rather than to public health issues. The Executive concurs but retains a portion of Other Operating Expenditures in Assurance and Licensure.

**Alternative Funding for Poison Control**

The state's 2 Poison Control Centers are currently funded from the Emergency Medical Services (EMS) Operating Fund. The Executive recommends continuing to fund both Poison Control Centers from the EMS Operating Fund for FY 1997. While the EMS Fund could support that level of expenditure for FY 1997, the fund balance would almost be depleted, and would be approximately \$600,000 in deficit in FY 1998, if no other changes were made. Given the need for EMS programs in rural areas,

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## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

the JLBC Staff recommends solving this problem in FY 1997 rather than waiting until the fund is actually depleted in FY 1998. The JLBC Staff recommends that usage of the EMS Operating Fund for Poison Control be replaced in FY 1997, and that a portion of the existing Telecommunication Services Excise Tax be utilized as the new funding source. This would provide a long term solution to the inadequate revenues of the EMS Operating Fund and insure that critical rural EMS programs receive adequate funding.

A.R.S. § 42-1472 levies a tax which is divided between the 911 system for emergency telecommunication services, and TDD services. The TDD tax funds the distribution of Telecommunication Device for the Deaf (TDD) machines and a telephone relay service for the deaf and severely hearing impaired through the Arizona Council for the Hearing Impaired. The Poison Control system is related to the 911 and TDD systems in that it provides a 24-hour emergency telephone information and dispatch resource for individuals with poison emergencies and thus, is a relevant use of A.R.S. § 42-1472 monies.

The TDD tax rate authorized by A.R.S. § 42-1472 is 1.6%; however, the rate approved by the Joint Legislative Tax Committee is 1.1%. The JLBC Staff recommends reducing the authorized TDD tax rate set by A.R.S. § 42-1472 from 1.6% to 1.4%, and that 0.3% be earmarked for the Poison Control system and 1.1% for the TDD fund. The Telecommunication Services Excise Tax yields approximately \$425,000 for each 0.1%. Therefore, 0.3% will provide annual revenues of approximately \$1,275,000. Funding for FY 1996 for both Poison Control Centers was \$1,250,000. The JLBC Staff recommends the same level of funding for FY 1997. This will result in an annual surplus of approximately \$25,000. The following table shows the projected revenue and expenditure pattern for the 0.3% of the tax earmarked for Poison Control for FY 1997 and FY 1998.

	<u>FY 1997</u> <u>Estimate</u>	<u>FY 1998</u> <u>Estimate</u>
Balance Forward	\$0	\$25,000
Poison Control Receipts	1,275,000	1,275,000
<b>Total Available</b>	<b><u>\$1,275,000</u></b>	<b><u>\$1,300,000</u></b>
U of A Poison Control Center	750,000	---
Poison Control Center	500,000	---
<b>Total Expenditures</b>	<b><u>\$1,250,000</u></b>	<b><u>\$1,250,000</u></b>
<b>Balance Forward</b>	<b><u>\$25,000</u></b>	<b><u>\$50,000</u></b>

Projected expenditures by each of the Poison Control Centers is not specified for FY 1998 because the Centers should focus on consolidating their efforts to avoid duplication. One toll-free number located within a single Poison Control Center could serve the state more efficiently.

### Transfer of Family Health Line Items

Adult Cystic Fibrosis, Nutrition Services, and Adult Sickle Cell Anemia are transferred from Family Health to the Public Health Division to be included in the County Health Block Grant. See the description of the County Health Block Grant below. The agencywide General Fund effect is \$0. The Executive does not address this issue. 623,800 GF

### County Health Block Grant

The JLBC Staff recommends Adult Cystic Fibrosis, Nutrition Services, Adult Sickle Cell Anemia, Direct Grants, and Reimbursement to Counties be consolidated in a County Health Block Grant. The total block grant appropriation of \$1,598,100 would equal the sum of the funding for the 5 separate programs. The agencywide General Fund effect is \$0. The table on the following page shows the transfer of monies from these programs. -0- GF



**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

<u>Line Item</u>	<u>General Fund Amount</u>
Adult Cystic Fibrosis (Transferred from Family Health)	\$(223,600)
Nutrition Services (Transferred from Family Health)	(330,100)
Adult Sickle Cell Anemia (Transferred from Family Health)	(70,100)
Direct Grants	(578,000)
Reimbursement to Counties	<u>(396,300)</u>
Total	(1,598,100)
County Health Block Grant	<u>\$1,598,100</u>
Net Change	<u>\$ - 0-</u>

Each of these programs is administered at the county level and combining them would allow counties more flexibility in prioritizing health issues in their regions. The funding would be distributed to the counties according to a formula developed by the agency and subject to review by the Joint Legislative Budget Committee (see footnote below). The formula should consider the counties' population, need, and amount received in prior years. The Executive does not address this issue.

\* \* \*

**1** *Program Authorization Review* — The JLBC and OSPB Staff conducted a Program Authorization Review (PAR) of the Rural Health Programs during the last year. As a result of that review, individual programs were subject to analysis on the basis of program efficiency and effectiveness. These individual program recommendations are listed below.

In addition to these specific programs, the status of overall health care in Arizona's rural areas was studied by the Staff of the JLBC and the OSPB. However, discussing these programs as rural in nature may not be entirely accurate. Many programs perceived as beneficial to solely rural populations and regions actually serve underserved populations and regions in urban areas. The report concluded that rural health in Arizona is defined differently by various groups, often because no single agency or program is responsible for overall rural health policy. While the JLBC Staff does not wish to designate 1 entity as responsible for all such programs, we stress the importance of greater coordination when implementing rural health programs, while creating autonomy among the individual regions of the state to determine their greatest area of need. The recommendations that follow are made with these goals in mind.

**Loan Repayment Program**

The JLBC Staff recommends **modifying** the program. The Arizona Loan Repayment Program provides an income subsidy to physicians and mid-level providers willing to commit to serve at least 2 years in a non-profit practice in a medically underserved area. The JLBC Staff recommends allowing greater flexibility in awarding these contracts by making monies available to psychiatrists as well as physicians and nurse practitioners. Contracting with health care practitioners should also be expanded to for-profit clinics, especially in rural areas where a diversity of clinics may not exist. Currently, only staff at non-profit clinics are eligible for participation in the program. These contracts should take into account the Index of Primary Care of Underservice which the department produces to gauge relative medical needs among 102 areas of the state.

The Executive recommends retaining the program as it exists, but recommends that DHS continue to give priority to contracts with health practitioners in rural areas as opposed to practitioners in urban underserved areas.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### **Primary Care Program**

The JLBC Staff recommends retaining the program. During the period from 1986-1995 the Primary Care Program has published an annual report on the health status and relative medical underservice of each of the 102 primary care areas in the state, and updated Federal Health Professional Shortage Area and Medically Underserved Area designations. Beginning in FY 1996, the program receives \$10,000,000 in Tobacco Tax revenues which add heavily to the program's list of responsibilities. This new revenue stream is to be divided equally between programs to (1) establish and develop community health centers which will contract for outreach medical programs to service low-income and at-risk populations and to (2) contract with community health centers in medically underserved areas to provide prenatal, dental, pharmaceutical, emergency, and other acute care services to families with incomes at or below 200% of the federal poverty level. Considering the untested nature of these programs, the JLBC Staff recommends that the intent of these new programs be more fully developed and that progress on these objectives be reported at regular intervals to the Legislature.

The Executive recommends that the program be retained, citing the useful nature of its annual report on Primary Health Care, its update of state and federal measures of underservice, and valuable consulting services which the department provides to medically underserved areas.

*JLBC Staff Recommended Format* — Modified Lump Sum by Program

### *JLBC Staff Recommended Footnotes*

#### *New Footnotes*

- The state Department of Health Services shall distribute all funds appropriated for County Health Block Grants on a pass-through basis to counties with consideration to population, need, and amount received in prior years. The distribution formula shall be subject to review by the Joint Legislative Budget Committee (JLBC). Prior to July 1, the Department shall appear before the JLBC to present a plan for the distribution formula. *(The footnote provides direction for the distribution of County Health Block Grant funds).*

#### *Deletion of Prior Year Footnotes*

- The JLBC Staff recommends deleting the Direct Grants and Reimbursement to Counties footnotes because those programs are being consolidated into the County Health Block Grant.

### *Other Issues for Legislative Consideration*

#### — WIC Enrollment Update

The state contribution for administrative costs of \$1,000,000 was eliminated in the approved FY 1996 budget. This action did not affect total service dollars. In fact, the agency reports that enrollment in the federally funded WIC program has increased during FY 1996. FY 1995 enrollment totaled approximately 95,000 participants. By the end of federal FY 1996 the agency estimates that enrollment will rise to 113,000 participants, an increase of 18,000, or 18.9%. When this enrollment level is reached, the agency will be able to convert \$1,500,000 in federal funds earmarked for service to the administrative portion of the WIC budget. Thus, the elimination of state funding for WIC has not adversely impacted the number of participants served or the administration budget.

#### — Executive Initiative for Underserved Areas Health Care

The Executive recommends a \$150,000 increase to refocus existing programs for medically underserved state residents. This initiative calls for the development of statewide service goals, cataloguing of programs which address medically underserved areas and populations, the development of standard measures of a community's quality of health care, and the creation of recommendations for Executive and Legislative action.

The JLBC Staff does not recommend this issue. Several programs which combat the problems of medical underservice and affect the topic of rural health in general were subjected to the Program Authorization Review (PAR) process earlier this year. The report written as a result of this review has already described the majority of state programs dedicated to assisting the medically underserved. The PAR report also describes an annual primary care area report produced by DHS, wherein the state is divided into 102 Primary Care Areas, which offers a list of indicators measuring the health status of each area's population (also discussed above under Primary Care Program).

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

The department has also received a \$10,000,000 appropriation in FY 1996 with direction to contract with providers for community-based, outreach, medical service primary care programs for persons that are low-income, at-risk and indigent or uninsured. The costs of any further study required to determine the medical needs throughout the state could easily be absorbed by this appropriation.

Considering the existence of a PAR report which summarizes a substantial portion of rural health programs, the fact that DHS updates its report annually on state Primary Care Areas and their relative measures of health quality, and a substantial increase in the program's focus and appropriation level, the JLBC Staff does not recommend additional expenditures for this issue.

### — Border Health Office

The Executive recommends \$89,700 and 1.5 FTE to create a Border Health Office which would assist in developing health policy and training programs affecting Arizona and Sonora, Mexico border populations. The JLBC Staff does not recommend funding for this issue.

### — EMS Communication Systems Improvement

The Executive recommends \$100,000 additional funding from the EMS Operating Fund for the State EMS Special Projects Line Item to improve the emergency services communications systems. The JLBC Staff does not recommend funding for this issue.

### — Elimination of Ambulance Replacement

The Executive recommends eliminating the Ambulance Replacement program from the EMS Operating Fund in the amount of \$150,000 and transferring \$100,000 of these monies to the EMS Special Projects Line Item to fund the increase discussed above. The JLBC Staff does not recommend this issue because by utilizing the Telecommunication Services Excise Tax for the Poison Control system, the EMS Operating Fund remains solvent making reductions in rural EMS programs less necessary.

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Health Services  
 PROG: Disease Control Research Commission

JLBC: Jason Hall/Jennifer Vermeer  
 OSPB: Melodie Jones

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	4.0	0.0	0.0	0.8	0.0
Personal Services	92,800	0	0	0	0
Employee Related Expenditures	22,400	0	0	0	0
All Other Operating Expenditures:					
Professional and Outside Services	13,000	0	0	0	0
Travel - In State	3,400	0	0	0	0
Other Operating Expenditures	25,200	0	0	0	0
Equipment	1,800	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>158,600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>SPECIAL LINE ITEMS</b>					
Disease Control Research Grants	1,614,100	1,532,400	1,532,400	1,383,300	1,383,300
Grant Administration	0	40,000	40,000	40,000	40,000
<b>PROGRAM TOTAL</b>	<b>1,772,700</b>	<b>1,572,400</b>	<b>1,572,400</b>	<b>1,423,300</b>	<b>1,423,300</b>
<b>BY FUND SOURCE</b>					
General Fund	1,772,700	1,572,400	1,572,400	1,423,300	1,423,300
Other Non-Appropriated Funds	947,100	1,528,400	5,451,800	5,451,800	5,451,800
<b>TOTAL - ALL SOURCES</b>	<b>2,719,800</b>	<b>3,100,800</b>	<b>7,024,200</b>	<b>6,875,100</b>	<b>6,875,100</b>

**Program Description** — *The Disease Control Research Commission (DCRC) awards grants to medical researchers investigating the causes, incidence, and treatment of different diseases. The commission prioritizes proposals that focus on diseases particular to Arizona, involve collaborative efforts between institutions, or that are submitted by researchers without a long research track record or by established researchers changing their field of emphasis. The largest share of the research grants are awarded for cancer research. Prior to FY 1995, the commission's funding was off-budget; it received approximately \$2,900,000 annually in funding through diverted sales tax revenues.*

<b>Change in Funding Summary:</b>	<u>FY 1996 to FY 1997 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	(\$149,100)	(9.5%)

## **FY 1997 — JLBC Staff Recommended Changes from FY 1996**

### **FY 1996 Research Contracts**

In FY 1995 funding for new research contracts was not approved. However, since the contracts were traditionally granted on a 3- year cycle, some projects would be ongoing until FY 1997. Funding for these existing contracts was appropriated for FY 1996 and is recommended for FY 1997, the final year research contracts will be funded by the General Fund. The JLBC Staff recommendation of \$1,423,300 for FY 1997 will close out all remaining contracts. Thus, FY 1998 will show a General Fund decrease of \$(1,423,300) and no additional General Fund monies will be required in future years. The Executive concurs. (149,100) GF

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

The Disease Control Research Fund has been appropriated 5% of Tobacco Tax revenues in the Health Research Account. FY 1996 expenditures are estimated to be \$4,832,300 and FY 1997 expenditures are estimated to be \$4,535,800. The balance carried forward from FY 1996 to FY 1997 is estimated to be approximately \$482,300. The monies are to be used for research on the prevention and treatment of tobacco-related diseases and addictions, such as heart and lung cancer.

\* \* \*

*JLBC Staff Recommended Format* — Modified Lump Sum by Program

### *Other Issues for Legislative Consideration*

#### — Executive Recommendation for FY 1996 Supplemental

The Executive recommends a FY 1996 supplemental appropriation of \$367,300 because in the FY 1996 General Appropriation Act, the DCRC received \$367,300 less than what was required to fund all of their FY 1996 research contracts. The JLBC Staff does not recommend a supplemental appropriation because the Tobacco Tax monies should be sufficient to fund the full dollar amount of the FY 1996 contracts. Furthermore, a large proportion of the FY 1996 research contracts are related to the Health Research Account's purpose of prevention and treatment of tobacco-related diseases and addictions.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Health Services  
 PROG: Family Health

JLBC: Jason Hall/Jennifer Vermeer  
 OSPB: Melodie Jones

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995	FY 1996	FY 1997		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	72.4	68.6	68.6	68.6	68.6
Personal Services	1,909,100	1,816,200	1,751,000	1,836,800	1,836,900
Employee Related Expenditures	437,000	419,800	481,900	411,000	411,600
All Other Operating Expenditures:					0
Professional and Outside Services	118,100	151,600	144,200	144,200	144,200
Travel - In State	22,600	74,600	74,600	74,600	74,600
Travel - Out of State	7,900	2,700	2,700	2,700	2,700
Other Operating Expenditures	338,300	369,200	369,200	372,900	362,700
Equipment	27,100	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>2,860,100</b>	<b>2,834,100</b>	<b>2,823,600</b>	<b>2,842,200</b>	<b>2,832,700</b>
<b>SPECIAL LINE ITEMS</b>					
Adult Cystic Fibrosis	223,600	223,600	223,600	223,600	0
Newborn Intensive Care	3,035,100	4,429,500	4,429,500	4,429,500	0
Children's Rehabilitative Services	6,103,400	6,491,800	6,491,800	6,491,800	6,491,800
AHCCCS-Children's Rehabilitative Services	8,437,100	8,451,400	8,451,400	8,451,400	8,451,400
Medical Malpractice/Obstetrical Services	100,600	255,000	255,000	0	0
High Risk Perinatal Services	0	0	0	0	4,016,500
Nutrition Services	266,100	330,100	330,100	330,100	0
WIC Supplemental	999,200	0	0	0	0
Adult Sickle Cell Anemia	70,100	70,100	70,100	70,100	0
Prenatal Outreach	412,900	1,600,000	1,600,000	1,600,000	0
Teen Prenatal Express	882,500	1,081,100	1,081,100	1,081,100	0
Perinatal Care Services	187,500	257,000	257,000	257,000	0
Child Fatality Review Team	99,400	100,000	100,000	100,000	94,200
Teenage Pregnancy Prevention Task Force	0	250,000	250,000	250,000	250,000
County Prenatal Services Grant	0	0	0	0	1,281,100
<b>PROGRAM TOTAL</b>	<b>23,677,600</b>	<b>26,373,700</b>	<b>26,363,200</b>	<b>26,126,800</b>	<b>23,417,700</b>
<b>BY FUND SOURCE</b>					
General Fund	23,578,200	26,273,700	26,263,200	26,026,800	23,323,500
Other Appropriated Funds	99,400	100,000	100,000	100,000	94,200
Other Non-Appropriated Funds	30,527,500	37,230,100	38,205,100	38,205,100	38,205,100
Federal Funds	58,021,500	59,956,400	60,428,600	60,428,600	60,428,600
<b>TOTAL - ALL SOURCES</b>	<b>112,226,600</b>	<b>123,560,200</b>	<b>124,996,900</b>	<b>124,760,500</b>	<b>122,051,400</b>

**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 services, and targeted care for specific diseases.*

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$(2,950,200)	(11.2%)
Other Appropriated Funds	<u>(5,800)</u>	<u>(5.8%)</u>
Total Appropriated Funds	\$(2,956,600)	(11.2%)

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	-0- OF	\$23,500 GF
— ERE Rates	\$ 200 OF	(11,000) GF
— Rent	-0- OF	(6,500) GF
— Elimination of One-time Equipment	(6,000) OF	-0- GF

**One-time Funding from Additional Appropriation—Prenatal Outreach** (1,400,000) GF  
 Laws 1994, Chapter 1, 9th Special Session provided funding for contracts to create neighborhood prenatal outreach programs staffed with lay health workers. The legislation also required these pilot programs to be evaluated by the Auditor General. The first year report of the 3-year evaluation was due to be released on December 31, 1995. The evaluation has not yet been completed. Given that the initial 2-year funding for this program was provided outside of the budget process, the JLBC Staff recommends that the Legislature once again determine whether to continue funding the pilot program through separate legislation. The Executive recommends retaining funding.

**Agency Reorganization** (7,400) GF

The agency has requested a reorganization of some FTE Positions throughout the department. The net General Fund change for the agency as a whole is \$0. The agency requests that \$7,400 for security costs be transferred from Family Health Services to Administration. Security costs had been allocated between both divisions, now the Administration division will pay for all security costs. The Executive concurs.

**Elimination of Excess Payments to Hospitals—Newborn Intensive Care** (670,000) GF  
 The JLBC Staff recommends elimination of \$(670,000) from the Newborn Intensive Care Program for payments to hospitals used for equipment, remodeling and other infrastructure improvements in newborn units. The remaining funding, \$3,759,500 is being transferred to the High Risk Perinatal Services program (see discussion below).

The Newborn Intensive Care program was originally intended to reimburse contracted physicians and Level II and III hospitals for uncompensated hospital bills for financially eligible patients. Under these contracts, hospitals receive a capitated payment of \$1,000 per infant enrolled in the program. The contracted hospitals accumulate the capitation payments in a pool and attempt to first collect from AHCCCS, private insurance and the infants' families. In cases where families do not have private insurance and do not qualify for AHCCCS, yet do not have high enough income to pay the hospital bills (uncompensated care), the hospitals may draw from the capitated pool to cover the costs. The contracts for inpatient care total approximately \$2,072,000. However, hospitals choose to expend \$670,000 of the capitated pool for infrastructure upgrades rather than uninsured infants.

While the contracts do not disallow the hospitals to use the capitation pool for infrastructure improvements, the intent is for the monies to be used to cover direct uncompensated care for low-income families. These capital improvements benefit all utilizers of the newborn units and should be financed from general hospital revenues, rather than from an uncompensated care program. Furthermore, elimination of this funding should not impact the number of infants served by the program.



**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

The other functions of the Newborn Intensive Care program provide a statewide system for physician consultation with contracted neonatologists to stabilize, evaluate and dispatch critically ill newborns; specialized teams for emergency air and ground transport to regional Level II and III care hospitals; and developmental follow-up clinics and home visits by nurses. All of these services are provided under contract and would not be impacted by the recommended funding change. These services and the remaining portion of the uncompensated care component are being transferred to the High Risk Perinatal Services program (see discussion below). The Executive does not address this issue.

**High Risk Perinatal Services**

-0- GF

The JLBC Staff recommends combining the Newborn Intensive Care and Perinatal Care Services Line Items because the 2 programs have very similar goals and are closely coordinated within DHS. One of the Newborn Intensive Care Program's 4 main functions is transportation of critically ill newborns to regional Level II and III hospitals through contracts with transport companies. The Perinatal Care Services Line Item is known as the Maternal Transport Program within DHS and transports high-risk expectant mothers to the same Level II and III facilities under very similar contracts.

In the discussion above, \$670,000 was removed from the Newborn Intensive Care program. The remaining funding, \$3,759,500 is transferred and consolidated with the Perinatal Care Services funding of \$257,000 for a total of \$4,106,500 for the new program, High Risk Perinatal Care Services. Consolidating these line items results in an overall General Fund change of \$0.

<u>Line Item</u>	<u>General Fund Amount</u>
Newborn Intensive Care	\$(3,759,500)
Perinatal Care Services	<u>(257,000)</u>
Total	(4,016,500)
<b>High Risk Perinatal Transport</b>	<b><u>\$ 4,016,500</u></b>
Net Change	<b><u>\$ -0-</u></b>

Consolidating these line items will allow the department more flexibility to better coordinate contracts for these programs and develop a more unified and effective system. Since mother and child are inseparable at the point at which they enter these programs, combining the systems will allow for a programmatic approach focused on objectives and outcomes that will result in a highly coordinated transport system for mothers and newborns. The Executive concurs in the amount of \$4,686,500 for the consolidated line item.

**Adult Cystic Fibrosis**

(223,600) GF

Transferred to County Health Block Grant in the Public Health division. The agencywide net General Fund effect is \$0. The Executive does not address this issue.

**Nutrition Services**

(330,100) GF

Transferred to County Health Block Grant in the Public Health division. The agencywide net General Fund effect is \$0. The Executive does not address this issue.

**Adult Sickle Cell Anemia**

(70,100) GF

Transferred to County Health Block Grant in the Public Health division. The agencywide net General Fund effect is \$0. The Executive does not address this issue.

**County Prenatal Services Grant**

-0- GF

The JLBC Staff recommends combining the Prenatal Outreach and Teen Prenatal Express Line Items into the County Prenatal Services Grant because the 2 programs have similar goals which focus on targeting women at high risk of not seeking or receiving prenatal care, and are both operated under contracts with county and community organizations.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

The Teen Prenatal Express program contracts with county health departments to target teenagers at high risk of not receiving prenatal care. County health departments provide nursing case management and funding for prenatal care and hospital delivery for pregnant adolescents who are low income, but are not eligible for AHCCCS. In FY 1995, Teen Prenatal Express enrolled 1,142 teens in nursing case management services, of which 118 were eligible for clinical prenatal services and hospital delivery. The Prenatal Outreach program contracts with community organizations to develop outreach programs targeting localities in which women are at high risk of not receiving prenatal care.

The Prenatal Outreach program was appropriated an additional \$1,400,000 through separate legislation in FY 1996 for a total of \$1,600,000 (see discussion above). It is recommended above that separate legislation should determine whether to continue funding for this program, leaving \$200,000 in the Prenatal Outreach Line Item. This remaining \$200,000 is consolidated with \$1,081,100 from Teen Prenatal Express for a total of \$1,281,100 for the new program, County Prenatal Services Grant. Consolidating these line items results in an overall General Fund change of \$0, as shown in the table below.

<u>Line Item</u>	<u>General Fund Amount</u>
Prenatal Outreach	\$ (200,000)
Teen Prenatal Express	<u>(1,081,100)</u>
Total	(1,281,100)
<b>County Prenatal Services Grant</b>	<b><u>\$1,281,100</u></b>
Net Change	<u>\$ -0-</u>

Both programs contract with county and community health organizations to provide services. The JLBC Staff recommends consolidating these line items and block granting the monies to the counties to allow greater flexibility in planning and coordinating prenatal programs which directly target the needs in their regions. The formula for distributing the funds to the counties should be developed by the department with consideration to population, need, and amount received under these programs in previous years, and should be presented to the Joint Legislative Budget Committee for approval (See footnote below).

**1** *Program Authorization Review — Medical Malpractice Subsidy* (255,000) GF  
 The JLBC and OSPB Staff conducted a **Program Authorization Review of Rural Health Programs** during the last year. As a result of that review, individual programs were subject to analysis on the basis of program efficiency and effectiveness.

The JLBC Staff recommends eliminating the Medical Malpractice Program as its mission has been accomplished. This program was established in 1989 to provide malpractice insurance premium subsidies to physicians in exchange for a commitment by those physicians to serve rural areas. At that time, rising malpractice costs were creating hardships for obstetricians, especially those in more remote areas. Since the program's inception, 60 physicians have received subsidies which helped to retain professionals who might otherwise have found the costs of rural medical practice prohibitive. During this same period, medical malpractice premiums have dropped dramatically. Additionally, further subsidies for community health centers' malpractice costs are still available through the Federally Supported Health Centers Assistance Act of 1992. Thus, this program has been successful at retaining physicians while a problem existed; however, that problem has diminished. The Executive concurs.

\* \* \*

*JLBC Staff Recommended Format* — Modified Lump Sum by Program

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### *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. *(This footnote was added to clarify that CRS contracts and all other related expenses were not to exceed the amount appropriated.)*

#### *New Footnotes*

- The state Department of Health Services shall distribute all funds appropriated for the County Prenatal Services Grant on a pass-through basis to counties to provide prenatal programs with consideration to population, need, and amount received in prior years. The distribution shall be subject to review by the Joint Legislative Budget Committee. Prior to July 1, the Department shall appear before the JLBC to present a plan for the distribution formula. *(The footnote provides direction for the use and distribution of these funds.)*

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Health Services  
 PROG: Behavioral Health

JLBC: Jason Hall/Jennifer Vermeer  
 OSPB: Melodie Jones

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995	FY 1996	FY 1997		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	170.4	143.6	69.5	69.5	69.5
Personal Services	1,450,000	1,876,500	1,805,000	1,847,000	1,849,300
Employee Related Expenditures	404,900	484,700	496,700	600,100	411,300
All Other Operating Expenditures:					0.0
Professional and Outside Services	2,593,000	1,006,400	1,006,400	992,300	992,300
Travel - In State	57,400	81,300	75,300	75,300	75,300
Travel - Out of State	14,900	7,100	7,100	7,100	7,100
Other Operating Expenditures	549,100	346,800	345,300	361,800	345,200
Equipment	184,100	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>5,253,400</b>	<b>3,802,800</b>	<b>3,735,800</b>	<b>3,883,600</b>	<b>3,680,500</b>
<b>SPECIAL LINE ITEMS</b>					
Client Satisfaction Incentive Program	2,200	100,000	100,000	100,000	100,000
Third Party Payor Costs	1,889,800	1,848,900	1,848,900	1,848,900	1,848,900
Court Monitoring	441,400	0	0	274,300	274,300
Data Processing Debt Retirement	1,321,900	1,500,000	1,500,000	1,500,000	1,500,000
Computer Hardware Lease	709,900	996,000	996,000	996,000	996,000
Managed Care and Actuarial Services	1,386,100	1,695,000	1,695,000	1,695,000	1,695,000
Case Management and Curriculum Development	123,100	0	0	0	0
Behavioral Health Task Force	103,700	0	0	0	0
HUD Grants Compliance	23,900	70,000	70,000	70,000	70,000
Children's Behavioral Health Services	12,848,800	12,954,900	14,249,900	13,264,400	13,264,400
Seriously Emotionally Handicapped Children	4,375,300	4,375,300	5,063,200	4,375,300	4,375,300
CBH State Match for Title 19	16,339,600	20,126,300	18,222,400	18,085,000	18,110,900
Children's Respite Care	252,500	252,500	252,500	252,500	252,500
Seriously Mentally Ill Services	53,769,500	58,910,200	61,661,700	59,624,600	59,669,600
Geriatric Residential Beds	2,211,800	2,211,800	2,211,800	2,211,800	2,211,800
Regional Residential/Psychiatric Beds	5,770,300	5,770,300	5,770,300	5,770,300	5,770,300
New Generation Psychotropic Drugs	487,100	1,257,100	1,257,100	1,257,100	1,257,100
Mental Health Non-Title 19	9,414,800	8,107,100	7,764,000	10,205,200	9,862,100
Substance Abuse Non-Title 19	12,212,500	11,278,500	10,935,400	11,278,500	10,935,400
Mental Health and Substance Abuse T-19	0	2,252,200	3,547,300	3,784,700	4,867,800
Community Therapeutic Substance Abuse Treatment	0	1,700,000	1,700,000	1,700,000	1,700,000
SAMHC	3,694,300	3,441,300	0	0	0
Psychiatric Review Board	47,900	81,200	81,200	80,200	76,400
<b>PROGRAM TOTAL</b>	<b>132,679,800</b>	<b>142,731,400</b>	<b>142,662,500</b>	<b>142,257,400</b>	<b>142,518,300</b>
<b>BY FUND SOURCE</b>					
General Fund	132,679,800	142,731,400	142,662,500	142,257,400	142,518,300
Other Non-Appropriated Funds	77,117,600	113,449,200	90,205,200	90,205,200	90,205,200
Federal Funds	25,160,300	29,435,800	29,230,300	29,230,300	29,230,300
<b>TOTAL - ALL SOURCES</b>	<b>234,957,700</b>	<b>285,616,400</b>	<b>262,098,000</b>	<b>261,692,900</b>	<b>261,953,800</b>

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Department of Health Services  
 PROG: Behavioral Health

**Program Description** — *The Behavioral Health Program 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 operates the Southern Arizona Mental Health Center (SAMHC), which primarily provides outpatient treatment services. The center is in the process of being privatized. Most services are provided through contracts with 6 Regional Behavioral Health Authorities (RBHAs) which then subcontract for provision of services with a provider network.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$(213,100)	0.1%

***FY 1997 — JLBC Staff Recommended Changes from FY 1996***

**Standard Changes**

- Annualization of January 1996 Pay Adjustment \$22,100 GF
- ERE Rates (69,900) GF
- Annualization of Office of Administrative Hearings Transfer (14,100) GF
- Rent (100) GF
- Elimination of One-time Equipment (4,000) GF

**(61,100) GF**

**Agency Reorganization**

The agency has requested a reorganization of some FTE Positions throughout the department. The net General Fund change for the agency as a whole is \$0. The agency requests that the American Indian Liaison FTE Position be transferred from Behavioral Health Services to Administration because the position now has a wider focus including Tobacco Tax and immunization issues and is better placed in the Administration division. In addition, following the FY 1996 agency reorganization, the appropriate funding was transferred, but FTE Positions were overstated in Public Health and understated in Behavioral Health by 0.5. As a result, 0.5 FTE is transferred out of Public Health to Behavioral Health Services. The Executive concurs.

**SAMHC**

**-0- GF**

Laws 1995, Chapter 5, First Special Session state that DHS is not required to operate a Southern Arizona Mental Health Center (SAMHC) during FY 1996. This legislation is a product of the decision to privatize SAMHC functions by the close of FY 1996. SAMHC funding is currently provided in a Special Line Item. The JLBC Staff recommends that this funding be shifted to contracted care provided through specific Special Line Items. The FY 1997 JLBC Staff recommendation reallocates \$3,441,300 of funding from the SAMHC Special Line Item in the same proportion as current SAMHC clients receive services. Roughly 61% of expenditures fall in the General Mental Health category, 30% fall in the Seriously Mentally Ill (SMI) category, and 9% fall in the Children's Behavioral Health Services category. Thus, the JLBC Staff recommends that funding from the SAMHC Special Line Item be transferred in the amount of \$2,098,100 to the non-Title 19 General Mental Health Special Line Item, in the amount of \$1,033,700 to the SMI Special Line Item, and in the amount of \$309,500 to the Children's Behavioral Health Services Special Line Item. The JLBC Staff further recommends that these funds remain in the southern Arizona area to maintain continuity of service. This transfer of funding will not affect the level of service, but will provide for private service delivery as opposed to state-controlled delivery of these behavioral health services in southern Arizona. The Executive concurs.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### Population Changes in Title 19 Programs

600,200 GF

The JLBC Staff recommends a \$600,200 net increase for Title 19 behavioral health programs. This increase consists of the following changes:

Title 19 General Mental Health / Substance Abuse	\$2,615,600
Title 19 Children's Behavioral Health	<u>(2,015,400)</u>
<b>TOTAL</b>	<b><u>\$ 600,200</u></b>

Funding for each of these programs is population-driven, meaning that service is offered to categorically-qualifying individuals. As the number of qualifying individuals increases, the requirements for state and federal funding rise in proportion. The recommended amounts reflect assumptions of 0% net population growth in each Title 19 category and a 4% rate of growth in the capitation rates which fund the services provided to these population groups.

FY 1996 was the first year in which Title 19 coverage was provided for General Mental Health and Substance Abuse services. The amount appropriated for this Special Line Item in FY 1996 reflects funding for only 9 months. Thus, the recommended increase also includes 3 months of program annualization, in addition to medical costs-related increases.

Title 19 Children's Behavioral Health has not grown at the pace forecasted nor budgeted for in the past year. Proof of this was a \$4,570,000 surplus of funds in this Special Line Item in FY 1995. The recommended decrease reflects full funding for the forecasted child population.

The Executive recommends a similar decrease in Children's Behavioral Health Title 19 clients of \$(2,041,300) and a minor decrease of \$(43,100) in Seriously Mentally Ill Title 19 clients, in accordance with forecasted need. The Executive also recommends a \$1,532,500 increase in funding for General Mental Health/Substance Abuse Title 19 clients. This is not directly comparable to the JLBC Staff recommended increase of \$2,615,600 shown above because the Staff also recommends a \$(686,200) decrease in funding for non-Title 19 General Mental Health populations. This reduction would reflect a decrease in the need for the non-Title 19 program as persons in need of treatment qualify for and receive treatment under the new Title 19 program. Please see below for further detail.

### Movement of Populations to Title 19 Programs

(686,200) GF

The JLBC Staff recommends a decrease of \$(343,100) from each of the Mental Health Non-Title 19 and the Substance Abuse Non-Title 19 Special Line Items for a total reduction of \$(686,200) to Title 19 behavioral health programs. This transfer reflects the agency request that these funds follow clients into the Title 19 program. FY 1996 was the first year in which Title 19 coverage was provided for General Mental Health and Substance Abuse services and the agency estimates that a substantial portion of persons receiving these services through the Non-Title 19 programs will now be eligible for Title 19 funded services. This transfer allows service dollars to follow clients into the new Title 19 program. The Executive does not recommend this issue.

### Court Monitor Funding

-0- GF

The JLBC Staff recommends that \$274,300 in funding be restored to the Court Monitor Special Line Item by transferring this amount from the Seriously Mentally Ill (SMI) Services Line Item. The Office of the Court Monitor was established in response to rulings in the Arnold v. Sarn case, which found both DHS and Maricopa County (co-defendants in the case) were responsible for providing a full continuum of mental health services to all persons eligible for such care. During the 1995 legislative session, the JLBC Staff recommended that funding for the Court Monitor be eliminated and placed in the SMI services line item and that statutory language providing the major legal foundation for the Arnold v. Sarn lawsuit also be eliminated. The recommendation of zero funding for the Court Monitor was adopted; however, the elimination of the relevant statutory language was not. The lack of specific funding for this expense has required DHS to appear before the JLBC during FY 1996 to request a transfer of funds to pay for the Court Monitor. As the JLBC Staff Recommendation is published, DHS has received approval to transfer only 6 months of funding for the Court Monitor. Approval for further transfers is contingent upon the submittal of a report which provides expenditure detail for the Office of the Court Monitor.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

The recommendation that funding be restored will eliminate the need for appearances before the JLBC to request the transfer of funds. This is appropriate because DHS is required by Arizona Superior Court rulings to request funding for Court Monitor expenses. The recommended Court Monitor funding also reflects a decrease in expenses tied to the release of Exit Criteria. This criteria reflects specific requirements which the state and county must fulfill to comply with the court's ruling in *Arnold v. Sam*. As the co-defendants move towards fulfilling the court's stipulations, the activities and expenses of the Court Monitor are expected to decrease. The Executive concurs.

### **Psychotropic Medications**

-0- GF

The JLBC Staff recommends renaming SMI Clozapine Treatment to Psychotropic Medications. This change would allow greater flexibility to address individual needs as so-called "new generation" psychotropic medications are created, tested and marketed for those with behavioral disorders. The Executive recommendation does not address this issue.

\* \* \*

### ***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 19 eligible children. The amount shall not be used to pay for either federally or non-federally-reimbursed services for Title 19 eligible children, unless a transfer of monies is approved by the Joint Legislative Budget Committee. *(This footnote was created to preserve funding for state-only children's services.)*

#### ***Other Issues for Legislative Consideration***

##### — **Managed Care and Actuarial Services**

The Behavioral Health Services office has received \$1,695,000 funding in each of FY 1995 and FY 1996 to purchase actuarial estimates of capitation rates and to review prior claims for payment made by providers against the behavioral health system. Yet, in addition to DHS expenditures for capitation rate determination and review, the department works with AHCCCS, which maintains a section to monitor behavioral health costs and payments, for assistance in determining future capitation rates. AHCCCS is the agency responsible for communicating with the Health Care Financing Administration (HCFA) and ultimately agreeing on capitation rates for all Title 19 populations. While DHS expends monies from this line item for other concerns such as quality control checks, managed care training among RBHAs and a cost/benefit analysis study of contracting outside the system for disputed claims processing, the Legislature may consider consolidating a portion of these expenses in AHCCCS for continuity in determining capitation rates.



## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Health Services  
 PROG: Arizona State Hospital

JLBC: Jason Hall/Jennifer Vermeer  
 OSPB: Melodie Jones

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995	FY 1996	FY 1997		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	875.5	838.0	691.5	519.5	466.5
Personal Services	18,376,800	19,050,700	12,330,700	12,661,300	12,565,600
Employee Related Expenditures	4,567,900	4,832,600	3,393,400	3,033,900	2,811,700
All Other Operating Expenditures:					
Professional and Outside Services	2,825,800	3,272,800	5,978,100	6,060,700	6,114,000
Travel - In State	28,300	35,400	18,800	18,800	18,800
Travel - Out of State	2,200	4,800	4,800	4,800	4,800
Food	654,400	702,200	0	0	0
Other Operating Expenditures	2,955,700	1,756,600	1,130,100	1,130,100	891,200
Equipment	49,500	92,800	92,800	92,800	24,000
<b>OPERATING SUBTOTAL</b>	<b>29,460,600</b>	<b>29,747,900</b>	<b>22,948,700</b>	<b>23,002,400</b>	<b>22,430,100</b>
<b>SPECIAL LINE ITEMS</b>					
Community Placement Treatment	0	1,299,100	8,049,100	7,830,000	7,358,500
Community Placement Development	0	100,000	100,000	100,000	0
Community Treatment Contingency	0	0	0	0	673,300
<b>PROGRAM TOTAL</b>	<b>29,460,600</b>	<b>31,147,000</b>	<b>31,097,800</b>	<b>30,932,400</b>	<b>30,461,900</b>
<b>BY FUND SOURCE</b>					
General Fund	16,348,700	17,653,100	17,603,900	17,438,500	16,968,000
Other Appropriated Funds	13,111,900	13,493,900	13,493,900	13,493,900	13,493,900
Other Non-Appropriated Funds	1,063,300	1,232,700	1,176,200	1,176,200	1,176,200
Federal Funds	26,000	0	0	0	0
<b>TOTAL - ALL SOURCES</b>	<b>30,549,900</b>	<b>32,379,700</b>	<b>32,274,000</b>	<b>32,108,600</b>	<b>31,638,100</b>

**Program Description** — Provides inpatient psychiatric hospitalization services for adolescent and adult seriously mentally ill residents. The Arizona State Hospital (ASH) is licensed for a maximum of 511 patients. For FY 1997, the ASH target population is an average daily census of 305 patients. In FY 1996, ASH reduced its SMI population by 40 patients for one-half year, or 20 patients for 1 full year, by placing these individuals in appropriate community settings. In FY 1997, ASH has requested and the JLBC Staff has recommended that an additional 125 patients be placed in community settings, bringing total ASH downsizing to 145 patients serviced in the community and not "institutionalized" within ASH.

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$(685,100)	(3.9%)

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

## *FY 1997 — JLBC Staff Recommended Changes from FY 1996*

### **Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$201,100 GF
— ERE Rates	(193,600) GF
— Elimination of One-time Equipment	(92,800) GF

### **Equipment**

24,000 GF

The JLBC Staff recommends a total appropriation of \$24,000 to purchase 2 century tubs for patient therapy and 3 laser printers. The Executive recommends retaining the full FY 1996 equipment funding in the amount of \$92,800.

### **Agency Reorganization**

(30,900) GF

The agency has requested a reorganization of some FTE Positions throughout the department. The net General Fund change for the agency as a whole is \$0. Under the agency's plan, 1 Special Investigations FTE would be transferred from the Arizona State Hospital to Administration because in the FY 1996 reorganization the position was overlooked and was not transferred with the other special investigations positions. The Executive concurs.

### **Community Placement Treatment and Community Treatment Contingency**

-0- GF

The JLBC Staff recommends that \$6,059,400 and \$673,300 be transferred from the ASH operating budget to the Community Placement Treatment Special Line Item and the Community Treatment Contingency Special Line Item, respectively. This funding would then be used to place 125 ASH residents in community settings at a cost of \$54,000 per individual annually. The JLBC Staff also recommends that the number of authorized FTE Positions at ASH be reduced by (225). Funding will be employed in the purchase of housing, transportation, constructive and recreational day activities, and clinical support services. This action would reduce the average daily ASH census to 305 persons by the end of FY 1997.

These community settings should prove to be less costly than ASH annual costs per resident and many of the candidates for these settings no longer require the range of services available in the institution. Expected savings from this action have not yet been removed from the ASH budget to allow time for evaluation. Based on some initial comparisons with other comparable settings, the average community placement may cost 10% less than an ASH placement. As a result, the JLBC Staff recommends that 10% of the funds which DHS estimates are necessary to complete this move be held in a new Special Line Item entitled Community Treatment Contingency. The \$673,300 held in this Special Line Item would be available for use for Placement and Treatment upon approval of the JLBC. The JLBC Staff also recommends the continued appropriation of \$1,299,100 which is being used to develop beds for and place 20 individuals in FY 1996 and is required to maintain these persons in the community.

The Executive recommends transferring \$6,530,000 from the ASH operating budget to the Community Placement Treatment Special Line Item, but does not identify any savings estimate or recommend placing any amount of savings in a contingency Special Line Item.

### **Community Placement Development**

(100,000) GF

The recommended reduction eliminates funding for one-time development and start-up costs associated with the first stage of deinstitutionalizing a portion of the ASH population in FY 1996. The Executive does not recommend this issue.

### **Privatization of Functions**

(492,900) GF

During FY 1996, ASH took steps to privatize a number of routine services provided at the hospital. A private entity has been contracted to provide engineering and food services, housekeeping, and grounds keeping. The JLBC Staff recommends that the amount of \$4,166,600 be transferred to the ASH Professional and Outside Services line item by making the following reductions: (\$3,282,800) from Personal Services and ERE, (\$702,200) from Food, (\$658,900) from Other Operating Expenditures, and (15,600) from Travel-In State. This move also resulted in a (145.5) FTE Position reduction, although every employee was offered

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

a position with the new contractor or a redeployment position within the state personnel system. The (\$492,900) reduction associated with this action represents lower costs achieved through private contracting. The contract amount is subject to change every year at the rate of 3% or the Consumer Price Index (CPI), whichever is lower. The JLBC Staff recommendation would adjust funding in FY 1997 for a 2.4% increase, based on the Staff's 12/1/95 CPI forecast. This translates into a \$97,700 inflationary allowance included in the Professional and Outside Services Line Item. The Executive recommends this issue with a net decrease of \$(548,300).

\* \* \*

### ***JLBC Staff Recommended Format*** — Modified Lump Sum by Program

### ***JLBC Staff Recommended Footnotes***

#### ***New Footnotes***

- Monies in the Community Treatment Contingency Special Line Item shall not be expended without the prior approval of the Joint Legislative Budget Committee. *(This footnote was created to reserve a portion of community placement monies which should reflect savings over ASH placement. If community placements cost more than anticipated, the agency will be required to report to the Legislature and to request a transfer of monies from this Special Line Item.)*

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Health Services  
 PROG: Laboratory Services

JLBC: Jason Hall/Jennifer Vermeer  
 OSPB: Melodie Jones

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	55.5	56.5	56.5	56.5	56.5
Personal Services	1,449,500	1,499,300	1,464,200	1,512,100	1,514,100
Employee Related Expenditures	324,200	367,900	403,000	346,700	346,900
All Other Operating Expenditures:					
Professional and Outside Services	3,800	3,000	3,000	3,000	3,000
Travel - In State	15,900	22,200	22,200	22,200	22,200
Travel - Out of State	9,700	11,400	11,400	11,400	11,400
Other Operating Expenditures	509,300	501,200	501,200	498,400	501,200
Equipment	232,700	301,200	301,200	301,200	166,600
<b>PROGRAM TOTAL</b>	<b>2,545,100</b>	<b>2,706,200</b>	<b>2,706,200</b>	<b>2,695,000</b>	<b>2,565,400</b>
<b>BY FUND SOURCE</b>					
General Fund	2,545,100	2,706,200	2,706,200	2,695,000	2,565,400
Other Non-Appropriated Funds	1,782,000	2,749,300	2,527,200	2,527,200	2,527,200
Federal Funds	1,124,700	470,800	903,400	903,400	903,400
<b>TOTAL - ALL SOURCES</b>	<b>5,451,800</b>	<b>5,926,300</b>	<b>6,136,800</b>	<b>6,125,600</b>	<b>5,996,000</b>

**Program Description** — *The Division of Laboratory Services provides laboratory testing for other state agencies in addition to water testing, public health testing, and other health-related testing. The division also monitors and evaluates the quality of laboratory testing statewide.*

<b>Change in Funding Summary:</b>	<u>FY 1996 to FY 1997 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$(140,800)	(5.2) %

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of January 1996 Pay Adjustment \$16,800 GF
- ERE Rates (23,000) GF
- Elimination of One-time Equipment (301,200) GF

**Equipment**

The JLBC Staff recommends \$166,600 for laboratory equipment replacement. The Executive recommends retaining the full FY 1996 equipment funding in the amount of \$301,200. 166,600 GF

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**JLBC Staff Recommended Format** — Modified Lump Sum by Program

**JUDICIARY**  
**(JUD)**

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Judiciary  
 PRIG: Commissions on Appellate and Trial Court Appts.

JLBC: Brad Beranek/Marge Cawley  
 OSPB: Mark DiNunzio

House Sub: Hart  
 Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
Full Time Equivalent Positions	0.0	0.0	0.0	0.0	0.0
Other Operating Expenditures	10,000	10,000	20,000	10,000	20,000
<b>AGENCY TOTAL</b>	10,000	10,000	20,000	10,000	20,000
<b>BY FUND SOURCE</b>					
General Fund	10,000	10,000	20,000	10,000	20,000
<b>TOTAL - ALL SOURCES</b>	10,000	10,000	20,000	10,000	20,000

**Program 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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$10,000	100.0%
Other Appropriated Funds	-0-	0.0%
<b>Total Appropriated Funds</b>	\$10,000	100.0%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Travel** **\$10,000 GF**  
 The JLBC Staff recommends an increase of \$10,000 for travel and per diem expenses associated with 11 known bench vacancies to occur in courts throughout the state during FY 1997, and for unexpected vacancies which commonly occur. From FY 1993 to FY 1995, the number of statewide bench vacancies averaged approximately 7 per year, with the commission funded at \$10,000 annually. At that funding level, the commission will have difficulty processing the 13 vacancies currently known for FY 1996 (an 85% increase halfway through the fiscal year). This difficulty is expected to continue in FY 1997 at the existing funding level.

Based on the growing population of judgeships throughout the state, the commission expects a range of 11 to 15 vacancies per year to be the norm in future years.

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**JLBC Staff Recommended Format** — Lump Sum by Agency

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### *Other Issues for Legislative Consideration*

#### — Executive Recommendation

The Executive did not provide a recommendation or estimate, but only displays the commissions' FY 1996 appropriation in the recommendation column. Pursuant to A.R.S. § 35-116 B, the Judiciary and the Legislature are not subject to the control of the Governor in the preparation and submission of their budgets.

#### — Budget Consolidation

The JLBC Staff recommends that the budget for Commissions on Appellate and Trial Court Appointments be moved under the Supreme Court Special Line Item, "Judicial Performance Review." This would merge the appointment and review functions of judgeships into 1 budget unit. Many of the same staff currently work in both functional areas. Merging this budget unit within the Supreme Court would also give the Administrative Office of the Courts fiscal flexibility when unanticipated vacancies occur.



# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Judiciary - Court of Appeals  
 PROG: Division I

JLBC: Brad Beranek/Marge Cawley  
 OSPB: Mark DiNunzio

House Sub: Hart  
 Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	98.0	100.0	104.0	100.0	100.0
Personal Services	4,425,800	4,845,800	5,102,700	4,801,800	4,926,000
Employee Related Expenditures	691,100	714,800	915,500	714,100	719,300
All Other Operating Expenditures:					
Professional and Outside Services	0	800	11,000	800	800
Travel	68,600	80,900	103,300	80,900	80,900
Other Operating Expenditures	342,500	268,300	276,300	304,200	268,300
Equipment	106,600	42,500	45,900	42,500	15,000
<b>PROGRAM TOTAL</b>	<b>5,634,600</b>	<b>5,953,100</b>	<b>6,454,700</b>	<b>5,944,300</b>	<b>6,010,300</b>
<b>BY FUND SOURCE</b>					
General Fund	5,634,600	5,953,100	6,454,700	5,944,300	6,010,300
<b>TOTAL - ALL SOURCES</b>	<b>5,634,600</b>	<b>5,953,100</b>	<b>6,454,700</b>	<b>5,944,300</b>	<b>6,010,300</b>

**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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$57,200	1.0%
Other Appropriated Funds	-0-	0.0%
<b>Total Appropriated Funds</b>	<b>\$57,200</b>	<b>1.0%</b>

### ***FY 1997 — JLBC Staff Recommended Changes from FY 1996***

**Standard Changes**

- Annualization of 1996 Judges Salary Adjustment (Laws 1994, Ch. 220) \$ 43,400 GF
- Annualization of January 1996 Pay Adjustment 43,100 GF
- ERE Rates (1,800) GF
- Elimination of One-time Equipment (27,500) GF

\* \* \*

### ***JLBC Staff Recommended Format — Lump Sum for the Division***

***Other Issues for Legislative Consideration***

— Executive Recommendation

The Executive did not provide a recommendation or estimate, but only displays the division's FY 1996 appropriation in the recommendation column. Pursuant to A.R.S. § 35-116 B, the Judiciary and the Legislature are not subject to the control of the Governor in the preparation and submission of their budgets.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Judiciary - Court of Appeals  
 PROG: Division II

JLBC: Brad Beranek/Marge Cawley  
 OSPB: Mark DiNunzio

House Sub: Hart  
 Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	36.0	36.0	37.0	36.0	36.0
Personal Services	1,736,200	1,850,500	1,950,800	1,824,400	1,880,400
Employee Related Expenditures	268,800	271,400	350,000	271,100	279,400
All Other Operating Expenditures:					
Professional and Outside Services	0	1,000	11,000	1,000	1,000
Travel	35,700	36,400	36,800	36,400	36,400
Other Operating Expenditures	697,800	731,600	732,900	754,500	717,600
Equipment	82,600	112,000	10,400	112,000	10,000
<b>PROGRAM TOTAL</b>	<b>2,821,100</b>	<b>3,002,900</b>	<b>3,091,900</b>	<b>2,999,400</b>	<b>2,924,800</b>
<b>BY FUND SOURCE</b>					
General Fund	2,821,100	3,002,900	3,091,900	2,999,400	2,924,800
<b>TOTAL - ALL SOURCES</b>	<b>2,821,100</b>	<b>3,002,900</b>	<b>3,091,900</b>	<b>2,999,400</b>	<b>2,924,800</b>

**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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$(78,100)	(2.6)%
Other Appropriated Funds	-0-	0.0%
Total Appropriated Funds	\$(78,100)	(2.6)%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of 1996 Judges Salary Adjustment (Laws 1994, Ch. 220) \$ 15,400 GF
- Annualization of January 1996 Pay Adjustment 17,000 GF
- ERE Rates 5,500 GF
- Elimination of One-time Equipment (102,000) GF

**Other Operating Expenditures**

The JLBC Staff recommends a reduction of \$(14,000) to reflect decreases telecommunication equipment costs. (14,000) GF

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**JLBC Staff Recommended Format** — Lump Sum for the Division

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### *JLBC Staff Recommended Footnotes*

#### *Deletion of Prior Year Footnote*

- The JLBC Staff recommends deleting the footnote concerning Division II's imaging system. Per the footnote, the Division has already submitted a project plan to the Joint Legislative Budget Committee regarding the expenditure of \$112,000 appropriated to the Division for FY 1996 for an imaging system.

#### *Other Issues for Legislative Consideration*

##### — Executive Recommendation

The Executive did not provide a recommendation or estimate, but only displays the division's FY 1996 appropriation in the recommendation column. Pursuant to A.R.S. § 35-116B, the Judiciary and the Legislature are not subject to the control of the Governor in the preparation and submission of their budgets.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Judiciary  
 PROG: Commission on Judicial Conduct

JLBC: Brad Beranek/Marge Cawley  
 OSPB: Mark DiNunzio

House Sub: Hart  
 Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	3.0	4.0	4.0	4.0	4.0
Personal Services	115,500	150,700	152,200	150,400	152,200
Employee Related Expenditures	21,400	27,300	27,600	27,300	27,600
All Other Operating Expenditures:					
Professional and Outside Services	34,000	34,600	34,600	38,500	34,600
Travel	10,500	18,500	18,500	20,400	18,500
Other Operating Expenditures	17,900	23,600	23,600	17,800	23,600
Equipment	7,000	9,000	4,000	9,000	4,000
<b>AGENCY TOTAL</b>	<b>206,300</b>	<b>263,700</b>	<b>260,500</b>	<b>263,400</b>	<b>260,500</b>
<b>BY FUND SOURCE</b>					
General Fund	206,300	263,700	260,500	263,400	260,500
<b>TOTAL - ALL SOURCES</b>	<b>206,300</b>	<b>263,700</b>	<b>260,500</b>	<b>263,400</b>	<b>260,500</b>

**Program 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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$(3,200)	(1.2)%
Other Appropriated Funds	-0-	0.0%
Total Appropriated Funds	\$(3,200)	(1.2)%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of January 1996 Pay Adjustment
  - ERE Rates
  - Elimination of One-time Equipment
- \$ 1,600 GF**  
**200 GF**  
**(5,000) GF**

\* \* \*

**JLBC Staff Recommended Format** — Lump Sum by Agency (This is a change from the FY 1996 Modified Lump Sum appropriation. The Modified Lump Sum format had been approved by the Legislature for FY 1996 because the commission's FY 1995 expenditure plan had not satisfactorily reflected the Legislative intent of its FY 1995 appropriation. However, the JLBC Staff believes the commission's FY 1996 expenditure plan and FY 1997 budget request do accurately reflect legislative intent and agency need, and recommends that the agency return to its original Lump Sum by Agency format.)

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

***Other Issues for Legislative Consideration***

**— Executive Recommendation**

The Executive did not provide a recommendation or estimate, but only displays the commission's FY 1996 appropriation in the recommendation column. Pursuant to A.R.S. § 35-116B, the Judiciary and the Legislature are not subject to the control of the Governor in the preparation and submission of their budgets.

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Judiciary - Superior Court

JLBC: Brad Beranek/Marge Cawley  
OSP: Mark DiNunzio

House Sub: Hart  
Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSP	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	170.0	171.0	180.0	171.0	177.0
Personal Services	5,600,700	5,943,000	6,480,800	5,943,000	6,306,600
Employee Related Expenditures	717,900	665,800	725,900	665,800	697,700
All Other Operating Expenditures:					
Other Operating Expenditures	532,100	874,800	874,800	874,800	2,021,800
<b>OPERATING SUBTOTAL</b>	<b>6,850,700</b>	<b>7,483,600</b>	<b>8,081,500</b>	<b>7,483,600</b>	<b>9,026,100</b>
<b>SPECIAL LINE ITEMS</b>					
Family Counseling	490,500	514,100	540,100	514,100	540,100
Adult Probation Enhancement	15,888,000	17,734,800	20,213,200	17,727,600	18,625,300
Intensive Probation - Adult	14,739,900	16,329,100	17,510,900	16,324,600	17,350,500
Juvenile Probation State Aid	2,665,000	3,489,600	4,937,500	3,488,600	4,880,700
Intensive Probation - Juvenile	6,443,200	7,902,200	9,712,800	7,898,800	9,633,200
Juvenile Probation Services	24,777,500	26,154,800	29,698,700	26,144,100	28,615,500
Community Punishment	3,335,000	3,476,700	4,520,800	3,475,400	3,494,700
Child Support Enforcement	736,100	900,100	1,077,000	896,500	907,000
Interstate Compact - Adult Probation	0	0	1,162,800	0	1,058,500
<b>PROGRAM TOTAL</b>	<b>75,925,900</b>	<b>83,985,000</b>	<b>97,455,300</b>	<b>83,953,300</b>	<b>94,131,600</b>
<b>BY FUND SOURCE</b>					
General Fund	75,925,900	83,985,000	97,455,300	83,953,300	94,131,600
<b>TOTAL - ALL SOURCES</b>	<b>75,925,900</b>	<b>83,985,000</b>	<b>97,455,300</b>	<b>83,953,300</b>	<b>94,131,600</b>

**Program 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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$10,146,600	12.1%
Other Appropriated Funds	-0-	0.0%
<b>Total Appropriated Funds</b>	<b>\$10,146,600</b>	<b>12.1%</b>

## **FY 1997 — JLBC Staff Recommended Changes from FY 1996**

### **Standard Changes**

- Annualization of January 1996 Judges Salary Adjustment (Laws 1994, Ch. 220)
- Annualization of January 1996 Pay Adjustment

**\$ 155,600 GF**  
**392,000 GF**

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

— ERE Rates (4,300) GF  
— Risk Management 1,147,000 GF

### **New Judges**

244,200 GF

Pursuant to A.R.S. § 12-128, the recommended amount funds the state's 50% share for the following 6 judgeships to established in FY 1996 in the following counties: Cochise, Mohave, Pima (2), Pinal, and Santa Cruz.

### **Family Counseling**

26,000 GF

The JLBC recommended amount funds caseload increase from 3,500 to 3,700 children, a growth of 5.7%. The funding provides for prevention of delinquency and incorrigibility and to strengthen family relationships of juvenile offenders.

### **Adult Probation Enhancement**

748,400 GF

Laws 1981, Chapter 223 mandated an average caseload ratio of 1 probation officer to 60 adult probationers. For FY 1997, the JLBC Staff recommends \$318,400 for 6-month funding of 6 probation officers and 3 related staff positions to meet this requirement. Current year funding provides for 6 state FTE Positions and 458 county positions. Additionally, the JLBC Staff recommends \$430,000 to annualize the 6-month funding of 21.5 officers approved for FY 1996.

The recommended amount will increase the number of state-funded adult probation slots by 360, or 1.2%, for a total of 31,150 state-funded slots. The FY 1997 estimated cost per probation slot is \$600. In recent years, the state has predominantly covered the full cost of all additional probation officers costs while estimated total county contribution has remained fairly constant. For example, the estimated total county contribution was \$15,844,900 in FY 1994. For FY 1996, it is estimated at \$15,899,900.

### **Adult Intensive Probation**

905,900 GF

This program was created to divert serious, non-violent adult offenders from prison. For FY 1997, the JLBC Staff recommends \$337,300 for 6-month funding of 6 additional teams (12 probation and surveillance officers), and 3 related staff positions for this 100% state-funded probation program. Current year funding provides for 8 state FTE Positions and 388.5 county positions. The Staff also recommends \$464,800 to annualize the 6-month funding of 7 teams (14 probation and surveillance officers) and 9 related staff positions approved for FY 1996. Also included in the recommended amount is \$103,800 for 6 new alternatively fueled vehicles earmarked for use in Maricopa County. As part of the statutory mandate to move to alternative fuel vehicles, all new vehicles for the Superior Court will use alternative fuels.

The number of adult intensive probationer slots will increase by 175, or 5.4%, for a total of 3,400 slots by the end of FY 1997. The FY 1997 estimated cost per probationer slot is \$5,100.

### **Juvenile Probation State Aid**

1,371,300 GF

Laws 1994, Chapter 201 mandated an average caseload ratio of 1 probation officer to 35 juvenile probationers. For FY 1997, the JLBC Staff recommends \$593,500 for 6-month funding of 22 additional probation officers, 2 supervisors and 5 support staff to meet this requirement. Legislation requires that the funds be primarily used for the salaries of supervising probation officers, who will be allocated among the counties as needed. Current year funding provides for 1 state FTE Position and 98 county positions. Additionally, the Staff recommends \$777,800 to annualize the 6-month funding of 30 officers and 8 related staff approved for FY 1996.

The recommended amount will increase the number of state-funded juvenile probation slots by 770, or 24.4%, for a total of 3,925 state-funded slots. This recommendation is consistent with demographic growth in population aged 8 through 17, and crime climate reflected in increases in juvenile arrests. Between 1990 and 1996, the juvenile population aged 8 through 10 increased 17.7%, a growth rate expected through the year 2000. Furthermore, actual Arizona juvenile arrests statistics from 1991 to 1994 show an average annual increase of 3,000 children aged 10 through 17. The FY 1997 estimated state cost per probation slot is \$1,200. In recent years, the state has predominantly covered the full cost of all additional probation officers costs while estimated total county contribution has decreased. For example, estimated total county contribution has decreased from \$37,860,000 in FY 1994 to a projected \$35,908,000 for FY 1996.



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### **Juvenile Intensive Probation (JIPS)**

1,684,900 GF

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. For FY 1997, the JLBC Staff recommends \$1,097,500 for 6-month funding of 15 teams (30 probation and surveillance officers) and 9 related staff positions for this 100% state-funded probation program. Current year funding provides for 7 state FTE Positions and 124 county positions. The JLBC Staff also recommends \$327,900 to annualize the 6-month funding of 5 teams (10 probation and surveillance officers) and 3 related staff positions approved for FY 1996. Also included in the recommended amount is \$259,500 for 15 new alternatively fueled vehicles earmarked for use in Maricopa County. As part of the statutory mandate to move to alternative fuel vehicles, all new vehicles for the Superior Court will use alternative fuels.

The number of juvenile intensive probationer slots will increase by 375, or 25.9%, for a total of 1,825 slots by the end of FY 1997. The FY 1997 estimated cost per probationer slot is \$5,100.

### **Juvenile Probation Services**

2,417,100 GF

The JLBC Staff recommends \$1,600,000 for additional treatment dollars in response to growth in statewide juvenile population ages 8 to 17, juveniles referred to Superior Court, total petitions filed, and adjudicated dispositions. Funding in this special line allows the Juvenile Courts to meet the requirements of A.R.S. § 8-230.01 and A.R.S. § 8-230.02, relating to the assignment of youths referred for delinquency or incorrigibility to treatment programs including foster care, day treatment programs, residential treatment centers, counseling, shelter use and other programs. The JLBC Staff recommends an additional \$310,000 in provider services for those juveniles transferred to adult court. Approximately 50% of youth transferred to adult court are placed on adult probation, where treatment services are not specifically designed for them. Funding is recommended for Juvenile Probation Services, as opposed to Adult Probation Enhancement, because the adult courts would utilize the same provider care options available to youth sentenced in juvenile courts, which are funded through the Juvenile Probation Services Special Line Item. This funding would serve approximately 225 youth.

The JLBC Staff also recommends \$507,100 to fund 9 additional county intake officers and 3 related staff positions. Currently, the average wait for a referred juvenile to see an intake officer is 9 weeks, due partly to demographic increases in juvenile referrals, and partly to the time demands of administering a risk/needs assessment to each juvenile, a relatively new task mandated by the Juvenile Crime Omnibus Bill of 1994. Current year funding provides for 12 state FTE Positions and 91 county positions.

### **Interstate Compact**

1,058,500 GF

Following the passage of Truth-In-Sentencing legislation in FY 1995, the Supreme Court entered into an agreement with the Department of Corrections (DOC) giving the Supreme Court full fiscal and operational responsibility for the Interstate Compact Agreement, starting October 1, 1995. This program was established between participating states for the transfer of adult probationers between states. For FY 1996, \$885,700 was transferred to the Superior Court budget, per the Supreme Court, from DOC for 9 months of funding for FY 1996. For FY 1997, the JLBC Staff recommends this amount plus an additional \$172,800 to annualize the funding.

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### **Juvenile Justice Reform**

FY 1996 has seen a great deal of activity with regard to Juvenile Justice Reform. Leadership from the Legislative, Executive and Judicial branches, as well as county governments, have proposed a broad range of initiatives aimed at reducing juvenile crime, rehabilitating offenders, providing additional sentencing options to judges, and incarcerating the most serious individuals to ultimately preserve the public safety.

Recognizing that pre- and post- adjudication services remain vital components in the treatment of juveniles prior to incarceration in the Arizona Department of Juvenile Corrections (ADJC) or the Department of Corrections (DOC), the JLBC Staff has recommended for FY 1997 an additional \$5,500,000 in the Superior Court budget for juvenile probation and treatment services. "Highlights" of this increase include the establishment of 1,145 additional state-funded juvenile probation slots, \$1,936,000 in additional treatment dollars which, for the first time, include monies for juvenile services in the adult court, and an additional 12 county-level intake officers and related positions to improve pre-sentence supervision and risk/needs assessment services at the "front end" of the Justice System.

Probably the most significant FY 1996 change in the Juvenile Justice System is the new mandatory length-of-stay law which went

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into effect October 1. Although Article XXII Subsection 16 of the Arizona Constitution requires the state to provide "suitable quarters for the confinement of minors," the number of secure beds has not kept pace with number of serious offenders being adjudicated in the Court System. As a result, judges have pursued other sentencing options for juveniles which they ordinarily would send to ADJC for a specified amount of time. The mandatory-length-of-stay law requires ADJC to keep juveniles for the full length of sentence unless bed capacity exceeds 98% or the court approves early release. In response to this law, the JLBC Staff has recommended for FY 1997 approximately \$3,700,000 for additional ADJC beds. There will be 164 more beds by the end of FY 1997 and another 200 beds in FY 1998.

\* \* \*

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

*JLBC Staff Recommended Footnotes*

*Standard Footnotes*

- Of the 177 FTE Positions, 133 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.

*New Footnotes*

- Receipt of state probation monies by the counties is contingent upon the county maintenance of current probation expenditures at the FY 1995 level. State probation monies are not intended to supplant county dollars for probation programs.

*Other Issues for Legislative Consideration*

— Executive Recommendation

The Executive did not provide a recommendation or estimate, but only displays the Superior Court's FY 1996 appropriation in the recommendation column. Pursuant to A.R.S. § 35-116 B, the Judiciary and the Legislature are not subject to the control of the Governor in the preparation and submission of budgets. The JLBC Staff believes that this prohibition is intended to limit the Governor's ability to recommend budget amounts for the various judges and their staff, and not the greater dollars that are devoted to probation programs. An amendment to A.R.S. § 35-116 B that would require the Governor to "weigh-in" on the level of funding for the probation programs would require the Governor to consider these rapidly rising costs in his annual budget recommendation.

— Victims' Rights Services (Juvenile Probation Services)

The Superior Court has requested \$500,000 to assist juvenile courts in implementing victim's rights services specified in the Victims' Rights Legislation of 1995, Chapter 197. This legislation charges juvenile divisions of the Superior Court with appointing advocates for juvenile victims. Among other responsibilities, advocates shall accompany victims through civil proceedings, including coordinating "confrontations" with juvenile offenders. The majority of funding will be allocated to counties to implement victim advocate programs. A portion of funding would also be retained for a state employee within the Administrative Office of the Courts to coordinate program funding.

Chapter 197 also re-established the Victims' Rights Implementation Revolving Fund administered by the Attorney General, for the purpose of collecting and awarding monies to entities establishing victim's rights programs. The

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

Superior Court is eligible to receive such monies. The legislation also deposited \$1,000,000 into the fund for FY 1996; however, no money has been disbursed to date due to unclarities in the original bill language. Laws 1995, 4th Special Session, Chapter 4, recently corrected the bill language while also appropriating an additional \$1,000,000 to the fund for FY 1997. The JLBC Staff does not recommend funding the Superior Court request until it is determined how much the court shall receive from the existing Victims' Rights appropriations for FY 1996 and FY 1997.

### — Community Justice Centers

The Superior Court has requested \$500,000 to fund 5 Restorative Justice Center pilot programs in Pima, Pinal, and Maricopa Counties. Also known as "Community Justice Centers," these neighborhood-based programs allow the community and the victim to assign consequences to a juvenile that has committed a crime. Juvenile Court Staff from the relevant Superior Court division would assist each community in case processing and management, in organizing community work service projects, in recommending available treatment services, and in developing treatment services that are not available in the community. This amount would provide funding for 2 program coordinators, 4 outreach workers, support staff, limited equipment and operating costs, volunteer training, and counseling/education programs. In-kind support in the form of meeting room space and community service projects has already been negotiated independently in each county. It is expected that approximately 1,000 youth would be served by the centers in FY 1997.

### — Adult Probation Enhancement—Automation

The Superior Court has requested \$1,500,000 from the General Fund for start-up monies for an integrated adult probation automation system to improve case management and data collection. Total project cost will be approximately \$12,700,000 over the next 5 years. In past years, such large-scale automation projects have been funded through grants from the Supreme Court's Judicial Collection Enhancement Fund (JCEF). However, the Supreme Court has committed the bulk of JCEF funds over the next 2 years to other automation projects. The JLBC Staff supports the need for such a system, particularly for the collection adult adjudication/probation data which has been largely unobtainable in the past. However, initial and on-going development and maintenance costs should be assumed by JCEF, per its statutory purpose. The JLBC Staff recommends that JCEF be appropriated to allow greater legislative oversight of the allocation of automation technology, and further recommends that any start-up funds be appropriated in a separate bill, which would create both a new state agency responsible for information technology (IT) and a combined legislative, executive, and private sector oversight committee. This new structure would improve statewide coordination for nearly \$200,000,000 spent annually by state government on IT.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Judiciary - Supreme Court  
 PROG: Judicial and Administrative

JLBC: Brad Beranek/Marge Cawley  
 OSPB: Mark DiNunzio

House Sub: Hart  
 Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	121.3	122.3	137.3	122.3	122.8
Personal Services	4,201,200	4,618,700	5,336,700	4,525,700	4,757,500
Employee Related Expenditures	763,800	803,100	932,100	787,900	786,800
All Other Operating Expenditures:					
Professional and Outside Services	164,300	236,000	296,000	236,000	236,000
Travel	54,100	71,000	107,800	71,000	71,000
Other Operating Expenditures	3,645,700	3,802,800	3,852,600	3,856,200	3,644,000
Equipment	280,000	180,700	221,900	180,700	180,700
<b>OPERATING SUBTOTAL</b>	<b>9,109,100</b>	<b>9,712,300</b>	<b>10,747,100</b>	<b>9,657,500</b>	<b>9,676,000</b>
<b>SPECIAL LINE ITEMS</b>					
Building Tenant Improvement	0	0	203,300	0	0
Judicial Assistance	87,200	87,400	87,400	87,400	87,400
Judicial Education	207,700	242,700	242,700	242,700	242,700
Grand Jury	372,300	300,000	300,000	300,000	300,000
Judicial Performance Review	236,700	259,200	318,200	256,300	318,300
Appellamtion	0	0	645,100	0	0
<b>PROGRAM TOTAL</b>	<b>10,013,000</b>	<b>10,601,600</b>	<b>12,543,800</b>	<b>10,543,900</b>	<b>10,624,400</b>
<b>BY FUND SOURCE</b>					
General Fund	10,013,000	10,601,600	12,340,500	10,543,900	10,624,400
Other Appropriated Funds	0	0	203,300	0	0
Other Non-Appropriated Funds	11,229,900	20,278,300	11,269,800	0	11,269,800
<b>TOTAL - ALL SOURCES</b>	<b>21,242,900</b>	<b>30,879,900</b>	<b>23,813,600</b>	<b>10,543,900</b>	<b>21,894,200</b>

**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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$22,800	0.2%
Other Appropriated Funds	-0-	0.0%
Total Appropriated Funds	\$22,800	0.2%

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

## *FY 1997 — JLBC Staff Recommended Changes from FY 1996*

### **Standard Changes**

— Annualization of January 1996 Judges Salary Adjustment (Laws 1994, Chapter 220)	\$ 13,400 GF
— Annualization of January 1996 Pay Adjustment	103,000 GF
— ERE Rates	(26,400) GF
— Risk Management	(100,500) GF
— Rent	(58,300) GF

### **Staff Attorney**

Adds \$36,600 and 0.5 FTE Position for a part-time staff attorney to address growing backlog of death penalty cases. The position would assist in the tracking and processing of such cases. 36,600 GF

### **Judicial Performance Review**

The amount reflects a \$55,000 increase in funding needed in years of elections for the dissemination of relevant election information on judges standing for retention. 55,000 GF

\* \* \*

**1** *Program Authorization Review Recommendation* — The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of the Judicial Collection Enhancement Fund (JCEF) program during the last year. As a result of that review, the JLBC Staff recommends modifying the program, subjecting it to legislative appropriation.

Created in FY 1989, the Judicial Collection Enhancement Fund has 2 distinctive statutory purposes: to increase collections and management of court-imposed fines and fees, and to improve case processing through automation projects. Since its inception, the JCEF program has implemented a number of strategic initiatives to improve the collection practices of the courts, in addition to funding a large-scale statewide automation project expected to provide AOC with data needed to measure both collections and case processing performance.

The primary findings of the PAR noted that while total revenues collected and revenues collected per filing have significantly increased since the program began, additional and standardized data on court accounts receivable is needed in order to quantify the extent to which JCEF program activities have directly contributed to increased collections. Likewise, additional data is also needed to quantify the success of JCEF-funded automation projects.

The JLBC Staff recommends that this fund be appropriated to allow greater legislative oversight of the allocation of resources between revenue enhancement and case processing. Even though specific data quantifying the contribution of revenue enhancement programs to overall state court revenue is difficult to obtain, this aspect of the program's mission appears more intuitively justifiable in light of the relatively small amount of JCEF monies awarded for such activities. Of the total \$3,500,000 in JCEF monies disbursed in FY 1994, only \$433,900, or 12 %, was awarded for collection projects. The remaining \$3,000,000 was awarded for automation projects and statewide initiatives.

In addition, recent events surrounding the JCEF-funded Arizona Court Automation Project (ACAP) highlight the need for greater legislative oversight through the appropriations process. The goal of the ACAP project is to automate case and cash management in at least 9 counties. To fund the first phase of the project (ACAP I), the Supreme Court entered into a \$6,000,000 lease purchase agreement with IBM in FY 1994 to be paid back with JCEF monies. The majority of these funds were used to purchase equipment for the project that year. However, the software intended to run on that equipment had not been fully tested at the time of purchase, and was later found to be unusable. New software was later developed for the second phase of the project (ACAP II), but it could not be used on the old equipment.

The ACAP problems also demonstrate the need for greater review of information technology. The JLBC Staff is recommending that automation funding be appropriated in a separate bill, which would create both a new state agency responsible for information technology (IT) and a combined legislative, executive, and private sector oversight committee. This new structure would improve statewide coordination for nearly \$200,000,000 spent annually by state government on IT.



## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

The Executive concurs that the JCEF program be modified by appropriating the fund for FY 1998. It also concurs that program performance measurements need to be improved to better assess the program's contribution to improvements in statewide case processing and increases in court revenue collections.

*JLBC Staff Recommended Format* — Operating Lump Sum for the Program with Special Line Items

*JLBC Staff Recommended Footnotes*

*Standard Footnotes*

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

*Other Issues for Legislative Consideration*

— Executive Recommendation

The Executive did not provide a recommendation or estimate, but only displays the Supreme Court's FY 1996 appropriation in the recommendation column. Pursuant to A.R.S. § 35-116 B, the Judiciary and the Legislature are not subject to the control of the Governor in the preparation and submission of budgets.

— Fiduciary Specialist

The Supreme Court requests \$63,700 for 1 FTE Position and related travel and equipment for a Fiduciary Specialist. A Private Fiduciary Program was established by Laws 1994, Chapter 68, charging the Supreme Court with collecting fees related to registration, adopting rules to establish minimum qualifications, establishing codes of conduct, and developing investigative and hearing processes for revocations. This position will receive and review applications, maintain a registry of all private fiduciaries statewide, receive complaints, conduct and oversee investigations, and develop and run a training program.

— Appellate Court Automation System — "Appellamation"

The Supreme Court requests \$645,100 to begin implementing a unified appellate automation system in the Supreme Court and Courts of Appeals. The funding would provide up-front equipment and development costs, including personal computer upgrades, hardware, software, consulting, training, and 3 FTE Positions. Currently, this project (and 2 of the FTE Positions) is funded through the Judicial Collections Enhancement Fund (JCEF). However, the Legislature did approve \$112,000 in funding for FY 1996 to the Court of Appeals Division II for an imaging system which largely supports the overall goal of the Appellamation project — electronically linking the three appellate courts to improve information flow. The JLBC Staff is recommending that automation funding be appropriated in a separate bill, which would create both a new state agency responsible for information technology (IT) and a combined legislative, executive, and private sector oversight committee. This new structure would improve statewide coordination for nearly \$200 million spent annually by state government on IT.

— State Grand Jury FY 1997 Supplemental

The JLBC Staff recommends \$131,900 for costs and expenses incurred by counties associated with impaneling and operating state grand juries as required by A.R.S. § 21-428B. From FY 1993 to FY 1995, increased costs associated with unexpected growth in state grand jury formation exceeded legislative appropriations for this purpose. The 42nd Legislature responded to this growth by 1) approving a supplemental appropriation to the Supreme Court of \$223,500 or FY 1995 for the payment of outstanding claims from FY 1993 and FY 1994 and 2) by increasing total Special Line Item funding from \$148,800 to \$300,000 for FY 1996. A supplemental for FY 1996 is now requested for the payment of outstanding FY 1995 claims. The Executive does not recommend funding for this issue.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Judiciary - Supreme Court  
 PROG: Foster Care Review Board

JLBC: Brad Beranek/Marge Cawley  
 OSPB: Mark DiNunzio

House Sub: Hart  
 Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	38.0	44.5	50.5	44.5	48.5
Personal Services	852,700	950,800	1,129,000	902,600	1,081,300
Employee Related Expenditures	176,000	188,300	242,200	186,700	211,100
All Other Operating Expenditures:					
Professional and Outside Services	38,800	215,200	36,000	215,200	74,600
Travel	34,900	46,500	54,900	62,000	53,500
Other Operating Expenditures	204,500	223,400	266,600	226,300	229,000
Equipment	77,300	11,400	100,300	29,000	10,000
<b>OPERATING SUBTOTAL</b>	<b>1,384,200</b>	<b>1,635,600</b>	<b>1,829,000</b>	<b>1,621,800</b>	<b>1,659,500</b>
<b>SPECIAL LINE ITEMS</b>					
Court Appointed Special Advocate	1,030,900	1,452,900	1,462,100	1,451,900	1,461,100
<b>PROGRAM TOTAL</b>	<b>2,415,100</b>	<b>3,088,500</b>	<b>3,291,100</b>	<b>3,073,700</b>	<b>3,120,600</b>
<b>BY FUND SOURCE</b>					
General Fund	1,307,700	1,456,400	1,829,000	1,442,600	1,659,500
Other Appropriated Funds	1,107,400	1,632,100	1,462,100	1,631,100	1,461,100
<b>TOTAL - ALL SOURCES</b>	<b>2,415,100</b>	<b>3,088,500</b>	<b>3,291,100</b>	<b>3,073,700</b>	<b>3,120,600</b>

**Program Description** — *This division of the Supreme Court includes the Foster Care Review Board (FCRB), the Court Appointed Special Advocate (CASA) and the Parent Assistance Hotline programs. The FCRB boards review 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 CASA program consists of volunteers who are recruited, screened, trained, and supervised as advocates for foster care children. The CASA volunteers provide information to the Court to aid it in making its decision regarding what is best for the child. The Parent Assistance Hotline is an information source on juvenile court procedures, Child Protective Services and related issues, and for helping parents and guardians understand the process of removal of a child from the home.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$203,100	13.9%
Other Appropriated Funds	(171,000)	(10.5)%
Total Appropriated Funds	\$32,100	1.0%

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

***FY 1997 — JLBC Staff Recommended Changes from FY 1996***

<b>Standard Changes</b>		
— Annualization of January 1996 Pay Adjustment	\$ 8,200 OF	\$ 23,800 GF
— ERE Rates	-0- OF	(700) GF
— Elimination of One-time Equipment	-0- OF	(1,400) GF

**(179,200) OF      179,200 GF**

**General Fund Replacement of CASA Fund**

As an offset the General Fund, CASA Fund monies were appropriated in FY 1995 to fund a portion of the Foster Care Review Board (FCRB), and this offset was continued into FY 1996. The JLBC Staff recommends the realignment so that the CASA program is funded only from the CASA Fund, and the FCRB is funded only from the General Fund.

**(179,200) GF**

**Professional and Outside Services**

Reduction in various one-time FY 1996 expenses.

**181,400 GF**

**Annualization of FY 1996 Supplemental Staff Increases**

In its August 1995 performance review of the Foster Care Review Board, the Auditor General recommended that the FCRB hire additional Program Specialists, and modify their role to enhance the child review process. The board agreed, but cited that adequate training to enhance the specialist role could not be completed due to workload constraints and high turnover of experienced specialists. A legislative committee of reference, which met to address the Auditor General report, will recommend to the Legislature that increased funding be provided for the board in FY 1997 for additional specialists to keep current workload ratios in check as the number of eligible children increases.

The JLBC Staff recommends \$118,000 for 3 Program Specialists and related costs to address Auditor General recommendations and a projected 18% growth in children requiring review for FY 1997. This projection is consistent with the 18% average annual growth in caseload during the last 3 fiscal years. In addition, from calendar years 1991 to 1995, caseload has grown from 4,150 to 6,200, a 49% increase. In that time period, 2 specialists were added for the last 6 months of calendar year 1995 (FY 1996), a 7% increase.

Pursuant to A.R.S. § 8-515.01, the presiding judge of the Juvenile Court shall establish 1 board (comprised of volunteers) for each 100 children, or fraction thereof. Each child remaining in out-of-home placement must be reviewed by local foster care review boards within 6 months of placement and at least once every 6 months thereafter. The boards must provide within 30 days of their review their findings and recommendations on the efforts and progress made on the implementation of the child's permanent placement. Because of the growing number of children eligible for FCRB review, and increases in case complexity, it currently takes staff from 3 to 4 months to process a recommendation report. The FCRB's current level of support has not been expanded since calendar year 1991. According to the Auditor General report, the gap between opened cases and completed cases has been widening since 1991 at an increasing rate. Currently, a backlog of 900 reports remains to be prepared. To address caseload growth, the JLBC Staff recommends \$24,800 for 1 Secretary and related costs, and \$38,600 for temporary secretarial assistance. The funding for temporary secretarial help is intended to address the case backlog.

The JLBC Staff FY 1997 recommended amounts are intended to annualize 6-month funding for 4 FTE Positions recommended for the FCRB via the FY 1996 Supplemental Bill (See Other Issues).

\* \* \*

***JLBC Staff Recommended Format — Lump Sum for the Program with a Special Line Item***

***JLBC Staff Recommended Footnotes***

***Standard Footnotes***

- The appropriation from the Court Appointed Special Advocate Fund is an estimate representing 30% of unclaimed lottery prize money distributed to this Fund during FY 1996 pursuant to A.R.S. § 5-518. The monies are appropriated for the purposes established in A.R.S. § 8-524. The appropriation shall be adjusted as necessary to reflect actual final receipts credited to the Court Appointed Special Advocate Fund. Appropriated expenditures shall not exceed the fund's receipts.



## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### *Other Issues for Legislative Consideration*

#### — Executive Recommendation

The Executive did not provide a recommendation or estimate, but only displays the Foster Care Review Board's FY 1996 appropriation in the recommendation column. Pursuant to A.R.S. § 35-116 B, the Judiciary and the Legislature are not subject to the control of the Governor in the preparation and submission of budgets.

#### — FY 1996 Supplemental

The JLBC Staff recommends reducing \$100,000 from the Superior Court's Adult Intensive Probation Supervision Special Line Item, and appropriating a like amount to create 3 Program Specialist FTE Positions and 1 Secretary FTE Position. This amount will provide 6 month funding for the new positions, temporary secretarial assistance, and related office equipment. New staff are recommend to address Auditor General recommendations, a projected 18% growth in children requiring review for FY 1997, the widening gap between new and completed cases, and the 900 backlogged recommendation reports to be prepared. (Please see FY 1997 Recommended Changes for historical detail of this issue). The additional secretary is intended to support the 3 recommended specialists and the 2 that were approved for the FCRB's FY 1996 Appropriation. The JLBC Staff also recommends reducing \$60,000 from the Superior Court's State Aid Enhancement Special Line Item and appropriating a like amount to the Foster Care Review Board. This money is intended for the purchase of laptop computers in accordance with the Auditor General's recommendation that the FCRB better prepare for future caseload growth by streamlining its work processing and case review methods. Specifically, it recommended equipping FCRB program specialists with laptop computers to more efficiently handle report preparation.

**DEPARTMENT OF  
JUVENILE CORRECTIONS  
(DJC)**

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Juvenile Corrections  
Agency Summary

JLBC: Karen Bock/Lorenzo  
Martinez OSPB: John McCarthy

House Sub: Hart  
Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Administration	4,672,100	4,727,400	6,042,500	4,329,300	4,450,800
Secure Care	19,117,100	23,117,400	33,156,200	26,560,700	27,030,800
Community Care	12,219,300	13,409,400	21,488,200	13,407,400	13,489,700
Education	3,485,200	3,383,600	4,489,900	3,678,700	3,839,700
<b>AGENCY TOTAL</b>	<b>39,493,700</b>	<b>44,637,800</b>	<b>65,176,800</b>	<b>47,976,100</b>	<b>48,811,000</b>

### OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	706.0	724.0	1,047.0	840.0	847.5
Personal Services	17,572,300	18,438,200	26,416,500	20,929,800	21,395,700
Employee Related Expenditures	4,719,900	5,391,400	8,755,200	5,880,300	6,075,500
All Other Operating Expenditures:					
Professional and Outside Services	698,300	565,400	963,200	682,500	695,600
Travel - In State	418,600	367,900	496,100	367,900	368,200
Travel - Out of State	24,800	16,300	16,300	16,300	16,300
Food	700	0	0	0	0
Other Operating Expenditures	4,281,500	4,620,800	5,538,300	5,184,000	5,232,100
Equipment	221,700	86,800	1,170,000	60,100	103,400
<b>OPERATING SUBTOTAL</b>	<b>27,937,800</b>	<b>29,486,800</b>	<b>43,355,600</b>	<b>33,120,900</b>	<b>33,886,800</b>
Special Line Items	11,555,900	15,151,000	21,821,200	14,855,200	14,924,200
<b>AGENCY TOTAL</b>	<b>39,493,700</b>	<b>44,637,800</b>	<b>65,176,800</b>	<b>47,976,100</b>	<b>48,811,000</b>

### BY FUND SOURCE

General Fund	37,075,000	42,659,500	63,137,900	45,968,500	46,772,400
Other Appropriated Funds	2,418,700	1,978,300	2,038,900	2,007,600	2,038,600
Other Non-Appropriated Funds	38,400	36,400	36,400	36,400	36,400
Federal Funds	2,042,900	2,011,700	1,321,000	1,321,000	1,321,000
<b>TOTAL - ALL SOURCES</b>	<b>41,575,000</b>	<b>46,685,900</b>	<b>66,534,200</b>	<b>47,976,100</b>	<b>50,168,400</b>

**Program Description** — *The Department of Juvenile Corrections (DJC) is responsible for the care and treatment of youth offenders adjudicated by the Courts to be delinquent and remanded to the custody of the department. DJC has jurisdiction over youths until they are released from custody or reach age 18.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$4,112,900	9.6%
Other Appropriated Funds	(60,300)	3.0%
Total Appropriated Funds	\$4,173,200	9.3%

Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

*FY 1997 — JLBC Staff Recommended Changes from FY 1996*

<b>Standard Changes</b>			
— Annualization of January 1996 Pay Adjustment	\$	-0- OF	\$ 347,600 GF
— ERE Rates		-0- OF	(166,500) GF
— Risk Management		-0- OF	248,000 GF
— Rent		-0- OF	(10,800) GF
<b>Re-Open 72 Beds At Adobe Mountain School</b>			2,173,000 GF
Reflects Secure Care (including WIPP and Food) and Education Funding. Adds 60 FTE Positions.			
<b>Re-Open 20 Beds At Black Canyon School</b>			613,000 GF
Reflects Secure Care (including WIPP and Food) and Education Funding. Adds 17 FTE Positions.			
<b>Open 48 New Beds At Black Canyon School</b>			951,400 GF
Assumes January 1997 opening of 2 cottages to be built during 1996. Reflects Secure Care (including WIPP and Food) and Education Funding. Adds 44.5 FTE Positions.			
<b>Salary Parity For YCO's and YPO's</b>			279,900 GF
<b>Outcome Evaluations</b>			47,300 GF
<b>Management Information Systems and Data Analysis/Planning</b>			(156,300) GF
<b>Boot Camp Annualization</b>			(113,400) GF
<b>Vocational and Transition Services</b>			(40,000) GF
<b>WIPP - Youth Stipend; Funding Shift</b>		(43,800) OF	43,800 GF
<b>Education Funding Shifts</b>		104,100 OF	(104,100) GF

\* \* \*

*JLBC Staff Recommended Format — Modified Lump Sum by Agency*

*Other Issues for Legislative Consideration*

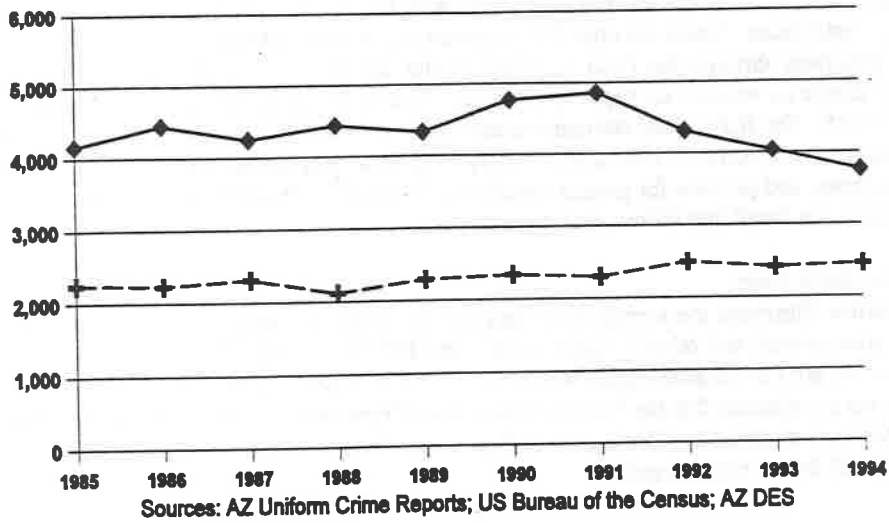
- FY 1996 Supplemental  
The department has requested a supplemental appropriation to operate 92 beds, which had been held vacant but were re-opened in the fall of 1995. The original FY 1996 appropriation does not include funding for these beds. The JLBC Staff recommends \$1,822,900 and 74 FTE Positions as a supplemental FY 1996 appropriation for operating these beds. The Executive recommends 76.5 FTE Positions and \$1,841,000 for this item. See "Secure Care" for detail.
- PAR on Diagnostics  
The Program Authorization Review for the Diagnostics program has resulted in a recommendation of "retain." DJC has implemented changes to its reception/diagnostics program. No legislative action is required. The Executive recommends certain new reporting requirements. See Secure Care.
- Juvenile Crime Trends in Arizona  
Increasing rates of violent juvenile crime have been driving juvenile justice policy in Arizona, resulting in increasing expenditures for incarcerating delinquent juveniles. Arizona's violent and serious juvenile crime rates (as measured by arrests per 100,000 juveniles for FBI-classed serious offenses: murder, non-negligent manslaughter, forcible

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

rape, robbery, aggravated assault, burglary, larceny-theft, motor vehicle theft, and arson) have generally been increasing since the mid-80's, although the last 3 years show a marked decrease. Juvenile arrest rates for all other crimes continue to rise.

**SERIOUS ARRESTS PER 100,000 JUVENILES**

**AZ Now Decreasing But Still Well Above US**

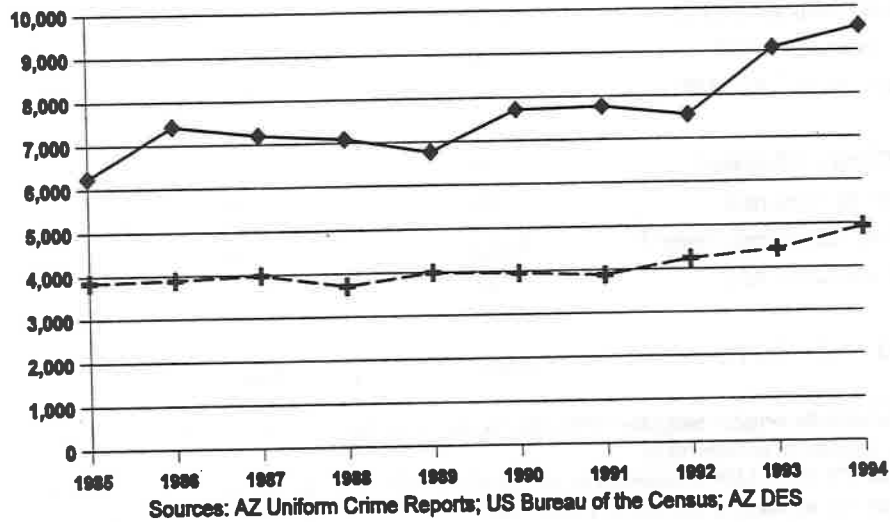


**Legend**

—◆— AZ Juv Arrest Rate    -+-- US Juv Arrest Rate

**OTHER ARRESTS PER 100,000 JUVENILES**

**AZ Continues to Increase; Is Double Rate of US**



**Legend**

—◆— AZ Juv Arrest Rate    -+-- US Juv Arrest Rate

According to the 1995 Federal Justice Department report "Juvenile Offenders and Victims: A Focus on Violence," juveniles are responsible nationally for a disproportionately large share of the increase in violent crime; and the number of homicides with guns by juveniles has nearly tripled since 1985 (p.11). The report ranked Arizona 10th in the nation in 1992 for juvenile violent crime arrest rates (p. 4).

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

The number of youth committed in Arizona for violent offenses (capital crimes, robbery, and sexual assault) roughly shadows the serious offenses arrest rate trends, but youth committed for violent offenses consistently have been below 10% of the total new DJC commitments. Also, the number of juveniles committed to DJC has been essentially constant for the last 10 years.

This may be in part because many of Arizona's secure beds have been closed, and the *Johnson vs. Upchurch* consent decree required Arizona to ensure that only youth who could not safely be treated in other settings would be sent to secure care institutions. Since the mid-'80s, Arizona has added probation slots nearly every year, and has added new diversion programs through the Courts, to handle the increasing volume of juveniles in the justice system. Now, however, pressure on secure care capacity is rising, and average daily population has exceeded available beds by some 25% in CY 1995. The JLBC Staff recommendation addresses these trends by adding funding for 340 new juvenile beds to be opened between October, 1995 and January, 1998. Our recommendations would also increase youth correctional workers' salaries, and provide for greater outcome accountability from the Department of Juvenile Corrections. These are described in the detail that follows this summary.

### — Population and Available Beds

The table below illustrates the average daily population (ADP) for secure institutions, the new boot camp, community residential placements, and other paroled youth. The FY 1995 Actual figures were reported by DJC. The FY 1996 Original Budget are the estimates upon which the FY 1996 appropriation was based. The FY 1997 JLBC Estimate is based in part on a projection that the National Council on Crime and Delinquency (NCCD) produced under contract with the state. NCCD published this projection in September 1994. It assumes that commitment rates, length of stay, and other factors will follow recent trends.

### DJC AVERAGE DAILY POPULATION

	FY 1995 <u>Actual</u>	FY 1996 <u>Revised Budget</u> <sup>1/</sup>	FY 1997 <u>JLBC Estimate</u>
Adobe Mountain School	254	312	312
Black Canyon School <sup>2/</sup>	121	120	144 <sup>2/</sup>
Catalina Mountain School	117	110	110
Boot Camp - Secure <sup>3/</sup>	<u>0</u>	<u>24</u>	<u>24</u>
Total Secure Care ADP	492	566	590
Boot Camp - Aftercare <sup>3/</sup>	0	72	58
Residential Treatment	89	117	117
All Other Case Management <sup>4/</sup>	<u>1,059</u>	<u>1,043</u>	<u>1,043</u>
Non-Institution ADP	1,183	1,256	1,242
TOTAL DJC YOUTH	<u>1,655</u>	<u>1,798</u>	<u>1,808</u> <sup>5/</sup>

<sup>1/</sup> Reflects the original budgeted ADP, plus the additional beds supported by the recommended supplemental appropriation.

<sup>2/</sup> The FY 1997 ADP is expected to be 120 for the first half of the year. The new 48 beds will open in January, resulting in an ADP of 144 for 1997.

<sup>3/</sup> The original appropriation for FY 1996 was based on the JLBC Staff recommendation, which assumed an ADP of 96 and a January 1, 1996 opening date. The Boot Camp was added by Laws 1994, Chapter 201. It will add 24 secure placements and 72 after care placements when full. It now is projected to open in February 1996.

<sup>4/</sup> Includes paroled youth and interstate youth not in residential placements.

<sup>5/</sup> Estimate of "Total DJC Youth" derived in part from National Council on Crime and Delinquency projection.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

The ADP for existing state juvenile institutions has been limited by the consent decree to 450. The NCCD projection, however, estimated that the institutional ADP for FY 1996 would be 555, if institutional capacity were not limited. The population has swelled above the caps due to new laws (Laws 1994, Chapter 201) that allow the Juvenile Courts to give sentences of specific lengths and require DJC to use length-of-stay guidelines for youth committed without specific sentences. Note that the Executive's recommendation projects a FY 1997 secure care population of about 710.

**DJC BED SURPLUS/DEFICIT PROJECTION**

	<u>Population</u> <sup>1/</sup>	<u>Bed Openings</u> <sup>2/</sup>	<u># of Beds</u>	<u>Surplus (Deficit)</u>
Actual:				
December 1, 1995	595	20 at BCS 72 at AMS	542	(53)
Projection:				
January 1, 1996	601	24 Boot Camp (Feb.)	566	(35)
January 1, 1997	672	48 at BCS	614	(58)
January 1, 1998	743	200 - New Site	814	71
January 1, 1999	814		814	0
January 1, 2000	885		814	(71)

<sup>1/</sup> The fiscal year-to-date average daily secure care population (ADP) in November of 1994 was 467. A year later, in November of 1995, the fiscal year-to-date average daily secure population was 538, an increase of 71. This projection assumes a constant growth in ADP of 71 per year, or 6 per month. (Only institutional population is included. Contracted secure beds are not included.)

<sup>2/</sup> Bed opening dates are approximate.

— *Johnson vs. Upchurch* Status

DJC has continued to meet most *Johnson vs. Upchurch (J vs. U)* consent decree requirements. The court-appointed committee of consultants (compliance monitors) released its fourth semi-annual report in May, 1995. (The fifth report will be released some time after this recommendation is published.) The committee indicated that DJC was making acceptable progress toward most ongoing goals; however, population caps, staff ratios, and the youth work program were areas of concern. In the May report, the committee discussed how the provisions of Laws 1994, Chapter 201 (S.B. 1356) will affect DJC's ability to comply with the consent decree. The committee expressed its willingness to work with DJC and the Juvenile Courts to resolve issues of concern. Since then, the committee has recommended approval of DJC's request to expand the population caps at existing juvenile institutions. The JLBC Staff has recommended funding for staff and expenses associated with this expansion.

Items related to *J vs. U* in the JLBC Staff recommendation are so identified in the program detail that follows this summary.



# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Juvenile Corrections  
 PRIG: Administration

JLBC: Karen Bock/Lorenzo  
 Martinez OSPB: John McCarthy

House Sub: Hart  
 Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	76.5	76.0	104.0	76.0	78.0
Personal Services	2,317,400	2,178,000	2,709,900	2,192,900	2,266,300
Employee Related Expenditures	603,300	637,400	900,000	510,300	526,000
All Other Operating Expenditures:					
Professional and Outside Services	73,300	43,300	216,700	43,300	63,300
Travel - In State	64,900	56,000	58,900	56,000	56,300
Travel - Out of State	17,500	16,300	16,300	16,300	16,300
Other Operating Expenditures	608,800	679,400	801,200	670,400	671,800
Equipment	76,000	11,100	162,200	9,800	15,700
<b>OPERATING SUBTOTAL</b>	<b>3,761,200</b>	<b>3,621,500</b>	<b>4,865,200</b>	<b>3,499,000</b>	<b>3,615,700</b>
<b>SPECIAL LINE ITEMS</b>					
Youth Rights	129,000	274,300	356,300	256,800	261,600
Due Process	39,700	301,800	551,200	303,600	303,300
Court Monitors	63,300	90,000	90,000	90,000	90,000
Classification/Risk Assessment	77,000	77,000	77,000	77,000	77,000
Staff Training and Certification	102,300	102,800	102,800	102,900	103,200
Management Information Systems	283,900	260,000	0	0	0
FY 1994-1995 Supplemental	215,700	0	0	0	0
<b>PROGRAM TOTAL</b>	<b>4,672,100</b>	<b>4,727,400</b>	<b>6,042,500</b>	<b>4,329,300</b>	<b>4,450,800</b>
<b>BY FUND SOURCE</b>					
General Fund	4,672,100	4,727,400	6,042,500	4,329,300	4,450,800
Other Non-Appropriated Funds	38,400	36,400	36,400	36,400	36,400
Federal Funds	135,800	44,500	44,500	44,500	44,500
<b>TOTAL - ALL SOURCES</b>	<b>4,846,300</b>	<b>4,808,300</b>	<b>6,123,400</b>	<b>4,410,200</b>	<b>4,531,700</b>

**Program Description** — *The Administration program encompasses the Director's Office, all business functions, data processing, training, and all other centralized operations of the department.*

<b>Change in Funding Summary:</b>	<b>FY 1996 to FY 1997 JLBC</b>	
	<u>\$ Change</u>	<u>% Change</u>
	General Fund	\$(276,600) (5.9)%

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

***FY 1997 — JLBC Staff Recommended Changes from FY 1996***

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 35,700 GF
— ERE Rates	(146,400) GF
— Risk Management	23,200 GF
— Rent	(32,800) GF

**Management Information Systems and Data Analysis**

(156,300) GF

The \$260,000 appropriated in a Special Line Item for FY 1996 is eliminated. For FY 1997 the JLBC Staff recommends \$103,700 in the operating budget for 2 new staff: a Network Specialist to assist in operating the "Youthbase" database and LAN/WAN systems, and a Research/Statistical Analyst to assist in data analysis for Department of Juvenile Corrections (DJC) planning and for others who require data analysis for decision-making. The Executive also eliminates the Special Line Item funding but does not recommend adding the staff.

\* \* \*

***JLBC Staff Recommended Format — Modified Lump Sum by Agency***

***Other Issues for Legislative Consideration***

— Preservice Academy

For 2 years, DJC has requested funding to expand its preservice academy. In FY 1995, DJC implemented a basic academy by re-assigning existing in-service training staff. The JLBC Staff acknowledges the importance of a preservice academy. We suggest that DJC review its executive staff positions to determine whether overlap and duplication exist. If so, resources should be re-allocated to training staff.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Department of Juvenile Corrections  
 PRIG: Secure Care

JLBC: Karen Bock/Lorenzo  
 Martinez OSPB: John McCarthy

House Sub: Hart  
 Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	489.5	502.0	733.0	606.0	606.5
Personal Services	11,050,600	11,894,500	17,714,100	14,018,900	14,286,700
Employee Related Expenditures	2,962,400	3,477,400	5,883,000	4,143,400	4,341,900
All Other Operating Expenditures:					
Professional and Outside Services	545,800	433,100	627,500	534,800	533,600
Travel - In State	191,200	157,600	171,700	157,600	157,600
Food	500	0	0	0	0
Other Operating Expenditures	3,049,800	3,285,900	3,790,600	3,804,300	3,799,100
Equipment	56,600	26,600	498,000	50,300	38,600
<b>OPERATING SUBTOTAL</b>	<b>17,856,900</b>	<b>19,275,100</b>	<b>28,684,900</b>	<b>22,709,300</b>	<b>23,157,500</b>
<b>SPECIAL LINE ITEMS</b>					
Food	385,400	385,900	603,800	491,900	462,700
Special Treatment Programs	372,500	397,300	397,300	397,300	397,300
Program Evaluation	58,000	62,700	62,700	62,700	0
WIPP	60,200	121,200	297,400	137,700	181,500
Boot Camp	22,300	2,875,200	3,110,100	2,761,800	2,761,800
FY 1994-95 Supplemental	361,800	0	0	0	0
Outcome Evaluations	0	0	0	0	70,000
<b>PROGRAM TOTAL</b>	<b>19,117,100</b>	<b>23,117,400</b>	<b>33,156,200</b>	<b>26,560,700</b>	<b>27,030,800</b>
<b>BY FUND SOURCE</b>					
General Fund	18,796,900	22,756,600	32,839,200	26,243,700	26,713,800
Other Appropriated Funds	320,200	360,800	317,000	317,000	317,000
Federal Funds	409,500	451,900	464,000	464,000	464,000
<b>TOTAL - ALL SOURCES</b>	<b>19,526,600</b>	<b>23,569,300</b>	<b>33,620,200</b>	<b>27,024,700</b>	<b>27,494,800</b>

**Program Description** — *The Secure Care program includes all costs associated with you in state-operated facilities except educational services. The program includes health care, diagnostic evaluations, treatment, security, physical plant operations and maintenance, and other costs. The department currently operates 3 facilities: Adobe Mountain School, Black Canyon School, and Catalina Mountain School.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$3,957,200	17.4%
Other Appropriated Funds	(43,800)	(12.1)%
Total Appropriated Funds	\$3,913,400	16.9%

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### *FY 1997 — JLBC Staff Recommended Changes from FY 1996*

#### Standard Changes

— Annualization of January 1996 Pay Adjustment	\$ 226,400 GF
— ERE Rates	155,300 GF
— Risk Management	176,700 GF
— Rent	22,000 GF

**3,159,200 GF**

#### Add 140 New Beds

The average daily population of youth in Department of Juvenile Corrections (DJC) secure facilities has grown continuously despite population limits established by the *Johnson vs. Upchurch (J vs. U)* consent decree. As allowed by Laws 1994, Chapter 201 (S.B. 1356), the courts have begun to commit youth for specific sentences. Preliminary data show that the courts often give sentences that are longer than commitment guidelines dictate. Also, DJC has begun using a length of stay guideline for youth not given a specific sentence. The population growth is due mainly to these factors.

The *J vs. U* consent decree population limits had been set below institutional design capacity, resulting in 20 vacant beds at Black Canyon School (BCS) and 72 vacant beds at Adobe Mountain School (AMS). To address the population growth, DJC sought permission earlier this year through the *J v. U* committee of consultants to begin using these vacant beds. The committee has allowed DJC to "re-open" these beds on a provisional basis. (A final hearing is set for February 2, 1996.) The agency has transferred 4th quarter FY 1996 monies to use in the 2nd and 3rd quarters to operate the beds, and has requested a supplemental appropriation to restore the 4th quarter monies. The JLBC Staff recommends a FY 1996 supplemental of 74 FTE Positions and \$1,822,900 for Secure Care and Education to repay the re-allocated monies. The Executive recommends 76.5 FTE Positions and \$1,841,000. The main differences are that the Executive has 2 more teacher positions and has used a formula for food costs which assumes a smaller Federal grant for food.

For FY 1997, the JLBC Staff recommends 66 FTE Positions and \$2,326,100 for Secure Care to operate these 92 beds. Additionally, a new housing unit is currently under construction at BCS which will have 48 new beds. The JLBC Staff recommends sufficient funding for a January 1, 1997 start-up date, including funding for pre-service training of institutional staff. The JLBC Staff recommends 38.5 FTE Positions and \$833,200 for these beds.

The table below shows the Secure Care division funding and staffing recommended for each phase of these bed expansions.

	<u>AMS-72</u>	<u>BCS-20</u>	<u>BCS-48</u>	<u>Total</u>
YCO I's	18.0	6.0	14.0	38.0
YCO II's	18.0	5.0	10.0	33.0
Other Cottage Staff	6.0	1.0	4.0	11.0
Other Staff	<u>9.0</u>	<u>3.0</u>	<u>10.5</u>	<u>22.5</u>
<b>Total FTE Positions</b>	<b>51.0</b>	<b>15.0</b>	<b>38.5</b>	<b>104.5</b>
Operating Funding	\$1,725,900	\$491,400	\$804,800	\$3,022,100
Food	47,700	13,200	15,900	76,800
WIPP	<u>37,400</u>	<u>10,400</u>	<u>12,500</u>	<u>60,300</u>
<b>Total Funding</b>	<b>\$1,811,000</b>	<b>\$515,000</b>	<b>\$833,200</b>	<b>\$3,159,200</b>

The Executive recommends 103 FTE positions and \$3,232,200 for the same new bed openings. While these recommendations include almost the same number of staff, there are some variations in ancillary positions recommended. Also, the Executive includes 6 FTE Positions in Secure Care which the JLBC Staff includes in Education while the JLBC Staff adds a total of 5.5 FTE Positions more agencywide for the new bed openings. The JLBC Staff's recommendation has \$42,700 less in Personal Services, \$13,800 more in ERE, \$14,900 less in All Other Operating Expenditures, and \$29,100 less in Food, for a total Secure Care recommendation that is \$72,900 below the Executive. (See also Education where the JLBC Staff Recommendation for new beds is higher than the Executive.)

**279,900 GF**

#### Salary Parity for YCO's and YPO's

The JLBC Staff recommends \$279,900 for salary adjustments to bring DJC salaries to the same level as the Department of Corrections (DOC) for certain positions. The amount adjusts the entry levels for the Youth Correctional Officer series and the Youth Program Officer series in DJC to equal the entry levels for the Correctional Service Officer and Program/Parole Officer series

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

in DOC. An adjustment was made last year to achieve parity, but the DOC positions received additional funding for a special pay scale that again left the DJC positions below DOC's entry levels. Salary parity will help reduce turnover and recruitment problems in DJC. The Executive does not address this issue.

### **Work Incentive Pay Program (WIPP)**

(43,800) OF 43,800 GF

State law and the consent decree stipulate certain work requirements for committed youth who are not in school. The General Fund will have to bear a greater share of this subprogram's costs, because the Parental Assessment and Restitution Fund's balance has been used up. Only the fund's annual revenue—about \$17,000—is now available to supplement the youth work stipends. (The policy issue for new beds, above, includes funding to provide the stipend for the increased population.) The rate is \$0.50 per hour for an average of 20 hours per week for each youth. The Executive concurs.

### **Outcome Evaluations**

7,300 GF

The JLBC Staff recommends eliminating \$(62,700) for the Special Line Item called "Program Evaluation" and adding \$70,000 for a new Special Line Item called "Outcome Evaluations" to ensure that evaluations measure program results. We also recommend a new footnote (text below) requiring DJC to study the delinquency patterns of youth during and after DJC treatment programs. Such studies should show which DJC programs result in the most improvement and benefit to youth. Both regular and special treatment programs may be studied. Funding is also provided for evaluations in Community Care. The Executive does not address this issue.

### **Boot Camp Annualization**

(113,400) GF

The Boot Camp program's opening date was delayed in FY 1996, so the amount needed for annualization in FY 1997 is reduced by \$(113,400). The Executive concurs.

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**1** *Program Authorization Review Recommendation* — The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the **Diagnostics** subprogram during the last year. As a result of that review, the JLBC Staff recommends retaining the program.

The intake diagnostics function, which is now called "Reception, Orientation, and Classification (ROC)," has 2 purposes. One is to inform the youth about DJC policies, treatment programs, and expectations. The second is to apply existing file data to the risk assessment and needs assessment instruments so as to classify youth and assign each to a treatment program that will address individual needs. Depending on the classification, a youth may be placed in any of a number of secure or community treatment programs. The treatment program staff, not ROC staff, then develop a full individual treatment plan for each youth. The agency has been changing its diagnostics and other reception-related functions over the last couple of years. As a result, measuring subprogram performance quantitatively was difficult. We did find that the agency has been moving toward a more streamlined process that reduces redundancy without compromising service quality.

The PAR's primary findings were that 1) the new process is more efficient than the old (with 1/3 to 1/5 fewer bed-days required in diagnostics now), and that 2) the agency did not track subprogram costs in a way that allowed it to provide a reasonable estimate of subprogram costs.

The Executive recommends modifying program requirements, but retaining current funding levels. The Executive desires that a monthly report be provided to the Governor's Office of Management and Budget to provide certain information on the juveniles who are being sent to DJC by the Juvenile Courts. The JLBC Staff believes that overall outcome evaluation reports, for which the JLBC Staff has recommended funding, will provide more useful information than the subprogram data requested by the Executive. The Executive also recommends that the Juvenile Courts be required to submit a standardized diagnostic psychological evaluation and educational assessment for each committed juvenile, and that DJC move to a cost accounting system that will enable it to track program costs.

**JLBC Staff Recommended Format** — Modified Lump Sum by Agency

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### *JLBC Staff Recommended Footnotes*

#### *Standard Footnotes*

- Twenty-five per cent of land earnings and interest from the State Charitable, Penal and Reformatories Land Fund shall be distributed to the Department of Juvenile Corrections, in compliance with Section 25 of the Enabling Act and with the Constitution, to be used for the support of state juvenile institutions and reformatories.

#### *New Footnotes*

- It is the intent of the Legislature that the Department of Juvenile Corrections shall use the \$70,000 provided for Outcome Evaluations to study the change in both frequency and severity of delinquent and delinquency-related behavior of youth who have been committed to the Department of Juvenile Corrections. The study should compare various treatment plans. Short-term results (up to 1 year past release from Secure Care) and long-term results (at least 2 years past release) should be studied. The Department of Juvenile Corrections shall design the studies and develop any outside contracts in consultation with the Directors of the JLBC Staff and OSPB. An initial report shall be presented to the President of the Senate, the Speaker of the House of Representatives, the Director of OSPB, and the Director of the JLBC Staff by November 1, 1997.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Department of Juvenile Corrections  
 PRIG: Community Care

JLBC: Karen Bock/Lorenzo  
 Martinez OSPB: John McCarthy

House Sub: Hart  
 Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	73.0	79.0	121.0	79.0	79.0
Personal Services	1,874,000	2,039,500	3,049,800	2,079,000	2,079,100
Employee Related Expenditures	522,500	595,500	1,012,900	560,900	558,600
All Other Operating Expenditures:					
Professional and Outside Services	18,400	19,000	49,000	19,000	19,000
Travel - In State	144,100	134,300	245,500	134,300	134,300
Other Operating Expenditures	381,900	409,200	583,400	440,700	433,800
Equipment	1,200	49,100	375,000	0	49,100
<b>OPERATING SUBTOTAL</b>	<b>2,942,100</b>	<b>3,246,600</b>	<b>5,315,600</b>	<b>3,233,900</b>	<b>3,273,900</b>
<b>SPECIAL LINE ITEMS</b>					
Community Services Contracts	7,573,600	9,854,800	15,785,000	9,854,800	9,854,800
Family Transition	65,400	118,200	189,500	124,100	125,100
Community Work Program	160,000	189,800	198,100	194,600	195,900
FY 1994-1995 Supplemental	787,500	0	0	0	0
Boot Camp	690,700	0	0	0	0
Outcome Evaluations	0	0	0	0	0
<b>PROGRAM TOTAL</b>	<b>12,219,300</b>	<b>13,409,400</b>	<b>21,488,200</b>	<b>13,407,400</b>	<b>13,489,700</b>
<b>BY FUND SOURCE</b>					
General Fund	11,819,300	13,109,400	21,188,200	13,107,400	13,189,700
Other Appropriated Funds	400,000	300,000	300,000	300,000	300,000
Federal Funds	564,300	688,300	151,600	151,600	151,600
<b>TOTAL - ALL SOURCES</b>	<b>12,783,600</b>	<b>14,097,700</b>	<b>21,639,800</b>	<b>13,559,000</b>	<b>13,641,300</b>

**Program Description** — *The Community Care program is responsible for the treatment of 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 both agency case managers and outside contracts, and other community services.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$80,300	0.6%
Other Appropriated Funds	-0-	0.0%
<b>Total Appropriated Funds</b>	<b>\$80,300</b>	<b>0.6%</b>



Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

*FY 1997 — JLBC Staff Recommended Changes from FY 1996*

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 52,600 GF
— ERE Rates	(36,900) GF
— Risk Management	24,600 GF

**Outcome Evaluations**

40,000 GF

The JLBC Staff recommends adding \$40,000 for a new Special Line Item called "Outcome Evaluations." We also recommend a new footnote (text below) requiring the Department of Juvenile Corrections (DJC) to study the delinquency patterns of youth during and after DJC treatment programs. Such studies should show which DJC programs result in the most improvement and benefit to youth. Funding for Outcome Evaluations is also recommended in Secure Care. The Executive does not address this issue.

\* \* \*

*JLBC Staff Recommended Format — Modified Lump Sum by Agency*

*JLBC Staff Recommended Footnotes*

*Deletion of Standard Footnotes*

- The JLBC Staff recommends deleting the footnote concerning the use of the Purchase of Care Special Line Item. This item has been renamed "Community Services Contracts" to clarify its purpose and to indicate that the funding is for contract services, not in-house programs.

*New Footnotes*

- It is the intent of the Legislature that the Department of Juvenile Corrections shall use the \$40,000 provided for Outcome Evaluations to study the change in both frequency and severity of delinquent and delinquency-related behavior of youth who have been committed to the Department of Juvenile Corrections. The study should compare various treatment plans. Short-term results (up to 1 year past release from Secure Care) and long-term results (at least 2 years past release) should be studied. The Department of Juvenile Corrections shall design the studies and develop any outside contracts in consultation with the Directors of the JLBC Staff and OSPB. An initial report shall be presented to the President of the Senate, the Speaker of the House of Representatives, the Director of OSPB, and the Director of the JLBC Staff by November 1, 1997.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Department of Juvenile Corrections  
 PRIG: Education

JLBC: Karen Bock/Lorenzo  
 Martinez OSPB: John McCarthy

House Sub: Hart  
 Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	67.0	67.0	89.0	79.0	84.0
Personal Services	2,330,300	2,326,200	2,942,700	2,639,000	2,763,600
Employee Related Expenditures	631,700	681,100	959,300	665,700	649,000
All Other Operating Expenditures:					
Professional and Outside Services	60,800	70,000	70,000	85,400	79,700
Travel - In State	18,400	20,000	20,000	20,000	20,000
Travel - Out of State	7,300	0	0	0	0
Food	200	0	0	0	0
Other Operating Expenditures	241,000	246,300	363,100	268,600	327,400
Equipment	87,900	0	134,800	0	0
<b>OPERATING SUBTOTAL</b>	<b>3,377,600</b>	<b>3,343,600</b>	<b>4,489,900</b>	<b>3,678,700</b>	<b>3,839,700</b>
<b>SPECIAL LINE ITEMS</b>					
Vocation and Transition Services	81,700	40,000	0	0	0
FY 1994-1995 Supplemental	25,900	0	0	0	0
<b>PROGRAM TOTAL</b>	<b>3,485,200</b>	<b>3,383,600</b>	<b>4,489,900</b>	<b>3,678,700</b>	<b>3,839,700</b>
<b>BY FUND SOURCE</b>					
General Fund	1,786,700	2,066,100	3,068,000	2,288,100	2,418,100
Other Appropriated Funds	1,698,500	1,317,500	1,421,900	1,390,600	1,421,600
Federal Funds	933,300	827,000	660,900	660,900	660,900
<b>TOTAL - ALL SOURCES</b>	<b>4,418,500</b>	<b>4,210,600</b>	<b>5,150,800</b>	<b>4,339,600</b>	<b>4,500,600</b>

**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. This program is its own special school system. It receives equalization assistance from the Arizona Department of Education, and is overseen by a special school board.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$352,000	17.0%
Other Appropriated Funds	104,100	7.9%
Total Appropriated Funds	\$456,100	14.6%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of January 1996 Pay Adjustment
- ERE Rates
- Risk Management

**\$ 32,900 GF**  
**(138,500) GF**  
**23,500 GF**

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

**Add 140 New Beds**

**578,200 GF**

The Department of Juvenile Corrections (DJC) will require additional teaching and recreation staff to maintain current student teacher ratios with the additional 140 beds. (See Secure Care for further discussion.) Work program staff are also added, to meet consent decree requirements. The table below shows the Education Division funding and staffing recommended for each phase of the expansions. (AMS=Adobe Mountain School; BCS=Black Canyon School; figures indicate number of beds.)

	<u>AMS-72</u>	<u>BCS-20</u>	<u>BCS-48</u>	<u>Total</u>
Teachers	5.0	2.0	3.0	10.0
Recreation Staff	2.0	0.0	1.0	3.0
Work Program Officers	2.0	0.0	2.0	4.0
Funding	\$362,000	\$98,000	\$118,200	\$578,200

These figures reflect 2 fewer teachers than would be needed to maintain current classroom sizes. DJC's ratio of administrators to teachers is extremely high, and we recommend that 2 teachers who are serving as administrators be returned to the classroom. Public schools in Arizona have 15.4 teachers for every administrator, on average, while DJC's school system has only 3.4 teachers per administrator. DJC's administrators include the following positions: Education Superintendent (1), Principals (3), Assistant Principals (4), and Lead Teachers (2).

In addition to the staff for the added beds, DJC requested additional General Fund monies for special education teachers. The JLBC Staff recommends that additional administrator positions be converted to teaching positions to provide sufficient special education staff. With the 10 new teachers, the ratio of teachers to administrators would be 5.4:1 if 2 administrators were converted to regular teachers; and would be 7.3:1 if 2 more administrative positions were converted to special education teachers.

The Executive recommends 12 FTE Positions and \$378,400 for the education program needs related to the new beds. This includes Teachers only. The Executive adds 3 Recreation and 3 Work Program staff in Secure Care. The Executive includes \$15,400 for testing services, but no funding for books, supplies, or other operating needs. The JLBC Staff amount includes \$9,600 for testing services and \$57,700 for Other Operating Expenditures. Also, the Executive does not address the problem of teacher/administrator ratios. In both recommendations, the positions are funded for 6 months.

**Equalization Assistance Funding**

**104,100 OF (104,100) GF**

The estimated equalization assistance amount has increased by \$104,100. Last year, DJC had reduced institutional populations to meet consent decree requirements, but now population has been rising.

For the third year, the Executive recommends changing the funding formula for this program so that all funding would be provided through Equalization Assistance and would be tied directly to attendance. For a district as small as the DJC school district, however, formula funding would still need to be supplemented with General Fund appropriations to support the bed expansions and population changes. Therefore, the JLBC Staff recommends retaining the current formula structure, which allows appropriations to be adjusted each year for population, program performance, or other policy considerations, and shows how much more funding DJC receives than it would as an ordinary school.

**Vocational and Transition Services**

**(40,000) GF**

This amount for special career exploration materials is eliminated. The items were purchased in FY 1995 and FY 1996. The Executive concurs.

\* \* \*

***JLBC Staff Recommended Format*** — Modified Lump Sum by Agency

***JLBC Staff Recommended Footnotes***

***Standard Footnotes***

- Prior to the expenditure of any Juvenile Education Fund receipts in excess of the appropriated amount shown above, the Department of Juvenile Corrections shall report the intended use of the monies to the Joint Legislative Budget Committee.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### *Other Issues for Legislative Consideration*

#### — Performance Measures

During the first quarter of FY 1996, based on standard tests administered to students as they enter and leave the DJC school system, DJC youth improved on average 1.3 months in reading and language skills for every month spent in Secure Care. With the FY 1998 Budget request on Schedule 4, DJC should report the grade level improvement scores by calendar quarter (non-cumulative) and for each year (cumulative) for FY 1995 and FY 1996. Scores for reading, math, and language should be included.

**LOTTERY COMMISSION**  
**(LOT)**

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Arizona State Lottery Commission

JLBC: Phil Case  
OSP: Pam Scharon

House Sub: Wong  
Senate Sub: Turner

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSP	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	129.0	122.0	121.0	121.0	121.0
Personal Services	3,345,200	3,487,900	3,649,400	3,525,500	3,508,900
Employee Related Expenditures	803,900	784,400	920,700	772,200	755,400
All Other Operating Expenditures:					
Professional and Outside Services	156,700	156,300	156,300	156,300	156,300
Travel - In State	180,100	174,700	185,400	180,100	174,700
Travel - Out of State	10,000	8,500	10,000	8,500	8,500
Other Operating Expenditures	1,171,300	1,655,900	1,367,300	1,372,100	1,402,300
Equipment	367,500	0	51,300	57,900	48,800
<b>OPERATING SUBTOTAL</b>	<b>6,034,700</b>	<b>6,267,700</b>	<b>6,340,400</b>	<b>6,072,600</b>	<b>6,054,900</b>
<b>SPECIAL LINE ITEMS</b>					
Instant Tickets	1,973,900	1,985,500	2,491,500	1,719,900	2,392,500
Advertising	10,765,400	10,819,000	11,000,000	9,941,900	9,879,000
On-Line Vendor Fees	6,415,100	10,260,000	6,746,000	6,746,000	6,560,700
Retailer Commissions	15,223,200	17,880,000	19,362,000	16,122,000	16,020,000
Sales Incentive Program	0	50,000	80,000	50,000	50,000
Multi-State Lottery Operations	125,600	0	0	0	0
Telecommunications	1,850,000	1,926,300	1,816,600	1,816,600	1,816,600
<b>AGENCY TOTAL</b>	<b>42,387,900</b>	<b>49,188,500</b>	<b>47,836,500</b>	<b>42,469,000</b>	<b>42,773,700</b>
<b>BY FUND SOURCE</b>					
Other Appropriated Funds	42,387,900	49,188,500	47,836,500	42,469,000	42,773,700
Other Non-Appropriated Funds	151,208,400	161,550,000	161,550,000	161,550,000	145,305,600
<b>TOTAL - ALL SOURCES</b>	<b>193,596,300</b>	<b>210,738,500</b>	<b>209,386,500</b>	<b>204,019,000</b>	<b>188,079,300</b>

**Agency Description** — *The Arizona Lottery is currently responsible for the administration of 4 state-sanctioned games of chance:*

- *the Lotto — players attempt to match 6 of 42 balls in a bi-weekly drawing for a minimum jackpot of \$1 million and lower tier prizes.*
- *Fantasy Five — players attempt to match 5 of 35 balls in drawings for jackpots of \$50,000 and lower tier prizes.*
- *Powerball — a multi-state game played in 21 states and the District of Columbia; players attempt to match 5 of 45 balls plus 1 of 45 balls in a bi-weekly drawing for a minimum jackpot of \$2 million and lower tier prizes.*
- *Instant Tickets — players attempt to win immediate cash and retail prizes of up to \$30,000.*

*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 the Local Transportation Assistance Fund - Mass Transit. A portion of the unclaimed prizes support the Court Appointed Special Advocate (CASA) program.*

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
Other Appropriated Funds	\$(6,414,800)	(13.0)%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 40,100 OF
— ERE Rates	(29,300) OF
— Risk Management	19,500 OF
— Elimination of One-time Other Operating Expenditures for Telephone System	(293,100) OF

**New Computer Equipment and Software**

68,800 OF

The recommended amount includes \$48,800 for 20 new personal computers and \$20,000 for tape management software. The personal computers will complete the conversion of the agency's system from Apple to IBM-based computers. The Lottery will be able to save on maintenance costs by having to maintain only 1 type of computer and will be able to increase work efficiency through improved communication and compatibility. The tape management software was recommended in a recent annual audit by a consulting firm. The Lottery has accumulated a significant number of tapes containing historical data and has difficulty retrieving data on a timely basis. In the past, data files have been inadvertently erased due to the lack of a sufficient cataloging system. The new software would allow personnel to quickly and accurately retrieve and utilize data for management, auditing, and planning purposes. The Executive concurs.

**Eliminate 1 Customer Service Position**

(18,800) OF

At the beginning of FY 1996, the Lottery installed a new phone system which includes an automated customer information system. As a result of the new system, the agency is able to eliminate 1 customer service position which previously had been needed to answer phones. The reduction includes \$(14,400) in Personal Services and \$(4,400) in Employee Related Expenditures. The Executive concurs.

**Telecommunications Special Line Item**

(109,700) OF

The Lottery has signed a new contract for phone line charges for its on-line game terminals. The new contract includes a reduction of approximately \$47 per terminal for the year. The Executive concurs.

**Sales Related Adjustments**

Recommended changes to the following Special Line Items are based upon the JLBC Staff's FY 1997 Lottery sales estimates:

Lotto	\$87,000,000
Powerball	77,000,000
Fantasy Five	<u>16,000,000</u>
Subtotal - On-line Games	180,000,000
Instant Tickets	<u>87,000,000</u> <sup>1/</sup>
<b>TOTAL</b>	<b><u>\$267,000,000</u></b>

<sup>1/</sup> Includes \$9,000,000 from dedicated Economic Development games.

**Instant Tickets Special Line Item**

407,000 OF

The recommended amount is based on the rate of \$22 per 1,000 tickets printed. The amount funds the printing of 108,750,000 tickets (125% of the estimated FY 1997 sales level of 87,000,000). Historically, about one quarter of all instant tickets printed go unsold. The recommended increase is based on the JLBC Staff's estimated increase in instant ticket sales (\$87,000,000 in FY 1997 versus \$70,000,000 in FY 1996). The Executive recommends a decrease of \$(265,600) based on estimated FY 1997 sales of \$71,100,000 and a smaller percentage of unsold tickets.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### Advertising Special Line Item

(940,000) OF

The recommended amount is based on 3.7% of the JLBC Staff's FY 1997 total sales estimate of \$267,000,000. By statute, a maximum of 4% of sales can be appropriated for advertising. Historically, the full 4% has been appropriated; however, for FY 1996, the Legislature cut the appropriations rate to 3.7% of sales or a maximum of \$11,000,000. The cut was based on the assumption that Lottery sales had reached a level where the marginal impact of a dollar's worth of advertising had diminished. The recommended reduction is based on the JLBC Staff's estimated reduction in sales (\$267,000,000 in FY 1997 versus \$298,000,000 in FY 1996). The Executive recommends a decrease of \$(877,100) based on estimated FY 1997 sales of \$268,700,000.

### On-Line Vendor Fees Special Line Item

(3,699,300) OF

On-line vendor fees are paid to the contractor that operates Lotto, Powerball, and Fantasy Five for the Lottery. Beginning in FY 1996, the contractor will also operate the automated accounting system for instant ticket games. For FY 1997, the JLBC Staff estimates contract costs will average 2.46% of total Lottery sales. At the time the FY 1996 appropriation was enacted, the on-line vendor contract was being re-bid and it was thought that the cost might rise as high as 7% of sales. Ultimately, the Legislature appropriated 4.5% of sales. The recommended reduction is based on the lower contract percentage (2.46% versus 4.5%) and the JLBC Staff's estimated reduction in sales (\$267,000,000 in FY 1997 versus \$298,000,000 in FY 1996). The Executive recommends a decrease of \$(3,514,000) based on estimated FY 1997 sales of \$268,700,000.

### Retailer Commissions

(1,860,000) OF

Retailers who sell Lottery chances are paid 6% of their gross ticket sales. The recommended amount is based on the JLBC Staff's estimated reduction in sales (\$267,000,000 in FY 1997 versus \$298,000,000 in FY 1996). The Executive recommends a decrease of \$(1,758,000) based on estimated FY 1997 sales of \$268,700,000.

\* \* \*

### *JLBC Staff Recommended Format* — Operating Lump Sum with Special Line Items by Agency

#### *JLBC Staff Recommended Footnotes*

##### *Standard Footnotes*

- If instant ticket sales exceed \$87,000,000, amounts above \$2,392,500 may be expended at the rate of \$22.00 per 1,000 tickets purchased.
- In addition to the amounts shown above, an amount equal to 3.7% of net Lottery game sales, but no more than \$11,000,000, 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 \$9,879,000.
- In addition to the amounts shown above for the operating budget, 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 \$16,020,000.
- Notwithstanding A.R.S. § 35-173C, any transfer to or from the amounts appropriated for Instant Tickets, Telecommunications, Advertising, Retailer Commissions, On-Line Vendor Fees, and Sales Incentive Program shall require approval of the Joint Legislative Budget Committee.
- If the number of on-line terminals exceeds 2,350, amounts above \$1,816,600 may be expended at the average rate of \$63.50 per additional terminal per month, up to the allowable terminals set forth in contract.

##### *Continuation of New FY 1996 Footnotes*

- The Lottery Commission shall transmit quarterly reports on the distribution of all tickets and passes for events to the Speaker of the House of Representatives, the President of the Senate, the Chairmen of the House and Senate



## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

Appropriations Committees, and the Director of the Joint Legislative Budget Committee. The report shall include the name of each individual receiving each ticket, the individual's title and affiliation, a description of the event, the date of the event and the cash value of the ticket.

### *Modification of Prior Year Footnotes*

- An amount equal to ~~4.5%~~ a percentage of net Lottery game sales as determined by the matrix set forth in contract is appropriated for payment of fees to the on-line vendor. This amount is currently estimated to be ~~\$10,260,000~~ \$6,560,700 or 2.46% of sales. ~~Prior to the signing of an on-line vendor contract for an amount greater than 4.5% of sales, the Lottery Commission shall present the terms of the contract to the Joint Legislative Budget Committee for its review.~~ *(The change in language reflects the terms of the new contract which has been signed.)*

### *Deletion of Prior Year Footnotes*

- The JLBC Staff recommends deleting the one-time footnote concerning the development of the Sales Incentive Program.
- The JLBC Staff recommends deleting the footnote stating that the commission is not required to expend all of its appropriated monies. This language is not necessary since no agency is required to literally expend all its funds.

**DEPARTMENT OF PUBLIC SAFETY  
(DPS)**

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Public Safety  
Agency Summary

JLBC: Jason Hall/Jim Hillyard  
OSP: Lori Sheen

House Sub: Hart  
Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSP	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Service Bureau	34,747,000	37,286,800	42,483,500	43,955,900	42,962,000
Criminal Investigations Bureau	16,251,400	22,760,000	17,981,800	17,691,200	17,826,600
Highway Patrol Bureau	33,921,300	36,387,900	35,969,400	38,361,400	38,444,800
<b>AGENCY TOTAL</b>	<b>84,919,700</b>	<b>96,434,700</b>	<b>96,434,700</b>	<b>100,008,500</b>	<b>99,233,400</b>
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	1,533.0	1,592.0	1,592.0	1,590.0	1,570.0
Personal Services	54,742,300	58,650,500	59,600,700	59,257,300	60,821,800
Employee Related Expenditures	11,813,500	12,667,800	13,015,300	12,111,100	13,063,100
All Other Operating Expenditures:					
Professional and Outside Services	294,000	387,800	387,800	387,800	387,800
Travel - In State	483,700	521,600	521,600	520,600	521,600
Travel - Out of State	163,100	144,700	144,700	139,700	144,700
Other Operating Expenditures	11,916,400	13,574,100	13,623,000	13,378,400	13,312,200
Equipment	2,761,800	2,182,100	2,182,100	7,107,300	4,022,600
<b>OPERATING SUBTOTAL</b>	<b>82,174,800</b>	<b>88,128,600</b>	<b>89,475,200</b>	<b>92,902,200</b>	<b>92,273,800</b>
Special Line Items	2,744,900	8,306,100	6,959,500	7,106,300	6,959,600
<b>AGENCY TOTAL</b>	<b>84,919,700</b>	<b>96,434,700</b>	<b>96,434,700</b>	<b>100,008,500</b>	<b>99,233,400</b>
<b>BY FUND SOURCE</b>					
General Fund	37,261,400	43,272,700	54,572,700	45,902,900	55,160,700
Other Appropriated Funds	47,658,300	53,162,000	41,862,000	54,105,700	44,072,700
Other Non-Appropriated Funds	26,005,200	20,435,200	24,985,200	24,985,200	19,811,300
Federal Funds	5,110,300	6,419,800	5,173,900	5,173,900	5,173,900
<b>TOTAL - ALL SOURCES</b>	<b>116,035,200</b>	<b>123,289,700</b>	<b>126,593,800</b>	<b>130,167,700</b>	<b>124,218,600</b>

**Agency Description** — *The Department of Public Safety (DPS) is responsible for the enforcement of state criminal laws and traffic regulations. In addition to the Highway Patrol, DPS operates and maintains statewide communications systems, state crime laboratories and an automated fingerprint network, and performs aviation missions, special investigations, and other law enforcement activities.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$11,888,000	27.5%
Other Appropriated Funds	(9,089,300)	(17.1)%
Total Appropriated Funds	\$ 2,798,700	2.9%

Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

*FY 1997 — JLBC Staff Recommended Changes from FY 1996*

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$	824,100	GF
— ERE Rates		31,300	GF
— Risk Management		(254,000)	GF
— Rent		(7,900)	GF
— Elimination of One-time Equipment		(359,300)	GF

**AFIN FTE Shift** \$ 110,700 OF (110,700) GF

**New Equipment** 2,199,800 GF

**GITEM Reorganization** -0- GF

See Criminal Investigations Bureau and Highway Patrol Bureau for a discussion of a proposal to reorganize the Gang Intelligence Team Enforcement Mission (GITEM) which will allow additional resources to be devoted to state highway patrol.

**DPS Special Pay Plan** 364,700 GF

The department's FY 1994 appropriation included a special pay plan with built-in step promotions for sworn officers, based on longevity and testing. These officers move from Cadet through the classifications of Officer I, II, and III. The JLBC Staff recommends continued funding for the pay plan in the amount of \$364,700 for all increased Personal Services and Employee Related Expenditures costs associated with the expected promotions. This amount will also annualize the promotions of 111 officers and provide adequate funding for the promotions of another 60 officers as they become eligible over the course of the year. This pay plan has no effect on sworn officer classifications above Officer III. The Executive concurs in the amount of \$361,300.

**HURF/Highway Funds** (10,000,000) OF 10,000,000 GF

Highway User Revenue Funds (HURF) are collected from various highway-related taxes and fees, including the Motor Vehicle License Tax. These revenues are then distributed to the cities, counties, and state. The state's portion is deposited to the Highway Fund. Monies in the Highway Fund are further distributed to several sources and are ultimately used for highway construction throughout the state. For a complete description of these funds, please see the pages related to the Department of Transportation.

Laws 1995, Chapter 3, 1st Special Session altered an existing schedule in A.R.S. § 28-1598 and A.R.S. § 28-1822, which limits the amount of HURF and Highway Fund monies available to DPS for funding highway patrol costs. In accordance with current law, the JLBC Staff recommends reducing the HURF/Highway Fund appropriation by \$(10,000,000) and increasing the General Fund appropriation by a like amount.

The Executive does not recommend following the decrease in HURF and Highway Fund monies available to DPS, as required by current law.

**Maricopa County Auto License** 2,100,000 OF (2,100,000) GF

The JLBC Staff recommends a one-time shift of General Fund monies to the Department of Transportation to complete the purchase of the Maricopa County Auto License operation. Laws 1995, Chapter 244, reduced the DPS General Fund appropriation by \$(5,000,000) and increased the Highway Fund contribution by a like amount. These General Fund savings were then used as the initial down payment to purchase Maricopa County's Auto License operation. The additional cost of this purchase has subsequently been determined as \$2,100,000.

The JLBC Staff recommends utilizing the same type of Chapter 244 fund shift to finance the remaining \$2,100,000 cost of the Auto License operation. The DPS General Fund appropriation would decline by \$(2,100,000) and the Highway Fund contribution would increase by the same amount. The \$2,100,000 savings would then be used in the Capital Bill to finalize the Auto License purchase. When combined with the prior policy issue, the total HURF/Highway Fund appropriation would equal \$37,100,000 (see table below). Of this amount, \$17,500,000 would be from HURF and \$19,600,000 would be from the Highway Fund.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

The Executive concurs with this shift in the amount of \$3,000,000 due to a difference in the estimate of the final purchase price.

The table below defines the decreasing amounts of HURF and Highway Fund monies which may be appropriated to DPS in each of the next several years. Without other budget adjustments, adhering to this schedule will increase the department's need for General Fund monies on a dollar for dollar basis.

	<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	20,000,000	25,000,000 <sup>1/</sup>	45,000,000
FY 1997 - Current Law	17,500,000	17,500,000	35,000,000
FY 1997 - JLBC Rec.	17,500,000	19,600,000	37,100,000
FY 1997 - Gov's Rec.	20,000,000	27,025,200	47,025,200
FY 1998	15,000,000	15,000,000	30,000,000
FY 1999	12,500,000	12,500,000	25,000,000
FY 2000	10,000,000	10,000,000	20,000,000

<sup>1/</sup> Laws 1995, Chapter 244, 1st Regular Session transferred \$5,000,000 from the Lump Sum appropriation of General Fund dollars for DPS back to the General Fund. This legislation then required the transfer of \$5,000,000 in additional State Highway Fund dollars to DPS. Thus, total DPS funding did not change due to this legislation, but the actual FY 1996 appropriation of State Highway Fund dollars to DPS totals \$25,000,000.

**Highway Patrol Fund** (1,300,000) OF 1,300,000 GF  
 In FY 1997, revenue estimates indicate a \$(1,300,000) decrease in available Highway Patrol Fund dollars. The JLBC Staff recommends offsetting this reduction with General Funds. For further explanation of this recommended change, please see narrative in the Highway Patrol Bureau. The Executive concurs.

**DPS Reorganization Transfer** -0- OF -0- GF  
 During FY 1995, DPS began the first phase of an internal reorganization to better associate individual programs and functions with their main area of emphasis; Service, Criminal Investigations, or Highway Patrol. All changes have been made for internal reasons and the scope of DPS services will not be impacted. Also, these personnel and funding transfers have no net impact on the department's budget.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

**Standard Footnotes**

— Any monies remaining in the Department of Public Safety Joint Account on June 30, 1997 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 \$99,233,400 appropriated above, any balance and receipts received under A.R.S. § 28-1891, are appropriated to the Department of Public Safety. *(This allows the department to expend additional revenues from the sales of goods and services deposited into the Highway Patrol Fund.)*

**Continuation of New FY 1996 Footnotes**

— The sums appropriated, with the exception of the \$1,472,700 appropriated from the Criminal Justice Enhancement Fund, shall be deposited in the Department of Public Safety Joint Account for the purposes provided.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Department of Public Safety  
 PROG: Service Bureau

JLBC: Jason Hall/Jim Hillyard  
 OSPB: Lori Sheen

House Sub: Hart  
 Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	527.0	527.0	604.0	602.0	604.0
Personal Services	17,055,400	17,939,100	21,769,400	21,570,800	21,708,200
Employee Related Expenditures	3,983,900	4,221,300	5,069,400	4,659,900	4,950,900
All Other Operating Expenditures:					
Professional and Outside Services	255,900	350,100	362,100	362,100	362,100
Travel - In State	168,200	167,000	192,000	191,000	192,000
Travel - Out of State	101,400	84,900	102,900	97,900	102,900
Other Operating Expenditures	10,773,700	12,803,100	13,266,400	13,021,800	12,955,600
Equipment	554,300	359,300	359,300	2,472,000	1,217,600
<b>OPERATING SUBTOTAL</b>	<b>32,892,800</b>	<b>35,924,800</b>	<b>41,121,500</b>	<b>42,375,500</b>	<b>41,489,300</b>
<b>SPECIAL LINE ITEMS</b>					
Automated Fingerprint Identification Network	1,854,200	1,362,000	1,362,000	1,580,400	1,472,700
<b>PROGRAM TOTAL</b>	<b>34,747,000</b>	<b>37,286,800</b>	<b>42,483,500</b>	<b>43,955,900</b>	<b>42,962,000</b>
<b>BY FUND SOURCE</b>					
General Fund	21,777,400	22,112,700	37,590,900	28,311,700	26,765,400
Other Appropriated Funds	12,969,600	15,174,100	4,892,600	15,644,200	16,196,600
Other Non-Appropriated Funds	19,508,500	14,445,700	18,937,500	13,763,600	13,763,600
Federal Funds	5,110,300	6,419,800	5,173,900	5,173,900	5,173,900
<b>TOTAL - ALL SOURCES</b>	<b>59,365,800</b>	<b>58,152,300</b>	<b>66,594,900</b>	<b>62,893,400</b>	<b>61,899,500</b>

*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 Service Bureau also operates the Department's 3 crime labs which aid in the investigation and prosecution of state, county and city criminal cases.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$4,652,700	21.0%
Other Appropriated Funds	1,022,500	6.7%
Total Appropriated Funds	\$5,675,200	15.2%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of January 1996 Pay Adjustment
- ERE Rates

**\$ 365,000 GF**  
**(12,900) GF**

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

- Risk Management (254,000) GF
- Rent (7,900) GF
- Elimination of One-time Equipment (359,300) GF

### DPS Pay Plan Promotion Costs

138,100 GF

The Department of Public Safety (DPS) Pay Plan approved in FY 1993 has built-in step promotions for sworn officers, based on longevity and testing. These officers move from Cadet through the classifications of Officer I, II, and III. The promotions approved under this plan, which have not yet been funded and will occur during FY 1997, total \$138,100 for Personal Services and Employee Related Expenditures. The Executive recommends \$136,900 in funding for the DPS pay plan.

### Automated Fingerprint Identification Network (AFIN)

110,700 OF (110,700) GF

The department maintains a central fingerprint repository via computer network. Several local law enforcement agencies have the capacity to directly access this system, while the majority must submit arrest information directly to DPS and request searches of known criminals listed in the system. The AFIN is funded by Criminal Justice Enhancement Fund (CJEF) monies specifically dedicated to supporting the fingerprint network. The Staff's recommendation reflects the transfer of funding for 2 AFIN administrative FTEs from the General Fund to the AFIN fund. The Executive concurs.

### Communications Equipment

1,217,600 GF

DPS operates a statewide telecommunications system. This communications network links officers to dispatch centers and other law enforcement agencies in the state. In addition, this system is used by other state agencies such as the Department of Transportation, Arizona Game and Fish Department, Arizona State Parks Board, State Land Department, State Department of Corrections, Arizona Department of Agriculture, and the Veterans' Memorial Coliseum, as well as the Arizona Army National Guard. While each of these organizations may maintain their own individual pieces of equipment (such as microwaves which relay messages at various points along a communication path), DPS is responsible for establishing, repairing, and replacing items such as the base stations which support the individual equipment pieces used by each of these agencies. In light of this arrangement, the JLBC Staff recommends \$437,600 in one-time funding to replace 2 DPS microwave paths, 20 base stations, 10 emergency battery units, and 1 snowcat (vehicle capable of maneuvering on ice and snow) for clearing winter communications sites. These base stations and the snowcat will benefit all the organizations tied to this system.

Every DPS officer is equipped with a mobile car radio for communicating with dispatch and a portable radio which the officer wears as a part of the uniform for communicating when outside of the vehicle. The JLBC Staff recommends additional one-time funding in the amount of \$780,000 to replace 230 mobile radios and 160 portable radios. This recommendation funds the replacement of every mobile radio aged 10 years or more and every portable radio aged 7 years or more, reflecting what the department considers to be the useful life of each device. The Executive recommends \$2,472,000 for communications equipment.

### DPS Reorganization Transfers

\$911,800 OF 3,676,800 GF

At the end of FY 1995, DPS began the first phase of an internal reorganization. This action transfers the State Crime Lab and polygraph testing functions from the Criminal Investigations Bureau and the operations staff, tow truck, and school bus inspections functions from the Highway Patrol Bureau to the Service Bureau. These personnel and funding transfers have no net impact on the department's budget. The Executive recommends the transfer of \$4,545,500.

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### *JLBC Staff Recommended Format* — Operating Lump Sum with Special Line Items by Agency

#### *Other Issues for Legislative Consideration*

##### — Crime Laboratory Fees

DPS currently expends \$3,700,000 annually on its crime laboratory. The laboratory provides services free of charge to federal, state, and local organizations. Local jurisdictions currently account for 66.6% of the lab's total workload. There has been recent legislative interest in charging local jurisdictions a fee for lab services. This would encourage local jurisdictions to use these resources efficiently and finance a portion of the laboratory's technical equipment.

As the implications of any laboratory fee policy are far reaching, the Staff has not made lab fees a part of its recommendation. When crafting a crime lab policy, it is important to balance the policy's revenue generating potential and efficiency incentive against its effect on local jurisdictions and the administrative requirements placed on the

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

Department. In addition, it is important to note that a county's proximity to California or Mexico has an impact on its crime rate and therefore on lab usage. In some cases, because these counties act as "ports of entry," local jurisdictions may intercept a disproportionately large amount of drugs and stolen goods bound for other counties.

Of the numerous possible lab fee policies, the Staff's research indicates a *per test graduated fee billed retroactively* would provide the best mix of balance and flexibility. This policy would use the broadest possible definitions of "test" and graduated fees, considering each broad category of analysis one test and assigning one fee. Under this policy, therefore, all toxicology analysis performed would carry a fee of \$X and all drug analysis performed would carry a fee of \$Y. This would allow the legislature to provide a greater efficiency incentive for certain types of tests while minimizing the cost of others. In addition, the use of retroactive billing would assess each year's fees based on the prior year's usage. This eliminates the possibility that one large case could deplete an agency's laboratory services budget in mid-year. As this policy bills once per year and uses some data the department is already collecting, administrative costs are minimized. The Executive does not address this issue.



**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Department of Public Safety  
 PROG: Criminal Investigations Bureau

JLBC: Jason Hall/Jim Hillyard  
 OSPB: Lori Sheen

House Sub: Hart  
 Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	309.0	358.0	298.0	298.0	247.0
Personal Services	11,781,000	12,640,400	10,082,100	10,033,400	10,062,500
Employee Related Expenditures	2,336,900	2,519,100	2,036,200	1,865,900	2,011,200
All Other Operating Expenditures:					
Professional and Outside Services	32,400	10,000	2,000	2,000	2,000
Travel - In State	90,500	113,400	98,400	98,400	98,400
Travel - Out of State	44,600	37,600	25,600	25,600	25,600
Other Operating Expenditures	660,600	495,400	140,000	140,000	140,000
Equipment	414,700	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>15,360,700</b>	<b>15,815,900</b>	<b>12,384,300</b>	<b>12,165,300</b>	<b>12,339,700</b>
<b>SPECIAL LINE ITEMS</b>					
Project GITEM	890,700	6,944,100	5,597,500	5,525,900	5,486,900
<b>PROGRAM TOTAL</b>	<b>16,251,400</b>	<b>22,760,000</b>	<b>17,981,800</b>	<b>17,691,200</b>	<b>17,826,600</b>
<b>BY FUND SOURCE</b>					
General Fund	14,670,100	21,160,000	16,981,800	16,691,200	16,226,600
Other Appropriated Funds	1,581,300	1,600,000	1,000,000	1,000,000	1,600,000
Other Non-Appropriated Funds	1,378,500	1,600,000	1,500,000	1,500,000	1,500,000
<b>TOTAL - ALL SOURCES</b>	<b>17,629,900</b>	<b>24,360,000</b>	<b>19,481,800</b>	<b>19,191,200</b>	<b>19,326,600</b>

**Program Description** — *The Criminal Investigation Bureau investigates narcotics and organized crime, performs various specialized investigations, provides support to local law enforcement agencies, and performs several intergovernmental staff functions.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$(4,933,400)	(23.3)%
Other Appropriated Funds	-0-	0.0%
Total Appropriated Funds	\$(4,933,400)	(21.7)%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of January 1996 Pay Adjustment
- ERE Rates

\$ 140,100 GF  
 10,500 GF

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

**DPS Pay Plan Promotion Costs**

50,000 GF

The DPS Pay Plan approved in FY 1993 has built-in step promotions for sworn officers, based on longevity and testing. These officers move from Cadet through the classifications of Officer I, II, and III. The promotions approved under this plan, which have not yet been funded or will occur during FY 1997, total \$50,000 for Personal Services and Employee Related Expenditures. The Executive concurs in the amount of \$49,300.

**G.I.T.E.M. Reorganization/Transfer to Highway Patrol**

(1,457,200) GF

The JLBC Staff's recommended reorganization of the "Gang Intelligence Team Enforcement Mission" (GITEM) program represents a shift away from increased state anti-gang enforcement in favor of providing greater anti-gang resources to local law enforcement agencies. While DPS has a legitimate role in anti-gang enforcement, its function should focus on coordination rather than day-to-day patrolling of neighborhoods. Of the total \$6,944,100 appropriation, \$1,457,200 would be transferred to the Highway Patrol Bureau for greater statewide highway enforcement.

**Current and Recommended GITEM Expenditures**

	<u>Current</u>	<u>Executive Recommendation</u>	<u>JLBC Recommendation</u>	<u>Difference (JLBC - Current)</u>
Aid to Local Law Enforcement	\$1,975,500	\$1,650,500	\$4,059,400	\$2,083,900
Enforcement/Intelligence/Training	<u>4,968,600</u>	<u>3,875,400</u>	<u>1,427,500</u>	<u>(3,541,100)</u>
Subtotal GITEM Expenditures	6,944,100	5,525,900	5,486,900	(1,457,200)
Transfer to Highway Patrol	<u>0</u>	<u>0</u>	<u>1,457,200</u>	<u>1,457,200</u>
<b>Total</b>	<u>\$6,944,100</u>	<u>\$5,525,900</u>	<u>\$6,944,100</u>	<u>\$ 0</u>

Currently, the department expends the majority of its \$6,944,100 GITEM appropriation on enforcement efforts, in which DPS officers patrol the same neighborhoods as Phoenix and Tucson Police Department anti-gang officers. The Department also currently provides \$1,975,500 in aid to local anti-gang enforcement. The JLBC Staff recommendation would provide an additional \$2,083,900 in local grants for a total of \$4,059,400. We believe this recommendation is in line with the original anti-gang enforcement proposal: to enhance local efforts at law enforcement rather than utilize a state police force to address the problem. The JLBC Staff also recommends a local Maintenance of Effort (MOE) requirement to ensure that these new state funds do not simply supplant existing local efforts (see footnote below).

The recommendation also includes funding of \$1,427,500 for DPS' continued coordination role. This amount maintains funding for the department's 8 Gang Intelligence Specialists, funds 1 Training Coordinator and 5 Gang Enforcement Trainers, and provides \$250,000 for the maintenance and expansion of the gang intelligence database. The Intelligence Specialists and database will allow DPS, working in conjunction with local agencies, to continue collecting and analyzing gang intelligence for training and strategic use. The Training positions will enable DPS to act as a facilitator for anti-gang training in urban areas and as a direct provider of training in rural areas throughout the state. DPS would coordinate intensive training sessions for local agencies that would take advantage of GITEM's intelligence resources and the enforcement experience of the existing anti-gang squads in the Phoenix and Tucson Police Departments as possible. Those local agencies unable to spare manpower for visits to these cities for training could request training in their area by the 5 State Gang Enforcement Trainers.

Finally, the reorganization would transfer \$1,457,200 in the form of 28 experienced officers and 45 low mileage Ford Crown Victorias to the Highway Patrol Bureau. This reallocation would aid the department in the performance of its primary mission of keeping Arizona's roads and highways safe and avoid the \$1,147,500 expenditure needed for 45 new vehicles.

In sum, therefore, the JLBC Staff's recommended reorganization would increase anti-gang funding to municipalities, maintain GITEM's training and intelligence functions, and provide needed resources to the Highway Patrol Bureau at no additional cost to the state.

The Executive recommends a \$(1,418,200) reduction, including a \$(325,000) reduction in aid to local law enforcement, but does not recommend any reorganization of GITEM. The JLBC Staff and Executive recommend very similar amounts (\$5.5 million) for total enforcement efforts. The mix of direct state and local aid, however, is substantially different. As noted above, the JLBC Staff shifts \$2.1 million into additional local assistance, while the Executive reduces local aid by \$325,000.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### Reorganization Transfers

(3,676,800) GF

At the end of FY 1995, DPS began the first phase of an internal reorganization. This action transfers the State Crime Lab and polygraph testing functions to the Service Bureau, the Bomb Technicians function to the Highway Patrol Bureau, and transfers the Vehicle Theft Interdiction Squad from the Highway Patrol Bureau to the Criminal Investigations Bureau. These personnel and funding transfers have no net impact on the department's budget. The Executive recommends the transfer of \$3,646,900.

\* \* \*

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

### *JLBC Staff Recommended Footnotes*

#### *New Footnotes*

- Receipt of State anti-gang grants by local agencies is contingent upon the local government maintenance of current anti-gang expenditures at the FY 1995 level. *(This footnote is intended to ensure that the greater level of state grants will not supplant the existing local effort.)*

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Department of Public Safety  
 PROG: Highway Patrol Bureau

JLBC: Jason Hall/Jim Hillyard  
 OSPB: Lori Sheen

House Sub: Hart  
 Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	697.0	707.0	690.0	690.0	719.0
Personal Services	25,905,900	28,071,000	27,749,200	27,653,100	29,051,100
Employee Related Expenditures	5,492,700	5,927,400	5,909,700	5,585,300	6,101,000
All Other Operating Expenditures:					
Professional and Outside Services	5,700	27,700	23,700	23,700	23,700
Travel - In State	225,000	241,200	231,200	231,200	231,200
Travel - Out of State	17,100	22,200	16,200	16,200	16,200
Other Operating Expenditures	482,100	275,600	216,600	216,600	216,600
Equipment	1,792,800	1,822,800	1,822,800	4,635,300	2,805,000
<b>PROGRAM TOTAL</b>	<b>33,921,300</b>	<b>36,387,900</b>	<b>35,969,400</b>	<b>38,361,400</b>	<b>38,444,800</b>

**BY FUND SOURCE**

General Fund	813,900	0	0	900,000	12,168,700
Other Appropriated Funds	33,107,400	36,387,900	35,969,400	37,461,500	26,276,100
Other Non-Appropriated Funds	5,118,200	4,389,500	4,547,700	4,547,700	4,547,700
<b>TOTAL - ALL SOURCES</b>	<b>39,039,500</b>	<b>40,777,400</b>	<b>40,517,100</b>	<b>42,909,200</b>	<b>42,992,500</b>

**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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$12,168,700	-
Other Appropriated Funds	(10,111,800)	(27.8)%
Total Appropriated Funds	\$2,056,900	5.7%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of January 1996 Pay Adjustment
- ERE Rates

\$ 319,000 GF  
 33,700 GF

**DPS Pay Plan Promotion Costs**

The DPS Pay Plan approved in FY 1993 has built-in step promotions for sworn officers, based on longevity and testing. These officers move from Cadet through the classifications of Officer I, II, and III. The promotions approved under this plan, which have not yet been funded or will occur during FY 1997, total \$176,600 for Personal Services and Employee Related Expenditures. The Executive concurs in the amount of \$175,100.

176,600 GF

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

**Patrol Vehicles** 982,200 GF  
The JLBC Staff recommends the replacement of 155 patrol vehicles. Of this amount, 110 are replaced through a combination of \$1,822,800 in funding appropriated for vehicles in FY 1996 and retained in the current year, and \$982,200 in additional vehicle funding for FY 1997. The remaining 45 vehicles would be reallocated from the Criminal Investigations Bureau to the Highway Patrol Bureau as a result of the Staff's recommendation to reorganize the "Gang Intelligence Team Enforcement Mission" (GITEM) (see Criminal Investigations Bureau narrative for further explanation). These 45 vehicles are Ford Crown Victorias with fewer than 60,000 miles that will no longer be required by GITEM following the Staff's recommended reorganization. The Staff's recommendation replaces vehicles with over 100,000 miles driven by sworn officers. An informal survey of western states found similar policies of replacing vehicles which have accumulated more than 100,000 miles among several of Arizona's neighbors.

The JLBC Staff also believes the department should revise its practice of assigning some low mileage vehicles to non-sworn personnel. For example, the current vehicle inventory reveals that approximately 20 vehicles currently assigned to non-sworn DPS staff would actually be better suited to use by officers patrolling the highways. The JLBC Staff, however, did not assume any shift away from non-sworn officers in deriving its FY 1997 vehicle need. In the future, the Staff intends to make such a reallocation part of its recommendation. As the cost per car continues to rise, the necessity of maintaining vehicles for non-sworn and sworn but administrative positions at the expense of the Highway Patrol must be questioned.

The Executive concurs with the recommendation that the \$1,822,800 in FY 1996 funding be maintained and recommends \$1,912,500 in additional vehicle funding for FY 1997. The combination of these amounts should fund the purchase of roughly 146 new vehicles.

**GITEM Reorganization/Additional Officers** 1,457,200 GF  
The move to reorganize anti-gang enforcement allows for the transfer of authorization for 28 officers to the Highway Patrol. This allows the agency to focus on its primary mission and should avoid the need to add to the number of patrol officers in the near future. During the 1995 legislative session, DPS produced results from a computer model which showed a need for 136 additional officers for patrolling the highways. The JLBC Staff has not wholly accepted the model as an analytical tool due in part to questionable assumptions concerning estimated officer time spent on administrative tasks. In addition, the model produced results that showed some areas of the state are currently overstaffed; however, DPS has not taken steps to transfer officers out of these areas in all cases due to the existence of factors for which the model cannot account.

During the FY 1995 legislative session, the Legislature appropriated funding for 10 additional officers devoted to service in rural areas. The JLBC Staff has not endorsed the use of the above-mentioned officer allocation model, but does agree that the results have some degree of validity and that the state would benefit from a further increase in officer patrol hours, especially in rural areas. The JLBC Staff recommends modifying a FY 1996 footnote which would dedicate the new officers to rural areas of the state.

Note that under this recommendation, many officers formerly associated with GITEM may redeploy to Criminal Investigations while younger officers would actually be the employees transferred into Highway Patrol via Criminal Investigations. The Executive does not recommend this issue.

**DPS Reorganization Transfers** \$ (911,800) OF -0- GF  
At the end of FY 1995, DPS began the first phase of an internal reorganization. This action transfers in the Bomb Technician function from the Criminal Investigations Bureau and transfers out the functions of operations staff, tow truck, school bus inspections, and the Vehicle Traffic Interdiction Squad. These personnel and funding transfers have no net impact on the department's budget.

**HURF/Highway Fund Reduction** (10,000,000) OF 10,000,000 GF  
Laws 1995, Chapter 3, 1st Special Session, reduces the amount of HURF and Highway Funds available to DPS for highway patrol costs. The \$(10,000,000) reduction in other appropriated funds and the corresponding \$10,000,000 increase in General Funds reflects the FY 1997 portion of reduction. For further explanation, please refer to the DPS Agency Summary page.

**Maricopa County Auto License** 2,100,000 OF (2,100,000) GF  
The JLBC Staff recommends a one-time decrease of \$(2,100,000) in General Fund monies and a corresponding increase in Highway Fund monies to complete the purchase of the Maricopa County Auto License operation. For further explanation of this and other funding shifts related to the HURF, Highway Fund and General Funds, please refer to the DPS Agency Summary page.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### **Highway Patrol Fund**

(1,300,000) OF 1,300,000 GF

In FY 1995 and FY 1996, the Highway Patrol Fund provided approximately \$6,800,000 in Other Funds to the department's operating budget. However, appropriating monies at this level has reduced the fund's end-of-year carryforward balance to virtually zero dollars. Additionally, insurance premium tax revenues, the fund's primary source of income, have not grown at the forecasted rate in each of the past 2 fiscal years. In FY 1997, revenue estimates indicate a \$(1,300,000) decrease in available Highway Patrol Fund dollars. The JLBC Staff recommends offsetting this reduction with General Funds. The Executive concurs.

\* \* \*

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

### *JLBC Staff Recommended Footnotes*

#### *Modification of Prior Year Footnotes*

- The FTE Positions total includes 10 highway patrol officer positions added in FY 1996 AND 28 HIGHWAY PATROL OFFICER POSITIONS ADDED IN FY 1997. It is the intent of the Legislature that these officers will not augment service to cities with a population of more than 100,000 persons, according to the most recent United States decennial census. The Legislature intends for these officers to supplement, not replace, existing officers in these areas of the state. *(The modification reflects the new officers being recommended for FY 1997.)*



**DEPARTMENT OF TRANSPORTATION  
(DOT)**

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Transportation  
Agency Summary

JLBC: Bob Hull  
OSPB: Thomas Betlach

House Sub: Weiers  
Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Administration	41,447,600	40,856,900	43,371,400	43,411,200	42,901,000
Highways	43,571,400	41,105,600	42,983,000	40,943,800	41,088,900
Highway Maintenance	66,741,500	68,549,300	71,317,300	70,863,900	69,861,200
Motor Vehicle Division	34,950,700	35,535,100	28,690,000	50,948,400	52,064,100
Aeronautics Division	1,395,500	1,622,300	1,658,600	1,638,800	1,619,600
<b>AGENCY TOTAL</b>	<b>188,106,700</b>	<b>187,669,200</b>	<b>188,020,300</b>	<b>207,806,100</b>	<b>207,534,800</b>
<b>OPERATING BUDGET</b>					
Full Time Equivalent Positions	3,153.0	3,022.0	3,039.0	3,602.0	3,576.0
Personal Services	81,321,300	80,969,700	81,846,700	94,354,000	94,681,800
Employee Related Expenditures	21,006,300	21,933,700	24,660,200	24,434,600	24,304,800
All Other Operating Expenditures:					
Professional and Outside Services	3,013,300	1,797,600	1,797,600	2,545,000	2,765,000
Travel - In State	1,771,100	1,474,400	1,474,400	1,918,700	1,918,700
Travel - Out of State	188,400	148,000	148,000	150,700	150,700
Other Operating Expenditures	23,786,800	22,649,900	24,297,900	29,354,200	29,519,200
Equipment	1,480,500	1,062,400	1,059,400	1,153,300	1,174,100
<b>OPERATING SUBTOTAL</b>	<b>132,567,700</b>	<b>130,035,700</b>	<b>135,284,200</b>	<b>153,910,500</b>	<b>154,514,300</b>
Special Line Items	55,539,000	57,633,500	52,736,100	53,895,600	53,020,500
<b>AGENCY TOTAL</b>	<b>188,106,700</b>	<b>187,669,200</b>	<b>188,020,300</b>	<b>207,806,100</b>	<b>207,534,800</b>
<b>BY FUND SOURCE</b>					
General Fund	73,800	74,800	76,800	74,500	74,500
Other Appropriated Funds	188,032,900	187,594,400	187,943,500	207,731,600	207,460,300
Other Non-Appropriated Funds	203,658,700	245,923,500	258,327,600	234,044,300	234,044,300
Federal Funds	227,736,500	201,641,500	205,804,500	205,804,500	205,804,500
<b>TOTAL - ALL SOURCES</b>	<b>619,501,900</b>	<b>635,234,200</b>	<b>652,152,400</b>	<b>647,654,900</b>	<b>647,383,600</b>

**Agency Description** — The Department of Transportation has jurisdiction over state highways, other state roads 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.



**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$ (300)	(0.4)%
Other Appropriated Funds	<u>(4,054,300)</u>	<u>(2.2)%</u>
Total Appropriated Funds	\$ (4,054,600)	(2.2)%
<b>Appropriate County Auto License:</b>		
Other Appropriated Funds	\$23,920,200	--

***FY 1997 — JLBC Staff Recommended Changes from FY 1996***

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 1,016,200 OF	\$ 500 GF
— ERE Rates	(1,244,000) OF	(800) GF
— Risk Management	1,046,800 OF	-0- GF
— Rent	(2,200) OF	-0- GF
— Elimination of One-time Equipment	(1,288,500) OF	-0- GF
— Other	(17,900) OF	-0- GF

**New Equipment**

789,700 OF

**County Auto License Fund**

23,920,200 OF

**Enterprise Project (Title/Drivers License)**

(7,200,000) OF

**Mainframe Computer**

1,651,100 OF

**Level of Highway Maintenance**

1,500,000 OF

**Video-Log Reduction**

(250,000) OF

**FTE Position Reduction**

(55,500) OF

\* \* \*

*JLBC Staff Recommended Format* — Varies by Program. (For FY 1996, the department had a Lump Sum by Agency format to allow it to make adjustments for executive downsizing. The JLBC Staff recommended format is by program, to provide for greater legislative oversight. The Executive recommends a lump sum appropriation to the department with Special Line Items).

***JLBC Staff Recommended Footnotes***

***Deletion of Prior Year Footnotes***

- The JLBC Staff recommends deleting the one-time footnote concerning the department reporting to the Joint Legislative Budget Committee prior to making large scale organizational change for FY 1996.

***Other Issues for Legislative Consideration***

— Overview of Departmental Budget

The JLBC Staff recommends consolidating the department's non-appropriated County Auto License Fund into the State Highway Fund and appropriating an additional \$23,920,200 and 573 FTE Positions in the Motor Vehicle Division from the State Highway Fund. This will increase legislative oversight of the division's plans to merge its vehicle registration

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

and drivers license functions both for Maricopa County and statewide, as well as simplify the division's accounting procedures and administrative workload.

Implementation of the Enterprise Project has been delayed and the department is developing a revised plan. No further funding is recommended for Enterprise Project at the current time, which represents a decrease of \$(7,200,000) from FY 1996. A total of \$29,700,000 has been appropriated for Enterprise from FY 1990 through FY 1996, including the FY 1996 appropriation of \$7,200,000. For further discussion of the Enterprise Project, please see the Motor Vehicle Division. An increase of \$1,651,100 is recommended for increased mainframe computer and software leasing costs in order to provide sufficient capacity to run the Enterprise Project program. For further discussion of the mainframe computer, please see Administration.

The JLBC Staff recommends an increase of \$1,500,000 for highway maintenance, or 1.9%, so that state highway conditions do not deteriorate. Highway maintenance will be the subject of a Program Authorization Review during 1996, which may help answer questions regarding what the optimum level of funding might be to produce a given level of roadway quality and cost benefit.

### — FY 1996 Expenditure Plan and Organizational Realignment

The department has adjusted its FY 1996 appropriation, as allowed by its Lump Sum by Agency appropriated format, by transferring a total of 81 FTE Positions and related expenditures among divisions to: 1) adjust the organizational structure for executive downsizing; 2) reintegrate all motor carrier activities by moving 47 FTE Positions in the motor carrier revenue accounting function from the Administrative Services Division back to the Motor Vehicle Division; 3) meet the Motor Vehicle Division's need for field officer positions statewide by moving a total of 13 FTE Positions from the Special Support Group and the Highways Division to the Motor Vehicle Division; and 4) align dollars based on expenditure patterns. The net agencywide change in the total number of FTE Positions and total funding for transferring these FTE Positions and related expenditures is zero. The following table summarizes the movement of FTE Positions among divisions.

**TABLE 1: TRANSFER OF FTE POSITIONS WITHIN ADOT**

FROM	TO						CHANGE
	Director's Staff	Transportation Planning	Admin. Services	Special Support Group	Highways Division	Motor Vehicle Division	
Transportation Planning	--	--	1	1	--	--	-2
Administrative Services	--	2	--	3	2	50	-57
Special Support Group	1	--	3	--	4	3	-11
Highways Division	--	--	--	--	--	10	-10
Motor Vehicle Division	--	--	--	1	--	--	-1
<b>Change</b>	<b>+1</b>	<b>+2</b>	<b>+4</b>	<b>+5</b>	<b>+6</b>	<b>+63</b>	<b>0</b>

### — Program Consolidation

Three departmental management cost centers, the Director's Staff, Administrative Services Division, and Special Support Group, are combined into 1 cost center called Administration; and 3 transportation planning, coordination, and design cost centers, the Transportation Planning, Highways, and Public Transit Divisions, are combined into 1 cost center called Highways for budgeting purposes. This will improve legislative oversight of total departmental administrative costs and of total transportation planning, coordination, and design costs by making them more readily visible, and will simplify budgeting for departmental reorganizations and transfers within the new Administration and Highways cost centers.

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Highways is in line with the department's recent reorganization which created an intermodal section, except that the Aeronautics Division and Highway Maintenance are still shown as separate cost centers for budgeting purposes. The Executive recommendation maintains the 9 cost centers of Director's Staff, Transportation Planning Division, Administrative Services Division, Special Support Group, Highways Division, Highway Maintenance, Aeronautics Division, Public Transit Division and Motor Vehicle Division. For comparability purposes, the Executive recommendation has been adjusted into the 5 cost centers recommended by the JLBC Staff.

### — Highway User Revenue Fund Analysis

The Highway User Revenue Fund (HURF) consists of monies received in the state from transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax, vehicle registration, driver's license, and others. HURF is the primary source of monies for the department's operating budget. The last line of TABLE 2, which shows net State Highway Fund monies available for statewide highway construction, does not include Maricopa County and Pima County 15% funds, bond funds, federal funds, carryover funds, and miscellaneous funds available for construction. Rather, the last line represents the amount that is available from the State Highway Fund to fund the State Transportation Board's 5-Year Plan.

**TABLE 2: HIGHWAY USER REVENUE FUND ANALYSIS**  
(In Thousands)

	FY 1995 <u>Actual</u>	FY 1996 <u>Estimate</u>	FY 1997 <u>Request</u>	FY 1977 <u>Exec Rec</u>	FY 1997 <u>JLBC Rec</u>
Total HURF Collections	\$800,152	\$818,820	\$838,062	\$838,062	\$838,062
Less: Economic Strength Fund	1,000	1,000	1,000	1,000	1,000
Dept of Public Safety Transfer from HURF	20,000	20,000	20,000 <sup>1/</sup>	20,000 <sup>1/</sup>	17,500 <sup>2/</sup>
Border Projects-Transfer to Highway Fund	<u>1,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net HURF Collections	778,152	797,820	817,062	817,062	819,562
Less: Cities	237,920	243,828	249,789	249,789	250,627
Counties	140,627	144,198	147,729	147,729	148,229
Controlled Access, 15% Funds	<u>59,853</u>	<u>61,369</u>	<u>62,844</u>	<u>62,844</u>	<u>63,032</u>
Net State Highway Fund (Discretionary)	339,752	348,425	356,700	356,700	357,674
Plus: Other Income <sup>3/</sup>	13,260	14,277	14,277	14,277	14,277
Border Projects-Transfer from HURF	1,000	0	0	0	0
JCCR Ordered Reversions	478	1,184	0	0	0
County Auto License-Transfer to Highway Fund	0	0	0	27,966	27,966
Less: Operating Budget	186,444	185,596	185,675	205,497	205,246
Non-Lapsing Operating Carryovers & Adjustments	2,947	4,869	0	0	0
Capital Outlay and Building Renewal	3,725	4,175 <sup>4/</sup>	3,800	2,846	2,478
Non-Lapsing Capital Carryovers & Adjustments	204	15,665	0	0	0
Dept of Public Safety Transfer from Highway Fund	20,000	25,000 <sup>5/</sup>	27,025 <sup>1/6/</sup>	27,025 <sup>1/6/</sup>	19,600 <sup>2/7/</sup>
Debt Service	31,365	36,477	36,499	36,499	36,499
Border Area Transportation Projects	<u>1,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Highway Fund Available for Statewide Highway Construction (5-Year Plan) <sup>8/</sup>	<u>\$108,805</u>	<u>\$92,104</u>	<u>\$117,978</u>	<u>\$127,076</u>	<u>\$136,094</u>

<sup>1/</sup> Assumes transfer of \$20,000,000 to DPS.

<sup>2/</sup> Assumes transfer of \$17,500,000 to DPS as required by statute.

<sup>3/</sup> Includes interest and rental income, transfers, and miscellaneous sales and other income.

<sup>4/</sup> Includes \$375,000 for underground storage tank removal from HB 2188.

<sup>5/</sup> Includes an additional \$5,000,000 transfer to DPS as partial payment for Maricopa County's title and registration facilities.

<sup>6/</sup> Includes an additional \$3,000,000 transfer to DPS as maximum final payment for Maricopa County's title and registration facilities, and \$4,025,000 for purchase of vehicles and radios.

<sup>7/</sup> Includes an additional \$2,100,000 transfer to DPS as maximum final payment for Maricopa County's title and registration facilities.

<sup>8/</sup> Excludes Maricopa and Pima County 15% funds, and bond, federal, carryover, and miscellaneous funds available for construction.

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Transportation  
 PROG: Administration

JLBC: Bob Hull  
 OSPB: Thomas Betlach

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	541.0	475.0	475.0	475.0	475.0
Personal Services	15,949,700	14,863,900	14,971,400	15,044,400	15,051,000
Employee Related Expenditures	3,776,600	3,729,900	4,485,800	3,551,800	3,547,700
All Other Operating Expenditures:					
Professional and Outside Services	1,977,100	906,200	906,200	906,200	906,200
Travel - In State	162,300	146,200	146,200	146,200	146,200
Travel - Out of State	77,600	41,400	41,400	41,400	41,400
Other Operating Expenditures	11,511,400	11,570,300	13,221,400	13,422,400	13,219,200
Equipment	362,400	535,700	535,700	68,400	66,300
<b>OPERATING SUBTOTAL</b>	<b>33,817,100</b>	<b>31,793,600</b>	<b>34,308,100</b>	<b>33,180,800</b>	<b>32,978,000</b>
<b>SPECIAL LINE ITEMS</b>					
Risk Management Premium	7,000,900	8,231,600	8,231,600	9,398,700	9,276,300
Regional Area Road Fund Rent	629,600	831,700	831,700	831,700	646,700
<b>PROGRAM TOTAL</b>	<b>41,447,600</b>	<b>40,856,900</b>	<b>43,371,400</b>	<b>43,411,200</b>	<b>42,901,000</b>
<b>BY FUND SOURCE</b>					
Other Appropriated Funds	41,447,600	40,856,900	43,371,400	43,411,200	42,901,000
Other Non-Appropriated Funds	12,917,800	12,928,300	12,855,100	12,855,100	12,855,100
Federal Funds	227,353,400	199,831,500	203,994,500	203,994,500	203,994,500
<b>TOTAL - ALL SOURCES</b>	<b>281,718,800</b>	<b>253,616,700</b>	<b>260,221,000</b>	<b>260,260,800</b>	<b>259,750,600</b>

**Program Description** — Administration establishes and provides policy, guidance and overall direction to the department. It provides financial, data processing and administrative support for the department, including audit and analysis, community relations, affirmative action, and legal assistance.

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
Other Appropriated Funds	\$2,044,100	5.0%

## FY 1997 — JLBC Staff Recommended Changes from FY 1996

### Standard Changes

— Annualization of January 1996 Pay Adjustment	\$ 214,100 OF
— ERE Rates	(208,500) OF
— Risk Management	1,044,800 OF
— Rent	(2,200) OF
— Elimination of One-time Equipment	(686,900) OF
— Other	(700) OF

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### **New Equipment**

217,400 OF  
Reflects an increase of \$217,400 for replacement of office and personal computer equipment, including \$151,100 for non-capitalized equipment and \$66,300 for capitalized equipment. The Executive recommends \$68,400 for capitalized equipment.

### **Regional Area Road Fund Rent**

(185,000) OF  
Reflects the transfer out of \$(185,000) to Other Operating Expenditures in Highways for the private sector rent of 2 buildings, which are not related to the Maricopa Regional Area Road Fund (RARF). The purpose of the Special Line is to reimburse RARF for the department's use of space which was bought with RARF monies. The Executive does not address this issue.

### **Mainframe Computer**

1,651,100 OF  
Reflects an increase of \$1,651,100 for Other Operating Expenditures for the increased mainframe computer costs, including increases of \$692,900 for leasing a larger capacity mainframe and \$958,200 for associated software to provide sufficient capacity to run the Enterprise Project program. The department expects to pay for its estimated increased FY 1996 costs of \$1,216,600, due to leasing a larger mainframe and associated software, from the estimated FY 1996 balance of \$1,610,000 in the Motor Vehicle Division's non-appropriated County Auto License Fund, which otherwise would be transferred at fiscal year end to the State Highway Fund. This source of funds will not be available to the department beginning FY 1997, if the non-appropriated County Auto License Fund is consolidated into the State Highway Fund and eliminated as recommended. If the County Auto License Fund is not eliminated for FY 1997, then this \$1,651,100 should not be appropriated since the department could again use the balance in the County Auto License Fund which would otherwise revert to the State Highway Fund for this purpose. The Executive concurs.

The JLBC Staff recommends that these funds be appropriated in a separate bill, which would create both a new state agency responsible for information technology (IT) and a combined legislative, executive, and private sector information technology oversight committee. This new structure would improve statewide coordination for nearly \$200 million spent annually by state government on IT.

\* \* \*

***JLBC Staff Recommended Format** — Lump Sum for the Program. (For FY 1996 the department had a Lump Sum by Agency format, to allow it to make adjustments for executive downsizing. The recommended format is by program, to provide for greater legislative oversight.)*

### ***JLBC Staff Recommended Footnotes***

#### *Deletion of Prior Year Footnotes*

- The JLBC Staff recommends deleting the one-time footnote concerning the department reporting to the JLBC regarding its network support information technology project.

### ***Other Issues for Legislative Consideration***

#### — Internal Realignment

The department requested the transfer of 269 FTE Positions and \$22,839,300 involved with information services and general operations including facilities management from Administrative Services Division to Special Support Group. Since both Administrative Services Division and Special Support Group are contained within Administration in the JLBC Staff recommendation for budgeting purposes, this becomes a matter of internally realigning resources and does not need to be further addressed in the recommendation. The Executive recommendation maintains the 9 cost centers of Director's Staff, Transportation Planning Division, Administrative Services Division, Special Support Group, Highways Division, Highway Maintenance, Aeronautics Division, Public Transit Division and Motor Vehicle Division, and recommends the transfer.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Transportation  
 PROG: Highways

JLBC: Bob Hull  
 OSPB: Thomas Betlach

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	966.0	857.0	857.0	857.0	839.0
Personal Services	28,580,200	27,487,700	27,743,700	27,770,900	27,786,000
Employee Related Expenditures	6,741,700	6,689,500	8,310,900	6,494,500	6,440,400
All Other Operating Expenditures:					
Professional and Outside Services	154,800	360,500	360,500	110,500	110,500
Travel - In State	708,600	725,300	725,300	725,300	725,300
Travel - Out of State	67,300	73,500	73,500	73,500	73,500
Other Operating Expenditures	6,182,400	4,923,800	4,923,800	4,862,600	5,107,900
Equipment	757,700	422,600	422,600	483,800	422,600
<b>OPERATING SUBTOTAL</b>	<b>43,192,700</b>	<b>40,682,900</b>	<b>42,560,300</b>	<b>40,521,100</b>	<b>40,666,200</b>
<b>SPECIAL LINE ITEMS</b>					
Radio Communications	316,800	405,900	405,900	405,900	405,900
Traffic Control Warning Device	45,100	0	0	0	0
Other Transit Planning	16,800	16,800	16,800	16,800	16,800
<b>PROGRAM TOTAL</b>	<b>43,571,400</b>	<b>41,105,600</b>	<b>42,983,000</b>	<b>40,943,800</b>	<b>41,088,900</b>
<b>BY FUND SOURCE</b>					
General Fund	73,800	74,800	76,800	74,500	74,500
Other Appropriated Funds	43,497,600	41,030,800	42,906,200	40,869,300	41,014,400
Other Non-Appropriated Funds	177,171,100	206,504,200	218,606,800	218,606,800	218,606,800
<b>TOTAL - ALL SOURCES</b>	<b>220,742,500</b>	<b>247,609,800</b>	<b>261,589,800</b>	<b>259,550,600</b>	<b>259,695,700</b>

**Program Description** — Highways plans the statewide transportation system, including highways and airports. It is responsible for the location, design, right-of-way acquisition and construction of new highways for the state highway system. It coordinates a variety of services on a statewide basis, including: 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.

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$ (300)	(0.4)%
Other Appropriated Funds	(16,400)	0.0%
Total Appropriated Funds	\$(16,700)	0.0%

Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

*FY 1997 — JLBC Staff Recommended Changes from FY 1996*

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 340,000 OF	\$ 500 GF
— ERE Rates	(235,000) OF	(800) GF
— Elimination of One-time Equipment	(458,500) OF	-0- GF

**New Equipment**

457,600 OF  
Reflects an increase of \$457,600 for replacement of office equipment, personal computers, and various shop and test equipment, including \$422,600 for capitalized equipment and \$35,000 for non-capitalized equipment. The Executive recommends \$483,800 for capitalized equipment.

**Rent**

185,000 OF  
Reflects the transfer of \$185,000 from the Regional Area Road Fund (RARF) Rent Special Line in Administration to Other Operating Expenditures in the Highways Division for the private sector rent of 2 buildings, which are not related to RARF. The Executive does not address this issue.

**Video-Log Reduction**

(250,000) OF  
Reflects a decrease of \$(250,000) for Professional and Outside Services, leaving \$100,000 to document by video-log the condition of the state highway system which is needed by Highway Maintenance, Risk Management and the Federal Highway Administration. The Executive concurs.

**FTE Position Reduction**

(55,500) OF  
Reflects decreases of (18) FTE Positions and \$(55,500) for Employee Related Expenditures. The (18) FTE Positions became unfunded when the department transferred \$571,600 of Personal Services, without corresponding FTE Positions, from the Highways Division to the Motor Vehicle Division (MVD) to accommodate MVD service requirements. The Executive does not address this issue.

\* \* \*

*JLBC Staff Recommended Format — Lump Sum for the Program. (For FY 1996 the department had a Lump Sum by Agency format, to allow it to make adjustments for executive downsizing. The recommended format is by program to provide for greater legislative oversight.)*

**JLBC Staff Recommended Footnotes**

*Deletion of Prior Year Footnotes*

- The JLBC Staff recommends deleting the footnote concerning deposit in the state General Fund of any reimbursement for expenditure of state General Fund monies. This footnote has appeared since FY 1982 and has never caused any monies to be deposited in the state General Fund.



# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Transportation  
 PROG: Highway Maintenance

JLBC: Bob Hull  
 OSPB: Thomas Betlach

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	937.0	933.0	951.0	951.0	933.0
Personal Services	20,621,400	20,935,600	21,474,400	21,476,800	21,144,200
Employee Related Expenditures	5,990,300	6,270,200	6,431,600	5,975,800	5,873,500
All Other Operating Expenditures:					
Professional and Outside Services	246,400	20,000	20,000	20,000	20,000
Travel - In State	687,700	340,000	340,000	340,000	340,000
Travel - Out of State	8,000	0	0	0	0
Other Operating Expenditures	2,803,500	1,693,100	1,693,100	1,693,100	1,693,100
Equipment	156,300	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>30,513,600</b>	<b>29,258,900</b>	<b>29,959,100</b>	<b>29,505,700</b>	<b>29,070,800</b>
<b>SPECIAL LINE ITEMS</b>					
Central Maintenance	648,000	1,274,900	1,274,900	1,274,900	1,274,900
Contract Maintenance	6,462,300	9,100,000	10,525,100	10,525,100	10,600,000
Materials	12,656,100	12,832,800	13,251,200	13,251,200	12,832,800
Equipment Rentals	16,461,500	16,082,700	16,307,000	16,307,000	16,082,700
<b>PROGRAM TOTAL</b>	<b>66,741,500</b>	<b>68,549,300</b>	<b>71,317,300</b>	<b>70,863,900</b>	<b>69,861,200</b>
<b>BY FUND SOURCE</b>					
Other Appropriated Funds	66,741,500	68,549,300	71,317,300	70,863,900	69,861,200
<b>TOTAL - ALL SOURCES</b>	<b>66,741,500</b>	<b>68,549,300</b>	<b>71,317,300</b>	<b>70,863,900</b>	<b>69,861,200</b>

**Program Description** — Highway Maintenance is responsible for the management and maintenance of the state highway system.

<b>Change in Funding Summary:</b>	<u>FY 1996 to FY 1997 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
Other Appropriated Funds	\$1,311,900	1.9%

## FY 1997 — JLBC Staff Recommended Changes from FY 1996

**Standard Changes**

- Annualization of January 1996 Pay Adjustment \$ 238,100 OF
- ERE Rates (426,200) OF

**Level of Highway Maintenance** 1,500,000 OF

Reflects an increase of \$1,500,000 for contract maintenance, so that state highway conditions do not deteriorate. The department reduced its planned contract maintenance expenditures by \$2,221,400 for FY 1996, as part of its overall decrease of \$2,414,900 for executive downsizing in highway maintenance. Highway maintenance had a non-lapsing carry forward of \$4,222,300



**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

remaining from its FY 1995 appropriation of \$70,963,800, which helped cushion the reduction for FY 1996. The FY 1996 appropriation does not have the non-lapsing feature.

The department reports that the quality and condition of roadway statewide was about 2.4 for FY 1995, on a scale of 1 to 3 which was developed by the department. On this scale, 2.5 is good with 1 being bad and 3 being new. This is a slight decrease from about 2.5 for FY 1993, which may or may not be a significant difference, considering the subjectivity of the rating system and the 0.5 interval used to rank 12 items as 1, 1.5, 2., 2.5 or 3. The department reports that in order to fully fund Highway Maintenance for FY 1996, it would need a total of 1,145 FTE Positions and \$91,435,000, for increases of 212 FTE Positions and \$22,886,100. It is unclear what the optimum level of funding, to produce a given level of roadway quality and cost benefit, might be. Highway Maintenance will be the subject of a Program Authorization Review during 1996, which may help to answer such concerns. The Executive recommends increases of 18 FTE Positions and \$2,503,000.

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 workload changes from FY 1990 through FY 1995.

**TABLE 3: SERVICE MEASUREMENTS**

<u>Category</u>	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>% Change FY 90-95</u>
12' Lane Miles of Roadway	23,824	23,919	24,287	24,713	24,789	25,339	+6.4%
Landscape Acres	2,798	3,376	3,792	4,529	4,626	4,730	+69.0%
Statewide Roadway Assessment <sup>1/</sup> - Interstate							
- U.S.				2.7	2.6	2.5	--
- State				2.5	2.5	2.3	--
Highway Maintenance FTE Positions	839.5	850	869	927	927	937	+11.6%
Highway Maintenance Expenditures (including contracts)	\$56.5M	\$61.2M	\$62.4M	\$67.9M	\$67.7M <sup>2/</sup>	\$71.0M <sup>2/</sup>	+25.7%
Contracts	\$4.1M	\$6.4M	\$7.4M	\$9.1M	\$12.0M	\$9.1M	+121.8%

<sup>1/</sup> Rates the quality and condition of the state's highways using 12 items (rutting, potholes, joints, spalls, cracking, unpaved surface, shoulders, roadside vegetation, landscape, guardrail, open drainage, and striping), on a scale of 1 to 3, where 1 is bad, 1.5 is poor, 2 is fair, 2.5 is good, and 3 is new.

<sup>2/</sup> Includes non-lapsing carry forwards of \$2,451,400 for FY 1994 and \$4,222,300 for FY 1995.

The department's expenditure plan for Highway Maintenance totals \$68,548,900 for FY 1996, which includes \$9,100,000 for Contract Maintenance as follows:

**TABLE 4: CONTRACT MAINTENANCE EXPENDITURE PLAN FOR FY 1996**

<u>Amount</u>	<u>Purpose</u>
\$3,848,600	Pavement, drainage, striping, traffic control, tunnel tile washing
2,000,700	Landscape, mowing
1,736,700	Rest and picnic areas
1,340,000	Debris and litter pickup and removal
<u>174,000</u>	Contract Administration
\$9,100,000	

\* \* \*

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

*JLBC Staff Recommended Format* — Modified Lump Sum for the Program. (For FY 1996 the department had a Lump Sum by Agency format to allow it to make adjustments for executive downsizing. The recommended format is by program to provide for greater legislative oversight.)

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Transportation  
 PROG: Motor Vehicle Division

JLBC: Bob Hull  
 OSPB: Thomas Betlach

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	676.0	724.0	723.0	1,286.0	1,296.0
Personal Services	15,414,000	16,848,000	16,814,300	29,219,300	29,857,800
Employee Related Expenditures	4,297,400	5,012,000	5,171,900	8,192,300	8,223,000
All Other Operating Expenditures:					
Professional and Outside Services	616,100	452,300	452,300	1,449,700	1,669,700
Travel - In State	188,200	233,000	233,000	677,300	677,300
Travel - Out of State	21,500	22,100	22,100	24,800	24,800
Other Operating Expenditures	2,934,300	4,039,500	4,036,400	8,932,600	9,074,900
Equipment	177,300	101,100	98,100	598,100	682,200
<b>OPERATING SUBTOTAL</b>	<b>23,648,800</b>	<b>26,708,000</b>	<b>26,828,100</b>	<b>49,094,100</b>	<b>50,209,700</b>
<b>SPECIAL LINE ITEMS</b>					
Abandoned Vehicle Fund	22,700	154,600	382,600	377,600	377,700
Enterprise (Drivers License/Title)	9,841,600	7,200,000	0	0	0
License Plates and Tabs	1,260,600	1,275,300	1,275,300	1,275,300	1,275,300
Medical Advisory Board	61,800	78,700	88,500	85,000	85,100
Mobile Home Administration	115,200	118,500	115,500	116,400	116,300
<b>PROGRAM TOTAL</b>	<b>34,950,700</b>	<b>35,535,100</b>	<b>28,690,000</b>	<b>50,948,400</b>	<b>52,064,100</b>
<b>BY FUND SOURCE</b>					
Other Appropriated Funds	34,950,700	35,535,100	28,690,000	50,948,400	52,064,100
Other Non-Appropriated Funds	13,569,800	26,491,000	26,865,700	2,582,400	2,582,400
<b>TOTAL - ALL SOURCES</b>	<b>48,520,500</b>	<b>62,026,100</b>	<b>55,555,700</b>	<b>53,530,800</b>	<b>54,646,500</b>

**Program Description** — *The Motor Vehicle Division regulates vehicular operations within the state through the issuance and control of various permits, registrations and licenses.*

<b>Change in Funding Summary:</b>	<u>FY 1996 to FY 1997 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
Other Appropriated Funds	(7,391,200)	(20.8)%
<b>Appropriate County Auto License:</b>		
Other Appropriated Funds	\$23,920,200	--

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

## *FY 1997 — JLBC Staff Recommended Changes from FY 1996*

### **Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$214,500 OF
— ERE Rates	(361,200) OF
— Risk Management	(500) OF
— Elimination of One-time Equipment	(133,500) OF
— Other	(14,100) OF

106,700 OF

### **New Equipment**

Reflects an increase of \$106,700 for replacement of office equipment, including \$98,100 for capitalized equipment and \$8,600 for non-capitalized equipment. The Executive recommends \$98,100 for capitalized equipment.

### **County Auto License Fund**

23,920,200 OF

Reflects an initial appropriation of 573 FTE Positions and \$23,920,200 from the State Highway Fund, including \$13,021,400 for Personal Services, \$3,611,300 for Employee Related Expenditures, \$1,217,400 for Professional and Outside Services, \$444,300 for Travel - In State, \$2,700 for Travel - Out of State, \$5,039,000 for Other Operating Expenditures, and \$584,100 for Equipment. It is further recommended that the division's non-appropriated County Auto License Fund be consolidated into the State Highway Fund and eliminated as a separate entity. Balances in the division's non-appropriated County Auto License Fund over \$1,500,000 at fiscal year end currently revert to the state Highway Fund. The division's non-appropriated County Auto License Fund has estimated FY 1997 revenues of \$26,465,800.

The division acquired its first county vehicle title and registration operations from Apache and Pima Counties in 1981, and its last from Maricopa County in July 1995. As the division acquired each county's vehicle title and registration operation, the additional revenues and expenditures formerly administered by the county through its own separate County Auto Registration Fund were added to the division's non-appropriated County Auto License Fund. The division funds its drivers license and its vehicle title and registration operations, including dual function offices, from both its appropriated State Highway Fund budget and its non-appropriated County Auto License Fund. The division's estimated FY 1997 expenditures from its non-appropriated County Auto License Fund amount to approximately 85% of its appropriated budget request for FY 1997. Consolidating the division's non-appropriated County Auto License Fund into the State Highway Fund, and appropriating the entire budget from the State Highway Fund, will increase legislative oversight of the division's plans to merge its vehicle registration and drivers license functions both for Maricopa County and statewide, as well as simplify the division's accounting procedures and administrative workload.

The division expects to take 2 years to integrate the vehicle title and registration operation and facilities, which it acquired from Maricopa County in July 1995, into its drivers license operations and facilities. So far, the division has changed signage on county facilities, moved all county personnel to the state personnel system, placed all drivers license and title and registration offices in the county under a single program administrator, and combined the 2 separate phone units. Cross training is in progress, and consolidation of the 2 vehicle registration renew by mail units is being planned. The division is still working on producing a comprehensive plan for integrating and staffing the operations and facilities of the 2 functions. A proposed new footnote requires the department to provide such a plan to the Joint Legislative Budget Committee by July 1996, which is half way through the department's projected 2-year integration schedule.

The Executive concurs with consolidating the division's non-appropriated County Auto License Fund into the State Highway Fund and appropriating the entire budget from the State Highway Fund, and recommends an initial appropriation of 573 FTE Positions and \$24,085,200 from the State Highway Fund.

(3,100) OF

### **Dealer Enforcement**

Reflects a decrease of (1) FTE Position and \$(3,100) for Employee Related Expenditures from the Dealer Enforcement Fund. The Personal Services associated with the position was used to cover the reclassification of 2 existing positions to special investigators. The Executive recommends decreases of (1) FTE Position and \$(3,200).

-0- OF

### **Abandoned Vehicle Administration**

Reflects the transfer of 11 FTE Positions, which currently do abandoned vehicle work, from the State Highway Fund to the Abandoned Vehicle Administration Fund. Related funding of \$244,200, including \$180,300 for Personal Services, \$59,500 for

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

Employee Related Expenditures, and \$4,400 for Other Operating Expenditures, will now be appropriated from the Abandoned Vehicle Administration Fund instead of from the State Highway Fund. The net Motor Vehicle Division change in total FTE Positions and funding is zero. Amounts in the Abandoned Vehicle Administration Fund over \$100,000 at fiscal year end revert to the State Highway Fund. The fund's estimated FY 1996 balance before reversion is \$384,400 on revenues of \$539,000 and an appropriation of \$154,600. Estimated FY 1997 revenues are \$549,800. The Executive concurs.

### **Enterprise Project (Title/Drivers License)**

(7,200,000) OF

A total of \$29,700,000 has been appropriated for Enterprise from FY 1990 through FY 1996, including the FY 1996 appropriation of \$7,200,000. So far, \$5,500,000 of the FY 1996 appropriation of \$7,200,000 for Enterprise has been released by the Joint Legislative Budget Committee for the new title and registration system. The department had planned to use the remaining \$1,700,000 of the FY 1996 appropriation for the new drivers license and corrective action systems. The department is required to report back to the Joint Legislative Budget Committee not later than February 1996 on the status of title and registration, drivers license, mainframe costs, and to request approval to expend more of the FY 1996 appropriation for Enterprise.

Reflects a decrease of \$(7,200,000). The department has requested no funding for Enterprise for FY 1997, expecting to finish both the title and registration system and the drivers license and corrective action systems within the FY 1996 appropriation. However, due to recent setbacks the department expects to have a revised plan, which may include a request for FY 1997, when it reports back to the Joint Legislative Budget Committee on Enterprise not later than February 1996. A proposed modified footnote requires the department to continue making quarterly reports on the status of Enterprise, eliminates the requirement to report departmental savings (which have been minimal) and non-technology driven revenue increases, and adds the requirement to report on the increase in enforcement revenues which are due to the new title and registration and drivers license and corrective action systems being implemented statewide.

The outcome of the Enterprise Project is murky, as the department works its way through its current problems. The department discovered beginning in August 1995 that it had insufficient mainframe capacity to run Enterprise, that the consultant (CACI) was seriously behind schedule with its Enterprise programming, and that it would not have the new title and registration system operational by its target of September 25, 1995. The department next expected to implement title and registration in January 1996, after leasing and installing a larger mainframe in November 1995. For a discussion of increased mainframe costs please see Administration. Thereafter, CACI left the job in November 1995, further delaying implementation of title and registration for an unknown period of time. The department now expects to have a different consultant perform a technical review to document the status of the program as left by CACI, and to determine how to proceed.

The Executive concurs, and further recommends a supplemental appropriation to make the \$7,200,000 FY 1996 appropriation for Enterprise non-lapsing. The JLBC Staff recommends that no change be considered for the FY 1996 appropriation, until after the department presents its revised plan for Enterprise to the JLBC which is due not later than February 1996.

\* \* \*

**JLBC Staff Recommended Format** — Modified Lump Sum for the Program. (For FY 1996 the department had a Lump Sum by Agency format to allow it to make adjustments for executive downsizing. The recommended format is by program to provide for greater legislative oversight.)

### **JLBC Staff Recommended Footnotes**

#### **Modification of Prior Year Footnotes**

- 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 DOCUMENTING THE STATUS OF THE ENTERPRISE TITLE AND REGISTRATION SYSTEM, AND ITS DRIVERS LICENSE AND CORRECTIVE ACTION SYSTEMS. THE REPORTS SHALL INCLUDE THE DEPARTMENT'S PLAN AND TIMELINE FOR COMPLETING EACH SYSTEM, ANY ACCOMPLISHMENTS AND PROBLEMS DURING THE PREVIOUS QUARTER, AND ANY OTHER INFORMATION NECESSARY TO ACCURATELY PORTRAY THE CURRENT STATUS OF ENTERPRISE. AFTER BOTH THE NEW TITLE AND REGISTRATION AND THE NEW DRIVERS LICENSE AND CORRECTIVE ACTION SYSTEMS ARE OPERATIONAL STATEWIDE, THE REPORTS SHALL DOCUMENT THE ACTUAL INCREASE IN ENFORCEMENT REVENUES

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

ATTRIBUTED TO THE NEW ENTERPRISE SYSTEMS, NOT TO INCLUDE ANY NON-TECHNOLOGY DRIVEN REVENUE INCREASES SUCH AS EXTENDED DRIVERS LICENSES AND ALLOCATED RENTAL CARS. ~~as to the effectiveness of the Enterprise Project in generating savings accruing to the department and increased revenues. The reports shall contain 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 a comparison of projected and actual increased revenues for each enterprise project enhancement, including dollar amounts and dates the increased revenues are realized. Each report shall also contain the department's current estimate for completing each major aspect such as title and registration, and drivers license and enhancement of Enterprise, as well as a narrative section describing the reasons for any delay in completing each major aspect and enhancement of Enterprise, any major accomplishments and problems during the previous quarter, and any other information necessary to accurately portray the current status of Enterprise. (The modified footnote requires the department to continue making quarterly reports on the status and progress of Enterprise, since Enterprise will not be completed in FY 1996, and on the actual increase in enforcement revenues attributed to the new Enterprise title and registration and drivers license systems once both are implemented statewide.)~~

### *New Footnotes*

- The department shall appear before the Joint Legislative Budget Committee not later than July 1996 to report on the status of its: 1) plan, costs and timetable for integrating and staffing the operations and facilities of its vehicle title and registration operation acquired from Maricopa County with its drivers license operation in Maricopa County; 2) estimated FTE Position and dollar savings for FY 1997 and FY 1998 from combining these operations and facilities; 3) how it plans to use these savings to address the division's customer service and NAFTA requirements; and 4) current days and hours of operation at the division's vehicle title/registration and drivers license facilities statewide, how these have changed since July 1995, how these changes have affected customer service and wait times, and what additional costs, if any, have been incurred to achieve these results.
- The department shall provide a written report not later than November 30, 1996 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 detailing its analysis of the feasibility of privatizing an integrated dual function vehicle title and registration and drivers license office as a pilot project. As part of this pilot, the contractor would operate the office and provide the facilities, equipment, personnel, and computers setup to be compatible with division programs. The analysis shall identify a proposed office for such a pilot project, and shall include and discuss: opportunities; risks; a proposed action plan with time table; proposed necessary statutory changes; and an estimate of the costs and savings of such a project.
- The department shall provide a written report not later than November 30, 1996 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 detailing its efforts to increase the number and percent of vehicle registrations renewed by mail, and documenting its success and any savings.

### *Deletion of Prior Year Footnotes*

- The JLBC Staff recommends deleting the one-time footnote concerning the department reporting to the JLBC regarding its Enterprise information technology project.
- The JLBC Staff recommends deleting the one-time footnote concerning the department reporting to the JLBC prior to expending more than \$4,100,000 of its FY 1996 Enterprise appropriation.

### *Other Issues for Legislative Consideration*

#### — Customer Service Improvement

The department recognizes that current customer service levels are unsatisfactory. Customer wait times became a prominent problem with the implementation of digital drivers license in July 1995. Since then, the division has been exploring various suggestions to improve customer service within its current staffing level, such as using staggered and split shifts, extended hours such as from 7:00 a.m. to 7:00 p.m., evening hours, and extended weekend services. In addition, there has been some legislative concern over whether the division is adequately staffed at its ports-of-entry on the Mexican border, for the expected increased volume of Mexican trucks due to implementing NAFTA in December



## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

1995. The department has not requested any additional resources to help enforce financial responsibility or motor carrier safety statutes at these ports.

The JLBC Staff recommends that the division use the economies it generates and the resources it saves, by assimilating Maricopa County vehicle title and registration, to address its customer service and NAFTA requirements. A proposed new footnote requires the department to report to the Joint Legislative Budget Committee by July 1996 regarding: 1) its progress in improving customer service; 2) its estimated savings from assimilating Maricopa county operations and facilities; and 3) how it plans to use these savings to address its customer service and NAFTA requirements. The Executive recommends decreases of (10) FTE Positions and \$(748,000) of forced savings, which the Executive projects will be associated with the Maricopa County merger.

### — Privatization of a Motor Vehicle Division Facility

There has been some legislative interest in privatizing the division's vehicle title and registration and drivers license offices. A careful analysis of the pros and cons of such privatization should be done before proceeding, especially in light of the department's trying to bring up its Enterprise computer system, and needing to integrate Maricopa County's vehicle title and registration operation and facilities into the division's drivers license operations and facilities. A proposed new footnote requires the department to provide a written report not later than November 30, 1996 analyzing the feasibility of privatizing an integrated dual function vehicle title and registration and drivers license office as a pilot project.

By way of background, Minnesota's Legislative Auditor issued a March 1994 report entitled Motor Vehicle Deputy Registrars, for which they surveyed motor vehicle officials from all 50 states and the District of Columbia. Minnesota has 91 public and 78 private deputy registrars. They found that 29 states (including Arizona) use private agents in some capacity to process vehicle titles, registrations, or drivers license renewals, and 22 states do not use private agents. Private agents in 22 of the 29 states provide at least 2 of the 3 functions, usually vehicle titles and registration, and private agents in 7 states provide 1 of the 3 functions. For Minnesota they found that: 1) both public and private deputies had similar customer waiting times; 2) private deputies had slightly better hours; 3) public deputies had slightly lower error rates; and 4) the existence of private deputies does not automatically produce benefits commonly associated with private enterprise, due to the absence of price competition and the presence of state regulations.

### — Vehicle Registration Renewal by Mail

Project SLIM said in its July 1992 report that the division could derive significant savings by increasing its rate of vehicle registration by mail renewals from 50% to 80%. The division has not attained the 80% level and is currently at 52%. A limited Project SLIM survey of 70 people at Tucson and Prescott offices found that many people renew in person, because they register during the last week and believe it is necessary to have their new registration before the old one expires. This concern might be allayed, if the department prominently stated in its registration renewal instructions that the current registration and tabs are good until the new tabs arrive in the mail, if the renewal meets all the requirements and is postmarked by the last day of the month of expiration. Current instructions do not specifically mention this fact.

The division reports that it has been maintaining a 5 workday turn around and timely deposit of checks to build the public's confidence in renew by mail. They are also discussing several ways to better publicize renew by mail, and are considering the possibility of accepting payment by credit cards. However, current registration renewal instructions address the deadline for renewing as item number 7 in a list of 10, and in a negative manner which emphasizes the penalty fees for not mailing all requirements together and postmarked by the last day of the month of expiration. The penalty fees for late registration are also emphasized on the back side of the renewal application.

Options for increasing vehicle registration renewals by mail might include 1 or more of the following: 1) encourage renewal by mail by giving prominence in the instructions to the fact that current registration and tabs are good until new tabs arrive in the mail, if the renewal meets all the requirements and is postmarked by the last day of the month of expiration; 2) stop charging a postage fee for by mail renewals, which A.R.S. § 28-301 permits for mail renewals but forbids for walk-ins; 3) provide postage prepaid envelopes with renewal applications to encourage renewal by mail; 4) seek statutory authority to charge walk-in renewals an extra fee, based on the higher cost of such transactions. (The department should also tell the public that processing by mail renewals saves the division money compared to handling

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

walk-ins.) A proposed new footnote requires the department to provide a written report not later than November 30, 1996, documenting the success and savings of its efforts to increase the number and percent of renewals by mail.

### — Dual Function Counters

Fifteen offices have dual function, drivers license and title and registration, counters installed out of a total of about 90 offices statewide. Nine offices received the counters when they moved into new facilities including: Sierra Vista, Yuma, Nogales, Payson, Tuba City, Sedona, Safford, Winslow, and Coolidge. Six offices received modified counters including: Casa Grande, Kingman, Lake Havasu, Apache Junction, St. Johns, and Showlow.



# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Department of Transportation  
 PROG: Aeronautics Division

JLBC: Bob Hull  
 OSPB: Thomas Betlach

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	33.0	33.0	33.0	33.0	33.0
Personal Services	756,000	834,500	842,900	842,600	842,800
Employee Related Expenditures	200,300	232,100	260,000	220,200	220,200
All Other Operating Expenditures:					
Professional and Outside Services	18,900	58,600	58,600	58,600	58,600
Travel - In State	24,300	29,900	29,900	29,900	29,900
Travel - Out of State	14,000	11,000	11,000	11,000	11,000
Other Operating Expenditures	355,200	423,200	423,200	443,500	424,100
Equipment	26,800	3,000	3,000	3,000	3,000
<b>OPERATING SUBTOTAL</b>	<b>1,395,500</b>	<b>1,592,300</b>	<b>1,628,600</b>	<b>1,608,800</b>	<b>1,589,600</b>
<b>SPECIAL LINE ITEMS</b>					
Reimbursement to Highway Fund	0	30,000	30,000	30,000	30,000
<b>PROGRAM TOTAL</b>	<b>1,395,500</b>	<b>1,622,300</b>	<b>1,658,600</b>	<b>1,638,800</b>	<b>1,619,600</b>
<b>BY FUND SOURCE</b>					
Other Appropriated Funds	1,395,500	1,622,300	1,658,600	1,638,800	1,619,600
Federal Funds	383,100	1,810,000	1,810,000	1,810,000	1,810,000
<b>TOTAL - ALL SOURCES</b>	<b>1,778,600</b>	<b>3,432,300</b>	<b>3,468,600</b>	<b>3,448,800</b>	<b>3,429,600</b>

**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.*

<b>Change in Funding Summary:</b>	<b>FY 1996 to FY 1997 JLBC</b>	
	<u>\$ Change</u>	<u>% Change</u>
Other Appropriated Funds	\$(2,700)	(0.2)%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 9,500 OF
— ERE Rates	(13,100) OF
— Risk Management	2,500 OF
— Elimination of One-time Equipment	(9,600) OF

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### New Equipment

8,000 OF

Reflects an increase of \$8,000 for replacement of office equipment and computer printer, including \$5,000 for non-capitalized equipment and \$3,000 for capitalized equipment. The Executive recommends \$3,000 for capitalized equipment.

\* \* \*

*JLBC Staff Recommended Format* — Lump Sum for the Program. (For FY 1996 the department had a Lump Sum by Agency format to allow it to make adjustments for executive downsizing. The recommended format will not affect the division since it is the only part of the department's operating budget funded from the State Aviation Fund.)

### *Other Issues for Legislative Consideration*

#### — Grand Canyon Airport

There has been some legislative interest in the possibility of privatizing the Grand Canyon Airport (GCA). GCA accounted for 15 FTE Positions and operating expenditures of \$658,800 for FY 1995 out of a total of 33 FTE Positions and expenditures of \$1,395,500 for the Aeronautics Division. The Governor's Grand Canyon Airport Commission was created by Executive Order 95-6, on June 28, 1995, to review issues, consider options, and make recommendations including whether the state should continue to manage GCA. The Commission's current schedule calls for hiring a consultant by the end of 1995, with a final report due by May 3, 1996.

Possible dispositions for GCA include retention, sale, lease, transfer to another public agency, or closure. GCA was leased to a private management company in 1986 and 1987, after which the state received it back in poor condition. Under state or other public entity ownership, GCA is eligible for federal and state grants for capital projects, which together averaged an annual \$2,531,200 for the 8 years 1988 through 1995. 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. If GCA is to be privatized, the 1986-1987 privatization should serve as a case study from which a better experience might be crafted. The yet to be made recommendations of the Governor's Grand Canyon Airport Commission should be considered when weighing the options for the future of GCA.

**UNIVERSITIES**  
**(UNV)**

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Arizona Board of Regents

JLBC Analyst: Bruce Groll  
 OSPB Analyst: Anne Barton

House Sub: Hart  
 Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	28.1	28.1	28.1	28.1	28.1
Personal Services	1,213,600	1,273,100	1,301,900	1,288,300	1,288,700
Employee Related Expenditures	248,700	260,900	275,200	251,200	246,900
All Other Operating Expenditures:					
Professional and Outside Services	45,500	37,500	37,500	37,500	37,500
Travel - In State	0	11,400	14,700	11,400	11,400
Other Operating Expenditures	184,300	201,900	214,600	208,200	220,900
<b>OPERATING SUBTOTAL</b>	<b>1,692,100</b>	<b>1,784,800</b>	<b>1,843,900</b>	<b>1,796,600</b>	<b>1,805,400</b>
<b>SPECIAL LINE ITEMS</b>					
Western Interstate Commission Office	79,000	79,000	79,000	79,000	79,000
WICHE Student Subsidies	2,005,300	2,494,300	2,580,200	2,580,200	2,580,200
Course Equivalency Guide	13,200	0	0	0	0
Student Financial Aid Trust Fund	1,204,600	1,526,100	1,638,400	1,638,400	1,638,400
State Student Incentive Grant (SSIG)	1,220,800	0	0	0	0
Teacher Loan Forgiveness Fund for Deaf & Blind	95,000	95,000	95,000	95,000	95,000
Area Health Education Centers (AHEC)	1,150,200	0	0	0	0
<b>AGENCY TOTAL</b>	<b>7,460,200</b>	<b>5,979,200</b>	<b>6,236,500</b>	<b>6,189,200</b>	<b>6,198,000</b>
<b>BY FUND SOURCE</b>					
General Fund	7,460,200	5,979,200	6,236,500	6,189,200	6,198,000
Other Non-Appropriated Funds	4,580,200	2,957,200	2,888,600	2,888,600	2,888,600
Federal Funds	2,085,500	593,500	593,500	593,500	593,500
<b>TOTAL - ALL SOURCES</b>	<b>14,125,900</b>	<b>9,529,900</b>	<b>9,718,600</b>	<b>9,671,300</b>	<b>9,680,100</b>

**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.

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$218,800	3.7%

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 17,600 GF
— ERE Rates	(16,000) GF
— Risk Management	6,300 GF
— Rent	12,700 GF

**WICHE (Western Interstate Commission on Higher Education) Student Subsidy** 85,900 GF

The JLBC Staff recommends an \$85,900 increase to fund 177 student subsidies that provide partial financial support and preferential access for Arizona residents at universities outside of Arizona. The recommended amount includes \$66,300 for an average 2.7% fee adjustment for 175 currently funded student slots (121 continuing students and 54 first-year students) and \$19,600 for 2 additional first-year student slots. Arizona students participating in the WICHE-Professional Student Exchange Program choose careers in certain health professions for which education is not offered in the state universities in Arizona. All WICHE participants are required to practice in Arizona 1 year for each year of support, or repay the state one-half of all funds expended on their behalf plus interest. Alternatively, participants may practice in an underserved Arizona community and receive 1 year of state service credit for each 6 months of practice. The following table shows the projected geographic distribution of WICHE students by field of study.

**WICHE Professional Student Exchange Program  
Projected Student Participation by State  
Academic Year 1996-97**

<u>Field of Study</u>	<u>California</u>		<u>Colorado</u>		<u>Missouri</u>		<u>Oregon</u>		<u>Washington</u>		<u>Total</u>
	<u>Public</u>	<u>Private</u>	<u>Public</u>	<u>Private</u>	<u>Public</u>	<u>Private</u>	<u>Public</u>	<u>Private</u>	<u>Public</u>	<u>Private</u>	
Dentistry	6	14	16				8		2		46
Occupational Therapy		4	4					2	3	4	17
Optometry		9						9			18
Osteopathy		10				9					19
Physician Assistant	4	6									10
Veterinary Medicine	—	—	55	—	—	—	3	—	9	—	67
<b>Total</b>	<u>10</u>	<u>43</u>	<u>75</u>	<u>0</u>	<u>0</u>	<u>9</u>	<u>11</u>	<u>11</u>	<u>14</u>	<u>4</u>	<u>177</u>

The Executive concurs.

**Student Financial Aid Trust Fund**

112,300 GF

The JLBC Staff recommends a \$112,300 increase over the FY 1996 funding level of \$1,526,100 for state appropriated matching funds based upon actual student surcharge fees collected during FY 1995 in accordance with the provisions of A.R.S. § 15-1642. The fund is used to provide immediate aid to students with verifiable financial need or unique need due to their special circumstances and to create an endowment for future financial aid. The Executive concurs.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

**SUMMARY OF RECOMMENDED ADJUSTMENT FOR UNIVERSITY SYSTEM**

	FY 1997 <u>OSPB</u>	FY 1997 <u>JLBC</u>
FY 1996 General Fund Appropriation	<u>\$609,323,800</u>	<u>\$609,323,800</u>
Adjustment:		
Annualization of January 1996 Pay Adjustment	\$ 17,600	\$ 7,098,500
ERE Rate including Base Adjustment	584,500	183,400
Risk Management Charges	946,300	946,300
Enrollment Growth (624 FTE Students)	1,594,700	2,314,300
Equipment/One-Time Base Adjustment	(1,103,500)	(837,600)
New Facilities Support	1,028,000	1,017,600
Sierra Vista Campus	0	279,800
Retirement Pay-Back (S.B. 1108)	0	1,249,900
NAUNet	1,974,600	1,363,000
Telemedicine Network	0	1,234,500
Regents - WICHE Subsidies	85,900	85,900
- Financial Aid Trust Fund	112,300	112,300
- Rent	<u>0</u>	<u>12,700</u>
Total Adjustment	<u>\$5,240,400</u>	<u>\$15,060,600</u>
Collections Fund Adjustment	<u>(2,099,100)</u>	<u>(3,439,200)</u>
General Fund Adjustment	<u>\$ 3,141,300</u>	<u>\$ 11,621,400</u>
<b>FY 1997 General Fund Total</b>	<b>\$612,465,100</b>	<b>\$620,945,200</b>

\* \* \*

**1 Program Authorization Review Recommendation** — The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of the Area Health Education Centers (AHEC) program during the last year. As a result of that review, the JLBC Staff recommendation continues to eliminate state funding for the program. The Executive concurs.

The AHEC system is a federally created program that provided initial funding to the states to establish regional health education centers throughout the U.S., including Arizona. The Arizona AHEC program received initial federal funding in FY 1984. In subsequent years, operating costs for continuation of AHEC programs incrementally have been transferred to the state. Arizona's AHEC system comprised 5 centers and a project office that, in conjunction with health science schools, linked rural and medically underserved communities with health professions. In FY 1995, AHEC received a state General Fund appropriation of \$1,150,200. However, the Legislature did not appropriate any General Fund monies for AHEC for FY 1996, noting that, since the federal government created the AHEC program, the federal government should provide the necessary funding for continuance of AHEC program operations.

The primary findings of the PAR of AHEC concluded that, "... the long-term effect (of AHEC) on improving health care services in rural Arizona is difficult to measure" and "... there may be alternative methods for providing some AHEC functions in the future." Potential cost-effective means cited in the report for continuing AHEC's rural health support services included: individual college and university personnel organizing clinical rotations and continuing medical education for professionals practicing in rural Arizona; expansion of the existing information technology system for "telemedicine" and a joint public/private venture for recruiting and retaining qualified health professionals in rural Arizona. Additionally, some of the activities of the AHECs—particularly those pertaining to rural rotations—will be carried out under the Rural Rotation legislation, Laws 1995, Chapter 207, implementation of which has been delayed until FY 1999. The law mandates clinical rural rotations for UA-Health Sciences Center medical and pharmacy students, residents in primary care disciplines and nurse practitioners. The number of mandated rotations in the first year is estimated to be 200 students and residents.

Based upon these PAR findings, the federal government's cost transfer of the program to the state, and the fact that ABOR has not requested funding for the program for FY 1997, the JLBC Staff recommends continuing to eliminate state funding the AHEC program. The Executive concurs.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

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

### *Other Issues for Legislative Consideration*

#### — Performance Audit

The Auditor General issued a performance audit titled Universities Administration and Support on December 8, 1995. The report found that the largest group of university employees—38%—were directly involved in teaching, research, or public service in FY 1994. Approximately 25% were identified as performing administrative duties and 37% served in a variety of support functions. A reduction of 1% achieved through restructuring or efficiency improvements could generate nearly \$5,000,000 in salary savings. Noting that the universities have taken a number of steps to reduce administrative and support overhead, the report suggested further opportunities exist to streamline both academic and non-instructional units by flattening organizational structures, increasing spans of supervision, making process improvements, and consolidating duplicative or overlapping functions. As a means of promoting and motivating these efficiencies and overcoming university “culture barriers,” the Auditor General recommends that the Board of Regents establish goals and performance measures to benchmark administrative efficiency, and that the Legislature consider budgetary incentives that encourage restructuring and increased administrative productivity.

The JLBC Staff suggests that, based on the Auditor General’s recommendations, the Legislature consider implementing a 2% across-the-board reduction in Personal Services and Employee Related Expenses at ASU-Main, ASU-East, ASU-West, NAU, UA-Main, and UA-Health Sciences Center totaling \$12,716,000 with 282.4 FTE Positions and reallocating 1% or \$6,358,000 with 141.2 FTE Positions of the 2% reduction to the ABOR to be used for incentive grants to the universities for restructuring and reengineering efforts. The \$6,358,000 will provide incentives to universities for efficiency efforts through quality management, program consolidation or elimination, reallocation of resources from low job-demand programs to high job-demand programs, elimination of systemwide duplicative programs, and for resource reallocation efforts towards teaching and instructional activities. ABOR may award incentive grants to the universities based on the Board’s approval of each university’s plan, subject to presentation to and review by the JLBC.



## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Arizona State University - Main Campus

JLBC: John Lee/Bruce Groll  
OSP: Anne Barton

House Sub: Hart  
Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSP	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	5,110.0	5,203.6	5,398.6	5,151.6	5,200.6
Personal Services	171,308,100	193,665,100	206,630,000	191,234,500	193,998,000
Employee Related Expenditures	32,610,100	37,301,500	41,716,500	36,534,500	36,718,600
All Other Operating Expenditures:					
Professional and Outside Services	4,083,600	1,256,000	1,416,000	1,241,000	1,270,000
Travel - In State	108,600	352,400	384,200	357,800	356,600
Travel - Out of State	1,627,100	766,800	866,800	766,800	776,600
Library Acquisitions	6,004,300	5,692,800	6,589,800	5,692,800	5,692,800
Other Operating Expenditures	35,966,700	35,341,700	35,989,800	35,395,400	35,414,700
Equipment	14,128,300	8,829,900	11,915,200	8,854,000	8,892,900
<b>PROGRAM TOTAL</b>	<b>265,836,800</b>	<b>283,206,200</b>	<b>305,508,300</b>	<b>280,076,800</b>	<b>283,120,200</b>
<b>BY FUND SOURCE</b>					
General Fund	198,293,900	209,999,300	234,337,900	208,906,400	211,949,800
Other Appropriated Funds	67,542,900	73,206,900	71,170,400	71,170,400	71,170,400
Other Non-Appropriated Funds	104,455,800	111,296,200	114,472,700	114,472,700	114,472,700
Federal Funds	55,603,400	58,434,500	61,085,100	61,085,100	61,085,100
<b>TOTAL - ALL SOURCES</b>	<b>425,896,000</b>	<b>452,936,900</b>	<b>481,066,100</b>	<b>455,634,600</b>	<b>458,678,000</b>

**Agency Description** — *Established in 1885, Arizona State University is one of the 3 universities governed by the Arizona Board of Regents. As a Research I institution, Arizona State University-Main Campus offers over 250 degree programs to approximately 42,000 students in 13 colleges and schools, and also provides academic courses at the Downtown Center in Phoenix.*

Change in Funding Summary:	<u>FY 1996 to FY 1997 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$1,950,500	0.9%
Other Appropriated Funds	<u>(2,036,500)</u>	<u>(2.8)%</u>
Total Appropriated Funds	<u>\$ (86,000)</u>	0.0%

### **FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$	-0- OF	\$ 2,569,400 GF
— ERE Rates		-0- OF	(52,500) GF
— Risk Management		-0- OF	336,200 GF
— University Collections Fund		123,400 OF	(123,400) GF

Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

**ERE Base Adjustment**

The JLBC Staff recommendation provides an \$(831,200) reduction for the ERE base adjustment to reflect an estimated savings of \$831,200 from the budgeted ERE rate approved for FY 1996. (831,200) GF

**Enrollment Growth**

The JLBC Staff recommendation provides an increase of \$1,095,300 and 21 FTE Positions for student enrollment growth of 305 FTE students in accordance with the funding formula of 22:1:0.5 (student to faculty to support positions). The 21 FTE Positions recommended include 14 faculty positions and 7 secretary and support staff positions. The JLBC Staff recommendation further provides that the additional secretary and staff positions be maintained as recommended to support the enrollment formula. The Executive recommends \$420,700 and 8 FTE Positions for student enrollment growth. 1,095,300 GF

**Technology and Agribusiness Transfer**

The JLBC Staff recommendation provides a transfer of \$3,561,100 and 60 FTE Positions for the Schools of Technology and Agribusiness to ASU-East Campus, along with the transfer of 671 FTE students. The Executive concurs with the JLBC recommendation, with a total transfer of \$3,557,000. (2,159,900) OF (1,401,200) GF

**Retirement Buy-Back**

S.B. 1108 (Laws 1995, Chapter 134), requires the Arizona State Retirement System to meet the federal regulations for retirement buy-back. This provision applies to the System members who were working for the State of Arizona when the retirement plan changed from a defined contribution system to a defined benefit plan in 1971, and who have not officially declared which plan they would like to retire under. If an eligible employee chooses to retire under the old defined contribution system, there will be a current and future liability to the state. The law provides that any eligible members may contribute to the System an additional amount for the difference between their contributions made and 7% of their gross salary compensation from July 1, 1984 through December 31, 1995, or their retirement dates, whichever is earlier. And, the matching amounts must be paid by the university. The university estimates a potential liability of \$357,900 for 49 eligible employees during FY 1996 and FY 1997. The Executive does not recommend funding for the retirement buy-back requirement. 357,900 GF

**Instruction Enhancement**

The university revised its FY 1996 state operating budget (expenditure authority) for an increase of \$1,032,700 and 36 faculty FTE Positions, with additional tuition and fee revenues of \$1,032,700. The JLBC Staff recommendation provides the Line Item adjustments to reflect the FY 1996 revised budget. The additional 36 faculty FTE Positions are reflected in the FY 1997 recommendation. The Executive concurs with the JLBC Staff recommendation for the \$1,032,700 base adjustment for FY 1996. However, the Executive does not recommend the faculty FTE Position adjustment for FY 1997. -0- GF

\* \* \*

**JLBC Staff Recommended Format** — Lump Sum by Agency. The Executive recommends a Modified Lump Sum appropriation by cost center.

**JLBC Staff Recommended Footnotes**

**Standard Footnotes**

- Any unencumbered balances remaining in the collections account on June 30, 1996, and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the Enabling Act and the Constitution. No part of this appropriation shall be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are hereby appropriated for the purpose of conducting summer sessions, but are excluded from the amounts enumerated above.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

— The appropriated monies are not to be used for scholarships.

### *Continuation of New FY 1996 Footnotes*

— The appropriated monies shall not be used by the Arizona State University College of Law Legal Clinic for any lawsuits involving inmates of the State Department of Corrections where the state is the adverse party.

### *Other Issues for Legislative Consideration*

#### — Performance Audit

The Auditor General issued a performance audit titled Universities Administration and Support on December 8, 1995. The report found that 38% of the university employees performed direct services in teaching, research and public service in FY 1994. The report also found that 25% of the employees performed administrative functions, and 37% of the employees served in support functions.

The report indicates that even small reductions in the number of administrative and support positions would generate substantial savings ranging from over \$5,000,000 to \$29,000,000 per year for the university system. The report further suggests that the best opportunities exist to streamline and flatten out organizational structures, to increase spans of supervision, centralize multi-university functions, make process improvements, and consolidate duplicate functions. The report also emphasizes potential reduction of academic unit overhead by eliminating non-essential programs and duplicative functions, and by consolidating compatible academic units.

As a means of promoting and motivating these efficiencies, the Auditor General recommends that the Arizona Board of Regents establish goals and performance measures to benchmark administrative efficiency, and that the Legislature consider budgetary incentives that encourage restructuring and increased administrative productivity.

Therefore, the JLBC Staff suggests that, based upon the Auditor General's recommendations, the Legislature consider implementing a 2% across-the-board reduction in Personal Services and Employee Related Expenditures at ASU-Main totaling \$4,614,300 and 104 FTE Positions and reallocating 1% or \$2,307,200 and 52 FTE Positions of the 2% reduction to the Arizona Board of Regents to be used for incentive grants to the universities for restructuring and reengineering efforts. The Arizona Board of Regents may award incentive grants to the universities based upon the board's approval of each university's plan. The grants will provide incentives to universities for efficiency efforts through quality management, program consolidation or elimination, reallocation of resources from low job-demand programs to high job-demand programs, elimination of systemwide duplicate programs, and for resource reallocation efforts towards teaching and instructional activities. The board's allocation of incentive grants shall be subject to the board's presentation of such allocation and review by the Joint Legislative Budget Committee.

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Arizona State University - East Campus

JLBC: John Lee/Bruce Groll  
OSPB: Anne Barton

House Sub: Hart  
Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	14.0	20.0	112.0	80.0	80.0
Personal Services	443,900	938,100	5,064,100	3,682,900	3,690,400
Employee Related Expenditures	69,000	181,200	1,035,400	693,200	704,600
All Other Operating Expenditures:					
Professional and Outside Services	272,200	502,600	1,127,400	0	187,700
Travel - In State	2,900	6,600	9,800	6,600	6,600
Travel - Out of State	5,600	18,000	28,500	18,000	18,000
Library Acquisitions	0	0	60,000	0	0
Other Operating Expenditures	208,300	277,500	1,183,800	572,100	572,100
Equipment	61,800	122,700	753,000	0	0
<b>PROGRAM TOTAL</b>	<b>1,063,700</b>	<b>2,046,700</b>	<b>9,262,000</b>	<b>4,972,800</b>	<b>5,179,400</b>
<b>BY FUND SOURCE</b>					
General Fund	2,122,600	1,842,700	6,947,900	2,658,700	2,481,500
Other Appropriated Funds	(1,058,900)	204,000	2,314,100	2,314,100	2,697,900
Other Non-Appropriated Funds	100	9,000	111,500	111,500	111,500
<b>TOTAL - ALL SOURCES</b>	<b>1,063,800</b>	<b>2,055,700</b>	<b>9,373,500</b>	<b>5,084,300</b>	<b>5,290,900</b>

**Agency Description** — Laws 1994, Chapter 218 (H.B. 2366), authorized the Arizona Board of Regents to maintain an Arizona State University campus in eastern Maricopa County. It is the intent of the Legislature that the Arizona State University - East Campus be located at the site of the former Williams Air Force Base. The Record of Decision by the Department of Air Force was issued on February 17, 1995 for disposal of the property to the Arizona Board of Regents and other entities in Arizona. The facilities for Arizona State University - East Campus include approximately 600 acres, 83 buildings, 656 single family residences and related personal property, and may accommodate 10,000 students by the year 2010 in order to meet Arizona's future enrollment demand.

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$ 638,800	34.7%
Other Appropriated Funds	<u>2,493,900</u>	<u>1,222.5%</u>
Total Appropriated Funds	\$3,132,700	153.1%

### ***FY 1997 — JLBC Staff Recommended Changes from FY 1996***

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$	-0- OF	\$	8,600 GF
— ERE Rates				600 GF
— Equipment Base Adjustment				(122,700) GF
— University Collections Fund			50,200 OF	(50,200) GF

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

**One-Time Adjustment for Professional and Outside Services** (314,900) GF  
The JLBC Staff recommendation provides a \$(314,900) reduction for a one-time base adjustment. The Executive recommends a \$(502,600) reduction for this one-time adjustment.

**Technology and Agribusiness Transfer** 2,159,900 OF 1,401,200 GF  
The JLBC Staff recommendation provides a transfer of \$3,561,100 and 60 FTE Positions for the Schools of Technology and Agribusiness from ASU-Main Campus, along with the transfer of 671 FTE students. Beginning in fall 1996, ASU-East Campus will offer the Bachelor of Science degrees in Electronic Engineering Technology, Manufacturing Engineering Technology, Industrial Technology, Aeronautical Engineering Technology, Aeronautical Management Technology and Agribusiness, as well as the Masters degrees in Technology and Agribusiness. The Executive concurs with the JLBC Staff recommendation, with a total transfer of \$3,557,000.

**General Fund Balance Carry-Forward** 283,800 OF (283,800) GF  
The Legislature appropriated from the General Fund \$2,122,600 for FY 1995 operating budget for ASU-East Campus. Of the \$2,122,600 appropriation, the university expended \$1,063,700 (\$1,009,200 from the General Fund and \$54,500 from the University Collections Fund) and encumbered \$829,500 for operating expenditures with the remaining carry-forward balance \$283,800 to FY 1996. The encumbered amount of \$829,500 consists of \$614,000 for telecommunications connection and infrastructure, \$35,500 for housing start-up, and \$180,000 for architectural and engineering services. The JLBC Staff recommends that the carry-forward amount of \$283,800 be expended in FY 1997 with a corresponding reduction for the General Fund.

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**JLBC Staff Recommended Format** — Lump Sum by Agency. The Executive recommends a Modified Lump Sum appropriation by cost center.

### ***JLBC Staff Recommended Footnotes***

#### ***Standard Footnotes***

- Any unencumbered balances remaining in the collections account on June 30, 1996, and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the Enabling Act and the Constitution. No part of this appropriation shall be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are hereby appropriated for the purpose of conducting summer sessions, but are excluded from the amounts enumerated above.
- The appropriated monies are not to be used for scholarships.

### ***Other Issues for Legislative Consideration***

#### — Performance Audit

The Auditor General issued a performance audit titled Universities Administration and Support on December 8, 1995. The report found that 38% of the university employees performed direct services in teaching, research and public service in FY 1994. The report also found that 25% of the employees performed administrative functions, and 37% of the employees served in support functions.

The report indicates that even small reductions in the number of administrative and support positions would generate substantial savings ranging from over \$5,000,000 to \$29,000,000 per year for the university system. The report further suggests that the best opportunities exist to streamline and flatten out organizational structures, to increase spans of supervision, centralize multi-university functions, make process improvements, and consolidate duplicate functions. The report also emphasizes potential reduction of academic unit overhead by eliminating non-essential programs and duplicative functions, and by consolidating compatible academic units.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

As a means of promoting and motivating these efficiencies, the Auditor General recommends that the Arizona Board of Regents establish goals and performance measures to benchmark administrative efficiency, and that the Legislature consider budgetary incentives that encourage restructuring and increased administrative productivity.

Therefore, the JLBC Staff suggests that, based upon the Auditor General's recommendations, the Legislature consider implementing a 2% across-the-board reduction in Personal Services and Employee Related Expenditures at ASU-East Campus totaling \$87,900 and 1.6 FTE Positions and reallocating 1% or \$43,900 and 0.8 FTE Position of the 2% reduction to the Arizona Board of Regents to be used for incentive grants to the universities for restructuring and reengineering efforts. The Arizona Board of Regents may award incentive grants to the universities based upon the board's approval of each university's plan. The grants will provide incentives to universities for efficiency efforts through quality management, program consolidation or elimination, reallocation of resources from low job-demand programs to high job-demand programs, elimination of systemwide duplicate programs, and for resource reallocation efforts towards teaching and instructional activities. The board's allocation of incentive grants shall be subject to the board's presentation of such allocation and review by the Joint Legislative Budget Committee.

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Arizona State University - West Campus

JLBC: John Lee/Bruce Groll  
 OSPB Analyst: Anne Barton

House Sub: Hart  
 Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	620.4	627.4	652.9	627.4	627.4
Personal Services	19,118,400	21,916,100	23,603,400	21,916,100	22,180,500
Employee Related Expenditures	3,825,600	4,609,600	4,949,500	4,609,600	4,631,500
All Other Operating Expenditures:					
Professional and Outside Services	789,100	476,600	484,600	476,600	476,600
Travel - In State	50,400	97,700	100,100	97,700	97,700
Travel - Out of State	249,200	211,600	219,600	211,600	211,600
Library Acquisitions	1,109,600	1,212,000	1,381,700	1,212,000	1,212,000
Other Operating Expenditures	10,241,900	8,349,700	8,394,400	8,349,700	8,349,700
Equipment	2,034,400	2,106,000	2,342,400	2,106,000	2,106,000
<b>PROGRAM TOTAL</b>	<b>37,418,600</b>	<b>38,979,300</b>	<b>41,475,700</b>	<b>38,979,300</b>	<b>39,265,600</b>
<b>BY FUND SOURCE</b>					
General Fund	32,235,700	33,438,800	35,891,000	33,394,600	33,680,900
Other Appropriated Funds	5,182,900	5,540,500	5,584,700	5,584,700	5,584,700
Other Non-Appropriated Funds	1,599,000	1,646,900	1,696,300	1,696,300	1,696,300
Federal Funds	732,600	761,900	792,400	792,400	792,400
<b>TOTAL - ALL SOURCES</b>	<b>39,750,200</b>	<b>41,388,100</b>	<b>43,964,400</b>	<b>41,468,000</b>	<b>41,754,300</b>

**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.

Change in Funding Summary:	<u>FY 1996 to FY 1997 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$242,100	0.7%
Other Appropriated Funds	<u>44,200</u>	<u>0.8%</u>
Total Appropriated Funds	\$286,300	0.7%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

Standard Changes			
— Annualization of January 1996 Pay Adjustment	\$	-0- OF	\$302,300 GF
— ERE Rates		-0- OF	(16,000) GF
— University Collections Fund	44,200	OF	(44,200) GF

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## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

*JLBC Staff Recommended Format* — Lump Sum by Agency. The Executive recommends a Modified Lump Sum appropriation by cost center.

### *JLBC Staff Recommended Footnotes*

#### *Standard Footnotes*

- Any unencumbered balances remaining in the collections account on June 30, 1996, and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the Enabling Act and the Constitution. No part of this appropriation shall be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are hereby appropriated for the purpose of conducting summer sessions, but are excluded from the amounts enumerated above.
- The appropriated monies are not to be used for scholarships.

### *Other Issues for Legislative Consideration*

#### — Performance Audit

The Auditor General issued a performance audit titled Universities Administration and Support on December 8, 1995. The report found that 38% of the university employees performed direct services in teaching, research and public service in FY 1994. The report also found that 25% of the employees performed administrative functions, and 37% of the employees served in support functions.

The report indicates that even small reductions in the number of administrative and support positions would generate substantial savings ranging from over \$5,000,000 to \$29,000,000 per year for the university system. The report further suggests that the best opportunities exist to streamline and flatten out organizational structures, to increase spans of supervision, centralize multi-university functions, make process improvements, and consolidate duplicate functions. The report also emphasizes potential reduction of academic unit overhead by eliminating non-essential programs and duplicative functions, and by consolidating compatible academic units.

As a means of promoting and motivating these efficiencies, the Auditor General recommends that the Arizona Board of Regents establish goals and performance measures to benchmark administrative efficiency, and that the Legislature consider budgetary incentives that encourage restructuring and increased administrative productivity.

Therefore, the JLBC Staff suggests that, based upon the Auditor General's recommendations, the Legislature consider implementing a 2% across-the-board reduction in Personal Services and Employee Related Expenditures at ASU-West totaling \$536,200 and 12.5 FTE Positions and reallocating 1% or \$268,100 and 6.3 FTE Positions of the 2% reduction to the Arizona Board of Regents to be used for incentive grants to the universities for restructuring and reengineering efforts. The Arizona Board of Regents may award incentive grants to the universities based upon the board's approval of each university's plan. The grants will provide incentives to universities for efficiency efforts through quality management, program consolidation or elimination, reallocation of resources from low job-demand programs to high job-demand programs, elimination of systemwide duplicate programs, and for resource reallocation efforts towards teaching and instructional activities. The board's allocation of incentive grants shall be subject to the board's presentation of such allocation and review by the Joint Legislative Budget Committee.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Northern Arizona University

JLBC: John Lee/Bruce Groll  
OSP: Anne Barton

House Sub: Hart  
Senate Sub: Chesley

DESCRIPTION	FY 1995	FY 1996	FY 1997		
	ACTUAL	ESTIMATE	REQUEST	OSP	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
NAU-Main	102,287,000	109,006,100	122,191,200	113,151,900	113,659,300
NAU-Yuma	1,827,800	1,929,400	2,268,000	1,996,000	2,106,000
<b>AGENCY TOTAL</b>	<b>104,114,800</b>	<b>110,935,500</b>	<b>124,459,200</b>	<b>115,147,900</b>	<b>115,765,300</b>
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	1,945.1	2,132.7	2,240.2	2,190.3	2,175.3
Personal Services	65,402,400	71,440,300	78,254,200	72,446,600	73,940,600
Employee Related Expenditures	14,287,900	15,853,100	18,268,200	15,949,600	16,464,000
All Other Operating Expenditures:					
Professional and Outside Services	909,200	594,100	671,200	601,500	622,500
Travel - In State	476,900	589,900	625,700	577,300	598,400
Travel - Out of State	541,300	414,200	466,600	392,400	434,100
Library Acquisitions	2,336,200	2,525,100	2,898,600	2,475,100	2,525,100
Other Operating Expenditures	14,488,300	15,151,300	16,234,100	14,951,400	15,322,300
Equipment	5,672,600	4,367,500	7,040,600	5,758,000	5,858,300
<b>OPERATING SUBTOTAL</b>	<b>104,114,800</b>	<b>110,935,500</b>	<b>124,459,200</b>	<b>113,151,900</b>	<b>115,765,300</b>
Special Line Items	0	0	0	1,996,000	0
<b>AGENCY TOTAL</b>	<b>104,114,800</b>	<b>110,935,500</b>	<b>124,459,200</b>	<b>115,147,900</b>	<b>115,765,300</b>
<b>BY FUND SOURCE</b>					
General Fund	81,583,400	86,473,300	97,709,100	88,397,800	89,015,200
Other Appropriated Funds	22,531,400	24,462,200	26,750,100	26,750,100	26,750,100
Other Non-Appropriated Funds	66,496,900	64,806,800	67,059,500	67,059,500	67,059,500
Federal Funds	20,114,000	20,487,900	21,433,900	21,433,900	21,433,900
<b>TOTAL - ALL SOURCES</b>	<b>190,725,700</b>	<b>196,230,200</b>	<b>212,952,600</b>	<b>203,641,300</b>	<b>204,258,700</b>

**Agency Description** — Established in 1899, Northern Arizona University is 1 of 3 state universities governed by the Arizona Board of Regents. The university offers 137 degree programs to approximately 19,000 students in 9 colleges, schools and 1 center, and provides academic programs to many instructional sites throughout the state and at the Yuma Campus that operates in conjunction with Arizona Western College.

<b>Change in Funding Summary:</b>	<b>FY 1996 to FY 1997 JLBC</b>	
	<b>\$ Change</b>	<b>% Change</b>
General Fund	\$2,541,900	2.9%
Other Appropriated Funds	<u>2,287,900</u>	<u>9.4%</u>
Total Appropriated Funds	\$4,829,800	4.4%

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

***FY 1997 — JLBC Staff Recommended Changes from FY 1996***

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$	-0- OF	\$ 974,000 GF
— ERE Rates		-0- OF	700 GF
— Risk Management		-0- OF	(40,400) GF
— University Collections Fund		2,287,900 OF	(2,287,900) GF

**Enrollment Growth**

**2,259,100 GF**

The JLBC Staff recommendation provides an increase of \$2,259,100 and 42.6 FTE Positions for student enrollment growth of 625 FTE students in accordance with the funding formula of 22:1:0.5 (student to faculty to support positions). The 42.6 FTE Positions recommended include 28.4 faculty positions and 14.2 secretary and support staff positions. The JLBC Staff further recommends that the additional secretary and support staff positions be maintained as recommended. The Executive recommends \$2,241,600 and 42.6 FTE Positions to fund the enrollment growth.

**Retirement Buy-Back**

**126,000 GF**

S.B. 1108 (Laws 1995, Chapter 134) requires the Arizona State Retirement System to meet the federal regulations for retirement buy-back. This provision applies to the System members who were working for the State of Arizona when the retirement plan changed from a defined contribution system to a defined benefit plan in 1971, and who have not officially declared which plan they would like to retire under. If an eligible employee chooses to retire under the old defined contribution system, there will be a current and future liability to the state. The law provides that eligible members may contribute to the System an additional amount for the difference between their contributions made and 7% of their gross salary compensation from July 1, 1984 through December 31, 1995, or their retirement dates, whichever is earlier. And, the matching amounts must be paid by the university. The university estimates a potential liability of \$126,000 for 23 eligible employees during FY 1996 and FY 1997. The Executive does not recommend funding for the retirement buy-back requirement.

**NAU-Yuma New Facilities Support**

**147,400 GF**

The JLBC Staff recommendation provides 8-month funding to support the NAU-Yuma Learning Facility, which is scheduled to open in October 1996. The Executive concurs with the JLBC Staff recommendation.

**NAUNet One-Time Start-Up Cost**

**1,363,000 GF**

The JLBC Staff recommendation provides a one-time start-up cost for 3 statewide academic sites (Show Low, Page, and Payson) and an interactive telecommunication site in the state Legislature, with the use of shared facilities and telecommunication technologies involving Interactive Instructional Television (IITV). IITV is a multi-way, interactive microwave network by which courses are delivered to statewide academic sites. This cost-effective technology provides funding for local sites and allows 4-year and advance degree programs to be delivered to these sites, which are not able to support resident faculty. The Executive recommends \$1,974,600 for expansion of the NAU Interactive Instructional Television delivery system, including new sites in Bullhead City, Show Low, Page, San Luis, and Payson.

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***JLBC Staff Recommended Format*** — Lump Sum with NAU-Yuma Program as a Special Line Item by Agency. The Executive recommends a Modified Lump Sum appropriation with Special Line Item.

***JLBC Staff Recommended Footnotes***

***Standard Footnotes***

- Any unencumbered balances remaining in the collections account on June 30, 1996, and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the Enabling Act and the Constitution. No part of this appropriation shall be expended for supplemental life

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are hereby appropriated for the purpose of conducting summer sessions, but are excluded from the amounts enumerated above.

- The appropriated monies are not to be used for scholarships.

### *Other Issues for Legislative Consideration*

#### — Performance Audit

The Auditor General issued a performance audit titled Universities Administration and Support on December 8, 1995. The report found that 38% of the university employees performed direct services in teaching, research and public service in FY 1994. The report also found that 25% of the employees performed administrative functions, and 37% of the employees served in support functions.

The report indicates that even small reductions in the number of administrative and support positions would generate substantial savings ranging from over \$5,000,000 to \$29,000,000 per year for the university system. The report further suggests that the best opportunities exist to streamline and flatten out organizational structures, to increase spans of supervision, centralize multi-university functions, make process improvements, and consolidate duplicate functions. The report also emphasizes potential reduction of academic unit overhead by eliminating non-essential programs and duplicative functions, and by consolidating compatible academic units.

As a means of promoting and motivating these efficiencies, the Auditor General recommends that the Arizona Board of Regents establish goals and performance measures to benchmark administrative efficiency, and that the Legislature consider budgetary incentives that encourage restructuring and increased administrative productivity.

Therefore, the JLBC Staff suggests that, based upon the Auditor General's recommendations, the Legislature consider implementing a 2% across-the-board reduction in Personal Services and Employee Related Expenditures at NAU totaling \$1,808,000 and 43.5 FTE Positions and reallocating 1% or \$904,000 and 21.7 FTE Positions of the 2% reduction to the Arizona Board of Regents to be used for incentive grants to the universities for restructuring and reengineering efforts. The Arizona Board of Regents may award incentive grants to the universities based upon the board's approval of each university's plan. The grants will provide incentives to universities for efficiency efforts through quality management, program consolidation or elimination, reallocation of resources from low job-demand programs to high job-demand programs, elimination of systemwide duplicate programs, and for resource reallocation efforts towards teaching and instructional activities. The board's allocation of incentive grants shall be subject to the board's presentation of such allocation and review by the Joint Legislative Budget Committee.

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: University of Arizona - Main Campus

JLBC: John Lee/Bruce Groll  
OSP: Anne Barton

House Sub: Hart  
Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSP	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Instruction	236,044,900	245,786,700	269,069,800	247,192,900	249,619,100
Agriculture	39,069,900	39,850,200	43,315,000	40,332,700	40,542,600
Sierra Vista Campus	724,000	798,700	1,485,900	0	1,101,600
Pima County Campus	564,600	1,918,500	2,562,100	1,440,300	1,912,600
<b>AGENCY TOTAL</b>	<b>276,403,400</b>	<b>288,354,100</b>	<b>316,432,800</b>	<b>288,965,900</b>	<b>293,175,900</b>
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	5,342.3	5,354.2	5,584.7	5,352.9	5,347.9
Personal Services	188,026,300	199,148,100	211,576,600	197,778,000	200,807,300
Employee Related Expenditures	32,693,500	34,799,500	40,792,600	35,194,200	36,377,100
All Other Operating Expenditures:					
Professional and Outside Services	1,957,400	1,949,400	2,149,400	1,935,500	1,932,000
Travel - In State	505,400	957,900	1,077,700	953,200	952,600
Travel - Out of State	776,500	561,400	619,400	553,500	549,300
Library Acquisitions	5,742,400	5,675,100	6,469,600	5,675,100	5,675,100
Other Operating Expenditures	40,915,200	39,953,700	44,534,300	40,210,400	41,624,800
Equipment	5,786,700	5,309,000	9,213,200	5,225,700	5,257,700
<b>OPERATING SUBTOTAL</b>	<b>276,403,400</b>	<b>288,354,100</b>	<b>316,432,800</b>	<b>287,525,600</b>	<b>293,175,900</b>
Special Line Items	0	0	0	1,440,300	0
<b>AGENCY TOTAL</b>	<b>276,403,400</b>	<b>288,354,100</b>	<b>316,432,800</b>	<b>288,965,900</b>	<b>293,175,900</b>
<b>BY FUND SOURCE</b>					
General Fund	214,823,400	225,182,800	253,568,100	226,101,200	229,354,900
Other Appropriated Funds	61,580,000	63,171,300	62,864,700	62,864,700	63,821,000
Other Non-Appropriated Funds	219,566,100	235,692,700	242,763,100	242,763,100	242,763,100
Federal Funds	148,742,400	153,258,100	155,879,700	155,879,700	155,879,700
<b>TOTAL - ALL SOURCES</b>	<b>644,711,900</b>	<b>677,304,900</b>	<b>715,075,600</b>	<b>687,608,700</b>	<b>691,818,700</b>

**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 35,000 students in 15 colleges, schools and divisions, and provides academic programs at Sierra Vista Off-Campus Center.

<b>Change in Funding Summary:</b>	<u>FY 1996 to FY 1997 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$4,172,100	1.9%
Other Appropriated Funds	<u>649,700</u>	<u>1.0%</u>
Total Appropriated Funds	\$4,821,800	1.7%

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$	-0- OF	\$ 2,705,700 GF
— ERE Rates		-0- OF	2,692,300 GF
— Risk Management		-0- OF	644,200 GF
— Risk Management Transfer-In from Health Sciences Center		-0- OF	529,500 GF
— University Collections Fund Reduction		(306,600) OF	306,600 GF

**(2,080,100) GF**

**ERE Base Adjustment**

The JLBC Staff recommendation provides a \$(2,080,100) reduction for the ERE base adjustment to reflect an estimated savings of \$2,080,100 from the budgeted ERE rate approved for FY 1996.

**Enrollment Decline**

The JLBC Staff recommendation provides decreases of \$(1,585,800) and (31.3) FTE Positions for student enrollment decline of 459 FTE students in accordance with the funding formula of 22:1:0.5 (student to faculty to support positions). The reduction of 31.3 FTE Positions recommended include (20.9) faculty positions and (10.4) secretary and support staff positions. The Executive recommendation provides decreases of \$(1,067,600) and (20.8) FTE Positions for student enrollment decline and combines the Health Sciences Center enrollment increase with the Main Campus enrollment decline.

**(1,585,800) GF**

**New Facilities Support**

The JLBC Staff recommendation provides \$870,200 and 19.5 FTE Positions for operational costs of 5 new facilities, which include the Aerospace Mechanical Engineering Building to be opened in January 1997; the Law College Addition to be opened in December 1996; 3 shell space completions of the Marley Building, the Center for Computing and Information Technology, and the Arthritis Center. The Executive recommendation provides \$880,600 and 19.5 FTE Positions for operational costs of 5 new facilities.

**870,200 GF**

**Sierra Vista Campus Academic Program Development**

The JLBC Staff recommendation provides an additional funding of \$279,800 and 5.5 FTE Positions for academic program development based upon a projected enrollment increase of 100 FTE students in FY 1997. In March of 1995, the Arizona Board of Regents designated Sierra Vista Off-Campus Center as an official branch campus of the University of Arizona, which enables the campus to expand degree programs and services available to students in southern Arizona. The Executive recommendation provides no additional funding.

**279,800 GF**

**Retirement Buy-Back**

S.B. 1108 (Laws 1995, Chapter 134) requires the Arizona State Retirement System to meet the federal regulations from retirement buy-back. This provision applies to the System members who were working for the State of Arizona when the retirement plan changed from a defined contribution system to a defined benefit plan in 1971 and who have not officially declared which plan they would like to retire under. If an eligible employee chooses to retire under the old defined contribution system, there will be a current and future liability to the state. The law provides that any eligible members may contribute to the System an additional amount for the difference between their contributions made and 7% of their gross salary compensation from July 1, 1984 through December 31, 1995, or their retirement dates, which is earlier. And, the matching amounts must be paid by the university. The university estimates a potential liability of \$766,000 for 117 eligible employees during FY 1996 and FY 1997. The Executive does not recommend funding for the retirement buy-back requirement.

**766,000 GF**

**Pima County Campus Balance Carry-Forward**

The Legislature appropriated from the General Fund \$1,520,900 for FY 1995 operating budget for Pima County Campus. Of the \$1,520,900 appropriation, the university expended \$564,600 and carried forward \$956,300 to FY 1996. The JLBC Staff recommends that the carry-forward amount of \$956,300 be expended in FY 1997 with a corresponding reduction for the General Fund. The Executive recommends a \$(478,200) reduction for one-time expenditures.

**956,300 OF (956,300) GF**

\* \* \*



## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

*JLBC Staff Recommended Format* — Lump Sum with Agriculture, Sierra Vista Campus and Pima County Campus programs as Special Line Items by Agency. The Executive recommends a Modified Lump Sum appropriation by cost center with Special Line Items.

### *JLBC Staff Recommended Footnotes*

#### *Standard Footnotes*

- Any unencumbered balances remaining in the collections account on June 30, 1996, and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the Enabling Act and the Constitution. No part of this appropriation shall be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are hereby appropriated for the purpose of conducting summer sessions, but are excluded from the amounts enumerated above.
- The appropriated monies are not to be used for scholarships.

#### *Other Issues for Legislative Consideration*

##### — Performance Audit

The Auditor General issued a performance audit titled Universities Administration and Support on December 8, 1995. The report found that 38% of the university employees performed direct services in teaching, research and public service in FY 1994. The report also found that 25% of the employees performed administrative functions, and 37% of the employees served in support functions.

The report indicates that even small reductions in the number of administrative and support positions would generate substantial savings ranging from over \$5,000,000 to \$29,000,000 per year for the university system. The report further suggests that the best opportunities exist to streamline and flatten out organizational structures, to increase spans of supervision, centralize multi-university functions, make process improvements, and consolidate duplicate functions. The report also emphasizes potential reduction of academic unit overhead by eliminating non-essential programs and duplicative functions, and by consolidating compatible academic units.

As a means of promoting and motivating these efficiencies, the Auditor General recommends that the Arizona Board of Regents establish goals and performance measures to benchmark administrative efficiency, and that the Legislature consider budgetary incentives that encourage restructuring and increased administrative productivity.

Therefore, the JLBC Staff suggests that, based upon the Auditor General's recommendations, the Legislature consider implementing a 2% across-the-board reduction in Personal Services and Employee Related Expenditures at UA-Main Campus totaling \$4,743,500 and 106.8 FTE Positions and reallocating 1% or \$2,371,800 and 53.4 FTE Positions of the 2% reduction to the Arizona Board of Regents to be used for incentive grants to the universities for restructuring and reengineering efforts. The Arizona Board of Regents may award incentive grants to the universities based upon the board's approval of each university's plan. The grants will provide incentives to universities for efficiency efforts through quality management, program consolidation or elimination, reallocation of resources from low job-demand programs to high job-demand programs, elimination of systemwide duplicate programs, and for resource reallocation efforts towards teaching and instructional activities. The board's allocation of incentive grants shall be subject to the board's presentation of such allocation and review by the Joint Legislative Budget Committee.



# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: University of Arizona - Health Sciences Center

JLBC: John Lee/Bruce Groll  
OSPB: Anne Barton

House Sub: Hart  
Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	664.3	694.6	736.9	694.7	709.5
Personal Services	30,527,000	33,012,900	35,860,800	33,012,900	33,817,900
Employee Related Expenditures	4,793,900	5,365,200	6,264,400	5,774,700	6,016,700
All Other Operating Expenditures:					
Professional and Outside Services	119,100	106,800	106,800	106,800	113,800
Travel - In State	19,200	67,700	117,700	67,700	69,800
Travel - Out of State	33,900	26,600	47,100	26,600	31,500
Library Acquisitions	691,600	726,500	828,200	726,500	726,500
Other Operating Expenditures	2,525,300	2,615,200	3,029,000	2,615,200	1,701,400
Equipment	1,088,100	608,300	847,300	608,300	639,900
<b>OPERATING SUBTOTAL</b>	<b>39,798,100</b>	<b>42,529,200</b>	<b>47,101,300</b>	<b>42,938,700</b>	<b>43,117,500</b>
<b>SPECIAL LINE ITEMS</b>					
Clinical Teaching Support	8,605,400	8,903,700	8,903,700	8,903,700	8,938,100
Telemedicine Network	0	0	0	0	1,234,500
<b>AGENCY TOTAL</b>	<b>48,403,500</b>	<b>51,432,900</b>	<b>56,005,000</b>	<b>51,842,400</b>	<b>53,290,100</b>
<b>BY FUND SOURCE</b>					
General Fund	44,543,200	46,407,700	50,979,800	46,817,200	48,264,900
Other Appropriated Funds	3,860,300	5,025,200	5,025,200	5,025,200	5,025,200
Other Non-Appropriated Funds	35,404,600	32,763,500	33,746,400	33,746,400	33,746,400
Federal Funds	51,952,500	53,398,900	54,517,000	54,517,000	54,517,000
<b>TOTAL - ALL SOURCES</b>	<b>135,760,600</b>	<b>137,595,300</b>	<b>144,268,400</b>	<b>140,105,800</b>	<b>141,553,500</b>

**Agency Description** — *The Arizona Health Sciences Center (AHSC) consists of the University of Arizona (UA) 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 to the M.D. degree for 410 medical students. As a separate budget unit of the University of Arizona, the Arizona Health Sciences Center is governed by the Arizona Board of Regents.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$1,857,200	4.0%
Other Appropriated Funds	-0-	0.0%
<b>Total Appropriated Funds</b>	<b>\$1,857,200</b>	<b>3.6%</b>

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

## *FY 1997 — JLBC Staff Recommended Changes from FY 1996*

### **Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 520,900 GF
— ERE Rates	485,600 GF
— Risk Management Transfer to UA-Main Campus	(529,500) GF
— One-time Library Catalog System Funding	(400,000) GF

### **Enrollment Growth**

**545,700 GF**

The JLBC Staff recommendation provides an increase of \$545,700 and 10.5 FTE Positions for student enrollment growth of 153 FTE students in accordance with the funding formula of 22:1:0.5 (student to faculty to support position). The 10.5 FTE Positions recommended include 7 faculty positions and 3.5 secretary and support staff positions. The JLBC Staff recommendation further provides that the additional secretary and staff positions be maintained as recommended to support the enrollment formula. The Executive recommends no additional funding for student enrollment growth.

### **Telemedicine Network**

**1,234,500 GF**

The JLBC Staff recommendation provides a \$1,234,500 and 4.4 FTE positions increase to develop and fund an 8-site Arizona Rural Telemedicine Network. Telemedicine is the use of computers, video imaging, fiber optics and telecommunications for diagnosis and treatment of persons in rural, geographically isolated communities and state institutions. A telemedicine network can improve rural health care in Arizona, particularly with the rising costs of health care leading to closure of critically needed hospitals and clinics in rural Arizona communities. Additionally, the rapidly decreasing cost of telemedicine may offer a cost-effective alternative to expensive transportation and time delays due to outside referrals from secure state institutions. For example, in FY 1994 the State Department of Corrections (DOC) alone made 16,124 outside health referrals for state inmates, which included 1,490 for medical, 1,209 for surgical, 1,660 for orthopedic and 1,054 for emergency room treatments. The average per patient transportation expense from the DOC facility to the nearest hospital was \$264 per round trip, with total transportation costs in excess of \$4.2 million. This amount does not include the consultation and treatment expenses.

Possible rural medical sites have been identified for telemedicine services including Cottonwood, Florence (to serve the state prisons), Holbrook, Parker, Payson, Sierra Vista, Springerville, and Tuba City. The University of Health Sciences Center and University Medical Center in Tucson would serve as the telemedicine hub. The specific estimated cost distributions among the Arizona Health Sciences Center (AHSC) and the rural sites as proposed are shown below:

<b>Rural Telemedicine Network: Eight-Site Program Estimated Costs</b>					
	<u>First Year</u>	<u>Second Year</u>	<u>Third Year</u>	<u>Fourth Year</u>	<u>4-Year Total</u>
AHSC Costs	\$ 390,000	\$374,300	\$406,300	\$438,800	\$1,609,400
Rural Site Costs	<u>844,200</u>	<u>318,400</u>	<u>322,400</u>	<u>326,400</u>	<u>1,811,400</u>
<b>Total</b>	<b>\$1,234,200</b>	<b>\$692,700</b>	<b>\$728,700</b>	<b>\$765,200</b>	<b>\$3,420,800</b>

These amounts include adequate funding for personnel, hardware, software, and networking requirements to serve 8 demonstration sites, and establish an infrastructure foundation at AHSC for additional sites. Based on the JLBC Staff recommendation, telemedicine services to each site will include the following:

- Teleconsultation using x-rays, x-ray explanatory notes, and interactive voice
- Patient vital sign monitoring, storage, and transfer for monitoring a patient live
- X-ray monitoring and storage for medical specialties that are image oriented
- Live digital video conferencing for physician/physician or physician/patient teleconsultations, and for resident and medical student training; where available, 2-way broadcast-quality video conferencing via the NAUNet will be utilized
- Diagnosis session recording and playback for the patient information records

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

Nationally, telemedicine networks have been established in more than 35 states; 17 states have passed legislation applying to telemedicine. These systems are designed to provide quality primary care and specialty medical services, irrespective of geographic location, at affordable costs and in a timely manner. The potential qualitative benefits of a telemedicine network to rural and underserved Arizona communities are many, including:

- Patients receive care at rural hospitals, thus helping rural hospitals keep their doors open and reducing the need for costly out-of-area transportation
- Patients have access to specialists who can "examine, diagnose, and treat" them in a timely and efficient manner
- Health care professionals can interact with their peers and receive advanced education and training, thus minimizing professional isolation and improving recruitment and retention

At the end of the first fiscal year and each year thereafter, the AHSC shall present an annual report detailing the development and applications of the telemedicine network to the JLBC by September 15. Beginning in FY 2000 and every 3 years thereafter, the JLBC shall conduct a cost-benefit analysis of the telemedicine network to determine whether to retain, eliminate, or modify the program. The Executive does not address this issue.

\* \* \*

**1** *Program Authorization Review Recommendation* — The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the Medical Student Loan (MSL) program during the last year. As a result of that review, the JLBC Staff recommends retaining the program at the current appropriated amount. The Executive concurs.

The Arizona Medical Student Loan Program is an independent biennial budget unit operating *au gratis* at the UA-Health Sciences Center student affairs office and is not scheduled for a full budgetary review until next year. However, to assure the timely reporting of the PAR findings to the Legislature, the JLBC Staff's PAR recommendation is presented herein.

The MSL program was established in 1978 to recruit physicians to serve full-time in medically underserved areas in Arizona by providing educational loans to medical students at the University of Arizona. To participate in the program, the medical students must agree to serve in a medically underserved area for at least two years, or one year of service for each year of loan support, whichever is longer, upon completion of medical residency training. After the student fulfills the service requirement, the amount of the loan is forgiven. Primary care service has been a requirement in contracts signed since October 1992, requiring service in Family Practice, Internal Medicine, Pediatrics or Obstetrics. If the student does not fulfill the service requirement, the Board of Medical Student Loans is mandated to collect liquidated damages equal to the full amount of the loan, in addition to the repayment of the loan at a 7% interest rate. The definition of liquidated damages in contracts signed since October 1992 is equal to the full amount of the loan; contracts signed prior to that time specified \$5,000.

The MSL program receives loan funds from two sources: General Fund appropriations and loan repayments to the Medical Student Loan Fund. For FY 1996 and FY 1997, the Legislature approved \$113,900 and \$236,600 General Fund appropriations, respectively, to fund 16 medical students at the maximum loan amount. Loan repayment funds available are estimated at \$167,100 for FY 1996 and \$49,800 for FY 1997. All of the MSL program's funding is used for the medical student loans. Administration for the program is provided at no cost by the Medical School Financial Aid Office at the University of Arizona.

The primary findings of the PAR of AHEC concluded that, "The Medical Student Loan program has successfully recruited and provided education loans to medical students who, upon graduation, practice full-time in medically underserved areas in Arizona." Additionally, recent legislative changes should increase the percentage of medical students fulfilling their service requirement, and as a result, revenues from medical student loan repayments *may* decline and additional state funds *may* be required to maintain the Arizona MSL program's current service levels. The PAR process also identified a need to focus MSL program graduates service in rural medically underserved areas designated by the Department of Health Services and to consider expanding the MSL program to include other health professionals such as pharmacists, nurse practitioners and dentists. These suggestions would require statutory changes to A.R.S. § 15-1721 and A.R.S. § 15-1723A, respectively, and are not recommended at this time.

*JLBC Staff Recommended Format* — Lump Sum with Telemedicine Network as a Special Line Item by Agency. The Executive recommends a Modified Lump Sum appropriation by cost center.

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

## *JLBC Staff Recommended Footnotes*

### *Standard Footnotes*

- Any unencumbered balances remaining in the collections account on June 30, 1996 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the Enabling Act and the Constitution. No part of this appropriation shall be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are hereby appropriated for the purpose of conducting summer sessions, but are excluded from the amounts enumerated above.
- The appropriated monies are not to be used for scholarships.

### *Other Issues for Legislative Consideration*

#### — Clinical Rural Rotations

The Health Sciences Center is requesting an additional \$595,400 and 8.5 FTE Positions to enable individual college and university health sciences personnel to identify and develop sites to continue clinical rotations in rural Arizona. Clinical rural rotations can provide "hands on" experience to medical professionals as part of their graduation and licensure requirements and link the UA health sciences programs to rural and medically underserved communities throughout Arizona. The requested amount includes: Personal Services, \$330,000; Employee Related Expenditures, \$63,900; Travel - In State, \$32,000; Other Operating Expenditures, \$152,000; and Equipment, \$17,500. The request includes funding for training and support of preceptor faculty, curriculum development, communication systems, equipment acquisition, housing and travel expenses for students, and expenses incurred by the clinical sites. This funding is also being requested to fill a temporary void created with the dissolution of the Arizona Area Health Education Centers (AHEC) system and will be used to facilitate rural rotations until these activities are carried out under the Rural Rotation legislation, Laws 1995, Chapter 207, implementation of which has been delayed until FY 1999.

#### — Performance Audit

The Auditor General issued a performance audit titled Universities Administration and Support on December 8, 1995. The report found that 38% of the university employees performed direct services in teaching, research and public service in FY 1994. The report also found that 25% of the employees performed administrative functions, and 37% of the employees served in support functions.

The report indicates that even small reductions in the number of administrative and support positions would generate substantial savings ranging from over \$5,000,000 to \$29,000,000 per year for the university system. The report further suggests that the best opportunities exist to streamline and flatten out organizational structures, to increase spans of supervision, centralize multi-university functions, make process improvements, and consolidate duplicate functions. The report also emphasizes potential reduction of academic unit overhead by eliminating non-essential programs and duplicative functions, and by consolidating compatible academic units.

As a means of promoting and motivating these efficiencies, the Auditor General recommends that the Arizona Board of Regents establish goals and performance measures to benchmark administrative efficiency, and that the Legislature consider budgetary incentives that encourage restructuring and increased administrative productivity.

Therefore, the JLBC Staff suggests that, based upon the Auditor General's recommendations, the Legislature consider implementing a 2% across-the-board reduction in Personal Services and Employee Related Expenditures at UA-AHSC totaling \$926,100 and 14 FTE Positions and reallocating 1% or \$463,000 and 7 FTE Positions of the 2% reduction to the Arizona Board of Regents to be used for incentive grants to the universities for restructuring and reengineering efforts. The Arizona Board of Regents may award incentive grants to the universities based upon the board's approval

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

of each university's plan. The grants will provide incentives to universities for efficiency efforts through quality management, program consolidation or elimination, reallocation of resources from low job-demand programs to high job-demand programs, elimination of systemwide duplicate programs, and for resource reallocation efforts towards teaching and instructional activities. The board's allocation of incentive grants shall be subject to the board's presentation of such allocation and review by the Joint Legislative Budget Committee.

**BIENNIAL BUDGET UNITS  
(B)**

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Office of Administrative Hearings

JLBC: Jeffrey Schmied  
OSPB: Mark DiNunzio

House Sub: Hart  
Senate Sub: Chesley

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	0.0	10.0	0.0	22.0	21.7
Personal Services	0	354,200	0	831,600	826,700
Employee Related Expenditures	0	81,800	0	166,600	161,400
All Other Operating Expenditures:					
Professional and Outside Services	0	73,100	0	146,200	146,200
Travel - In State	0	900	0	14,000	18,000
Other Operating Expenditures	0	151,800	0	104,300	113,700
<b>AGENCY TOTAL</b>	<b>0</b>	<b>661,800</b>	<b>0</b>	<b>1,262,700</b>	<b>1,266,000</b>
<b>BY FUND SOURCE</b>					
General Fund	0	475,000	0	843,000	848,800
Other Appropriated Funds	0	186,800	0	419,700	417,200
<b>TOTAL - ALL SOURCES</b>	<b>0</b>	<b>661,800</b>	<b>0</b>	<b>1,262,700</b>	<b>1,266,000</b>

**Agency Description** — Laws 1995, Chapter 251 established the Office of Administrative Hearings effective January 1, 1996. The Office of Administrative Hearings is an independent office whose services and personnel are to be used by all state agencies to conduct administrative hearings, unless exempted by law. All agencies supported by other appropriated or non-appropriated funding sources are to contract for administrative hearing services from the office. The Director shall assign Administrative Law Judges (ALJ) from the office to an agency, on either a temporary or permanent basis, to preside over contested cases in accordance with the special expertise of the ALJ in the subject matter of the agency.

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$373,800	78.7%
Other Fund	<u>230,400</u>	<u>123.3%</u>
Total Appropriated Funds	\$604,200	91.3%

## FY 1997 — JLBC Staff Recommended Changes from FY 1996

### Standard Changes

— Risk Management	\$ 1,000 GF
— Rent	30,600 GF
— Elimination of One-time Start-up Costs	(45,000) GF

### Annualization of Director's Office Salaries

**60,800 GF**

The recommended amount includes an increase of 2 FTE Positions, \$49,000 in Personal Services and \$11,800 in Employee Related Expenditures for the annualization of Director's Office positions. For FY 1996, \$54,000 was appropriated for a half-year of funding of new staff salaries and expenses. The Executive concurs in the amount of \$52,500 in Personal Services and \$9,400 in Employee Related Expenditures.



**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

**Annualization of Transferred FTE Costs**

**\$226,800 OF      269,800 GF**

In the enacting legislation, a full-year total of 19.7 FTE Positions were transferred from 7 state agencies along with sufficient funding from each of these agencies to support the transferred FTE Positions. For FY 1996, only a half-year of funding and FTE Positions were transferred. The FY 1997 annualization of positions and funding to be transferred are outlined below. Of the total annualization cost of \$496,600, the sum of \$269,800 is from the General Fund and \$226,800 is from Other Appropriated Funds. The JLBC Staff is recommending corresponding reductions to these other agency budgets as well.

	<u>FTE Positions</u>	<u>Annualization of Transferred FTE Costs</u>	<u>Full Year Total</u>
Department of Revenue	1.0	\$ 45,900	\$ 94,500
Department of Building and Fire Safety	0.8	30,700	66,900
Registrar of Contractors	4.2	226,800	413,600
Department of Insurance	1.5	65,100	154,600
Department of Liquor Licenses and Control	1.0	44,800	89,600
Real Estate Department	0.7	44,800	89,100
Department of Water Resources	<u>0.5</u>	<u>38,500</u>	<u>75,800</u>
<b>Total</b>	<u><b>9.7</b></u>	<u><b>\$496,600</b></u>	<u><b>\$984,100</b></u>

The recommended amount includes an additional \$16,300 OF for Travel - In State for ALJs presiding over Registrar of Contractors proceedings in Flagstaff, Kingman, Lake Havasu, Prescott, Show Low, Sierra Vista and Yuma. The Executive recommends a total increase of \$12,300 OF for Travel - In State.

**Annualization of Transferred FTE Pay Adjustment**

**3,600 OF      4,700 GF**

The recommended amount includes \$3,600 OF and \$4,700 GF for the annualization of the transferred FTE Positions January 1996 pay adjustment. The Executive recommends similar amounts.

**Annualization of Professional and Outside Services Costs**

**51,900 GF**

Those agencies with Professional and Outside Services General Fund monies to be transferred on July 1, 1996 include:

	<u>Annualization Monies Transferred July 1, 1996</u>	<u>Full Year FY 1997 Total</u>
Arizona Department of Administration	\$8,700	\$17,400
Department of Education	12,900	25,800
Department of Health Services	17,500	35,000
Banking Department	2,500	5,000
Department of Racing	4,300	8,600
Department of Environmental Quality	<u>6,000</u>	<u>12,000</u>
<b>Total</b>	<u><b>\$51,900</b></u>	<u><b>\$103,800</b></u>

As with the transferred FTE Positions, the JLBC Staff is also recommending corresponding reductions in the above agency budgets. The Executive concurs.

\* \* \*

**JLBC Staff Recommended Format — Lump Sum by Agency**

**Other Issues for Legislative Consideration**

— Executive Recommendation

The Executive recommends adding an additional 0.3 FTE Position to the existing 0.7 Administrative Law Judge FTE Position transferred from the Department of Building and Fire Safety. In adhering to the section of law which establishes the OAH, the JLBC Staff does not recommend this addition.

# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Arizona Department of Agriculture

JLBC: Karen Bock/Jennifer  
Vermeer OSPB: Pam Scharon

House Sub: Wong  
Senate Sub: Turner

DESCRIPTION	FY 1995	FY 1996	FY 1997		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Administration	1,675,800	1,541,700	1,725,100	1,617,200	1,568,500
Animal Services	3,587,500	3,717,200	3,916,400	3,764,500	3,742,400
Plant Industries	4,265,400	4,302,400	4,464,400	4,422,300	4,347,000
Chemicals/Environmental	911,800	1,089,800	1,184,200	1,144,100	1,089,700
Laboratory	1,169,600	1,226,700	1,433,900	1,347,100	1,402,100
<b>AGENCY TOTAL</b>	<b>11,610,100</b>	<b>11,877,800</b>	<b>12,724,000</b>	<b>12,295,200</b>	<b>12,149,700</b>
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	287.5	277.3	282.8	279.3	276.8
Personal Services	5,915,800	6,235,700	6,358,300	6,282,200	6,234,300
Employee Related Expenditures	1,665,700	1,606,700	1,864,100	1,663,000	1,680,800
All Other Operating Expenditures:					
Professional and Outside Services	143,500	209,300	185,600	185,600	209,300
Travel - In State	490,200	523,500	567,600	527,700	504,500
Travel - Out of State	34,800	30,600	67,100	42,300	29,900
Other Operating Expenditures	1,167,600	1,481,000	1,509,900	1,493,400	1,474,100
Equipment	38,200	90,000	211,000	134,800	200,000
<b>OPERATING SUBTOTAL</b>	<b>9,455,800</b>	<b>10,176,800</b>	<b>10,763,600</b>	<b>10,329,000</b>	<b>10,332,900</b>
<b>SPECIAL LINE ITEMS</b>					
Rent/Relocation	289,600	0	0	0	0
Africanized Honey Bee	251,800	0	0	0	0
Consulting & Training	70,200	0	66,700	93,200	104,900
Aquaculture	6,700	14,600	9,200	9,700	10,200
Egg Inspection	232,800	242,700	290,000	295,600	270,900
Fruit and Vegetable Standardization	789,100	861,500	917,900	926,800	851,100
Commercial Feed	165,300	174,200	220,800	196,800	166,000
Fertilizer Materials	159,700	196,600	211,000	210,000	203,700
Pesticides	189,100	211,400	244,800	234,100	210,000
<b>AGENCY TOTAL</b>	<b>11,610,100</b>	<b>11,877,800</b>	<b>12,724,000</b>	<b>12,295,200</b>	<b>12,149,700</b>
<b>BY FUND SOURCE</b>					
General Fund	10,067,400	10,128,000	10,763,600	10,362,300	10,374,900
Other Appropriated Funds	1,542,700	1,749,800	1,960,400	1,932,900	1,774,800
Other Non-Appropriated Funds	272,500	244,000	244,000	244,000	244,000
Federal Funds	1,028,800	1,609,100	1,609,100	1,609,100	1,609,100
<b>TOTAL - ALL SOURCES</b>	<b>12,911,400</b>	<b>13,730,900</b>	<b>14,577,100</b>	<b>14,148,300</b>	<b>14,002,800</b>

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Arizona Department of Agriculture

**Agency Description** — *The Arizona Department of Agriculture (ADA) 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 insure 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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$246,900	2.4%
Other Appropriated Funds	25,000	1.4%
<b>Total Appropriated Funds</b>	<b>\$271,900</b>	<b>2.3%</b>

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 20,300 OF	\$148,300 GF
— ERE Rates	(6,800) OF	83,800 GF
— Risk Management	(1,600) OF	(10,700) GF
— Rent	1,200 OF	9,700 GF
— Elimination of One-time Equipment	(1,700) OF	(90,000) GF

**Personal Services Base Adjustments**

Several longtime department staff have retired over the last year, resulting in a reduction to the General Fund amounts for Personal Services and ERE. The Other Funds increase results from the department hiring new staff above the level of the previous incumbent. The Executive reduces the General Fund by \$(56,400) and increases Other Funds by \$29,200. The JLBC amount for Other Funds is lower because of specific adjustments to Personal Services that the Executive did not address.

8,500 OF (52,300) GF

**Central Administration Staff Adjustments**

The following re-allocations of funding result in a net savings of \$10,700. (10,700) GF

A vacant 0.5 FTE Strategic Planner/Trainer position should be eliminated and the funding reallocated for a computer support position. The department has assigned planning and training to another position. The JLBC Staff recommends that the Trainer position's funding be allocated for a Network Specialist I. This would provide a total of 2 computer support FTE Positions for ADA's staff of over 275. The Executive also eliminates the Planner/Trainer position funding, but would add the Management Information System staff in the Administrative Assessment Fund, a non-appropriated fund. The Executive assumes higher revenues to that fund for FY 1997 than the JLBC Staff estimates.

The Education Outreach Specialist position should be eliminated and the funding reallocated to the Budget Officer position. The Agriculture Assistant Director for Budgets (Budget Officer) position (which was formerly an internal Auditor) has been inappropriately funded from the Commercial Feed Fund for several years. Meanwhile, the FY 1996 General Fund appropriation included funding for the Assistant Director of Agricultural Worker Safety, but ADA eliminated this position and assigned the responsibilities to the Associate Director of Environmental Services. The savings from eliminating the Worker Safety Director should have been used to correct the longstanding impropriety in special fund usage. ADA instead used the funding to create the new Education Outreach position, which is essentially a public information officer and special assistant to the director. The JLBC Staff recommendation adds \$10,000 to the General Fund amount for the salary and benefits difference between the Education Outreach position and Budget Officer position. (See also "Environmental Services

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

Division Special Funds," below.) The Executive adds \$45,600 to the General Fund amount for the budget position, but does not recommend eliminating the Education Outreach Specialist.

**Environmental Services Division Special Funds**

**(45,700) OF**

The JLBC Staff recommends re-allocating positions among the 3 special funds of the Chemicals/Environmental Division. Statute requires that these funds be used only for enforcement of the applicable articles of law, but ADA has used some monies for central administration staff, and has allocated direct program staff inequitably among the three funds.

We recommend shifting the Agriculture Assistant Director for Budgets (Budget Officer) position from the Feed Fund to the General Fund, for a savings to the Feed Fund of \$(45,700). (See Central Administration Staff above.) The Executive's recommendation has Feed Fund savings of \$(11,300) for this item.

The JLBC Staff also recommends that funding for the 4 Pesticide Inspector II positions and for the Agriculture Assistant Director of Environmental Services be split more equitably among the 3 special funds. The recommendation reflects adjustments to the Commercial Feed, Fertilizer Materials, and Pesticide Special Line Items. There is a net zero overall cost of these changes. The Feed Fund is reduced by 0.4 FTE Position, the Fertilizer Fund is reduced by 0.3 FTE Position, and the Pesticide Fund is reduced by 0.3 FTE Position. The Executive does not address these changes.

**Administrative Assessments**

**8,200 OF**

Since FY 1994, ADA has been charging all special funds an "administrative assessment" to cover a share of departmental overhead expenses, such as accounting. This was done at the direction of the Executive, but was never specifically budgeted. As a result, operations for some special-fund programs were curtailed. The assessments have been transferred to a non-appropriated administrative fund, and ADA has had difficulty accounting for expenditures of these monies. Furthermore, ADA has occasionally changed the amounts assessed each fund without providing a rationale for the varying percentages charged each fund. For FY 1997, the JLBC Staff has budgeted these assessments specifically and made base adjustments in cases where appropriate. The assessments to appropriated funds are at 6% of the FY 1996 appropriation, as follows:

Consultation and Training	\$ 2,900	Commercial Feed	\$10,500
Aquaculture	900	Fertilizer Materials	11,800
Egg Control	14,600	Pesticides	12,700
Citrus, Fruit, and Vegetable	51,700		

The assessment for the Citrus, Fruits and Vegetable (CFV) Fund includes \$30,500 for 1.5 FTE Positions. The positions were shifted from the CFV Fund to the Administrative Assessment Fund for FY 1996 as part of agencywide changes in handling administrative functions. The department has found, however, that these positions are most accountable and productive when working for directly for CFV. The Executive's budget assesses each special fund at 8% of operating expenditures instead of 6%, and includes different base adjustments.

**1 Program Authorization Review — State Agricultural Laboratory** **37,300 OF (16,000) GF**  
 The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of the State Agricultural Laboratory program during the last year. As a result of that review, the JLBC Staff recommends modifying the program by privatizing the analysis of feed and fertilizer formulations.

As part of the PAR review, the JLBC Staff studied the feasibility of privatizing all or some of the functions of the State Agricultural Laboratory (SAL). Studying privatization was required also by a FY 1996 General Appropriation Act footnote. As a result of the PAR review and follow-up study, the JLBC Staff finds that privatizing certain functions of the SAL would be feasible, but that privatizing the entire laboratory would not be cost-effective.

The PAR found that Feed and Fertilizer Formulation analysis are the most likely candidates for privatization for the following reasons.

- SAL's unit cost for Feed Formulations is \$66.80, which is \$30 or 80% more than the average private-sector price.
- SAL's unit cost for Fertilizer Formulations is \$57.21, which is \$17 or 26% more than the average private-sector price.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

- At current volumes of analysis, the state's total cost for these subprograms is about \$38,000 more than the estimated contract price.
- The workload is essentially predictable, and the kind of testing involved is commonly performed by private laboratories.
- Emergency situations requiring extraordinary work volume or turnaround time (which would drive up contract costs) are less likely for these subprograms than for other SAL functions.
- Liability would be minimal since no direct human health/safety risk is involved.

All of these factors make contract development appear feasible. The JLBC Staff recommendation reflects the following assumptions:

	<u>Feed Formulations</u>	<u>Fertilizer Formulations</u>
Number analyses per year	700	1,161
State Cost	\$46,600	\$66,400
Expected Contract Cost	\$24,600	\$49,900

The department has suggested that purchasing certain new equipment would increase the volume of analyses, yet reduce the unit cost (average cost per analysis). However, we have not been shown that an increase in the volume of analysis is necessary to achieve adequate regulation in these areas.

The budget recommendation assumes that a contract will be in effect by January 1, 1997. Therefore, sufficient Professional and Outside Services (P & O) funding is budgeted from the Feed and Fertilizer Funds for 6 months of private lab analysis. Also, one of the state lab's technician positions is funded for the first half of the year only; it is to be eliminated when the private contract is in place. For FY 1998, we expect further General Fund savings from reducing staff and marginal operating expenditures.

Privatization of certain other subsections does not appear feasible at this time. For example, the JLBC Staff found that the state could save \$40,000 to \$50,000 by shifting the regulatory burden for Brucellosis testing to the private sector and reducing the state's role to an oversight role comparable to other subsections (including Dairy, Mycotoxin, and Formulations). Currently, ranchers are responsible for the costs of drawing the blood for testing, while the state is responsible for the laboratory analysis costs. The state's Brucellosis testing of beef cattle is partly to enforce a federal program and partly to protect the industry from disease-related loss. No fees are collected. To reap the savings, changes in the State Veterinarian's policy would be necessary, and the USDA (which regulates interstate shipment of cattle) would have to agree to certify private laboratories to perform brucellosis testing. Therefore, we do not recommend privatizing this function at this time, but it may be worth revisiting later.

The state's cost for pesticide residue analysis at first seemed much greater than comparable private-sector prices, but closer analysis showed that the comparison was not sound. Savings are much less likely than the unit cost analysis suggested and privatization might even cost much more than the state's cost. This subsection's work is much more complex than any other in the lab, and appear to involve significant liability issues since human health issues are usually directly involved. Also, workload is relatively uneven, being driven by complaint, and emergency situations occur occasionally. Only a request for proposals would show what savings are really possible, since there are so many variables that would affect a contract price. As another example, the Biological Identification functions cannot be privatized, according to our research, because these functions could not readily be made profitable.

The Executive recommends modifying program funding by increasing replacement equipment. See the "Replacement Equipment" paragraph. The Executive does not include funding changes related to privatization, but does recommend \$10,000 from the Feed Fund and \$8,500 each from the Fertilizer Fund and Pesticide Fund for laboratory analysis costs.

### **Replacement Equipment**

**200,000 GF**

The JLBC Staff recommends a total of \$200,000 for replacement laboratory equipment. The current laboratory inventory is valued at about \$2,200,000. The recommendation would fund an equipment replacement schedule of 11 years. (None of the funding is for functions to be privatized. See the PAR recommendations above.) The Executive recommends \$134,800 for lab equipment, which would support a 16-year replacement cycle.

### **Consulting and Training**

**10,700 OF (15,200) GF**

This program was created by Laws 1994, Chapter 370 (S.B. 1373), to provide the agricultural community with assistance in complying with complex regulatory requirements. In order to help ensure that the program be separate from the enforcement functions within ADA, the JLBC Staff recommends creating a Special Line Item. The amount reflects all General Fund and



## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

Agricultural Consulting and Training (ACT) Fund resources currently devoted to the program. Separate support staff will be provided with federal funding. The ADA has been awarded a FY 1996 federal grant of \$65,900 and expects to receive \$57,200 for FY 1997. Revenue to the ACT Fund is expected to increase for FY 1997, allowing a shift of \$(10,700) from the General Fund to the program's special fund. An additional savings of \$(4,000) results because Travel - In State expenses are less than originally expected. The remaining \$(500) savings is due to ERE rate differences. The Executive also would create a special line item for this program, with a total decrease of \$(11,100) to the Consulting and Training Fund appropriation.

### **Aquaculture**

(5,400) OF

The revenue available to the Aquaculture program cannot support current expenditure levels. The JLBC Staff recommends reducing all line items to a level that can be sustained through FY 1998. At that time, the available fund balance is expected to be near zero. To sustain the program thereafter, either fees will have to be increased, or further expenditure reductions will need to be made. The JLBC Staff recommends a new footnote requiring the department to address this and other problems. The Executive recommends a \$(5,100) decrease for this item.

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*JLBC Staff Recommended Format* — Modified Lump Sum by Agency

*JLBC Staff Recommended Footnotes*

#### *Deletion of Prior Year Footnotes*

- The JLBC Staff recommends deleting the one-time footnote concerning the study of agriculture laboratory privatization. The study was completed as part of the lab's Program Authorization Review.

#### *Other Issues for Legislative Consideration*

##### — Problems In Special Funds

Several ongoing problems in the Department of Agriculture need to be addressed. The Pesticide Fund's balance is declining every year because expenditures are greater than revenue. The Aquaculture Fund's revenue is not sufficient to support direct program costs (so the General Fund supports some program costs). The Feed and Fertilizer Funds, on the other hand, have large, increasing fund balances. Their annual revenues are more than needed for field staff and a third of indirect costs, so the department has inappropriately used Feed and Fertilizer monies for overhead positions. Finally, the Executive has directed the department to assess an amount from each special fund for administrative indirect and overhead expenses, but the department does not seem to have a rationale for assessing all special funds equitably.

The Director of the Department of Agriculture should develop a plan to do the following: 1) ensure the solvency of the Pesticide Fund and Aquaculture Fund without increasing General Fund or other funds' expenditures; 2) ensure the equitable allocation of direct, indirect, and overhead expenses to all special fund sources, while ensuring that each fund is used only for purposes allowed by law; 3) demonstrate the department's method for determining administrative assessments to each appropriated and non-appropriated fund, explaining any deviations from the standard method that may apply to any fund. The JLBC Staff recommends that the committee request the department to submit such a report to the Office of Strategic Planning and Budgeting and the Director of the JLBC Staff by October 15, 1996.

##### — Executive Recommendation

The Executive recommends eliminating the provisions of law that make several department funds "90/10" funds. This would reduce General Fund deposits but would "standardize fund structures within the department."

The Executive also recommends \$12,300 for Meat and Poultry Inspector training, pursuant to a cooperative state/federal agreement. The JLBC Staff has recommended only technical changes, not policy issue increases, for the Arizona Department of Agriculture since it is a biennial agency.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Governor's Office of Equal Opportunity

JLBC: Jim Hillyard  
 OSPB: Matthew Shaffer

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	5.0	3.0	3.0	3.0	3.0
Personal Services	156,700	104,100	104,100	105,100	105,100
Employee Related Expenditures	28,100	17,700	17,700	17,100	18,100
All Other Operating Expenditures:					
Professional and Outside Services	400	4,000	4,000	4,000	4,000
Travel - In State	600	800	800	800	800
Travel - Out of State	3,100	700	700	700	700
Other Operating Expenditures	29,000	31,700	31,700	33,000	32,100
<b>AGENCY TOTAL</b>	<b>217,900</b>	<b>159,000</b>	<b>159,000</b>	<b>160,700</b>	<b>160,800</b>
<b>BY FUND SOURCE</b>					
General Fund	217,900	159,000	159,000	160,700	160,800
Other Non-Appropriated Funds	58,100	58,100	35,000	35,000	35,000
<b>TOTAL - ALL SOURCES</b>	<b>276,000</b>	<b>217,100</b>	<b>194,000</b>	<b>195,700</b>	<b>195,800</b>

**Agency Description** — *The agency monitors equal opportunity plans submitted annually by each state agency and assists agencies in equal employment opportunity training and evaluation.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$1,800	1.1%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of January 1996 Pay Adjustment \$1,100 GF
- ERE Rates 300 GF
- Risk Management 500 GF
- Rent (100) GF

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**JLBC Staff Recommended Format** — Lump Sum by Agency



# Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Arizona Commission of Indian Affairs

JLBC: Rachele Child  
OSPB: Bill Greeney

House Sub: Weiers  
Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0	4.0	4.0
Personal Services	101,000	107,600	109,800	108,600	108,600
Employee Related Expenditures	25,700	27,800	31,100	18,700	18,700
All Other Operating Expenditures:					
Travel - In State	5,700	6,800	14,600	6,800	6,800
Other Operating Expenditures	36,800	33,800	36,400	35,200	35,100
Equipment	2,200	9,800	35,400	0	1,300
<b>OPERATING SUBTOTAL</b>	171,400	185,800	227,300	169,300	170,500
<b>SPECIAL LINE ITEMS</b>					
Indian Town Hall	0	4,000	4,000	4,000	4,000
<b>AGENCY TOTAL</b>	171,400	189,800	231,300	173,300	174,500
<b>BY FUND SOURCE</b>					
General Fund	171,400	189,800	231,300	173,300	174,500
Other Non-Appropriated Funds	2,600	8,000	7,000	7,000	7,000
<b>TOTAL - ALL SOURCES</b>	174,000	197,800	238,300	180,300	181,500

**Agency Description** — *The agency studies policy issues affecting the Indian tribes, attempts to facilitate better working relationships between the tribes and government agencies, and promotes an understanding of Indian history and culture through statewide forums and other educational activities.*

<b>Change in Funding Summary:</b>	<u>FY 1996 to FY 1997 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$(15,300)	(8.1)%

## FY 1997 — JLBC Staff Recommended Changes from FY 1996

### Standard Changes

— Annualization of January 1996 Pay Adjustment	\$ 1,100 GF
— ERE Rates	(9,200) GF
— Risk Management	200 GF
— Rent	700 GF
— Elimination of One-time Equipment	(9,800) GF
— FAX Machine Maintenance Contract	400 GF

**1,300 GF**

### Replacement Equipment

The recommended amount includes a total of \$1,300 for a the one-time replacement of a typewriter and 4 ergonomic chairs. The Executive does not recommend this increase.

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## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

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

*JLBC Staff Recommended Footnotes*

*Continuation of New FY 1996 Footnote*

— This appropriation (Indian Town Hall Special Line Item) is exempt from A.R.S. § 35-190, relating to the lapsing of appropriations.

*Other Issues for Legislative Consideration*

— Performance Evaluation Survey

During the FY 1996 budget hearings, the Health & Welfare/Transportation Subcommittee requested that the commission send out a performance evaluation to customers, stakeholders, and legislators. The commission complied with this request, and mailed out letters and evaluations in the summer of 1995. Collectively 30% of the surveys were returned from Arizona tribes, state agencies, and legislators. The respondents varied greatly in their evaluation of the commission's duties, ranging from an average rating of 1 (excellent) to an average rating of 4 (poor). The lowest ratings were received by the 2 legislators who responded. One legislator wrote that "we need to breathe new life into the commission or look for an alternative."

The commission has identified the following objectives in its 3-year strategic plan to be accomplished in 1997:

- 1) Conduct an Annual Indian Town Hall
- 2) Conduct a statewide seminar
- 3) Summarize legislation passed in the next session as it relates to Arizona's 21 Indian tribes
- 4) Promote Indian nominations to state boards and commissions (15% increase)
- 5) Facilitate an increase by 25% of American Indian citizens seeking internships with the state Legislature
- 6) Disseminate 750 pieces of information related to voter registration drives and the state election process

The JLBC Staff believes that it is questionable whether the completion of these objectives will be enough to warrant the JLBC Staff's FY 1997 recommendation of \$174,500. While the seminars the commission sponsors and the legislation summaries they compile may be interesting and useful, it is not clear that these types of activities are ones that only the commission, or even state government in general, can perform or needs to perform on behalf of Arizona's tribes. The JLBC Staff believes that the problem lies in the "generalist" nature of the commission, as identified in the commission's 3-year strategic plan:

"The commission has a constituency that is scattered throughout the state which consists of Arizona Indian tribes and the public-at-large. In comparison to other small state agencies, the population served by the Indian Affairs office is not focused on a particular field of interest, but on "Indian affairs" which covers an array of subject matters. The commission is not equipped to dialogue or make presentations on such complex matters as water rights, taxation, environmental protection, law enforcement and Indian gaming, but is able to generate interest and present information gleaned from related publications. The commission has no authority to represent or speak on a particular tribe's position on any matter; agency staff can only provide general opinions and support or advocate for certain issues from a generalist perspective based on data available, rather than from a specialist point of view. As a state agency that functions as liaison and facilitator among many government agencies, very little room is left to assist in creating, adapting, or innovating methods, processes or solutions to complex issues . . ." (Emphasis in the original.)

With the limited resources available to the commission, the JLBC Staff believes the Arizona tribes would be better served if some particular focus were given to the commission. As the executive director retired in 1995, perhaps this would be an opportunity to refocus the commission on one of the "complex matters" stated above, by hiring an expert on water rights, taxation, environmental protection, law enforcement, or Indian gaming.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Department of Mines and Mineral Resources

JLBC: Renée E. Bahl  
OSP: Lori Sheen

House Sub: Wong  
Senate Sub: Turner

DESCRIPTION	FY 1995	FY 1996	FY 1997		
	ACTUAL	ESTIMATE	REQUEST	OSP	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	8.0	8.0	9.0	8.0	8.0
Personal Services	248,000	261,800	293,900	264,300	264,400
Employee Related Expenditures	56,700	54,700	68,100	57,400	57,400
All Other Operating Expenditures:					
Professional and Outside Services	0	0	500	0	0
Travel - In State	5,500	5,300	6,800	5,300	5,300
Other Operating Expenditures	338,700	358,100	374,300	373,500	371,000
Equipment	11,100	8,500	9,100	0	4,000
<b>AGENCY TOTAL</b>	<b>660,000</b>	<b>688,400</b>	<b>752,700</b>	<b>700,500</b>	<b>702,100</b>
<b>BY FUND SOURCE</b>					
General Fund	660,000	688,400	752,700	700,500	702,100
Other Non-Appropriated Funds	120,400	124,800	83,600	83,600	83,600
<b>TOTAL - ALL SOURCES</b>	<b>780,400</b>	<b>813,200</b>	<b>836,300</b>	<b>784,100</b>	<b>785,700</b>

**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. The department also operates the Mining and Mineral Museum, which is the official repository for mineral specimens, ores, gemstones and lapidary material found in the state.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$13,700	2.0%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 2,900 GF
— ERE Rates	2,400 GF
— Risk Management	(1,600) GF
— Rent	14,500 GF
— Elimination of One-time Equipment	(8,500) GF
	<b>4,000 GF</b>

**Replacement Equipment**

The JLBC Staff recommends replacing 2 computers; both are 7 years old. The Executive does not recommends this increase.

\* \* \*

**JLBC Staff Recommended Format** — Lump Sum by Agency

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

***Other Issues for Legislative Consideration***

— Executive Recommendation

The Executive recommends an additional \$2,500 from the General Fund for 5 staff members to attend a series of computer training sessions. The JLBC Staff does not recommend this increase.

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

DEPT: Arizona State Parks Board

JLBC: Renée E. Bahl  
OSP: John McCarthy

House Sub: Wong  
Senate Sub: Turner

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSP	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	178.5	182.5	194.5	182.5	179.0
Personal Services	4,155,700	4,552,100	4,913,100	4,589,100	4,563,800
Employee Related Expenditures	1,158,000	1,234,900	1,535,500	1,094,400	1,058,400
All Other Operating Expenditures:					
Professional and Outside Services	36,500	48,100	38,100	38,100	38,100
Travel - In State	63,100	91,200	110,300	91,200	91,000
Travel - Out of State	9,500	4,100	4,100	4,100	4,100
Other Operating Expenditures	1,521,200	1,867,600	1,965,700	1,874,700	1,912,600
Equipment	261,800	132,200	150,200	132,200	891,300
<b>OPERATING SUBTOTAL</b>	<b>7,205,800</b>	<b>7,930,200</b>	<b>8,717,000</b>	<b>7,823,800</b>	<b>8,559,300</b>
<b>SPECIAL LINE ITEMS</b>					
State Trust Land Leases	169,500	177,000	184,300	182,300	183,800
Arizona Conservation Corps	436,900	227,000	58,700	225,300	56,500
LEBSF Projects	567,800	600,000	800,000	600,000	800,000
Reservation Surcharge Revolving Fund	0	0	30,000	30,000	30,000
<b>AGENCY TOTAL</b>	<b>8,380,000</b>	<b>8,934,200</b>	<b>9,790,000</b>	<b>8,861,400</b>	<b>9,629,600</b>
<b>BY FUND SOURCE</b>					
General Fund	6,201,600	6,468,600	7,051,500	6,254,400	6,016,000
Other Appropriated Funds	2,178,400	2,465,600	2,738,500	2,607,000	3,613,600
Other Non-Appropriated Funds	11,699,400	24,360,600	20,260,600	20,260,600	20,260,600
Federal Funds	1,264,800	1,014,000	580,000	580,000	580,000
<b>TOTAL - ALL SOURCES</b>	<b>21,344,200</b>	<b>34,308,800</b>	<b>30,630,600</b>	<b>29,702,000</b>	<b>30,470,200</b>

**Agency Description** — *The Arizona State Parks Board is responsible for managing the state parks system, which includes recreational parks, historical parks, and natural areas. The Parks Board consists of 7 members appointed by the Governor. Major functions of the Parks Board include the maintenance and development of existing parks, new park acquisitions, statewide recreational planning, historic preservation, and the administration of the Heritage Fund grants program and other grants programs, which provide funds for local and regional projects.*

<b>Change in Funding Summary:</b>	<u>FY 1996 to FY 1997 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$ (452,600)	(7.0)%
Other Appropriated Funds	<u>1,148,000</u>	<u>46.6%</u>
Total Appropriated Funds	<u>\$ 695,400</u>	<u>7.8%</u>

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 12,800 OF	\$ 45,200 GF
— ERE Rates	(42,100) OF	(136,500) GF
— Risk Management	10,300 OF	15,500 GF
— Rent	400 OF	2,100 GF
— Elimination of One-time Equipment	(24,400) OF	(107,800) GF

**Replacement Equipment**

The JLBC Staff recommends an additional \$132,200 for replacement equipment. The Executive concurs. 24,400 OF      107,800 GF

**Kartchner Caverns**

Kartchner Caverns, an underground limestone cave located in Benson, is the 27th park in Arizona's state park system. When opened, the cave will remain protected while offering visitors a tour through multi-colored cave formations. The visitor center is scheduled to be completed by the end of FY 1997. Contingent on cash flow for the park's development and on availability of monies for start-up costs, the entire park (campground, visitor center, and cave) is expected to be ready for public use in November 1997. As part of the Capital Outlay bill, the JLBC Staff is also recommending \$3,500,000 be appropriated from the General Fund for Kartchner Caverns development costs in FY 1996. The Executive is recommending \$3,400,000 in FY 1996 in the Capital Outlay recommendation and recommends that any unexpended FY 1997 Enhancement Fund monies be used to repay the General Fund. The JLBC Staff does not recommend any repayment. Along with the designated Heritage Fund monies, the park should have all monies needed for capital projects to open the cave. Total development costs (including \$11,000,000 already committed or spent) are estimated at \$21,700,000 and include monies from the Enhancement Fund, Heritage Fund, General Fund, and State Highway Fund. If there are cost overruns or unanticipated costs, the JLBC Staff recommends the Parks Board fund them from other Non-General Fund sources. 807,100 OF

As part of the General Appropriation Act, the JLBC Staff recommends an additional one-time \$807,100 from the development portion of the Enhancement Fund for start-up funding for FY 1997. The Executive recommends a one-time \$800,000 for start-up costs from the same portion of the Enhancement Fund in the Capital Outlay recommendation. The Parks Board requests a total of \$1,211,000 from the General Fund between FY 1997 and FY 1998 for all start-up operating costs. The Enhancement Fund, which receives all park user fees as revenues, is equally divided into a development portion and an operating portion. The development portion is non-appropriated but requires Joint Committee on Capital Review approval for expenditures. It is designated to pay the Tonto Natural Bridge lease-purchase payment and to develop Kartchner Caverns. The operating portion is appropriated for the Parks Board operating budget. (See FY 1997 - Enhancement Fund chart below.) The operating portion fund balance is expected to be close to \$0 after the FY 1997 final portion of the supplemental pay-off (see "Supplemental Appropriation Pay-Off" for details) and is not available to support these additional Kartchner start-up costs. Therefore, the JLBC Staff recommends the one-time FY 1997 start-up costs be supported by the development portion of the Enhancement Fund.

**FY 1997 - ENHANCEMENT FUND**

Available Revenue	\$1,976,500	\$1,976,500
	<u>Development</u>	<u>Operating</u>
	<u>Expenditures</u>	<u>Expenditures</u>
Operating Appropriation	\$ 0	\$1,976,500
Tonto Lease-Purchase Payment	279,100	0
Kartchner Start-Up	807,100	0
Total Expenditures	1,086,200	1,976,500
<b>Ending Balance</b>	<b>\$ 890,300</b>	<b>\$ 0</b>

Although Kartchner Caverns opening date is scheduled for November 1997 (FY 1998), the Parks Board needs funding in FY 1997 to begin purchasing supplies and equipment. For FY 1997, the recommended increase is primarily for items that need to be installed as the visitor center is finished and for items that require a lead time for bidding, contracting or procurement. For example, the telephone system, fire alarm system, electrical panel units for video monitors, electronic security systems, and building maintenance supplies are needed as the visitor center is completed. Much of the wiring for the described items should be installed before walls

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

are constructed. Furthermore, specialized equipment, primarily vehicles, can only be ordered certain months of the year through the Arizona Department of Administration. If the vehicles are purchased in FY 1998, they would not be available when the park opens. Other specialized orders can take 6 to 9 months to acquire through the bidding and procurement processes.

Of the FY 1997 Enhancement Fund recommended increase:

- \$303,900 is for the telephone system, radio base station, fire prevention system, furniture, and video monitors for the visitor's center;
- \$186,500 is for park vehicles (4 utility trucks, 1 fire truck for brush fires, 2 American Disability Act accessible electric carts, 2 shuttle vans, and 6 passenger electric carts);
- \$150,000 is for 3 tram systems to shuttle visitors between the visitor center and cave (for security purposes and people flow management, visitors will not be permitted to walk to the cave entrance, but must use the trams);
- \$101,500 is for campground supplies, such as tables, grills, and garbage cans;
- \$33,000 is for the on-site staff dormitory furnishings; and
- \$32,200 is for building maintenance supplies.

The JLBC Staff recommends exempting the Parks Board FY 1997 total appropriation from lapsing until June 30, 1998 (see new footnote). This should encourage the agency to manage their finances prudently and possibly save monies from other areas to spend on Kartchner opening expenses at the end of FY 1997 or beginning of FY 1998. It would allow the Parks Board to time their purchases so items are not sitting unused for 5 months while still providing ample time for the bidding and procurement process. The Executive does not recommend this temporary exemption from the Parks Board operating budget.

The JLBC Staff also recommends lifting the \$25,000 fund cap from the non-appropriated Publications and Souvenir Revolving Fund. This revolving fund receives revenues from gift shop and publication sales. Currently, any balance over the cap reverts to the Enhancement Fund. If the Publications and Souvenir Revolving Fund cap is removed, there may be up to \$50,000 available for the Kartchner gift shop from this fund by the beginning of FY 1998, as the Parks Board could save monies in this fund instead of overstocking items to keep monies from reverting. This cap would need to be lifted as soon as possible to maximize savings. This recommendation is included in our 10% fund consolidation recommendation released November 1, 1995. The Executive does not address this issue.

The JLBC Staff recognizes that if Kartchner development is on schedule in terms of time and costs, the Parks Board may need additional funding toward the end of FY 1997 that is not included in this recommendation. Such funding would be used to hire and train Kartchner Caverns staff, to support remaining one-time operating start-up costs, to assemble hundreds of picnic tables and grills for the campground, and to set up the interpretive part of the visitor's center. The Parks Board estimates needing a total of 32 FTE Positions to fully operate this park. The JLBC Staff does not recommend an increase in FTE Positions for FY 1997 at this time. It is too early to determine how many additional staff may be needed for FY 1997 and when they would need to be hired until the entire park is closer to completion. The JLBC Staff will monitor Kartchner Cavern's progress closely throughout FY 1997.

### **Eliminate State Funding for McFarland Historical State Park**

**(56,900) GF**

McFarland Historical State Park, located in Florence, houses an historic adobe building memorializing Ernest McFarland, an Arizona U.S. Senator, Governor, and Supreme Court Justice. In FY 1995, approximately 4,900 people visited this park: the park collected \$7,600 in entrance fees and had operating expenses of \$72,200. Statewide, 2,200,000 people visited all state parks and the Parks Board collected \$3,600,000 in entrance and other special use fees. The net cost per visitor at McFarland is \$13—the highest cost per visitor for any state park open to the public all of FY 1995. McFarland's entrance fee is \$2 for adults, \$1 for teens, and no charge for children under 12. Other historical state parks, such as Fort Verde, Riordan, and Tubac Presidio, had net costs per visitor between \$2.50 and \$4. Still other state historical parks, specifically Jerome, Tombstone Courthouse and Yuma Territorial Prison, had revenues approximately equal to the operating costs in FY 1995. McFarland revenue and visitorship represent 0.2% of all parks' revenue and visitorship, while the operating expenditures represent 1.45% of the total operating costs of all state parks.

The JLBC Staff recommends discontinuing the state's support for this park and reducing the FY 1997 General Fund appropriation by \$(56,900) and (1.5) FTE Positions. This reduction represents 75% of the McFarland Historical State Park operating budget. The remaining operating budget of \$19,000 and 0.5 FTE Positions shall be removed for FY 1998. In FY 1997, the remaining monies will be used to close and secure the park, as well as fund the redeployment of the 2 FTE Positions. The building was donated by the McFarland Foundation. The contract between the Foundation and the state does not allow the state to do anything other than run the facility as a state park without Foundation approval. Therefore, the state does not have the authority to take any other action on the facility without working with the Foundation. The Executive does not recommend this reduction.



## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

### **Supplemental Appropriation Pay-Off**

159,500 OF (159,500) GF

For FY 1994, the State Parks Enhancement Fund received a supplemental appropriation of \$353,500 from the General Fund. A FY 1995 General Appropriation Act footnote requires the Enhancement Fund to repay this supplemental appropriation. For FY 1997, the JLBC Staff recommends shifting \$159,500 from the General Fund to the Enhancement Fund. After this shift, the Enhancement Fund will have completed its repayment to the General Fund for the FY 1994 supplemental appropriation. The Executive concurs.

### **State Trust Land Leases**

6,800 GF

The recommended increase covers lease costs as determined by the State Land Department for state parks occupying State Trust lands. The recommended increase also includes \$1,500 to expand the Lyman Lake State Park land lease by 20 acres. The Executive does not recommend the \$1,500 to fund the expended lease.

### **Arizona Conservation Corps**

(169,300) GF

The JLBC Staff recommends a decrease of \$(169,300) and (2) FTE Positions in FY 1997 for the Arizona Conservation Corps (ACC) Special Line Item and terminating the program in FY 1998. In FY 1998, the remaining 25% of the funding will be used to complete the program phase-out, including financial reconciliation, inventory reconciliation, and contract compliance. The ACC is a young adult work program that was established in 1989 to provide employment and opportunities for personal development. The ACC General Fund appropriation, which totaled \$227,000 in FY 1996, supports 3 FTE Positions and some indirect program operating expenses such as operations management, accounting, personnel and clerical functions. Program monies come from outside grants. The ACC did not receive a major federal grant (AMERICORPS) for federal FY 1996 and several other agreements will not be renewed. The General Fund support was intended to provide operating monies for the program to secure grants for youth and community development programs. Without outside grants and funding, the program cannot perform its functions and there is no need for General Fund support.

The ACC Program is operated by an independent ACC Commission appointed by the Governor. Since its creation, it has provided 600 young people with work opportunities. Also since its creation, the program has changed its focus from conservation to social services, such as housing rehabilitation. The Parks Board's mission—to manage and conserve Arizona's natural, cultural, and recreational resources—does not encompass the purpose of the program. Since ACC is operated by an independent commission, the Parks Board does not have authority over ACC after funding it. In FY 1995, the ACC was severely mismanaged and had cash flow problems. As a result of these problems, in January 1995, the ACC Commission gave State Parks operational control over the program to stabilize the situation. State Parks continues to manage the program.

The Parks Board also proposes phasing out the program in FY 1997 and terminating it in FY 1998. While ACC is scheduled to have a Program Authorization Review (PAR) in CY 1996, the JLBC Staff recommends that the administrative funding be eliminated now given the lack of federal funding. The Executive recommends retaining the program in the Parks Board budget.

### **Law Enforcement and Boating Safety Fund**

200,000 OF

The JLBC Staff recommends an increase of \$200,000 from the Law Enforcement and Boating Safety Fund (LEBSF), as total funds available are estimated at \$800,000 for FY 1997. Revenues consist of 47% of watercraft licensing fees. The Arizona Outdoor Recreation Coordinating Commission distributes monies from the fund as grants to counties for boating law enforcement, personnel, training, and equipment. The JLBC Staff also recommends modifying the footnote relating to this fund to allow the fund balance to be expended, as opposed to only new revenue. The Executive recommendation does not include increasing expenditure authority or modifying the footnote. The JLBC Staff recommendation represents a more accurate estimate of FY 1997 expenditures from this fund.

### **Reservation Surcharge Revolving Fund**

-0- OF

The JLBC Staff recommends creating a Special Line Item for this program and transferring program monies (\$30,000 in FY 1997) from the operating budget to this new Special Line Item. This will separate the Campsite Reservation Program's operating monies from the rest of the Parks Board's operating budget and make it easier to depict the cost of this program. This program operates a campsite reservation system for state parks with campgrounds. The fund uses reservation fees to pay operating costs of the reservation system. No new monies are added to this program for FY 1997. As this program has not yet been instituted, the JLBC Staff recommends adding a new one-time footnote to allow expenditures of 100% of receipts. The Executive also recommends shifting these monies to a new special line item, but does not recommend the new footnote.

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## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items by Agency. *(In the FY 1996 budget, the department had a Modified Lump Sum by Agency format. As the Parks Board will complete the supplemental appropriation pay-off in FY 1997, and will soon add staff for Kartchner Caverns, the JLBC Staff recommends changing the agency's format to allow more budgetary flexibility. The Executive recommends maintaining a Modified Lump Sum format.)*

### **JLBC Staff Recommended Footnotes**

#### **Standard Footnotes**

- Monies appropriated for the Arizona Conservation Corps program shall be placed in the Arizona Conservation Corps Fund authorized by A.R.S. § 41-519.05. Expenditures from the Arizona Conservation Corps Fund may be reimbursed by federal, state, local, and other sources to accomplish the Arizona Conservation Corps program objectives stated in A.R.S. § 41-519.01.
- All Other Operating Expenditures include \$15,000 from the State Parks Enhancement Fund for Fool Hollow State Park revenue sharing. If receipts to Fool Hollow exceed \$150,000 in FY 1997, then an additional 10% of this increase of Fool Hollow receipts is appropriated from the State Parks Enhancement Fund to meet the revenue-sharing agreement with the City of Show Low and the United States Forest Services.

#### **Modification of Prior Year Footnotes**

- The appropriation for Law Enforcement and Boating Safety FUND PROJECTS is an estimate representing all monies distributed to this fund, INCLUDING BALANCE FORWARD, REVENUE, AND TRANSFERS, during FY 1997. These monies are appropriated to the Arizona State Parks Board for the purposes established in A.R.S. § 5-383. The appropriation shall be adjusted as necessary to reflect actual final receipts credited to the Law Enforcement and Boating Safety Fund. *(The modified language allows all monies in the fund to be expended, as opposed to only new revenue.)*

#### **New Footnotes**

- The FY 1996-1997 total appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, until June 30, 1998. *(This new one-time footnote, which keeps the department's FY 1997 total appropriation from lapsing until the end of FY 1998, will give State Parks more purchasing flexibility until Kartchner Caverns State Park is open.)*
- The appropriation for the Reservation Surcharge Revolving Fund is an estimate representing all monies in the fund including balances forward, revenue, interest, and transfers during FY 1996-1997. These monies are appropriated to the Arizona State Parks Board for the purposes established in A.R.S. § 41-511.24. The appropriation shall be adjusted as necessary to reflect actual available monies in the Reservation Surcharge Revolving Fund. *(As the program will be implemented in FY 1997, we are recommending this one-time footnote until we have revenue and expenditure history to base a more accurate expenditure estimate for future fiscal years.)*
- In accordance with A.R.S. § 35-142.01, the State Parks Board shall remit to the General Fund any monies received as reimbursement from the federal government for the operation of Grand Canyon National Park. *(Applies to FY 1996 supplemental only. See discussion below.)*

### **Other Issues for Legislative Consideration**

- Executive Recommendation  
The Executive recommends reducing General Fund Personal Services and Employee Related Expenditures by \$(8,800) to reflect positions vacated at higher salary levels than the grades' minimums. The JLBC Staff does not recommend this decrease.
- Grand Canyon Supplemental  
The JLBC Staff recommends \$317,300 from the General Fund to reimburse the Arizona State Parks Board for monies expended to operate the Grand Canyon National Park. In December 1995, during the temporary shutdown of the federal government, Arizona signed an agreement with the federal government to help support the operation of the Grand Canyon National Park. As of January 2, 1996, the Arizona State Parks Board has expended or approved \$317,300 of their FY 1996 General Fund operating budget to keep the South Rim open for 18 days. This issue may need to be revisited once the federal shutdown is resolved. The JLBC Staff recommends a footnote be added which stipulates that any amounts the U.S. Department of the Interior repays the state for its financial support shall be deposited to the General Fund. The Executive recommends \$500,000 from the General Fund be added for this issue.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Arizona Veterans' Service Commission  
Agency Summary

JLBC: Phil Case/Jennifer Vermeer  
OSP: Rick Zelznak

House Sub: Weiers  
Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSP	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Veterans' Affairs	862,300	906,400	1,048,800	893,000	928,400
Veterans' Conservatorship	365,000	517,800	612,900	506,600	513,300
Veterans' Home	1,164,000	2,469,900	7,351,300	7,437,800	7,362,800
<b>AGENCY TOTAL</b>	<b>2,391,300</b>	<b>3,894,100</b>	<b>9,013,000</b>	<b>8,837,400</b>	<b>8,804,500</b>

**OPERATING BUDGET**

<i>Full Time Equivalent Positions</i>	40.0	117.5	244.5	241.5	243.5
Personal Services	721,800	2,383,800	5,089,100	5,033,600	5,073,900
Employee Related Expenditures	193,800	637,200	1,450,500	1,375,100	1,386,500
All Other Operating Expenditures:					
Professional and Outside Services	500	23,400	70,500	45,500	45,500
Travel - In State	32,200	34,200	78,200	61,400	55,900
Travel - Out of State	6,500	9,200	12,400	12,400	10,200
Food	0	113,400	413,500	413,500	413,500
Other Operating Expenditures	332,000	647,200	1,815,500	1,841,600	1,779,000
Equipment	1,064,500	5,700	43,300	14,300	0
<b>OPERATING SUBTOTAL</b>	<b>2,351,300</b>	<b>3,854,100</b>	<b>8,973,000</b>	<b>8,797,400</b>	<b>8,764,500</b>
Special Line Items	40,000	40,000	40,000	40,000	40,000
<b>AGENCY TOTAL</b>	<b>2,391,300</b>	<b>3,894,100</b>	<b>9,013,000</b>	<b>8,837,400</b>	<b>8,804,500</b>

**BY FUND SOURCE**

General Fund	2,026,300	3,372,500	1,048,800	893,000	928,400
Other Appropriated Funds	365,000	521,600	7,964,200	7,944,400	7,876,100
Federal Funds	158,300	165,000	165,000	165,000	165,000
<b>TOTAL - ALL SOURCES</b>	<b>2,549,600</b>	<b>4,059,100</b>	<b>9,178,000</b>	<b>9,002,400</b>	<b>8,969,500</b>

**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. In addition, the agency operates and maintains a home for Arizona veterans. The 200-bed State Veterans' Nursing Home on the Indian School land in Phoenix began accepting residents in November 1995.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$(2,444,100)	(72.5)%
Other Appropriated Funds	<u>7,354,500</u>	<u>N/A</u>
Total Appropriated Funds	<u>\$4,910,400</u>	<u>126.1%</u>

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

***FY 1997 — JLBC Staff Recommended Changes from FY 1996***

**Standard Changes**

— Annualization of January 1996 Pay Adjustment	\$ 8,000 OF	\$ 6,000 GF
— ERE Rates	2,300 OF	4,000 GF
— Risk Management	89,600 OF	(51,700) GF
— Rent	(12,500) OF	8,200 GF
— Elimination of One-time Equipment	-0- OF	(5,700) GF

**New Mohave County Office and Staff**

Adds 2 FTE Positions and funding in the Veterans' Affairs division. The Executive does not recommend but includes an increase of \$15,300 for Travel - In State.

57,400 GF

**Add 1 Caseworker FTE Position**

To reduce workload in the Veterans' Conservatorship division. The Executive concurs.

35,400 OF

**Travel - In State**

To fund required client visits in the Veterans' Conservatorship division. The Executive concurs.

3,700 OF

**Commission Member Travel Reimbursement**

Increase funding to reimburse travel costs for 2 new commission members added by Laws 1995, Chapter 13. The Executive does not specifically address but does recommend an increase of \$15,300 for Travel - In State.

3,800 GF

**Veterans' Nursing Home**

First full-year funding for the skilled nursing home. The Executive concurs.

7,228,000 OF (2,466,100) GF

\* \* \*

***JLBC Staff Recommended Format — Lump Sum by Program***

***Other Issues for Legislative Consideration***

— Executive Recommendation

The Executive recommends \$14,300 General Fund to replace 4 copiers in the Veterans' Affairs Division.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Arizona Veterans' Service Commission  
 PROG: Veterans' Affairs

JLBC: Phil Case/Jennifer Vermeer  
 OSPB: Rick Zelznak

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	23.0	23.0	25.0	23.0	25.0
Personal Services	489,900	521,100	560,900	523,200	561,100
Employee Related Expenditures	130,800	133,100	155,600	137,300	148,300
All Other Operating Expenditures:					
Travel - In State	25,800	23,900	53,800	37,000	31,500
Travel - Out of State	5,400	6,900	9,100	9,100	6,900
Other Operating Expenditures	141,400	175,700	195,900	132,100	140,600
Equipment	29,000	5,700	33,500	14,300	0
<b>OPERATING SUBTOTAL</b>	<b>822,300</b>	<b>866,400</b>	<b>1,008,800</b>	<b>853,000</b>	<b>888,400</b>
<b>SPECIAL LINE ITEMS</b>					
Veterans' Organization Contracts	40,000	40,000	40,000	40,000	40,000
<b>PROGRAM TOTAL</b>	<b>862,300</b>	<b>906,400</b>	<b>1,048,800</b>	<b>893,000</b>	<b>928,400</b>
<b>BY FUND SOURCE</b>					
General Fund	862,300	906,400	1,048,800	893,000	928,400
Federal Funds	158,300	165,000	165,000	165,000	165,000
<b>TOTAL - ALL SOURCES</b>	<b>1,020,600</b>	<b>1,071,400</b>	<b>1,213,800</b>	<b>1,058,000</b>	<b>1,093,400</b>

**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.*

<b>Change in Funding Summary:</b>	<u>FY 1996 to FY 1997 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$22,000	2.4%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of January 1996 Pay Adjustment
- ERE Rates \$ 6,000 GF
- Risk Management 4,000 GF
- Rent (51,700) GF
- Elimination of One-time Equipment 8,200 GF
- (5,700) GF**

**New Mohave County Office and Staff**

The recommended amount includes an additional \$57,400 to establish a new office in Mohave County. The recommendation includes 1 additional Veterans' Service Officer II FTE Position (\$19,500 in Personal Services and \$5,500 in Employee Related Expenditures), 1 additional Clerk Typist II FTE Position (\$15,300 in Personal Services and \$4,900 in Employee Related Expenditures), Travel - In State (\$3,800), and Other Operating Expenditures (\$8,400). Mohave County contains the largest veterans' population in the state without an agency office within 50 miles (Flagstaff is the closest office at 143 miles from

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

Kingman). Currently, agency personnel travel from the Yuma or Tucson offices to meet with veterans in Mohave County. There are an estimated 21,600 veterans who make their permanent home in Mohave County (see table below). Several thousand additional veterans make Mohave County their home in October through June.

### Veterans Population by County

<u>County</u>	<u>Resident Veterans</u>
Maricopa	250,710
Pima	86,840
Yavapai	24,150
Mohave	21,600
Pinal	15,820
All Others	<u>58,380</u>
<b>TOTAL</b>	<b><u>457,500</u></b>

The Executive does not recommend but includes an increase of \$15,300 for Travel - In State. The JLBC Staff believes that the establishment of a Mohave County office is necessary to provide adequate service to this sizeable veterans' population while not diminishing the level of service provided from the Yuma and Tucson offices.

### **Commission Member Travel Reimbursement**

**3,800 GF**

The agency requests an additional \$3,800 for commission member travel. Laws 1995, Chapter 13 added 2 commissioners to the existing 5-member commission. Of the request, \$3,200 would fund new-member travel and \$600 would fund expanded travel for existing members. The commission has decided to increase the frequency of meetings from periodic to monthly. The Executive does not specifically address but does recommend an increase of \$15,300 for Travel - In State.

\*\*\*

***JLBC Staff Recommended Format*** — Operating Lump Sum for the Program with Special Line Items

### ***Other Issues for Legislative Consideration***

#### — Executive Recommendation

The Executive recommends \$14,300 to replace 4 copiers. The JLBC Staff believes that the copiers can be replaced at a later date and instead recommends new resources for the establishment of the new Mohave County office. The new office funding includes a new copier which would divert work from the existing copiers.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Arizona Veterans' Service Commission  
 PROG: Veterans' Conservatorship

JLBC: Phil Case/Jennifer Vermeer  
 OSPB: Rick Zelznak

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	14.0	15.0	17.0	16.0	16.0
Personal Services	216,500	305,800	351,700	330,600	333,000
Employee Related Expenditures	52,500	82,100	104,700	90,600	91,000
All Other Operating Expenditures:					
Professional and Outside Services	0	0	25,000	0	0
Travel - In State	6,400	6,900	12,400	12,400	12,400
Travel - Out of State	1,100	1,100	1,100	1,100	1,100
Other Operating Expenditures	88,500	121,900	108,200	71,900	75,800
Equipment	0	0	9,800	0	0
<b>PROGRAM TOTAL</b>	<b>365,000</b>	<b>517,800</b>	<b>612,900</b>	<b>506,600</b>	<b>513,300</b>
<b>BY FUND SOURCE</b>					
Other Appropriated Funds	365,000	517,800	612,900	506,600	513,300
<b>TOTAL - ALL SOURCES</b>	<b>365,000</b>	<b>517,800</b>	<b>612,900</b>	<b>506,600</b>	<b>513,300</b>

**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 obligations and the physical well-being of the veteran or family member. As 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.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
Other Appropriated Funds	\$(4,500)	(0.9)%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of January 1996 Pay Adjustment \$ 3,200 OF
- ERE Rates 2,300 OF
- Risk Management (36,600) OF
- Rent (12,500) OF

**Add 1 Caseworker FTE Position**

The recommended amount includes an additional \$35,400 for 1 new Human Services Specialist FTE Position. The amount consists of \$30,600 in Personal Services and Employee Related Expenditures, \$1,800 for Travel - In State, and \$3,000 for Other Operating Expenditures. The division's current workload is 590 clients for 4 caseworkers (148 per caseworker). With no increase in workload, the addition of the 1 FTE Position would bring the workload to 118 clients per caseworker. According to the agency, the industry standard is between 80 and 90 clients per caseworker. (See *Other Issues for Legislative Consideration* for further discussion.) The Executive concurs. 35,400 OF



**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

**Travel - In State**

**3,700 OF**

The County Superior Courts (who appoint the division as guardian for clients) have mandated that each client receive a minimum of 4 annual visits. Currently, the agency averages 3.9 visits per client, but many of these visits occur in the agency's offices and require these incapacitated individuals to make a trip. The agency requested an additional \$5,500 to provide the minimum visits per client and to reduce the number of office visits to improve the level of service for its clients. Including the \$1,800 recommended as part of the new FTE Position (see above), the JLBC Staff recommends full funding of the request. The Executive concurs.

\* \* \*

***JLBC Staff Recommended Format — Lump Sum by Program***

***Other Issues for Legislative Consideration***

— Fund Revenues

The agency requested 2 new Human Services Specialist FTE Positions to reduce the workload to 98 clients per caseworker. The JLBC Staff recommends only 1 additional FTE Position at this time because annual revenues are projected to remain stagnant while expenditures have increased. The situation is not currently critical because there is a sizeable carry-forward balance in the fund (estimated to be \$356,500 for FY 1996). This issue should be revisited next year when the long-term revenue picture will be more clear.

**CONSERVATORSHIP FUND**

	<u>FY 1994</u>	<u>FY 1995</u>	<u>EST. FY 1996</u>	<u>EST. FY 1997</u>
Revenues	\$529,900	\$496,200	\$502,100	\$507,100
Expenditures	<u>(338,300)</u>	<u>(363,900)</u>	<u>(517,800)</u> <sup>1/</sup>	<u>(513,300)</u> <sup>2/</sup>
<b>TOTAL</b>	<u>\$191,600</u>	<u>\$132,300</u>	<u>\$(15,700)</u>	<u>\$ (6,200)</u>

<sup>1/</sup> Based on FY 1996 appropriation.

<sup>2/</sup> Based on FY 1997 JLBC Staff recommendation.

**Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations**

DEPT: Arizona Veterans' Service Commission  
 PROG: Veterans' Home

JLBC: Phil Case/Jennifer Vermeer  
 OSPB: Rick Zelznak

House Sub: Weiers  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	3.0	79.5	202.5	202.5	202.5
Personal Services	15,400	1,556,900	4,176,500	4,179,800	4,179,800
Employee Related Expenditures	10,500	422,000	1,190,200	1,147,200	1,147,200
All Other Operating Expenditures:					
Professional and Outside Services	500	23,400	45,500	45,500	45,500
Travel - In State	0	3,400	12,000	12,000	12,000
Travel - Out of State	0	1,200	2,200	2,200	2,200
Food	0	113,400	413,500	413,500	413,500
Other Operating Expenditures	102,100	349,600	1,511,400	1,637,600	1,562,600
Equipment	1,035,500	0	0	0	0
<b>PROGRAM TOTAL</b>	<b>1,164,000</b>	<b>2,469,900</b>	<b>7,351,300</b>	<b>7,437,800</b>	<b>7,362,800</b>
<b>BY FUND SOURCE</b>					
General Fund	1,164,000	2,466,100	0	0	0
Other Appropriated Funds	0	3,800	7,351,300	7,437,800	7,362,800
<b>TOTAL - ALL SOURCES</b>	<b>1,164,000</b>	<b>2,469,900</b>	<b>7,351,300</b>	<b>7,437,800</b>	<b>7,362,800</b>

**Program Description** — *The division operates and maintains a home for Arizona veterans on the Indian School land in Phoenix. The 200-bed State Veterans' Nursing Home began accepting residents in November 1995.*

Change in Funding Summary:	FY 1996 to FY 1997 JLBC	
	\$ Change	% Change
General Fund	\$(2,466,100)	(100)%
Other Appropriated Funds	<u>7,359,000</u>	<u>N/A</u>
Total Appropriated Funds	<u>\$4,892,900</u>	198.1%

**FY 1997 — JLBC Staff Recommended Changes from FY 1996**

**Standard Changes**

- Annualization of January 1996 Pay Adjustment \$ 8,600 OF    \$ -0- GF
- Risk Management 126,200 OF    -0- GF

**Veterans' Nursing Home**

The State Veterans' Nursing Home began accepting residents in November 1995. By August 1996, the agency estimates that the home will reach its functional capacity of 195 residents. Through reimbursements from Medicare, Veterans Administration per diem, Arizona Long Term Care System and resident income, the home is expected to be financially self-supporting in FY 1997. All monies collected through the operation of the home are deposited to the State Home for Veterans' Trust Fund. Monies from this fund are then available for appropriation by the Legislature for the operation and maintenance of the home.

For FY 1995, the Legislature appropriated \$1,164,000 from the General Fund to equip the home. In FY 1996, the Legislature appropriated \$2,466,100 from the General Fund to partially support the first-year operations of the home. The remainder of the

## Joint Legislative Budget Committee - Fiscal Year 1997 Budget - Analysis and Recommendations

home's budget (\$1,950,000) was expected to be available on a non-appropriated basis from the various reimbursements. However, Laws 1995, Chapter 45 required the deposit of all reimbursement monies to the appropriated State Home for Veterans' Trust Fund. Consequently, the JLBC Staff recommends a FY 1996 supplemental appropriation of \$1,950,000 from the State Home for Veterans' Trust Fund and 61.9 additional FTE Positions.

For FY 1997, the agency estimates revenues of \$7,599,800 for the State Home for Veterans' Trust Fund. Of this amount, the agency requests an appropriation of \$7,351,300 for operating expenses, leaving an excess of \$248,500 (3.3% of revenues). The revenue and expenditure projections are based on the assumptions that the home will be fully occupied and staffed by August of 1996. While the JLBC Staff believes that these assumptions may be optimistic, we acknowledge that there are many unknowns about the home's first full-year of operations. To ensure that the home has adequate funding in its first year, the JLBC Staff recommends an appropriation equal to the requested amount (with minor adjustments for the annualization of the January 1996 Pay Adjustment, Employee Related Expenditures and Risk Management charges).

The Executive concurs. The Executive recommendation is \$75,000 higher than the JLBC Staff because the JLBC Staff counted \$75,000 for insurance in the agency request against the state's Risk Management charge. The Executive added the full Risk Management charge to the agency request.

\* \* \*

### *JLBC Staff Recommended Format — Lump Sum by Program*

### *JLBC Staff Recommended Footnotes*

#### *Deletion of Prior Year Footnotes*

- The JLBC staff recommends deleting the footnote requiring the commission to make quarterly expenditure and revenue reports for the Veterans' Nursing Home. While believing that a footnote is no longer necessary, the JLBC Staff recommends that these reports continue at least through the end of FY 1997.
- The JLBC Staff recommends deleting the one-time footnote concerning the adoption of rules governing resident admissions.

**SUPPLEMENTALS**  
**(S)**

## SUPPLEMENTAL SUMMARY

	General Fund		Other Appropriated Funds	
	Exec	JLBC	Exec	JLBC
<b>FY 1996</b>				
<b>Operating Budgets</b>				
<u>Annual Budget Units 1/</u>				
EDUCATION, DEPARTMENT OF -				
Assistance to Schools	10,140,500	9,591,800	0	0
HEALTH SERVICES, DEPARTMENT OF - Disease	367,400	0	0	0
Control Research Commission				
JUDICIARY - Supreme Court	0	131,900	0	0
JUDICIARY - Foster Care Review Board	0	2/	0	0
JUVENILE CORRECTIONS, DEPARTMENT OF -				
Secure Care	1,841,000	1,822,900	0	0
PARKS BOARD	500,000	317,300	0	0
VETERANS' SERVICE COMMISSION - Veterans' Home	0	0	1,987,200	1,950,000
<u>Biennial Budget Units 3/</u>				
COMMERCE, DEPARTMENT OF	2,000,000	0	2,000,000	0
GAMING, DEPARTMENT OF	0	0	251,100	349,800
HOMEOPATHIC EXAMINERS, BOARD OF	0	0	0	1,500
NURSING, BOARD OF	0	0	4/	4/
PHARMACY, BOARD OF	0	0	0	15,600
PSYCHOLOGIST EXAMINERS, BOARD OF	0	0	0	16,900
<b>SUBTOTAL - OPERATING</b>	<b>14,848,900</b>	<b>11,863,900</b>	<b>4,238,300</b>	<b>2,333,800</b>
<b>Capital Outlay 3/</b>				
ADMINISTRATION, DEPARTMENT OF	350,000	800,000	0	0
PARKS BOARD	3,400,000	3,500,000	0	0
<b>SUBTOTAL - CAPITAL OUTLAY</b>	<b>3,750,000</b>	<b>4,300,000</b>	<b>0</b>	<b>0</b>
<b>TOTAL -- FY 1996 SUPPLEMENTALS</b>	<b>18,598,900</b>	<b>16,163,900</b>	<b>4,238,300</b>	<b>2,333,800</b>
<b>FY 1997</b>				
Biennial Budget Units 5/	2,124,500	6/ 5,629,700	1,381,800	537,800

- 1/ Supplementals for annual or unadopted biennial budget units are discussed as part of the regular FY 1997 narrative for these agencies.
- 2/ JLBC Staff recommends a reallocation of monies from Superior Court to Foster Care Review Board with no net dollar change.
- 3/ FY 1996 Biennial Budget Unit and Capital Outlay supplementals are detailed on the following pages.
- 4/ JLBC and OSPB Staff both recommend revising the allowable uses of the existing FY 1996 appropriation.
- 5/ FY 1997 Biennial Budget Unit Supplementals are detailed starting on p. S-5.
- 6/ In addition, the Executive recommends \$5,144,400 for 1993 Flood Relief in the Capital Outlay Bill. The JLBC Staff recommends \$3,900,000 for Flood Relief as an operating supplemental.

# BIENNIAL SUPPLEMENTALS

FY 1996

## OPERATING BUDGETS

### DEPARTMENT OF COMMERCE

#### Arizona-Mexico Border Small Business Assistance

S-0- GF

The Executive recommends funding to enable the Commerce and Economic Development Commission (CEDC) to respond to the working capital needs of small border community businesses adversely affected by recent Mexican Peso devaluations. The Executive would accomplish this goal by depositing \$2,000,000 from the General Fund into the CEDC Fund and then appropriating that amount from the CEDC Fund. The JLBC Staff does not recommend dedicating General Fund monies for this purpose, but would recommend that the border businesses compete with other businesses in the existing department loan process funded through the CEDC. The JLBC is also seeking further specific justification with regard to the need for \$2,000,000 for this purpose.

### DEPARTMENT OF GAMING

#### FY 1995 Expenses

\$137,000 OF

The JLBC Staff recommends an additional \$137,000 from the Permanent Tribal-State Compact Fund for expenses incurred in FY 1995. Throughout 1995, at the Governor's direction, the department undertook compact compliance reviews of all tribal gaming operations. The Executive concurs with the concept, but has not included the funding in its recommendation.

#### Legal-Related Expenses and Start-up Costs

\$212,800 OF

The JLBC Staff recommends an additional \$212,800 from the Permanent Tribal-State Compact Fund for legal-related expenses and agency start-up costs. The department has seen an increase in legal activity related to tribal gaming. Since the start of the fiscal year, 3 suits have been brought against the state involving tribal-state compact issues and an increasing number of certification denials has increased the need for administrative hearings. The recommended amount includes \$65,000 for an attorney's salary to be paid through the Attorney General's Office and \$57,100 for administrative hearing costs. In addition, Laws 1995, Chapter 76, which established the department, did not appropriate monies for its start-up. The recommended amount includes \$90,700 for a computer file server and database software. Prior to their separation, the department shared a computer with the Department of Racing.

The Executive recommends \$251,400 for this issue. The greater amount includes funding for a legal secretary for the attorney. The JLBC Staff believes that the Attorney General's Office should continue to provide such support services in FY 1996.

#### Department of Gaming - Subtotal

\$349,800 OF

### BOARD OF HOMEOPATHIC MEDICAL EXAMINERS

#### New Board Member

\$1,500 OF

The JLBC Staff recommends an increase of \$1,500 to implement Laws 1995, Chapter 187, which added a member to the Board of Homeopathic Examiners. The recommended amount funds \$180 in per diem and \$710 in related travel expenses under the assumption that the new member will reside outside Maricopa County and that this board will hold 6 meetings in Maricopa County. The recommendation also includes \$610 in travel expenses to which existing board members are statutory entitled. The Executive does not address this issue in FY 1996.

## FY 1996 SUPPLEMENTALS - CONTINUED

### STATE BOARD OF NURSING

#### Supplemental Amendment

**\$-0- GF**

Laws 1995, Chapter 255 appropriated \$60,000 to the Board of Nursing for FY 1996. The year was written incorrectly in the bill, as the monies were intended to pay FY 1995 expenditures. The JLBC Staff recommends amending Chapter 255 to allow the FY 1996 appropriation of \$60,000 to be used to pay FY 1995 bills. The Executive concurs.

### ARIZONA STATE BOARD OF PHARMACY

#### Examinations

**\$15,600 OF**

The JLBC Staff recommends an increase to cover an unanticipated 78% increase in the number of national licensing exams given by the board. The recommended amount includes \$13,600 to purchase additional copies of the national licensing exam and \$2,000 in associated postage and printing to fund the corresponding increase in written communication with applicants. The Staff recommends this funding be placed in an Examinations Special Line Item, restricting its use to the purchase of examinations and directly related expenses. The Executive does not recommend this issue.

### STATE BOARD OF PSYCHOLOGIST EXAMINERS

#### Investigator

**\$16,900 OF**

The JLBC Staff recommends the addition of 1 FTE Position investigator at a Personnel Services and Employee Related Expenditures cost of \$9,600 for the final third of the FY 1996. Laws 1995, Chapter 51 increased the board's per diem amount from \$30 per day to \$100 per day. Previously, board members had devoted significant amounts of time to conducting the board's investigations. This increase in costs, coupled with recent conflict of interest concerns voiced by the Attorney General's Office over the commingling of prosecutorial and adjudicatory functions within the board, point to the need for a full-time investigator. The recommended amount also includes \$7,300 in one-time start-up costs. The Executive does not address this issue in FY 1996.

## CAPITAL OUTLAY

### ARIZONA DEPARTMENT OF ADMINISTRATION

#### Design High-Security Facility for the Department of Juvenile Corrections

**\$800,000 GF**

The JLBC Staff recommends \$800,000 for the design of a 400-bed high-security facility for youths committed to the Department of Juvenile Corrections. Laws 1994, Chapter 201 appropriated \$350,000 to the Arizona Department of Administration (ADOA) for the design of a 100-bed facility. However, for a variety of reasons, the monies were not expended in FY 1995 and they reverted to the General Fund. The recommended amount restores the funding for this high-priority project and increases the amount to accommodate the expanded scope and updated cost estimates. Additionally, the JLBC Staff recommends \$13,200,000 for construction over FY 1997 and FY 1998 for the complete facility infrastructure and the first 200 beds. The JLBC Staff also recommends a footnote requiring the department to submit plans to the Joint Committee on Capital Review prior to the expenditure of monies. The Executive recommends \$300,000 for the design of 100 beds.

### ARIZONA STATE PARKS BOARD

#### Kartchner Caverns State Park

**\$3,500,000 GF**

The JLBC Staff recommends an increase of \$3,500,000 to complete the construction of Kartchner Caverns State Park, which has been under development since 1988. Pursuant to A.R.S. § 41-511.11, development has been largely funded from the State Parks Enhancement Fund, which consists primarily of revenues from park user fees. To date, \$11,000,000 has been expended or committed to the project, while the Parks Board estimates another \$10,700,000 will be required to complete it (\$1,200,000 will come from the State Highway Fund). Relying strictly on the Enhancement Fund for the remaining funding, the park could not be completed until FY 2002. Working with the Joint Committee



**FY 1996 SUPPLEMENTALS - CONTINUED**

on Capital Review (JCCR), the Parks Board has agreed to commit \$3,347,000 from its FY 1994 through FY 1996 Heritage Fund monies in addition to \$2,700,000 from FY 1995 and FY 1996 Enhancement Fund monies. With this commitment from the Heritage Fund, the JCCR approved a motion to support a FY 1996 Capital Outlay Bill supplemental appropriation of \$3,500,000 from the General Fund to complete the project's funding and to allow development to be completed by November 1997. Because of the economic impact to the southeastern part of the state and the anticipated park revenues, it is in the best interest of the state to complete the park expeditiously. The JLBC Staff recommends a footnote indicating the Legislature's intent that the \$3,500,000 be the only General Fund contribution to Kartchner Caverns State Park's construction development. The following table summarizes the recommended funding for the park's completion.

**Kartchner Caverns State Park  
Funding Recommendation to Complete Development**

<u>Fund Source</u>	<u>FY 1994-1995</u>	<u>FY 1996</u>	<u>Total</u>
Enhancement Fund	\$1,200,000	\$1,500,000	\$2,700,000
Heritage Fund	2,040,000	1,307,000	3,347,000
Highway Fund	0	1,200,000	1,200,000
General Fund	<u>0</u>	<u>3,500,000</u>	<u>3,500,000</u>
TOTAL	<u>\$3,240,000</u>	<u>\$7,507,000</u>	<u>\$10,747,000</u>

The Executive recommends \$3,400,000 for the issue.

***JLBC Staff Recommended Footnotes***

***New Footnotes***

- Prior to the expenditure of monies, the Arizona Department of Administration shall submit its plans for the design of the high-security facility for the Department of Juvenile Corrections to the Joint Committee on Capital Review for review.
- It is the intent of the Legislature to commit no more than \$3,500,000 from the General fund for the construction development of Kartchner Caverns State Park.

**Total - FY 1996 Capital Outlay Supplementals**

**\$4,300,000 GF**

**BIENNIAL SUPPLEMENTALS  
BUDGET SUMMARY**

**FY 1997  
General Fund**

	<u>FY 1997 ORIGINAL</u>	<u>TECHNICAL 1/ ADJUSTMENTS</u>	<u>POLICY 2/ ISSUES</u>	<u>FY 1997 JLBC REC.</u>	<u>JLBC REC.- ORIGINAL</u>
<b>BIENNIAL BUDGET UNITS</b>					
AGRIC. EMPLOYMENT RELATIONS BD.	0	0		0	0
ARTS, COMMISSION ON THE	1,507,300	19,000		1,526,300	19,000
ATTORNEY GENERAL	23,008,100	252,300	(34,400)	23,226,000	217,900
BANKING DEPARTMENT	2,663,900	(217,600)		2,446,300	(217,600)
BOXING COMMISSION	67,000	1,000		68,000	1,000
BUILDING AND FIRE SAFETY, DEPT. OF	3,127,400	(269,200)		2,858,200	(269,200)
COMMERCE, DEPARTMENT OF	9,350,500	80,900		9,431,400	80,900
CONSTITUTIONAL DEFENSE COUNCIL	0	0	300,000	300,000	300,000
CORPORATION COMMISSION	5,184,000	(13,900)		5,170,100	(13,900)
CRIMINAL JUSTICE COMMISSION, ARIZONA	0	0		0	0
EMRG. & MILITARY AFFAIRS, DEPT. OF	4,404,300	73,400	3,900,000	8,377,700	3,973,400
ENVIRONMENT, COMMISSION ON THE AZ	0	0		0	0
EQUALIZATION, STATE BOARD OF	845,700	3,600		849,300	3,600
EXECUTIVE CLEMENCY, BOARD OF	1,676,400	8,400		1,684,800	8,400
GEOLOGICAL SURVEY, ARIZONA	726,300	13,900		740,200	13,900
GOVERNOR, OFFICE OF THE	6,058,600	0	150,000	6,208,600	150,000
GOVERNOR - OSPB	1,699,500	26,800		1,726,300	26,800
HEARING IMPAIRED, COUNCIL FOR THE	223,100	28,800		251,900	28,800
HISTORICAL SOCIETY, ARIZONA	4,061,100	29,200	50,000	4,140,300	79,200
HISTORICAL SOCIETY, PRESCOTT	604,500	8,400		612,900	8,400
INSURANCE, DEPARTMENT OF	4,735,700	(312,800)		4,422,900	(312,800)
LAND DEPARTMENT	11,771,600	587,900	611,600	12,971,100	1,199,500
LAW ENFORCEMENT MERIT SYS COUNCIL	47,400	500		47,900	500
<b>LEGISLATURE</b>					
Auditor General	9,328,900	169,700		9,498,600	169,700
House of Representatives	7,975,100	136,600		8,111,700	136,600
Joint Legislative Budget Committee	2,100,000	28,300		2,128,300	28,300
Legislative Council	3,473,200	32,000		3,505,200	32,000
Library, Archives & Public Records	5,133,200	229,400		5,362,600	229,400
Senate	5,969,600	76,000		6,045,600	76,000
<b>TOTAL</b>	<b>33,980,000</b>	<b>672,000</b>	<b>0</b>	<b>34,652,000</b>	<b>672,000</b>
LIQUOR LICENSES AND CONTROL, DEPT.	2,685,200	(188,000)		2,497,200	(188,000)
MEDICAL STUDENT LOANS BOARD	236,600	0		236,600	0
MILITARY AIRPORT PRESERVATION CMTE., AZ	0	0		0	0
MINE INSPECTOR	807,700	5,900		813,600	5,900
NAVIGABLE STREAM ADJUDICATION COMM., AZ	115,300	1,500		116,800	1,500
OSHA REVIEW BOARD	9,000	0		9,000	0
PERSONNEL BOARD	308,400	1,500		309,900	1,500
PIONEERS' HOME	2,014,300	(55,100)		1,959,200	(55,100)
POSTSECONDARY EDUCATION, COMM. FOR	1,234,000	0		1,234,000	0
RACING, DEPARTMENT OF	2,519,100	18,400		2,537,500	18,400
RADIATION REGULATORY AGENCY	1,096,700	25,800		1,122,500	25,800
RANGERS' PENSIONS	10,500	0		10,500	0
REAL ESTATE DEPARTMENT	2,899,900	(68,300)		2,831,600	(68,300)
REVENUE, DEPARTMENT OF	50,581,600	713,800		51,295,400	713,800

	<u>FY 1997 ORIGINAL</u>	<u>TECHNICAL 1/ ADJUSTMENTS</u>	<u>POLICY 2/ ISSUES</u>	<u>FY 1997 JLBC REC.</u>	<u>JLBC REC.- ORIGINAL</u>
SECRETARY OF STATE	4,012,900	63,900	204,400	4,281,200	268,300
TAX APPEALS, BOARD OF	259,400	9,200		268,600	9,200
TOURISM, OFFICE OF	7,660,500	30,200		7,690,700	30,200
TREASURER, STATE	3,793,800	48,400		3,842,200	48,400
UNIFORM STATE LAWS, COMMISSION ON	29,200	0		29,200	0
WATER RESOURCES, DEPARTMENT OF	18,766,400	(1,063,700)		17,702,700	(1,063,700)
WEIGHTS AND MEASURES, DEPT. OF	1,672,000	(88,000)		1,584,000	(88,000)
<b>TOTAL - BIENNIAL BUDGET UNITS</b>	<b>216,454,900</b>	<b>448,100</b>	<b>5,181,600</b>	<b>222,084,600</b>	<b>5,629,700</b>

1/ Detail found on page S-8.

2/ Detail found on page S-14.

## BIENNIAL SUPPLEMENTALS BUDGET SUMMARY

FY 1997  
Other Funds

	FY 1997 ORIGINAL	TECHNICAL 1/ ADJUSTMENTS	POLICY 2/ ISSUES	FY 1997 JLBC REC.	JLBC REC.- ORIGINAL
<b>BIENNIAL BUDGET UNITS</b>					
ACCOUNTANCY, BOARD OF	1,041,900	9,600		1,051,500	9,600
APPRAISAL, BOARD OF	249,600	900		250,500	900
ATTORNEY GENERAL	3,584,500	(400)		3,584,100	(400)
BARBERS, BOARD OF	149,800	4,300		154,100	4,300
BEHAVIORAL HEALTH EXAMINERS, BD OF	354,700	(3,900)		350,800	(3,900)
CHIROPRACTIC EXAMINERS, BOARD OF	258,300	(13,500)		244,800	(13,500)
COLISEUM AND EXPOSITION CENTER	15,340,700	0		15,340,700	0
COMMERCE, DEPARTMENT OF	2,745,100	18,000		2,763,100	18,000
CONTRACTORS, REGISTRAR OF	4,921,100	(373,400)	125,000	4,672,700	(248,400)
CORPORATION COMMISSION	6,573,900	10,100		6,584,000	10,100
COSMETOLOGY, BOARD OF	636,500	51,700		688,200	51,700
CRIMINAL JUSTICE COMMISSION, ARIZONA	563,100	13,000		576,100	13,000
DENTAL EXAMINERS, BOARD OF	588,800	5,300		594,100	5,300
EMRG. & MILITARY AFFAIRS, DEPT. OF	47,700	0		47,700	0
FUNERAL DIRECTORS & EMBALMERS, BD	171,400	8,100		179,500	8,100
GAME AND FISH DEPARTMENT	17,741,000	100,400		17,841,400	100,400
GAMING, DEPARTMENT OF	3,505,000	28,800	223,300	3,757,100	252,100
GOVERNOR, OFFICE OF THE	500,000	0		500,000	0
HOMEOPATHIC EXAMINERS, BOARD OF	29,200	2,400	1,500	33,100	3,900
INDUSTRIAL COMMISSION	12,621,000	118,100		12,739,100	118,100
LEGISLATURE - AUDITOR GENERAL	0	0		0	0
MEDICAL EXAMINERS, BOARD OF	2,898,200	(2,000)		2,896,200	(2,000)
NATUROPATHIC PHYSICIANS BOARD	71,000	800		71,800	800
NURSING, BOARD OF	1,537,000	3,800		1,540,800	3,800
NURSING CARE INSTITUTIONAL ADMIN. BD.	78,100	1,500	12,100	91,700	13,600
OCCUPATIONAL THERAPY EXAM., BD OF	95,300	(3,500)		91,800	(3,500)
OPTICIANS, BOARD OF DISPENSING	67,000	0		67,000	0
OPTOMETRY, BOARD OF	107,900	1,300		109,200	1,300
OSTEOPATHIC EXAMINERS, BOARD OF	317,700	4,600		322,300	4,600
PHARMACY, BOARD OF	689,400	14,500	22,500	726,400	37,000
PHYSICAL THERAPY EXAMINERS, BOARD	91,000	1,800		92,800	1,800
PIONEERS' HOME, ARIZONA	1,180,800	(33,000)		1,147,800	(33,000)
PODIATRY EXAMINERS, BOARD OF	56,700	1,300		58,000	1,300
POSTSECONDARY EDUCATION, COMM. FOR	2,920,900	6,400		2,927,300	6,400
PRIVATE POSTSECONDARY EDUCATION	158,800	800		159,600	800
PSYCHOLOGIST EXAMINERS, BOARD OF	227,600	(2,100)	28,700	254,200	26,600
RACING, DEPARTMENT OF	288,100	4,100		292,200	4,100
RADIATION REGULATORY AGENCY	105,200	1,900		107,100	1,900
RESIDENTIAL UTILITY CONSUMER OFFICE	1,002,400	(1,400)		1,001,000	(1,400)
RESPIRATORY CARE EXAMINERS BOARD	165,000	(100)		164,900	(100)
RETIREMENT SYSTEM	3,703,000	49,800		3,752,800	49,800
REVENUE, DEPARTMENT OF	324,900	6,100		331,000	6,100
STRUCTURAL PEST CONTROL COMM	1,251,500	86,700		1,338,200	86,700
TECHNICAL REGISTRATION, BOARD OF	876,300	(4,500)		871,800	(4,500)
VETERINARY MED EXAMINING BOARD	187,000	3,000	26,200	216,200	29,200
WEIGHTS AND MEASURES, DEPT. OF	546,500	(23,000)		523,500	(23,000)
<b>TOTAL - BIENNIAL BUDGET UNITS</b>	<b>90,570,600</b>	<b>98,300</b>	<b>439,300</b>	<b>91,108,200</b>	<b>537,600</b>

1/ Detail found on page S-9.

2/ Detail found on page S-14.

## TECHNICAL ADJUSTMENTS DETAIL

### General Fund

BIENNIAL BUDGET UNITS	Salary Annualization	CMR Annualization	Public Rent/ Lease-Purchase Adjustment	Employee Rel Expenditures Adjustment	Risk Management Adjustment	Office of Administrative Hearings Adjustment	Total Technical Adjustments
ARIZONA COMMISSION ON THE ARTS	7,900	700	3,500	5,300	1,600	-	19,000
ATTORNEY GENERAL	324,600	11,200	40,900	(176,200)	51,800	-	252,300
STATE BANKING DEPARTMENT	36,500	-	(2,000)	(3,500)	(243,600)	(5,000)	(217,600)
ARIZONA STATE BOXING DEPARTMENT	900	-	200	(100)	-	-	1,000
DEPT OF BUILDING & FIRE SAFETY	41,300	-	-	(34,400)	(209,200)	(66,900)	(269,200)
DEPARTMENT OF COMMERCE	48,900	7,000	-	13,300	11,700	-	80,900
CONSTITUTIONAL DEFENSE COUNCIL	-	-	-	-	-	-	0
CORPORATION COMMISSION	70,400	600	-	(35,100)	(49,800)	-	(13,900)
DEPT OF EMERGENCY & MILITARY AFFRS	36,100	14,000	-	(45,700)	69,000	-	73,400
COMMISSION ON THE AZ ENVIRONMENT	-	-	-	-	-	-	0
STATE BOARD OF EQUALIZATION	3,700	-	7,000	(6,900)	(200)	-	3,600
BOARD OF EXECUTIVE CLEMENCY	16,900	-	4,800	(15,900)	2,600	-	8,400
ARIZONA GEOLOGICAL SURVEY	9,300	-	5,300	(3,300)	2,600	-	13,900
OFFICE OF THE GOVERNOR 1/	-	-	0	-	-	-	0
GOV'S OPC. OF STRATEGIC PLNG & BUD.	24,900	-	-	(2,200)	4,100	-	26,800
AZ COUNCIL FOR THE HEARING IMPAIRED	3,200	-	28,500	(3,600)	700	-	28,800
ARIZONA HISTORICAL SOCIETY	33,200	34,400	-	(27,000)	(11,400)	-	29,200
PRESCOTT HISTORICAL SOCIETY	8,900	900	-	(5,100)	3,700	-	8,400
DEPARTMENT OF INSURANCE	57,300	2,300	1,300	8,400	(227,500)	(154,600)	(312,800)
STATE LAND DEPARTMENT	108,100	8,800	2,100	(50,600)	519,500	-	587,900
LAW ENFORCE. MERIT SYSTEM COUNCIL	700	-	-	(200)	-	-	500
LEGISLATURE							
AUDITOR GENERAL	138,600	-	400	2,600	28,100	-	169,700
HOUSE OF REPRESENTATIVES	105,200	-	-	-	31,400	-	136,600
JOINT LEGISLATIVE BUDGET COMMITTEE	33,200	-	-	(10,100)	5,200	-	28,300
LEGISLATIVE COUNCIL	39,200	-	-	(13,300)	6,100	-	32,000
DEPT. OF LIBRARY, ARCH. & PUB. RCDS	61,600	107,000	51,100 3/	11,300	(1,600)	-	229,400
SENATE	77,800	-	-	-	-	-	76,000
TOTAL - LEGISLATURE	\$455,600	\$107,000	\$51,500	(89,500)	\$67,400	\$0	672,000
DEPT OF LIQUOR LICENSES & CONTROL	26,700	-	-	(34,300)	(90,800)	(89,600)	(188,000)
BOARD OF MEDICAL STUDENT LOANS	-	-	-	-	-	-	0
AZ MILITARY AIRPORT PRESERV. CMTE.	-	-	-	-	-	-	0
STATE MINE INSPECTOR	8,800	-	4,600	(2,800)	(4,700)	-	5,900
AZ NAVIGABLE STREAM ADJUD. COMM.	1,800	-	300	(600)	-	-	1,500
OCCUPATIONAL SAFETY & HEALTH RVW BD	-	-	-	-	-	-	-
PERSONNEL BOARD	1,600	-	700	(800)	-	-	1,500
ARIZONA PIONEERS HOME	32,200	2,800	-	(90,100)	-	-	(55,100)
ARIZONA DEPARTMENT OF RACING	31,000	-	(4,100)	(400)	500	(8,600)	18,400
RADIATION REGULATORY AGENCY	14,700	7,500	-	(2,100)	5,700	-	25,800
ARIZONA RANGERS PENSION	-	-	-	-	-	-	0
STATE REAL ESTATE DEPARTMENT	39,000	-	(1,600)	(18,800)	2,200	(89,100)	(68,300)
DEPARTMENT OF REVENUE	654,400	591,700	40,800	(146,000)	(332,600)	(94,500)	713,800
SECRETARY OF STATE-DEPT OF STATE	18,500	5,600	51,300 4/	(18,200)	6,700	-	63,900
STATE BOARD OF TAX APPEALS	3,300	-	5,800	(2,300)	2,400	-	9,200
OFFICE OF TOURISM	14,200	-	1,500	13,400	1,100	-	30,200
STATE TREASURER	25,000	-	9,000 4/	9,200	5,200	-	48,400
COMMISSION ON UNIFORM STATE LAWS	-	-	-	-	-	-	0
DEPARTMENT OF WATER RESOURCES	157,500	8,800	23,300 5/	(54,800)	(1,122,700)	(75,800)	(1,063,700)
DEPT OF WEIGHTS AND MEASURES	20,800	-	(110,000) 6/	(4,300)	5,500	-	(88,000)
TOTAL - GENERAL FUND	\$2,337,900	\$803,300	\$164,700	(\$745,200)	(\$1,528,500)	(\$584,100)	\$448,100

1/ The Governor's Office is absorbing all these costs.

2/ OSPB will absorb these costs.

3/ Includes \$48,600 for Evans House Relocation. See Technical Adjustment Explanatory Notes.

4/ Includes \$22,900 for the Secretary of State and \$2,600 for the Treasurer for Executive Tower expansions. See Technical Adjustments Explanatory Notes.

5/ Private Lease Adjustment.

6/ Includes \$(107,600) for reallocation of space in the Doubletree Building. See Technical Adjustments Explanatory Notes.

## TECHNICAL ADJUSTMENTS DETAIL

### Other Funds

	Salary Annualization	CMR Annualization	Public Rent/ Lease-Purchase Adjustment	Employee Rel Expenditures Adjustment	Risk Management Adjustment	Office of Administrative Hearings Adjustment	Total Technical Adjustments
<b>BIENNIAL BUDGET UNITS</b>							
STATE BOARD OF ACCOUNTANCY	5,200	-0-	-0-	3,400	1,000	-0-	9,600
STATE BOARD OF APPRAISAL	2,700	-0-	700	(2,500)	-0-	-0-	900
ATTORNEY GENERAL	5,400	-0-	-0-	(5,800)	-0-	-0-	(400)
BOARD OF BARBERS	2,000	-0-	3,200	(900)	-0-	-0-	4,300
BD OF BEHAVIORAL HEALTH EXAMINERS	3,300	-0-	500	(7,700)	-0-	-0-	(3,900)
STATE BD OF CHIROPRACTIC EXAMINERS	2,400	-0-	300	2,400	(18,600)	-0-	(13,500)
ARIZONA COLISEUM & EXPOSITION CTR. BD.	-0-	-0-	(105,600) 1/	36,000	69,600	-0-	0
DEPARTMENT OF COMMERCE	15,700	900	-0-	(1,500)	2,900	-0-	18,000
REGISTRAR OF CONTRACTORS	56,600	-0-	-0-	(33,200)	16,800	(413,600)	(373,400)
CORPORATION COMMISSION	87,200	33,300	24,500	(30,500)	(104,400)	-0-	10,100
BOARD OF COSMETOLOGY	7,500	-0-	38,800	3,100	2,300	-0-	51,700
ARIZONA CRIMINAL JUSTICE COMMISSION	5,000	-0-	6,400	900	700	-0-	13,000
STATE BOARD OF DENTAL EXAMINERS	6,100	-0-	(400)	(1,200)	800	-0-	5,300
STATE BD OF FUNERAL DIRECTORS & EMB.	2,000	-0-	2,100 2/	4,000	-0-	-0-	8,100
ARIZONA GAME AND FISH DEPARTMENT	179,500	7,800	0	(152,000)	65,100	-0-	100,400
DEPARTMENT OF GAMING	16,700	-0-	2,300	16,800	(7,000)	-0-	28,800
BD OF HOMEOPATHIC MEDICAL EXAM. 3/	100	-0-	100 2/	2,200	-0-	-0-	2,400
INDUSTRIAL COMMISSION OF ARIZONA	155,500	3,400	-0-	(37,700)	(3,100)	-0-	118,100
BOARD OF MEDICAL EXAMINERS	27,900	-0-	(100)	(12,500)	(17,300)	-0-	(2,000)
NATUROPATHIC PHYS. BD. OF MED. EXAM. 3/	800	-0-	1,500 2/	(200)	(1,300)	-0-	800
STATE BOARD OF NURSING	14,900	-0-	-0-	(12,900)	1,800	-0-	3,800
BD OF EXAM. OF NURSING CARE INST.	600	-0-	900 2/	-0-	-0-	-0-	1,500
BD OF OCCUPATIONAL THERAPY EXAM.	1,100	-0-	100	(4,700)	-0-	-0-	(3,500)
STATE BOARD OF DISPENSING OPTICIANS	800	-0-	400 2/	(1,200)	-0-	-0-	0
STATE BOARD OF OPTOMETRY 3/	1,500	-0-	500 2/	(700)	-0-	-0-	1,300
AZ BD OF OSTEOPATHIC EXAMINERS	4,000	-0-	-0-	-0-	600	-0-	4,600
ARIZONA STATE BOARD OF PHARMACY	9,500	5,400	(1,400)	(100)	1,100	-0-	14,500
BOARD OF PHYSICAL THERAPY EXAMINERS	900	-0-	1,000 2/	(100)	-0-	-0-	1,800
ARIZONA PIONEERS HOME	18,400	-0-	-0-	(51,400)	-0-	-0-	(33,000)
STATE BOARD OF PODIATRY EXAMINERS 3/	800	-0-	600 2/	(100)	-0-	-0-	1,300
COMMISSION FOR POSTSECONDARY EDUC.	5,900	-0-	(2,100)	2,600	-0-	-0-	6,400
STATE BD FOR PRIV. POSTSECONDARY ED.	2,000	-0-	(300)	(900)	-0-	-0-	800
STATE BD OF PSYCHOLOGIST EXAM. 3/	2,000	-0-	1,900 2/	(6,000)	-0-	-0-	(2,100)
ARIZONA DEPARTMENT OF RACING	2,900	-0-	(1,100)	100	2,200	-0-	4,100
RADIATION REGULATORY AGENCY	1,400	-0-	-0-	(100)	600	-0-	1,900
RESIDENTIAL UTILITY CONSUMER OFFICE	9,900	-0-	(800)	(11,300)	800	-0-	(1,400)
BOARD OF RESPIRATORY CARE EXAMINERS	1,400	-0-	(100)	(1,400)	-0-	-0-	(100)
ARIZONA STATE RETIREMENT SYSTEM	52,300	3,200	-0-	(5,000)	(700)	-0-	49,800
DEPARTMENT OF REVENUE	4,100	-0-	-0-	2,000	-0-	-0-	6,100
STRUCTURAL PEST CONTROL COMM. 4/	13,600	9,900	75,800 4/	4,500	(17,100)	-0-	86,700
STATE BD OF TECHNICAL REGISTRATION	7,500	-0-	-0-	(14,300)	2,300	-0-	(4,500)
AZ VETERINARY MED EXAMINING BD	2,000	-0-	2,300 2/	(1,300)	-0-	-0-	3,000
DEPT OF WEIGHTS AND MEASURES 4/	3,800	2,000	(28,100) 4/	(700)	-0-	-0-	(23,000)
<b>TOTAL - OTHER FUNDS</b>	<b>\$742,900</b>	<b>\$65,900</b>	<b>\$23,900</b>	<b>(\$319,900)</b>	<b>(\$900)</b>	<b>(\$413,600)</b>	<b>\$88,300</b>

1/ Includes \$(105,600) base adjustment for Coliseum in general Other Operating Expenditures.

2/ Includes \$11,600 for Central Boards space expansion and Board of Barbers relocation expense. See Technical Adjustments Explanatory Notes.

3/ Includes the salary adjustment for the State Boards' Office.

4/ Includes \$75,800 for Structural Pest Control Commission and \$(28,000) for Weights and Measures for space reallocation in the Doubletree Building. See Technical Adjustments Explanatory Notes.

## BIENNIAL SUPPLEMENTALS

### FY 1997 Technical Adjustments

During the 1995 1st Special Session, 83 budget units received separate appropriations for both FY 1996 and FY 1997. At the time, however, certain technical adjustments were not included in the FY 1997 amounts. The JLBC Staff recommends a total of \$448,100 from the General Fund and \$98,300 from Other Appropriated Funds for this purpose. These technical adjustments include:

- 1) full funding for the January 1996 2% merit salary adjustment,
- 2) full funding for the classification maintenance review adjustments,
- 3) public rent and lease-purchase changes,
- 4) employee related expenditure changes, including such items as revised state employee retirement rates,
- 5) risk management changes, and
- 6) annualization of Office of Administrative Hearings transfers.

These adjustments are discussed in further detail in the Description of Methodology and Major Technical Issues at the beginning of this volume.

In addition, the following 4 issues are incorporated in the Public/Rent Lease-Purchase Adjustment column of the Technical Adjustments Detail.

#### CAPITAL CENTER/EXECUTIVE TOWER RELOCATIONS

##### Capital Center/Executive Tower Relocations

\$25,500 GF

The JLBC Staff recommends that the Attorney General's Office expand onto the 2nd floor of the Capital Center Building. This plan was authorized and funded by the Legislature for FY 1996 but was delayed so that offices displaced from the Executive Tower by an asbestos abatement project could be temporarily moved to the Capital Center. The offices that were displaced from the Executive Tower were the General Services Division and the State Procurement Office (SPO), both part of the Arizona Department of Administration (ADOA). The JLBC Staff plan would require funding to relocate the Attorney General's Office. Lease-purchase monies for the 2nd floor are already in the Attorney General's base budget.

The JLBC Staff recommends \$25,500 to biennial budget units for increased Executive Tower rent. In addition, the JLBC Staff recommends \$30,500 OF to the Arizona Department of Administration and \$73,800 GF and \$33,900 OF in the Capital Outlay bill for other aspects of the Capital Center/Executive Tower relocation.

New developments have complicated the original plan. The Governor's Office, Office of Management and Budget, Secretary of State, and State Treasurer have received additional space in the Executive Tower. The JLBC Staff recommends funding the additional rent payments which these expansions require, except for the Governor's Office and OMB which have requested to absorb the additional rent in their base budgets. These expansions, however, prohibit General Services and SPO from returning to the Executive Tower.

In order to accommodate General Services and SPO, the JLBC Staff recommends additional relocation monies to move them from the 2nd floor of the Capital Center. The JLBC Staff plan assumes that ADOA will occupy some portion of the 1st floor of the Capital Center. This plan would have several advantages over moving the Attorney General to the 1st floor and retaining ADOA on the 2nd floor. First, the plan fulfills the commitment to provide the Attorney General with the greater square footage on the 2nd floor. Second, other agencies already occupy the 1st floor. They will not all need to be displaced if ADOA moves to the 1st floor and occupies the same space as it had in the Executive Tower.



**FY 1997 TECHNICAL ADJUSTMENTS - CONTINUED**

As noted above, the plan would fund the same amount of square feet as ADOA occupied in the Executive Tower. In addition, the plan funds the difference between the rent on the space the department is losing in the Executive Tower and the lease-purchase payments for an equivalent amount of Capital Center space. The plan would leave the details of the relocations to ADOA. To the extent that ADOA occupies more space than assumed by this recommendation, the JLBC Staff recommends that ADOA absorb the additional cost from its existing operating budget.

As mentioned above, ADOA is expected to move General Services and SPO to some portion of the 1st floor of the Capital Center. If this occurs, up to 3 agencies (Department of Gaming, Department of Racing, and Residential Utility Consumer Office) may be displaced. These agencies may require supplemental FY 1997 funding for their moves. To ensure Legislative oversight of the final relocation proposal, the JLBC Staff recommends a footnote in the FY 1997 Capital Outlay Bill requiring ADOA to present a comprehensive relocation plan to the Joint Committee on Capital Review by June 1.

The following table compares the JLBC Staff plan and its budget impacts to the Executive plan.

Agency	JLBC Staff	Executive																				
Attorney General	Expand onto 2nd floor of Capital Center for an additional 24,600 square feet, per the original FY 1996 plan (add \$73,800 GF to Attorney General in FY 1997 Capital Outlay Bill for relocation costs).	No new space (remove \$(324,800) GF from budget).																				
Arizona Department of Administration (ADOA)	Relocate from 2nd floor of Capital Center (add \$33,900 OF to ADOA for relocation costs in FY 1997 Capital Outlay Bill and \$30,500 OF in FY 1997 General Appropriation Act for higher Capital Center rent).	Continue to occupy 2nd floor of Capital Center (add \$130,000 GF and \$63,200 OF for expansion and higher Capital Center rent).																				
Governor's Office	Expand in Executive Tower by 7,100 square feet. (Governor has requested to absorb additional rent payment of \$85,200 in its overall increase of \$150,000).	Same.																				
Office of Management and Budget (OSP/B/OEG)	Expand in Executive Tower by 1,000 square feet (OMB has requested to absorb additional rent payment of \$12,000 GF).	Same.																				
Secretary of State	Expand in Executive Tower by 1,900 square feet (add \$22,900 GF to Secretary of State in FY 1997 for increased rent).	Same.																				
Treasurer	Expand in Executive Tower by 200 square feet (add \$2,600 GF to Treasurer for increased rent).	Same.																				
<ul style="list-style-type: none"> <li>• Operating Budget - Annual Budget Units</li> <li>• Operating Budget - Biennial Budget Units</li> <li>• Capital Budget</li> <li>TOTAL</li> </ul>	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">GF</th> <th style="text-align: center; border-bottom: 1px solid black;">OF</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">\$ -0-</td> <td style="text-align: right;">\$30,500</td> </tr> <tr> <td style="text-align: right;">25,500</td> <td style="text-align: right;">-0-</td> </tr> <tr> <td style="text-align: right;"><u>73,700</u></td> <td style="text-align: right;"><u>33,900</u></td> </tr> <tr> <td style="text-align: right;"><u>\$99,200</u></td> <td style="text-align: right;"><u>\$64,400</u></td> </tr> </tbody> </table>	GF	OF	\$ -0-	\$30,500	25,500	-0-	<u>73,700</u>	<u>33,900</u>	<u>\$99,200</u>	<u>\$64,400</u>	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">GF</th> <th style="text-align: center; border-bottom: 1px solid black;">OF</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">\$(194,800)</td> <td style="text-align: right;">\$63,200</td> </tr> <tr> <td style="text-align: right;">25,500</td> <td style="text-align: right;">-0-</td> </tr> <tr> <td style="text-align: right;"><u>-0-</u></td> <td style="text-align: right;"><u>-0-</u></td> </tr> <tr> <td style="text-align: right;"><u>\$(169,300)</u></td> <td style="text-align: right;"><u>\$63,200</u></td> </tr> </tbody> </table>	GF	OF	\$(194,800)	\$63,200	25,500	-0-	<u>-0-</u>	<u>-0-</u>	<u>\$(169,300)</u>	<u>\$63,200</u>
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**FY 1997 TECHNICAL ADJUSTMENTS - CONTINUED**

**CENTRAL BOARDS - USABLE SPACE EXPANSION**

**Central Boards Usable Space Expansion**

**\$11,600 OF**

The JLBC Staff recommends an increase of \$8,800 OF in Rent for the 10 Central Boards listed in the table below. Due to anticipated staffing increases, the JLBC Staff recommends increasing the amount of space occupied by the Central Boards. The boards currently occupy 4,940 square feet of space in the State Office Building (1400 West Washington) adjacent to 730 square feet of space occupied by the Board of Barbers. The Arizona Department of Administration was able to locate a comparable amount of space for use by the Board of Barbers in the event the Central Boards absorb the space currently occupied by the Board of Barbers. To accommodate recommended increases in FTE Positions and allow for expansion in the future, the JLBC Staff recommends the following changes in FY 1997 rent amounts.

	FY 1996		FY 1997	
	SO. FT	COST (\$12 per SO. FT)	SO. FT	COST (\$12 per SO. FT)
State Board of Funeral Directors & Embalmers	636.7	\$7,600	779.3	\$9,400
Board of Homeopathic Medical Examiners	374.5	4,500	364.9	4,400
Naturopathic Physicians Board of Examiners	374.6	4,500	485.9	5,800
Board of Examiners of Nursing Care Institutions	404.4	4,900	470.9	5,600
State Board of Dispensing Opticians	500.9	6,000	517.3	6,200
State Board of Optometry	524.7	6,300	541.2	6,500
Board of Physical Therapy Examiners	405.3	4,900	471.8	5,700
State Board of Podiatry Examiners	396.6	4,800	421.5	5,100
State Board for Psychologist Examiners	695.0	8,300	825.2	9,900
AZ Veterinary Medical Examining Board	<u>627.3</u>	<u>7,500</u>	<u>792.0</u>	<u>9,500</u>
	4,940	\$59,300	5,670	\$68,100

In addition, the JLBC Staff recommends an increase of \$2,800 OF in Other Operating Expenditures for the Board of Barbers. Of this increase, \$2,200 is for moving expenses and \$600 is for rent due to a possible increase in space. The Executive does not address this issue.

**DOUBLETREE BUILDING**

**Space Reallocation**

**\$47,700 OF**

**\$(107,600) GF**

The Department of Weights and Measures and the Structural Pest Control Commission share the Doubletree Building. Recent downsizing and privatizations initiatives by the Department of Weights and Measures have left that agency with more space that it requires. Conversely, the Structural Pest Control Commission has outgrown its current space. As a result, these agencies have agreed to exchanging spaces. The table below details the reallocation. The Technical Adjustments Detail sections includes these amounts in addition to a \$2,400 decrease in the Department of Weights and Measures private rent.

**FY 1997 TECHNICAL ADJUSTMENTS - CONTINUED**

	<u>Structural Pest Control</u>	<u>Weights and Measures</u>
Old Operations and Maintenance	22,700	119,800
New Operations and Maintenance	<u>46,700</u>	<u>68,600</u>
Change	24,000	(51,200)
Old Lease-Purchase	37,100	195,200
New Lease-Purchase	<u>75,400</u>	<u>110,700</u>
Change	38,300	(84,500)
RENT CHANGE	<b>62,300</b>	<b>(135,700)</b>
Relocation Costs	13,500	-0-
TOTAL CHANGE	<b>75,800</b>	<b>(135,700)</b>
General Fund	0	(107,600)
Other Fund	75,800	(28,100)

**LIBRARY AND ARCHIVES RELOCATION**

**Evans House Relocation**

**\$48,600 GF**

The JLBC Staff recommends an additional \$48,600 GF in Rent to fund the rent costs of sections of the Department of Library and Archives that are moving to the Evans House (former Office of Tourism). Legislative Council will move into the space vacated by the department in the 1938 Addition to the State Capitol. The Evans House is located at 1108 West Washington.

## BIENNIAL SUPPLEMENTALS

FY 1997  
Policy Issues

### AGRICULTURAL EMPLOYMENT RELATIONS BOARD

#### Continuation of AERB through FY 1997

The JLBC Staff does not recommend a supplemental appropriation for the Agricultural Employment Relations Board (AERB). The Executive recommends \$62,900 funding to continue the AERB through FY 1997. \$-0- GF

The FY 1997 appropriation for the AERB was \$0 and included a footnote requiring JLBC Staff to conduct a study of the feasibility of consolidating the AERB with another agency. The JLBC study was transmitted to the Legislature on December 29th and presented 2 options for consolidation of the AERB. The first would involve dissolving the AERB and consolidating all of its functions within the Industrial Commission. The second option would involve retaining the AERB, placing it within the Department of Agriculture and contracting all of its administrative and investigative functions through intergovernmental agreements.

The JLBC Staff recommends no further funding until the Legislature considers the feasibility study and determines whether to continue the AERB as an independent agency or consolidate it with another agency through separate legislation.

#### Agricultural Employment Relations Board—Subtotal

\$-0 - GF

### ATTORNEY GENERAL - DEPARTMENT OF LAW

#### Collection Enforcement Staffing

The JLBC Staff recommends adding 6 FTE Positions to reduce the excessive workload in the Collections and the Bankruptcy Sections. The FY 1996 appropriation is \$140,000 more than the FY 1994 appropriation; yet the program's staffing has remained at 10 FTE Positions. Therefore, the existing appropriation is sufficient to support the additional staff without an increase to the appropriation. The Executive concurs. \$-0- OF

Individual collectors in the Collections Section have been assigned, on average, just over 700 open case files since November 1994. That number reached a high of 882 cases per collector in June 1995. A standard workload is considered to be 400 open cases. To resolve this problem, 2 Collector III's, 1 Administrative Services Officer and 1 Administrative Assistant would be assigned to the Collections Section. The Office of the Attorney General estimates that total collections will increase about \$675,000 as a result of adding these additional positions. A.R.S. § 41-191.03 allows the Attorney General to retain 35% of all revenues deposited to the Collections Enforcement Revolving Fund for costs of operating the collections program. The balance is returned to the General Fund or to other funds responsible for the debt.

In addition, 1 Assistant Attorney General and 1 Legal Secretary II would be assigned to the Bankruptcy Section. The Attorney General's Office estimates that annual revenues can be increased about \$300,000 with these 2 additional positions.

#### Governor's Legal Counsel

The FY 1996 appropriation for the Office of the Attorney General included funding to provide legal services to the Office of the Governor. The Governor has procured independent legal counsel, however, and Laws 1995, Chapter 94 (S.B. 1401) required that \$34,400 be transferred from the Attorney General's Office to the Office of the Governor in FY 1996 for the Governor to pay for the independent counsel. The bill did not affect the FY 1997 appropriation, which had the same amount for the Governor's legal services as the FY 1996 appropriation. Therefore, the JLBC Staff \$(34,400) GF

## FY 1997 POLICY ISSUES - CONTINUED

recommends that the same amount be reduced from the Attorney General's FY 1997 budget. It will be added to the Office of the Governor budget (see Office of the Governor) as part of a lump sum supplemental.

### **Capital Center Rent**

**\$-0- OF**

The JLBC Staff continues to recommend allocating the 2nd floor of the Capital Center Building to the Attorney General's Office. The Attorney General's Office already occupies the basement and the 3rd and 4th floors of this building. The move to the 2nd floor was originally expected to occur in FY 1996, so the rent amount is already included in both the FY 1996 and FY 1997 appropriations. The Attorney General, however, will require additional resources in the Capital Outlay bill for relocation costs. See both the Biennial Technical Adjustments and Capital Outlay sections for additional details. The Executive does not recommend allocating this space to the Attorney General's Office, but would allocate it to certain divisions of the Arizona Department of Administration. Therefore, the Executive would reduce the Attorney General's budget by \$(324,800). The Executive also recommends adding \$20,900 for rent of space in the Tucson State Office Building. The Arizona Department of Administration moved the Attorney General's staff into the space temporarily. The Attorney General then asked to stay, affording the rent from the existing FY 1996 appropriation. Therefore, the JLBC Staff recommends that the Attorney General continue to pay this additional \$20,900 from its existing funds.

**Attorney General - Department of Law - Subtotal**

**\$(34,400) GF**

## **DEPARTMENT OF COMMERCE**

### **NAFTA Projects Coordinator**

**\$-0- OF**

The Executive recommends 2 FTE Positions and \$150,000 from the Commerce and Economic Development Commission Fund (CEDC) for a NAFTA Projects Coordinator and an assistant. Laws 1995, Chapter 209, originally appropriated a similar amount from the General Fund to the department for FY 1996 only. The amount was intended to provide for the oversight of infrastructure funding requests by various communities along the Arizona-Mexico border. The employee dedicated to this task currently serves as a liaison between the border communities and various public and private environmental and financing entities. The JLBC Staff does not recommend funding, as the department already possesses considerable resources devoted to Mexican trade issues, the coordination of federal infrastructure grants, and assistance to small towns in the development of local economies.

### **Arizona-Sonora Study Implementation**

**\$-0- GF**

The Executive recommends \$100,000 from the General Fund for the implementation of components of the Arizona-Sonora Regional Economic Development Vision Study. This study was originally funded through a one-time FY 1994 CEDC Fund appropriation to examine historical and current trade conditions and tourism opportunities between the 2 states. The JLBC does not recommend funding for this issue, as approximately \$2,400,000 in CEDC and General Fund monies have already been appropriated for NAFTA-related issues since FY 1993. Since this issue is not of an emergency nature, it can be further explored during Commerce's regular budget hearing in 1997. The staff further recommends that implementation monies should be obtained through local governments and the private sector.

### **SBIR Administration**

**\$-0- OF**

The Executive recommends \$88,000 from the CEDC Fund and 1.6 FTE Positions to administer the Small Business Innovation Research Program (SBIR). Laws 1993, Chapter 247, created this program to provide grants to small technology companies. The legislation dedicated up to \$500,000 per year for grants, and up to \$100,000 per year for administration, from the CEDC Fund for FY 1994, FY 1995, and FY 1996. Administrative monies were used to hire specialists with the expertise to analyze loan applications and business plans of high-technology companies. The department still plans to award these types of grants from the CEDC Fund via its general CEDC funding authority, but has requested administrative monies for the retention of their technical personnel. The JLBC Staff does not recommend funding since there appears to have been no legislative intent to extend the SBIR loan program past the originally designated fiscal years.

## FY 1997 POLICY ISSUES - CONTINUED

### **CEDC Funding Stabilization**

**\$-0- OF**

The Executive recommends restructuring the mechanism by which the CEDC Fund is funded. Currently, the fund receives 32.5% of revenues generated by two special lottery games selected by the State Lottery Commission. The JLBC Staff projects that \$2,600,000 will be generated for the CEDC for FY 1996 and \$3,200,000 for FY 1997. The Executive recommendation would replace this mechanism with a fixed \$5,000,000 annual allocation of lottery proceeds to provide a more predictable revenue source to facilitate long-range planning. The Executive recommendation would have a negative General Fund impact. To the extent that this proposal would increase the dedicated distribution of Lottery Fund monies, there will be less Lottery monies to distribute to the General Fund. Since the JLBC Staff currently projects \$3,200,000 million in CEDC distributions for FY 1997, a \$5,000,000 guarantee would reduce the General Fund proceeds by \$(1,800,000). For that reason, the JLBC Staff does not recommend funding. In addition, the issue is also deferrable to Commerce's regular budget hearings in 1997.

### **National Law Center for Inter-American Free Trade**

**\$-0- OF**

The Executive recommends \$397,000 from the CEDC Fund to continue funding for the National Law Center for Inter-American Free Trade, a research and education center which identifies and eliminates mechanical and structural legal obstacles for the free movement of goods and services between the United States, Mexico, and Canada. For FY 1995 and FY 1996, the center was appropriated \$1,069,000 in non-lapsing CEDC monies to complete 8 specific research projects. The JLBC does not recommend continued funding for the center, as no funding was originally requested for FY 1997 because projects were to have been completed by the end of FY 1996. Project costs should have been better estimated in the past, particularly since the projects have been planned since FY 1994.

### **Rural Development Bank**

**\$-0- OF**

The Executive recommends \$100,000 in one-time CEDC funding to study the feasibility of establishing a Rural Development Bank. This bank would be intended to meet the financial needs of, and to facilitate capital investment in, rural areas of the state. The JLBC Staff recommends that this issue be examined during the regular budget cycle, and thus, does not recommend funding for FY 1997.

### **Department of Commerce - Subtotal**

**\$ -0- OF**

## **CONSTITUTIONAL DEFENSE COUNCIL**

### **Supplemental Legal Costs**

**\$300,000 GF**

Approximately \$300,000 have been expended by the Constitutional Defense Council (CDC) out of their existing \$1,000,000 non-reverting appropriation. The JLBC Staff recommends replenishing these funds to restore the original level of funding for continuing operations of the CDC. The Executive concurs.

## **REGISTRAR OF CONTRACTORS**

### **New Inspectors**

**\$48,300 OF**

The JLBC Staff recommends an additional \$26,000 in Personal Services, \$6,800 in Employee Related Expenditures, \$1,500 in Travel - In State, \$500 in Other Operating Expenditures, and \$13,500 in one-time equipment costs to fund 1 Inspector I for ROC's Mesa office. Projections made in 1994 underestimated the number of inspections now expected in FY 1997. Current staffing levels can handle the workload in most of the state, especially with the FY 1996 appropriation providing laptops for all inspectors. Growth in the number of complaints in the Mesa area, however, exceeds the capacity of the current FY 1997 staffing level. The additional inspector will help keep response time at an acceptable level as the number of complaints increases. The Executive does not recommend this issue.

### **Legal Staffing**

**\$76,700 OF**

The JLBC Staff recommends an additional \$50,400 in Personal Services, \$13,500 in Employee Related Expenditures, \$1,000 in Other Operating Expenditures, and \$11,800 in one-time equipment costs to fund 2 new FTE Positions, a Legal Analyst I and a Legal Secretary II. The transfer of 8.5 FTE Positions to the new Office of Administrative Hearings (OAH) leaves ROC without the staffing needed to process cases. ROC differs from most agencies associated with the

**FY 1997 POLICY ISSUES - CONTINUED**

OAH in that almost all of its hearings are between private citizens; therefore, ROC cannot use the Attorney General to develop the case files. The Executive does not recommend this issue.

**Non-Reverting FY 1996 Appropriations**

**\$-0- OF**

The JLBC Staff recommends making ROC's FY 1996 appropriation non-reverting. All twenty-six 90/10 agencies except ROC are exempt from A.R.S. § 35-143.01, meaning that these other agencies can expend any unexpended FY 1996 monies in FY 1997. ROC is gradually converting to a 90/10 agency. It splits its revenue between the Registrar of Contractors Fund and the General Fund in an 80/20 ratio for FY 1996, but will become a 90/10 agency in FY 1997. Making their FY 1996 appropriation non-reverting will give ROC the same flexibility in spreading its expenditures over the 2 years of the biennium that the current 90/10 agencies have.

***JLBC Staff Recommended Footnotes***

*New Footnotes*

- The FY 1996 appropriation is available for use and is exempt from the provisions of A.R.S. § 35-143.01, relating to lapsing of appropriations to the Special Agency funds until June 30, 1997.

**Registrar of Contractors - Subtotal**

**\$125,000 OF**

**CORPORATION COMMISSION**

**Securities Operating Expenses**

**\$-0- OF**

The Executive has recommended an increase of \$38,400 to fund salaries and benefits of Securities Personnel. The increase consists of \$34,100 in Personal Services and \$4,300 in Employee Related Expenditures. These monies would supplement the existing payroll budget, allowing promotions among Securities Specialists personnel and payment of salaries above those which the agency originally estimated were necessary.

The JLBC Staff does not recommend this supplemental increase. During the 1995 legislative session, the JLBC Staff recommended the full agency request for funding the Investment Management Act program. No demographic or statutory changes have occurred that warrant a second look at this budget. In addition, the Securities Division has had past problems with hiring personnel within its allotted Personal Services budget. The JLBC Staff wishes to encourage the commission to plan accurately for future costs and to live within the appropriated payroll budget.

**Commissioner Salary Increase**

**\$-0- OF**

The Executive has recommended an increase of \$16,600 for Corporation Commissioners' salaries. The increase consists of \$15,600 in Personal Services and \$1,000 in Employee Related Expenditures. This recommendation is made in response to the Commission on Salaries for State Elective Officers.

The JLBC Staff does not recommend this supplemental increase as no statewide pay adjustments are included in our recommendation.

**Corporation Commission - Subtotal**

**\$-0- OF**

**ARIZONA CRIMINAL JUSTICE COMMISSION**

**Street Gang Enforcement**

**\$-0- GF**

The Executive recommends supplemental funding in the amount of \$500,000 for the Arizona Criminal Justice Commission's (ACJC) Street Gang Enforcement program. The JLBC Staff does not recommend a supplemental appropriation for this program in FY 1997. In FY 1995, \$1,100,000 was appropriated to ACJC to fund street gang prosecution, enforcement, and investigation activities. These funds were distributed by ACJC to local law enforcement. While this funding was continued in FY 1996, pursuant to Laws 1994, Chapter 4, 9th Special Session, the Joint



## FY 1997 POLICY ISSUES - CONTINUED

Oversight Committee on Anti-Gang Enforcement and Prosecution Programs will make a recommendation to the Legislature as to whether these programs should continue in FY 1997. This committee has not made its recommendation, and therefore, the Staff has not recommended continued funding. The Staff's recommendation for the Gang Intelligence and Team Enforcement Mission (GITEM) greatly increases the amount of anti-gang funding to be distributed to local law enforcement by the Department of Public Safety (DPS). A decision by DPS to continue funding for this program through the expanded GITEM grants would have the advantage of consolidating Arizona's Anti-Gang Funding.

### **DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS**

#### **Flood Relief Funding - State Share**

**\$-0- GF**

The JLBC Staff does not recommend any additional funding for the state share of flood damage costs in 13 of the 15 Arizona counties caused by a tropical storm in January 1993. The state has received federal assistance contingent upon a 75% federal share, with a 15% state and 10% local matching requirement. From FY 1993 to date, the state has set aside \$16,400,000 (\$12,500,000 from specific appropriations and \$3,900,000 from Governor's Emergency Fund) for its portion of the matching requirement. These appropriations were made based upon the Division of Emergency Management's original storm damage estimate of \$100,000,000. In FY 1995, the department revised the damage estimate to \$148,000,000. The request reflects the additional state share based upon the revised total, which was never committed to by the Legislature.

As of October 31, 1995, the department estimated the state share of Federal Emergency Management Administration (FEMA)-approved projects at \$14,600,000, which approximates the original 15% state matching commitment. The JLBC Staff does not recommend additional funding, as the existing state contribution of \$16,400,000 has already exceeded that amount by \$1,800,000. As part of this recommended policy, the state would not provide any additional monies for its share of FEMA-approved projects after October 31, 1995 (see footnote below). The Executive has recommended \$5,144,400 for this purpose in the Capital Outlay bill.

#### **Flood Relief Funding - Local Share**

**\$3,900,000 GF**

The JLBC Staff recommends \$3,900,000 to pay the remaining local share costs of currently approved FEMA projects. As noted above, the state has received federal assistance contingent upon a 75% federal share, with a 15% state and 10% local matching requirement. However, Laws 1994, Chapter 224 declared legislative intent that the state would also pay the 10% local share. From FY 1993 to date, the state has appropriated \$3,200,000 for the local requirement.

As of October 31, 1995, the department estimated the local share of Federal Emergency Management Administration (FEMA)-approved projects at \$8,900,000. The state has already appropriated \$3,200,000 for the local match, which leaves \$5,700,000 yet to be funded. The JLBC Staff recommends that the excess \$1,800,000 in state share costs (see above) be reallocated for the local share. The JLBC Staff further recommends that the remaining \$3,900,000 for local share costs be appropriated from the General Fund. The Executive does not recommend funding for this issue.

### ***JLBC Staff Recommended Footnotes***

#### ***New Footnotes***

- It is the intent of the Legislature to only provide funding for the state and local share of costs for projects approved by the Federal Emergency Management Agency through October 31, 1995.

**Department of Emergency and Military Affairs - Subtotal**

**\$3,900,000 GF**

## FY 1997 POLICY ISSUES - CONTINUED

### DEPARTMENT OF GAMING

#### Legal-Related Issues

\$223,300 OF

The JLBC Staff recommends an additional \$223,300 from the Permanent Tribal-State Compact Fund for additional legal-related expenses. The department has seen an increase in legal activity concerning tribal gaming and expects this trend to continue (see FY 1996 Supplemental recommendation). The recommended amount includes \$126,200 for an attorney's salary and support services to be paid through the Attorney General's Office, \$57,100 for administrative hearing costs, and \$40,000 for the Arbitration Special Line Item for arbitration costs in disputes with tribes. The Executive recommends \$210,400 for these issues. The lower amount reflects funding of \$44,900 for administrative hearings.

#### Fund Department as a Separate Agency

\$-0- OF

Laws 1995, Chapter 76 established the Department of Gaming as a separate agency. Previously, the department's function had been housed within the Department of Gaming. The act transferred the department's FY 1996 budget from the Department of Racing, but failed to transfer the FY 1997 budget. The JLBC Staff recommends transferring the FY 1997 budget to fully implement the Legislature's intent to establish the Department of Gaming as a separate, on-going agency. This action would require no additional monies. The Executive concurs.

#### Department of Gaming - Subtotal

\$223,300 OF

### OFFICE OF THE GOVERNOR

#### General Counsel Legal Services

\$150,000 GF

The JLBC Staff recommends an increase of \$150,000 for general counsel legal services. Laws 1995, Chapter 94 authorized the Governor to employ legal counsel and transferred \$34,400 from the Attorney General's FY 1996 appropriation. The amount for FY 1997 would fund 2 FTE Positions, a Legal Counsel and a Legal Secretary.

#### Telecommunications Office

\$-0- GF

Laws 1995, Chapter 246 appropriated \$277,900 for FY 1996 in a non-reverting appropriation for the Governor's Telecommunications Office. The Executive recommends a FY 1997 appropriation in the amount of \$256,400 to continue operations funded through Chapter 246. The JLBC Staff recommends this additional funding for the Telecommunications Office be evaluated in the context of the state's overall approach to information technology and telecommunications issues.

The JLBC Staff has recommended the creation of a new state agency and a combined legislative, executive and private sector committee to oversee broad information technology issues. This new structure would improve statewide coordination for nearly \$200,000,000 spent annually by state government on information technology.

#### Arizona Leadership Academy

\$-0- OF

The Executive recommends an increase of \$100,000 from the Personnel Division Fund be appropriated to the Governor's Office of Excellence in Government (OEG) to provide funding for the Arizona Leadership Academy (ALA). Under the Executive plan, the ALA would replace the Certified Public Managers program with an Arizona-developed curriculum for selected supervisors and managers. The amount would provide an estimated 85% of the cost of instruction for 180 supervisors and managers to complete 5 intermediate and 1 advanced class. Agencies would pay tuition to fund the remainder of instructional costs.

The JLBC Staff does not recommend this increase from the Personnel Division Fund for several reasons. First, we need to obtain additional information on the current costs of training and how those monies would be disposed of in the Executive's proposal. Second, the JLBC Staff recommendation includes alternative uses for these funds. The JLBC

## FY 1997 POLICY ISSUES - CONTINUED

Staff recommendation would utilize all available Personnel Division Fund monies and therefore does not allow for the Executive increase. For a description of these alternative recommendations, please refer to the Department of Administration budget recommendation pages in the FY 1997 Analysis and Recommendations book.

### **Office of the Governor - Subtotal**

**\$150,000 GF**

### **ARIZONA HISTORICAL SOCIETY**

#### **Papago Park Museum/Phoenix Museum of History**

**\$50,000 GF**

The JLBC Staff recommends an additional \$50,000 to develop exhibits with the Phoenix Museum of History. Whereas AHS's Papago Park Museum will focus on Phoenix's 20th century history, the Phoenix Museum of History will devote its attention to Phoenix's territorial history. The additional funds will be passed-through to the Phoenix Museum of History so that they can develop exhibits that will complement, not compete with, Papago Park's exhibits. In return for this appropriation, it is expected that the city of Phoenix will contribute nearly \$500,000 to AHS for development of Papago Park's exhibits. This amount, when combined with other individual, business and intergovernmental transfers, will total nearly \$3,000,000 for the development of exhibits.

The recommended amount will be added to the Historical Society Grants Special Line Item, bringing the FY 1997 total from \$30,000 to \$80,000. The Executive does not recommend this issue.

### **BOARD OF HOMEOPATHIC MEDICAL EXAMINERS**

#### **New Board Member**

**\$1,500 OF**

The JLBC Staff recommends an additional \$1,500 to implement Laws 1995, Chapter 187, which added a member to the Board of Homeopathic Examiners. The recommended amount funds \$180 in per diem and \$710 in related travel expenses under the assumption that the new member will reside outside Maricopa County and that this board will hold 6 meetings within Maricopa County. The recommendation also includes \$610 in travel expenses to which existing board members are statutory entitled. The Executive concurs in the amount of \$500, with an additional \$800 for computer software, for a total recommendation of \$1,300.

### **DEPARTMENT OF LIQUOR LICENSES AND CONTROL**

#### **Public Safety Retirement System**

**\$ -0- GF**

Laws 1995, Chapter 205 transferred the investigators employed by the Department of Liquor Licenses and Control from the Arizona State Retirement System (ASRS) to the Public Safety Personnel Retirement System (PSPRS). The JLBC Staff does not recommend an increase in the department's FY 1997 appropriation in response to this change, as there was no appropriation associated with the legislation. Further, the increase was not requested by the agency, and the JLBC Staff believes that this increase can and should be absorbed by the agency, as the JLBC Staff estimates that the department's appropriation exceeds their Personal Services base sufficiently to cover the increase. The Executive recommends an increase of \$39,200 for this transfer between retirement systems.

### **STATE LAND DEPARTMENT**

#### **Wildland Fire Fighting**

**\$524,600 GF**

The JLBC Staff recommends an additional \$524,600 and 12 FTE Positions to improve the Land Department's ability to address Arizona's growing wildfire problem. The number of fire incidents has increased from 509 in calendar year 1990 to 1,427 in calendar year 1994, an increase of 280%; 1995 and future years will likely be even worse. Increasing encroachment of urban areas on state lands has not only increased the occurrence of wildfires but also made effective suppression of those wildfires even more important. Two positions will be responsible for ensuring the Phoenix and Tucson areas have adequate fire suppression and presuppression. Four positions will be responsible for the deployment and coordination of personnel. Because of the lack of on-site personnel and trained dispatchers, resources are not deployed effectively, resulting in increased danger to participants and citizens. Two positions will ensure that rural fire

**FY 1997 POLICY ISSUES - CONTINUED**

departments have the training and equipment necessary to fight fires safely and efficiently for the state. In addition, 4 billing specialists will help lower costs to the state by negotiating contracts with suppliers of services and equipment in the fire off-season and getting speedier reimbursement from entities such as the federal government.

The recommended amount includes \$115,500 in one-time Equipment and Professional and Outside Services expenditures. The Executive recommends an additional \$633,100 and 15 FTE Positions for this issue.

**Variance Processing Time**

**\$87,000 GF**

The JLBC Staff recommends an additional \$77,000 in Personal Services and \$10,000 in Employee Related Expenditures to increase salaries in the agency's Planning and Land Disposition Division. The division has had turnover of almost 25% per year since FY 1994, and currently has 9 vacancies. This negatively impacts the ability of the division to process variances and other dispositions on State Trust Land in a timely fashion; this negatively impacts the revenue available to the State Trust Land beneficiaries. The shortage of experienced staff in this area is especially acute in the processing of variances related to the Land Department's 2 major Master Lease Communities, Desert Ridge in North Phoenix, and Grayhawk in Scottsdale. The Executive does not recommend this issue.

**Governor's Arizona Preserve Initiative**

**\$-0- GF**

The Executive recommends an additional \$197,500 and 3 FTE Positions to support the Governor's Arizona Preserve Initiative. The JLBC Staff does not recommend additional funding for this issue. Since the Initiative has not been approved by the Legislature, the issue of additional funding should be resolved as part of the authorizing legislation.

**State Land Department - Subtotal**

**\$611,600 GF**

**BOARD OF EXAMINERS OF NURSING CARE INSTITUTION ADMINISTRATORS AND ADULT CARE HOME MANAGERS**

**Administrative Assistant II**

**\$12,100 OF**

The JLBC Staff recommends an increase of 0.5 FTE Positions, \$9,700 in Personal Services, \$3,300 in Employee Related Expenditures and \$500 in Other Operating Expenditures for an Administrative Assistant II position to assist with licensure, certification and complaint investigation. As a result of increasing interest in the health care field and more stringent enforcement of state licensing mandates, the board's license base has grown from 400 licensed administrators in 1991 to 1,400 licensed administrators and certified managers in 1995. In FY 1995, the board received 8,700 phone and mail inquires and 400 certification and licensure applications. The board was appropriated 0.7 FTE Positions for FY 1997. For FY 1996, the JLBC Staff anticipated an increased workload and recommended additional monies for a clerical temporary to assist the board in managing licensee growth. The increased workload has proved large enough to support an assistant working 20 hours per week. The JLBC Staff also recommends a reduction of \$(1,400) in Professional and Outside Services for a clerical temporary. The Executive concurs.

**ARIZONA STATE BOARD OF PHARMACY**

**Examinations**

**\$22,500 OF**

The JLBC Staff recommends an increase to continue funding a faster than anticipated growth in the demand for national licensing exams. This amount reflects a continuing 78% growth in examinations and a \$100 increase in the price of the national exam. It also includes \$2,000 in associated postage and printing to fund the corresponding increase in written communication with applicants. The Staff recommends this funding be placed in an Examinations Special Line Item, restricting its use to the purchase of examinations and directly related expenses. The Executive does not recommend this issue.

**FY 1997 POLICY ISSUES - CONTINUED**

**STATE BOARD OF PSYCHOLOGIST EXAMINERS**

**Investigator**

The JLBC Staff recommends the annualization of 1 FTE Position investigator position added by an FY 1996 supplemental. The recommended amount includes the Personnel Services and Employee Related Expenditures associated with this position. The Executive concurs in the amount of \$36,500. **\$28,700 OF**

**SECRETARY OF STATE - DEPARTMENT OF STATE**

Since the Secretary of State (SOS) assumed her office in January 1995, the agency has been functionally restructured and the FY 1996 and FY 1997 appropriations were reorganized to reflect the changed priorities of the new administration. After reorganizing the agency's budget to reflect the office's strategic plan, the SOS believes the office will be deficient in funding in FY 1997. The SOS is requesting an additional \$118,100 for Publications, \$35,000 for On-Line Filing and \$134,000 in the Elections Special Line Item. The JLBC Staff recommends an increase of \$204,400 as follows:

**Publications**

The Secretary of State is requesting an additional \$118,100 in Other Operating Expenditures to cover an increased demand for paper and other supplies. Specific items include increased volumes from the Business Services Program (Uniform Commercial Code, Trademarks) and various official acts of the State from the Public Services Program. Since the funding shortage is due to a budgetary reorganization and is not entirely attributable to external, uncontrollable factors, the JLBC Staff recommends one-half of the requested amount, or an additional \$59,000 in Other Operating Expenditures to cover the loss. The Staff acknowledges the current SOS budget is not the product of the current administration (the FY 1996/FY 1997 requests were prepared by her predecessor), but due to limited justification of the reallocated funds, does not recommend the full amount. The Executive recommends an increase of \$81,000. **\$59,000 GF**

**On-line Filing**

The JLBC Staff recommends an additional \$35,000 for hardware and software to enable on-line filings of Uniform Commercial Code, trademark and trade name registrations, campaign finance and lobbyist reports. The additional equipment will provide service companies, the general public and other Secretary of State offices access to filings. This addition will complete a technology upgrade project designed to bring about a higher level of uniformity from state-to-state in filing. The Executive concurs. **\$35,000 GF**

**Elections**

The JLBC Staff recommends an additional \$109,500 in Professional and Outside Services in anticipation of increased costs of reimbursing counties for 1996 primary and general election expenses. Active voter rolls are expected to increase by 165,000 voters, based on population growth and the implementation of the National Voter Registration Act which requires the Department of Revenue to mail voter registration forms to all unregistered taxpayers. The JLBC Staff also recommends \$900 in Professional and Outside Services for Navajo language translators required by a 1988 consent decree. The Executive recommends the requested amount of \$134,000. **\$110,400 GF**

**Secretary of State—Department of State - Subtotal**

**\$204,400 GF**

**ARIZONA STATE VETERINARY MEDICAL EXAMINING BOARD**

**Increase in Board Member Per Diem**

The JLBC Staff recommends an additional \$12,900 in Personal Services to fund an increase in board member per diem. This increase would fund board members for 3 workdays per month. In an effort to better serve the public, the Auditor General recommended the board expand its complaint system. The board is also making efforts to expedite the application acceptance/denial time frame and complaint investigation process. Since the 1994 Sunset Review of the board, the members have increased, from 2 to 3, the number of workdays per member per month. The JLBC Staff **\$12,900 OF**

**FY 1997 POLICY ISSUES - CONTINUED**

recommends an increase of \$12,900 to fund 8 members at \$100 per workday for 3 workdays per member per month. The Executive does not address this issue.

**Medical Investigator**

**\$13,300 OF**

The JLBC Staff recommends an increase of 0.5 FTE Positions, \$9,800 in Personal Services, \$3,000 in Employee Related Expenditures and \$500 in Other Operating Expenditures for a Medical Investigator to interview complainants and take testimony from expert witnesses. The board members had been interviewing complainants and witnesses, and conducting investigations prior to board meetings and hearings. The Attorney General's Office has advised the board that there should be a separation between the parties involved in interviews and investigations, and the judgement. The part-time investigator would assist in interviewing witnesses and complainants, allowing board members to pursue other duties. The Executive does not address this issue.

**Arizona State Veterinary Medical Examining Board - Subtotal**

**\$26,200 OF**



**CAPITAL OUTLAY BUDGET  
(CB)**



**FISCAL YEAR 1997**

**CAPITAL OUTLAY BUDGET RECOMMENDATIONS**

**BY THE STAFF OF THE JOINT COMMITTEE ON CAPITAL REVIEW**

**MEMBERS**

**SENATE**

Carol Springer, Vice-Chairman  
Larry Chesley  
Peter Goudinoff  
A.V. "Bill" Hardt  
John Huppenthal  
Thomas C. Patterson  
John Wettaw

**HOUSE**

Robert "Bob" Burns, Chairman  
J. Ernest Baird  
George Cunningham  
Art Hamilton  
Joe Hart  
Bob J. McLendon  
Tom Smith

**STAFF**

Ted A. Ferris, Director  
Richard Stavneak, Deputy Director  
Phil Case, Fiscal Analyst  
Janet Belisle, Secretary/Clerk

**Joint Legislative Budget Committee - FY 1997 Capital Budget - Analysis and Recommendations**

**SUMMARY OF THE JLBC STAFF FY 1997 CAPITAL OUTLAY RECOMMENDATIONS**

The JLBC Staff Recommendation is composed of two main elements: (I) a "formula-driven" Building Renewal appropriation for the major maintenance and repair of buildings, for which \$23,090,000 GF and \$3,875,500 OF is recommended; and (II) New Project appropriations for construction, renovations, or expansions, for which \$58,888,600 GF and \$260,818,600 OF is recommended. When combining the Building Renewal, new capital projects, and advance appropriations of \$27,300,000 already made for FY 1997, the JLBC Staff would expend \$109,278,600 GF. 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 Arizona Department of Administration of a detailed, 5-year Capital Improvement Plan. A further description of the capital outlay process begins on page CB-20 of this section.

The tables below summarize, by fund source, the FY 1997 JLBC Staff capital budget recommendations. The tables also display the agency request for each project and the recommendations made in the state Capital Improvement Plan (CIP) and by the Governor's Office of Strategic Planning and Budgeting (OSPB). A discussion of each project can be found on the page listed.

**GENERAL FUND RECOMMENDATIONS**

<u>PROJECT/AGENCY</u>	<u>REQUEST</u>	<u>CIP</u>	<u>OSPB</u>	<u>JLBC</u>	<u>Page</u>
<b><u>Building Renewal</u></b>					
Building Renewal - ADOA	\$ 9,857,400	\$9,857,400	\$ 4,897,800	\$5,867,000	CB- 4
Building Renewal - ABOR	<u>23,063,800</u>	<u>N/A</u>	<u>14,945,300</u>	<u>17,223,000</u>	CB- 4
Subtotal - Building Renewal	\$32,921,200	\$9,857,400	\$19,843,100	\$23,090,000	
<b><u>New Projects</u></b>					
Prison Construction - ADOA <sup>1/ 2/</sup>	71,146,300	N/A	4,300,900	46,400,000	CB- 6
High-Security Juvenile Facility - ADOA <sup>2/</sup>	18,957,000	6,500,000	3,500,000	8,600,000	CB- 7
Capital Center Expansion - Attorney General	0	N/A	0	73,800	CB-10
Show Low Campus - Community College Board	200,000	N/A	200,000	200,000	CB-10
Renovate Modular Housing Unit - ASDB	95,000	95,000	0	95,000	CB-10
Coolidge Environmental Impact Study - DES	0	N/A	0	75,000	CB-11
Computer Services Move - Legislative Council	284,800	N/A	0	284,800	CB-11
Sharlot Hall Museum Land Acquisition - PHS	260,000	0	0	260,000	CB-11
Crime Lab Furniture/Fixtures/Equipment - DPS	920,000	600,000	200,000	600,000	CB-12
Statewide Officer Housing - DPS	400,000	225,000	0	200,000	CB-12
Maricopa County T/R Facilities - ADOT	0	N/A	3,000,000	2,100,000	CB-12
Health Laboratory - ADOA <sup>2/</sup>	14,400,000	14,400,000	10,000,000	0	CB- 9
Underground Storage Tanks - ADOA	483,000	500,000	200,000	0	CB-10
1993 Flood Relief - DEMA	<u>0</u>	<u>0</u>	<u>5,144,400</u>	<u>0</u>	CB-11
Subtotal - New Projects	\$107,146,100	\$22,320,000	\$26,545,300	\$58,888,600	
<b><u>Advance Appropriations</u></b>					
Crime Lab - DPS	N/A	N/A	3,000,000	3,000,000	CB- 6
NAU-Yuma - NAU	N/A	N/A	2,000,000	2,000,000	CB- 6
Corrections Fund Deposit	N/A	N/A	18,000,000	18,000,000	CB- 6
Davis-Monthan Runway Extension	<u>N/A</u>	<u>N/A</u>	<u>4,300,000</u>	<u>4,300,000</u>	CB- 6
Subtotal - Advance Appropriations	<u>N/A</u>	<u>N/A</u>	<u>\$27,300,000</u>	<u>\$ 27,300,000</u>	
<b>TOTAL - GENERAL FUND <sup>3/</sup></b>	<u>\$140,067,300</u>	<u>\$32,177,400</u>	<u>\$73,688,400</u>	<u>\$109,278,600</u>	

<sup>1/</sup> OSPB recommends lease-purchase financing for prison construction.

<sup>2/</sup> The JLBC Staff and/or OSPB recommend an additional FY 1998 appropriation for the project.

<sup>3/</sup> The total General Fund request for all projects, including those not shown, was \$351,320,000.

**Joint Legislative Budget Committee - FY 1997 Capital Budget - Analysis and Recommendations**

**OTHER FUNDS RECOMMENDATIONS  
(Other than General Fund and State Highway Fund)**

<u>PROJECT/AGENCY</u>	<u>REQUEST</u>	<u>CIP</u>	<u>OSP</u>	<u>JLBC</u>	<u>Page</u>
<b>Building Renewal</b>					
Building Renewal - ADOA Building System	\$915,300	\$915,300	\$2,411,000	\$2,415,400	CB- 4
Building Renewal - ADOT	<u>31,700</u>	<u>N/A</u>	<u>31,700</u>	<u>31,700</u>	CB- 4
Subtotal - Building Renewal	\$947,000	\$915,300	\$2,442,700	\$2,447,100	
<b>New Projects</b>					
Capital Center Relocation - ADOA	0	N/A	0	30,900	CB-13
PDS Phone System - ASDB	500,000	N/A	0	345,000	CB-13
Shooting Range Development - Game and Fish	15,000	15,000	15,000	15,000	CB-14
Migratory Waterfowl Habitat - Game and Fish	100,000	100,000	100,000	100,000	CB-14
Statewide Facilities Maintenance - Game and Fish	100,000	100,000	100,000	100,000	CB-14
Mesa Office Expansion - Game and Fish	400,000	400,000	400,000	400,000	CB-14
Lease-Purchase Payoff - Game and Fish	1,100,000	1,100,000	1,100,000	1,100,000	CB-14
Old Capitol Repairs - Legislative Council <sup>1/</sup>	0	N/A	1,400,000	1,400,000	CB-15
ADA Building Modifications - Lottery Commission	27,000	27,000	0	27,000	CB-15
Airport Planning and Development - ADOT	17,109,700	N/A	17,129,500	20,625,700	CB-15
Prison Construction - ADOA <sup>2/</sup>	2,060,000	N/A	2,500,000	0	CB-13
High-Security Juvenile Facility - ADOA	<u>0</u>	<u>6,500,000</u>	<u>6,500,000</u>	<u>0</u>	CB-13
Subtotal - New Projects	<u>\$21,411,700</u>	<u>\$8,242,000</u>	<u>\$29,244,500</u>	<u>\$24,143,600</u>	
<b>TOTAL - OTHER FUNDS</b>	<u>\$22,358,700</u>	<u>\$9,157,300</u>	<u>\$31,687,200</u>	<u>\$26,590,700</u>	

<sup>1/</sup> The JLBC Staff recommends additional FY 1998 through FY 2000 appropriations.

<sup>2/</sup> To avoid double counting, the JLBC Staff column does not reflect \$46,400,000 recommended from the General Fund for appropriation to the Corrections Fund. This amount would then be appropriated from the Corrections Fund to ADOA.

**STATE HIGHWAY FUND RECOMMENDATIONS**

<u>PROJECT/AGENCY</u>	<u>REQUEST</u>	<u>CIP</u>	<u>OSP</u>	<u>JLBC</u>	<u>Page</u>
Building Renewal - ADOT	\$1,428,400	N/A	1,118,400	\$1,428,400	CB- 4
<b>New Projects</b>					
Petroleum Storage Tank Upgrades - ADOT	800,000	N/A	800,000	800,000	CB-16
Statewide Spreader Rack Replacement - ADOT	250,000	N/A	250,000	250,000	CB-16
Nogales MVD Center	427,700	N/A	427,700	0	CB-16
ADOT Relocation	250,000	N/A	250,000	0	CB-16
Statewide Highway Construction - ADOT	117,978,000	N/A	125,054,000	136,094,000	CB-16
Controlled Access Highways - ADOT	62,844,000	N/A	62,844,000	63,032,000	CB-16
Debt Service - ADOT	<u>36,499,000</u>	<u>N/A</u>	<u>36,499,000</u>	<u>36,499,000</u>	CB-17
Subtotal - New Projects	<u>\$219,048,700</u>	<u>\$ 0</u>	<u>\$226,124,700</u>	<u>\$236,675,000</u>	
<b>TOTAL - STATE HIGHWAY FUND <sup>1/</sup></b>	<u>\$220,477,100</u>	<u>\$0</u>	<u>\$227,243,100</u>	<u>\$238,103,400</u>	
<b>GRAND TOTAL - ALL FUNDS</b>	<u>\$382,903,100</u>	<u>\$41,334,700</u>	<u>\$332,618,700</u>	<u>\$373,972,700</u>	

<sup>1/</sup> The total State Highway Fund request for all projects, including those not shown, was \$221,687,400.

**Joint Legislative Budget Committee - FY 1997 Capital Budget - Analysis and Recommendations**

**JLBC STAFF FY 1997 BUILDING RENEWAL RECOMMENDATIONS**

The JLBC Staff recommends \$26,965,500 from all funding sources for major maintenance and repair of state-owned buildings. The recommendation is based upon partial support of a "Building Renewal" formula that takes into account the replacement value, age, and life-cycle of a building as prescribed by Laws 1986, Chapter 85. This would represent the third highest percentage support of the formula and the second highest dollar amount ever appropriated for Building Renewal. OSPB recommends \$23,372,500 from all funding sources for Building Renewal. The JLBC Staff recommendation would provide General Fund/Capital Outlay Stabilization Fund (COSF) support of 75% for ADOA and 75% for the Board of Regents. The Executive recommendation would provide General Fund/COSF support of 65% to ADOA and 65% for the Board of Regents. (The Executive percentages have been recalculated for comparability. See below.) The JLBC Staff recommendations would provide Highway Fund support of 100% to the Department of Transportation, while the Executive recommends 78% support. For all Other Funds, both the JLBC Staff and the Executive recommend 100% support.

The building value and age information used to generate the recommendation was taken from building inventory costs provided by the Arizona Department of Administration, the Department of Transportation, 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.

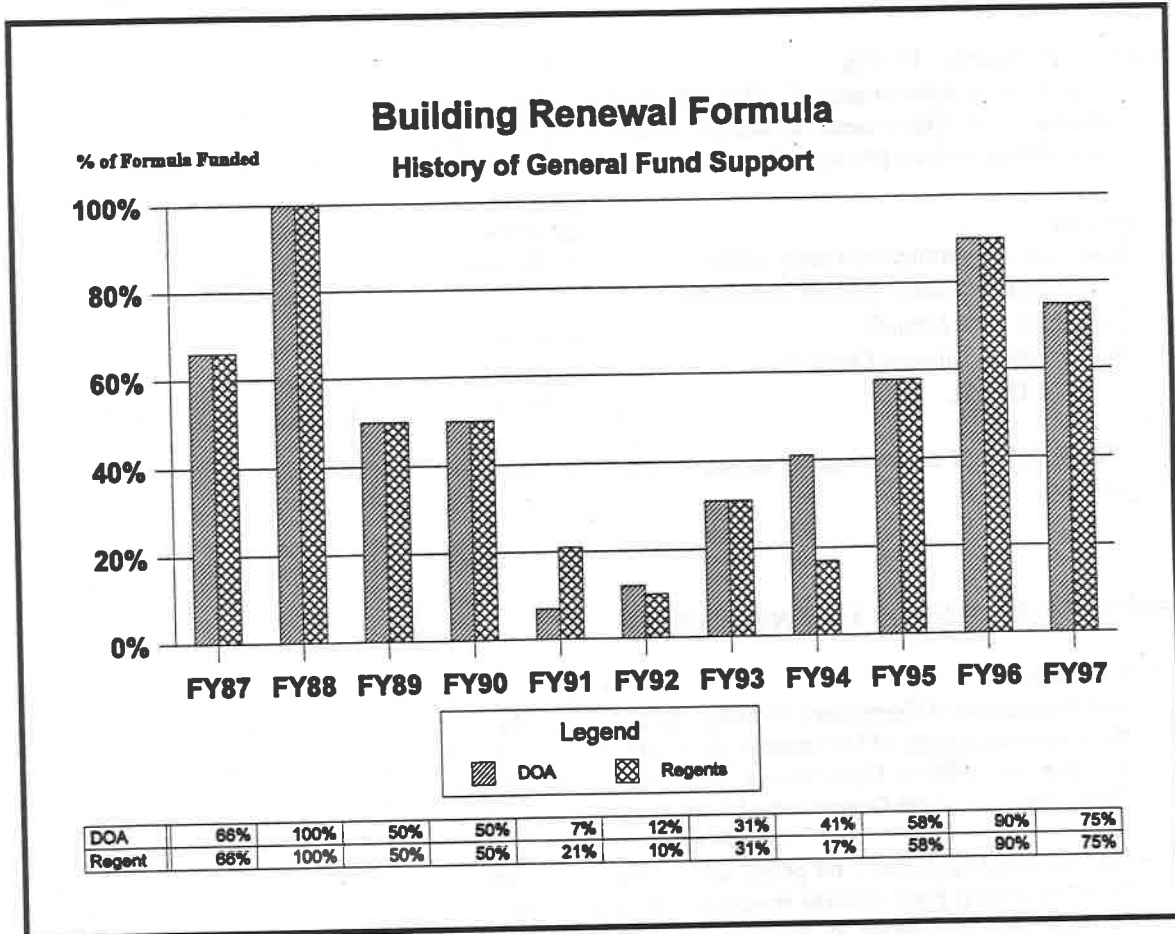
During the budget development process, it became apparent that there are inconsistencies in the methods used by the 3 building systems to implement the Building Renewal Formula. The ADOA and ADOT building systems employ a national building cost index to estimate the replacement cost of its buildings, while the ABOR building system uses a customized cost index developed by a consultant. Furthermore, when estimating the replacement cost of buildings, ABOR adds a factor of 20% to account for indirect costs such as design, but ADOA and ADOT do not. The JLBC Staff believes that these issues should be addressed by the JCCR before the next regular legislative session so that the methodology is consistent across building systems. However, for the purposes of developing this year's recommendations, the JLBC Staff has reduced the ABOR request by 20% to remove the accounting for indirect costs. On the other hand, the Executive has inflated the ADOA request by 20% to be comparable to the ABOR numbers. The JLBC Staff has recalculated the Executive percentage support of Building Renewal to reflect the JLBC Staff assumptions.

The following table shows Building Renewal amounts appropriated in FY 1996, and recommended for FY 1997:

<b><u>Building System:</u></b>	<b><u>FY 1996 Appropriated</u></b>	<b><u>FY 1997 OSPB Recommendation</u></b>	<b><u>FY 1997 JLBC Staff Recommendation</u></b>
Administration, AZ Department of	\$ 8,986,400	\$ 7,277,100	\$ 8,282,400
Transportation, Department of	1,150,100	1,150,100	1,460,100
Board of Regents	<u>19,247,300</u>	<u>14,945,300</u>	<u>17,223,000</u>
<b>TOTAL</b>	<b><u>\$29,383,800</u></b>	<b><u>\$23,372,500</u></b>	<b><u>\$26,965,500</u></b>
<b><u>Fund Source:</u></b>			
State General Fund	<u>26,418,700</u>	<u>19,843,100</u>	<u>23,090,000</u>
<b><u>Other Funds</u></b>			
Capital Outlay Stabilization Fund	1,000,000	1,500,000	1,500,000
Coliseum & Exposition Center Fund	673,200	721,500	721,500
Game & Fish Fund	128,300	142,000	178,100
State Lottery Fund	13,500	15,800	15,800
State Aviation Fund	31,700	31,700	31,700
Subtotal - Other Funds	<u>2,965,100</u>	<u>2,411,000</u>	<u>2,447,100</u>
State Highway Fund	<u>\$ 1,118,400</u>	<u>1,118,400</u>	<u>1,428,400</u>
<b>TOTAL</b>	<b><u>\$29,383,800</u></b>	<b><u>\$23,372,500</u></b>	<b><u>\$26,965,500</u></b>

**Joint Legislative Budget Committee - FY 1997 Capital Budget - Analysis and Recommendations**

**ADA Compliance** - In order to provide the building systems with flexibility to meet Americans with Disabilities Act (ADA) requirements, the JLBC Staff recommends a continuation of the FY 1996 Capital Outlay Bill provision which allows the use of up to 25% of Building Renewal monies for building modifications to meet ADA requirements. The Executive concurs but would allow the 25% to be used for infrastructure projects also. By statute, most infrastructure projects are not eligible for Building Renewal monies.



**Joint Legislative Budget Committee - FY 1997 Capital Budget - Analysis and Recommendations**

**GENERAL FUND**

JLBC: Phil Case  
OSP: Tom Betlach

Senate: Carol Springer  
House: Bob Burns

Agency/Project Title	FY 1997			
	Request	CIP	OSP	JLBC

**ADVANCE APPROPRIATIONS**

N/A	N/A	27,300,000	27,300,000
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 In addition to appropriating \$35,734,000 for 4 projects in FY 1996, the FY 1996 Capital Outlay Bill (Laws 1995, Chapter 2, 1st Special Session) and Laws 1995, Chapter 62 appropriated a total of \$27,300,000 for FY 1997 for the continuation of these projects. The appropriations for FY 1996 and FY 1997 are as follows:

<u>Project</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>Total</u>
Crime Lab - Department of Public Safety	\$ 8,000,000	\$ 3,000,000	\$11,000,000
NAU-Yuma - Northern Arizona University	4,000,000	2,000,000	6,000,000
Corrections Fund Deposit	21,434,000	18,000,000	39,434,000
Davis-Monthan Runway Extension	2,300,000	4,300,000	6,600,000
<b>TOTAL</b>	<u>\$35,734,000</u>	<u>\$27,300,000</u>	<u>\$63,034,000</u>

The JLBC Staff recommends retaining the FY 1997 appropriations to complete the above projects. The Executive concurs.

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**ARIZONA DEPARTMENT OF ADMINISTRATION**

**Prison Construction**

71,146,300	N/A	4,300,900	46,400,000
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The Department of Corrections currently has a shortage of approximately (3,200) prison beds and a prison population that is growing at a rate of 150 inmates per month. Currently funded prison construction projects will bring the shortage to a low of (1,600) in September of 1996 before the shortage is projected to climb again. (See the Projected Prison Population table in the Department of Corrections budget section for more information.)

The preferred fund source for prison construction is the Corrections Fund which is dedicated for prison construction. The Corrections Fund receives revenues from taxes on tobacco and alcohol. However, annual payments on existing lease-purchase agreements for prison projects consume virtually all new Corrections Fund revenues each year through FY 1998 (which amount to \$22,000,000 annually). To meet the need for prison beds, the JLBC Staff recommends General Fund transfers to the Corrections Fund of \$46,400,000 in FY 1997 and \$16,600,000 in FY 1998 for appropriation to ADOA for prison construction projects. (See the Corrections Fund table in the Department of Corrections budget section for more information.) The General Fund transfers will be appropriated out of the Corrections Fund but are not shown in the summary tables to prevent double counting. By FY 1998, the Corrections Fund should receive approximately \$8,000,000 in revertsments from prison construction projects which will be completed under budget. The JLBC Staff recommends that this \$8,000,000 be appropriated from the Corrections Fund in FY 1998 to complete the recommended projects. (The Executive anticipates that these monies will be available for appropriation in FY 1997.)

The recommended amount would provide for a total of 1,875 new beds. Of this amount 1,475 beds would be at a new Phoenix-area complex. The amount would also construct 400 tent and modular structure beds at the Eyman Complex in Florence to add needed capacity as quickly as possible. The following table details the recommended projects and their amounts. The amounts have been split over 2 years to correspond to the rate at which the projects will be constructed.



**Joint Legislative Budget Committee - FY 1997 Capital Budget - Analysis and Recommendations**

**GENERAL FUND**

JLBC: Phil Case  
OSP: Tom Betlach

Senate: Carol Springer  
House: Bob Burns

Agency/Project Title	FY 1997			
	Request	CIP	OSP	JLBC

**ARIZONA DEPARTMENT OF ADMINISTRATION (Continued)**

<u>Project</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>Total</u>
400 Level 2 Tent Beds - ASPC-Eyman	\$ 2,500,000	\$ 0	\$ 2,500,000
400 Level 3 Female Beds - New Complex	10,000,000	3,500,000	13,500,000
800 Level 4 Beds - New Complex	17,250,000	15,250,000	32,500,000
275 Level 5 Minor Beds - New Complex	7,650,000	5,850,000	13,500,000
New Complex Infrastructure	9,000,000	0	9,000,000
<b>TOTAL</b>	<u>\$46,400,000</u>	<u>\$24,600,000<sup>1/</sup></u>	<u>\$71,000,000</u>

<sup>1/</sup> Includes \$8,000,000 from the Corrections Fund.

The new complex has not been sited by the Legislature as yet; however, the JLBC Staff expects this to occur during the regular session. The Joint Select Committee on Corrections has recommended a site south of Buckeye on Route 85 to the Legislature. Because the new complex will be built-out rapidly, the JLBC Staff recommends that all infrastructure and complex support buildings be constructed up-front. This will save on construction costs, as it is a less expensive approach than having to expand infrastructure as beds are added. The recommended amount includes \$9,000,000 for roads, utilities, and complex buildings. This amount is in addition to \$2,000,000 appropriated for FY 1996 for master planning and utility development at the new complex. Under this approach, minimal infrastructure costs will be required for each additional prison unit constructed at the new complex.

One of the first projects recommended for the new complex would be the design and construction of 400 female beds. The female population is growing rapidly and there is currently a 237 bed deficit. The JLBC Staff also recommends the design and construction of 275 Level 5 minor beds at the new complex. This recommendation is consistent with the recommendation of the Joint Select Committee on Corrections to concentrate minor beds at a location near Phoenix. Finally, the JLBC Staff recommends the construction of 800 Level 4 beds, representing the first of three or four 800-bed units to be constructed at the new complex.

As detailed on page CB-8, the recommended amounts for the 5 prison projects include 17 FTE Positions and \$795,600 in FY 1997 and 13 FTE Positions and \$608,400 in FY 1998 for project management and oversight.

Alternatively, the Executive recommends the use of lease-purchase financing to construct 4,150 beds over the next 3 years (plus \$2,500,000 from the Corrections Fund to construct 400 tent beds at ASPC-Eyman). Over a 5-year financing term, the Executive has calculated that the cost of this lease-purchase approach would be \$183,440,000 compared to \$154,790,000 using a pay-as-you-go approach. Thus, the extra cost for the lease-purchase approach would be \$28,650,000 in interest and transactions costs. Assuming a borrowing rate of 5%, the net present value of the Executive's lease-purchase plan is \$11,000,000 greater than the same plan using pay-as-you-go financing. The Executive, however, believes that there would be significant cost savings to their approach because a single contract could be awarded for construction of the entire new complex. The JLBC Staff believes that such a single-contract approach can be utilized with pay-as-you-go financing as well, thus generating the same cost savings while avoiding interest payments.

<b>High-Security Juvenile Facility</b>	<b>18,957,000</b>	<b>6,500,000</b>	<b>3,500,000</b>	<b>8,600,000</b>
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The Department of Juvenile Corrections (DJC) currently has a deficit of (53) secure-care beds and no high-security beds. By January 1, 1998, the JLBC Staff estimates the bed deficit will be (129). (See the Bed Surplus/Deficit table in the DJC budget section for more information.) Laws 1995, Chapter 201 appropriated \$350,000 to ADOA for the design of a 100-bed high-security facility. However, for a variety of reasons, the facility has not been designed, and the monies have reverted.



**Joint Legislative Budget Committee - FY 1997 Capital Budget - Analysis and Recommendations**

**GENERAL FUND**

JLBC: Phil Case  
 OSPB: Tom Betlach

Senate: Carol Springer  
 House: Bob Burns

Agency/Project Title	FY 1997			
	Request	CIP	OSPB	JLBC

**ARIZONA DEPARTMENT OF ADMINISTRATION (Continued)**

To meet the short-and long-term bed needs of the state, the JLBC Staff recommends a total of \$14,000,000 for the design and initial construction of a 400 bed high-security facility. In addition to \$800,000 for the design of the facility recommended as a FY 1996 Capital Outlay Bill supplemental appropriation, the \$8,600,000 recommended for FY 1997 would fund the start of construction for the first 200 beds, all complex infrastructure, and all support buildings for the full 400-bed complex. The JLBC Staff recommends an additional \$4,600,000 in FY 1998 to complete this phase of the project. As with the new adult prison complex, the DJC complex is expected to be built-out at a fast pace. Constructing all infrastructure up-front will generate cost savings. The additional 200 beds can then be added with minimal infrastructure costs.

The site of the facility has not yet been determined by the Legislature; however, the JLBC Staff expects this to occur during the session. The JLBC Staff recommends that it be co-located with the new adult prison complex, which is expected to be sited on Route 85 south of Buckeye. This siting would enable the DJC complex to tie into the prison complex's waste water treatment facility and other infrastructure, with a cost savings of approximately \$(1,000,000). As detailed below, the recommended amount includes 2 FTE Position and \$93,600 per fiscal year until the project's completion.

The Executive recommends a total of \$13,650,000 for the design and construction of 244 beds at the same site. The recommendation consists of \$300,000 from the General Fund as a FY 1996 supplemental, \$3,500,000 from the General Fund in FY 1997, \$6,150,000 from the Corrections Fund in FY 1997, and \$3,700,000 from the General Fund in FY 1998. Unlike the JLBC Staff plan, the Executive plan would not design a larger complex nor construct complex infrastructure for additional beds. Thus, the addition of future beds under the Executive plan would be more costly than under the JLBC Staff plan. Furthermore, the JLBC Staff plan would construct 200 high-security beds, while the Executive plan would construct 100 high-security and 144 general population beds.

**Project-Specific FTE Positions**

In order to better track the number of FTE Positions involved in capital projects, language has been added since FY 1995 to the Capital Outlay Bill prohibiting the expenditure of monies for Personal Services and Employee Related Expenditures, except where specified in the bill. For FY 1996, 15 FTE Positions were granted to ADOA to oversee 1 renovation project and 5 prison projects in their design and construction phases. It is anticipated that 14 of these FTE Positions will continue to be required in FY 1997 to see the projects to completion.

For FY 1997, the JLBC Staff recommends authorization for an additional 19 FTE Positions, for a total of 33 FTE Positions. The JLBC Staff also recommends continuing authorization for 15 FTE Positions beginning in FY 1998 until their respective projects are complete. The following table details the JLBC Staff recommendation for additional FTE Positions in the Capital Outlay Bill. All dollar amounts have been included in the JLBC Staff capital project recommendations.



**Joint Legislative Budget Committee - FY 1997 Capital Budget - Analysis and Recommendations**

**GENERAL FUND**

JLBC: Phil Case  
OSP: Tom Betlach

Senate: Carol Springer  
House: Bob Burns

Agency/Project Title	FY 1997			
	Request	CIP	OSP	JLBC

**ARIZONA DEPARTMENT OF ADMINISTRATION (Continued)**

<b>Underground Storage Tanks</b>	483,000	500,000	200,000	0
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By December 1998, federal law requires fuel storage tanks to have monitoring mechanisms and fuel spills to be cleaned up. The Executive recommends \$200,000 for the elimination of 18 underground storage tanks throughout the ADOA building system which are no longer needed. For FY 1996, \$300,000 was appropriated for the upgrading, replacement, and removal of such tanks and a footnote requires ADOA to present a comprehensive plan for fuel tanks to the Joint Committee on Capital Review before the expenditure of monies. Until the department's plan is presented to the Committee, the JLBC Staff recommends deferring future appropriations for this project. Assuming the department develops an acceptable plan in a timely fashion, monies can be appropriated for FY 1998 and FY 1999 to address this issue.

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**ATTORNEY GENERAL - DEPARTMENT OF LAW**

<b>Capital Center Expansion</b>	0	N/A	0	73,800
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The recommended amount would fund the relocation of elements of the Attorney General's Office to the second floor of the Capital Center building. For FY 1996, the Legislature authorized and funded such an expansion; however, it did not take place due to the need to temporarily relocate occupants of the Executive Tower while asbestos was abated in that building. The JLBC Staff recommends a return to the plan as originally conceived. The Executive does not recommend. (See the Supplementals - FY 1997 Technical Adjustments section for more information.)

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**COMMUNITY COLLEGES BOARD**

<b>Show Low Campus</b>	200,000	0	200,000	200,000
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The recommended amount represents the fourth \$200,000 installment of the state's 5-year commitment to provide matching funds for construction of the Show Low Campus of Navajo Community College (Northland Pioneer). A.R.S. § 15-1463 requires the state, by legislative appropriation, to "pay the sum equal to fifty percent of the total cost for capital outlay for an initial or additional campus, not to exceed \$1 million." The Executive concurs.

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**ARIZONA SCHOOLS FOR THE DEAF AND THE BLIND**

<b>Renovate Modular Housing Unit</b>	95,000	95,000	0	95,000
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For FY 1996, the agency was appropriated \$325,000 for the renovation of the Manzanita Residence Hall at the Tucson campus. It was expected that the renovation could occur over the summer months; however, it appears that this is not possible due to the scope of the project. Therefore, it will be necessary to find temporary accommodations for the residents who will be displaced during the renovation. The JLBC Staff recommendation would fund the agency request for \$95,000 to renovate a modular building to accommodate students, including ADA compliance. The agency intends to embark upon a multi-year renovation program for its residence halls and would utilize the modular home as temporary housing for the duration of the program. The Executive does not recommend this issue.

\* \* \*

**Joint Legislative Budget Committee - FY 1997 Capital Budget - Analysis and Recommendations**

**GENERAL FUND**

JLBC: Phil Case  
 OSPB: Tom Betlach

Senate: Carol Springer  
 House: Bob Burns

Agency/Project Title	FY 1997			
	Request	CIP	OSPB	JLBC

**DEPARTMENT OF ECONOMIC SECURITY**

<b>Coolidge Environmental Impact Study</b>	0	N/A	0	75,000
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The Arizona Training Program at Coolidge is located on 280 acres of state trust land, of which 230 are not being utilized. The 230 acres were once used as a farming area and contain potential fire and environmental hazards such as asbestos contaminated buildings, underground storage tanks, a waste water treatment system, and a landfill. The Department of Economic Security (DES) is negotiating with the State Land Department to return the unused acres to them. However, the Land Department is requiring DES to perform an environmental impact study before it agrees to resume sole responsibility for the land. The study will identify to the state a comprehensive guide on what has to occur before the Land Department may lease unused portions of the land to an alternative lessee. Further funding may be required to address any problems uncovered by the study. The Executive does not address this issue.

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**DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS**

<b>1993 Flood Relief</b>	15,000,000	N/A	5,144,400	0
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The Executive recommends \$5,144,400 for the state share to repair damage in 13 of the 15 Arizona counties caused by a tropical storm in January 1993. The JLBC Staff does not recommend any monies for the state share but recommends \$3,900,000 as a FY 1997 operating supplemental to the department to pay the remaining local share. (See Supplementals - FY 1997 Policy Issues for more information.)

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**LEGISLATIVE COUNCIL**

<b>Computer Services Move</b>	284,800	N/A	0	284,800
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The amount would fund the consolidation of the Legislative Council in the Old Capitol building. Currently, the computer services section of the office is located in the basement of the Senate Building, away from the rest of the Legislative Council. The recommended monies would fund the necessary wiring, tenant improvements, and moving expenses to complete the consolidation. The computer services section provides computer support to the House, Senate, JLBC, and Legislative Council offices. The Executive does not recommend this issue.

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**PRESCOTT HISTORICAL SOCIETY**

<b>Sharlott Hall Museum Land Acquisition</b>	255,000	0	0	255,000
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The recommended amount would allow the Prescott Historical Society (PHS) to purchase the last 2 parcels of the city block on which the Sharlott Hall Museum sits. The purchase would allow the museum to expand its programs and prevent the incompatible development of the neighboring land. The parcels are approximately 0.3 of an acre in area and contain 3 buildings (2 homes and a warehouse). With the purchase of the property, PHS would conduct a capital fund raising drive to accumulate the necessary monies to renovate the buildings for museum use. Annual operating costs would be expected to increase by \$41,700 including 1 additional FTE Position. PHS expects to fund the increased costs out of museum-generated revenues. The Executive does not recommend this issue.

\* \* \*

**Joint Legislative Budget Committee - FY 1997 Capital Budget - Analysis and Recommendations**

**GENERAL FUND**

JLBC: Phil Case  
 OSPB: Tom Betlach

Senate: Carol Springer  
 House: Bob Burns

Agency/Project Title	FY 1997			
	Request	CIP	OSPB	JLBC

**DEPARTMENT OF PUBLIC SAFETY**

**Crime Lab Furniture/Fixtures/Equipment**                      **920,000**                      **600,000**                      **200,000**                      **600,000**

The Department of Public Safety (DPS) is expected to complete construction of its new Scientific and Technical Support Building (Crime Lab) in the Spring of 1997. In order to have the facility furnished and equipped for use at the beginning of FY 1998, the agency requires monies in FY 1997. The recommended amount would fund the purchase of the highest priority items (e.g., workstations, chairs, telecommunications equipment, file cabinets and shelving, conference room furniture, and freezers). The JLBC Staff further recommends that DPS charge fees for lab services to units of local government and others to capitalize the Crime Lab Fund to help pay for future equipment purchases and replacement. The Executive recommends \$200,000 for this issue. The Executive budget states that additional purchases can be made from non-appropriated Racketeering Influenced Corrupt Organizations (RICO) monies.

**Statewide Officer Housing**    **400,000**    **225,000**    **0**    **200,000**

The recommended amount would provide for the purchase and installation of 3 single-family housing units to improve the housing for DPS officers in remote portions of the state, where housing is scarce. The Legislature has appropriated \$1,120,000 for this purpose over the last 5 fiscal years. The Executive does not recommend this issue.

\* \* \*

**ARIZONA DEPARTMENT OF TRANSPORTATION**

**Maricopa County Title and Registration Facilities**                      **0**    **N/A**    **3,000,000**    **2,100,000**

In FY 1996, the state took over title and registration functions from Maricopa County. Laws 1995, Chapter 244 authorized the purchase of the Maricopa County Title and Registration Facilities and related equipment for a price not to exceed \$8,000,000. Chapter 244 appropriated \$5,000,000 from the General Fund in FY 1996 and contemplated an appropriation not to exceed \$3,000,000 in FY 1997. The level of the FY 1997 appropriation was to be determined by an independent appraisal of the facilities and an inventory of equipment to be purchased. In July 1995, ADOT reported to the JCCR, that the appraisal was complete and that the inventory of equipment was underway. At that time, the department reported that the second appropriation would not exceed \$2,100,000. The Executive recommends \$3,000,000 for this issue and a footnote requiring JCCR review to determine the final allocation.

\* \* \*



**Joint Legislative Budget Committee - FY 1997 Capital Budget - Analysis and Recommendations**

**OTHER FUNDS**

JLBC: Phil Case  
 OSPB: Tom Betlach

Senate: Carol Springer  
 House: Bob Burns

Agency/Project Title	FY 1997			
	Request	CIP	OSPB	JLBC

**ARIZONA DEPARTMENT OF ADMINISTRATION**

<b>Capital Center Relocation</b>	0	N/A	0	30,900
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The recommended amount from the Capital Outlay Stabilization Fund would relocate elements of the department from the second floor of the Capital Center building. The funding would be used for moving and tenant improvement costs. For FY 1996, the Legislature authorized and funded the Attorney General's Office to occupy the second floor, but the move was delayed in order to temporarily relocate portions of ADOA from the Executive Tower to the Capital Center while asbestos was abated in the Executive Tower. The JLBC Staff recommends a footnote requiring the Department to present a comprehensive plan for its move to the Joint Committee on Capital Review prior to the expenditure of monies. In order to provide an incentive for ADOA to move in a timely fashion, the JLBC Staff recommends that the footnote require the department to pay the pro rata lease-purchase costs for the second floor of the Capital Center if it has not been vacated by October 1, 1996. The Executive does not recommend funding and allows the department to remain on the floor. (See the Supplementals - FY 1997 Technical Adjustments section for a detailed discussion of the issue.)

<b>Prison Construction</b>	0	N/A	2,500,000	0
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The Executive recommends \$2,500,000 from the Corrections Fund for the construction of 400 Tent Beds at the Eyman Complex. The JLBC Staff recommends General Fund monies for this project. (See the General Fund section of the Capital Outlay Recommendations for more information.)

<b>High-Security Juvenile Facility</b>	0	N/A	6,150,000	0
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The Executive recommends \$6,150,000 from the Corrections Fund for the construction of a 100-bed high-security juvenile facility for youths under the jurisdiction of the Department of Juvenile Corrections. The JLBC Staff recommends General Fund monies for the design of a 400-bed complex and construction monies for the first 200 beds and all complex infrastructure. (See the General Fund section of the Capital Outlay Recommendations for more information.)

\* \* \*

**ARIZONA SCHOOLS FOR THE DEAF AND BLIND**

<b>PDSB Phone System</b>	500,000	345,000	0	345,000
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The communications system at the Phoenix Day School for the Deaf (PDSB) is old and inadequate. Unlike most public schools, the campus does not have a system which allows routine or emergency communications from each room. The lack of an adequate system has created problems in instances of medical emergencies or disorderly student behavior. Most of the existing phones are not accessible to deaf individuals. The recommended amount would fund the installation of an upgraded communications system throughout the campus. The new system would include emergency communications devices in all classrooms, telephones in all offices, and phone and data cabling for the entire campus. Currently, a new fire alarm system is being installed campus wide. While the fire alarm wires are being installed, conduit is being placed to allow for the installation of the phone system. Because conduit will already be in place, the estimated cost of the project has been reduced by \$(155,000). The JLBC Staff recommends funding the project from the Telecommunications Fund for the Deaf, which will have a healthy fund balance of approximately \$1,300,000 at the start of FY 1997. Fund revenues are derived from a telecommunications services excise tax and are intended to provide Telecommunications Devices for the Deaf (TDDs) to the citizens of Arizona. The fund is also currently used to provide telephone relay service to deaf patrons. As the school's phone system will contain TDDs and be for the benefit of deaf students, faculty, and staff, the JLBC Staff believes that this is an appropriate use of the fund. The Executive does not recommend this issue.

\* \* \*

**Joint Legislative Budget Committee - FY 1997 Capital Budget - Analysis and Recommendations**

**OTHER FUNDS**

JLBC: Phil Case  
 OSPB: Tom Betlach

Senate: Carol Springer  
 House: Bob Burns

Agency/Project Title	FY 1997			
	Request	CIP	OSPB	JLBC

**GAME AND FISH DEPARTMENT**

**Shooting Range Development** 15,000 15,000 15,000 15,000

The recommended amount from the Game and Fish Fund would provide grants to private shooting organizations to develop, upgrade, and repair shooting ranges throughout the state. In the past, the agency has had difficulty getting grant recipients to expend their monies but the situation has improved. The FY 1996 Capital Outlay Bill appropriated \$15,000 for this issue. The Executive concurs.

**Migratory Waterfowl Habitat** 100,000 100,000 100,000 100,000

The recommended amount from the Waterfowl Conservation Fund would provide for the purchase of waterfowl habitat. The primary source of revenues for this fund is sales of an annual duck stamp, which is required to hunt ducks in Arizona. The amount would be used to match other public and private funds to acquire wetlands. These monies are dedicated by statute and may not be used for any purpose other than acquisition of waterfowl habitat. The FY 1996 Capital Outlay Bill appropriated \$100,000 for this issue. The Executive concurs.

**Statewide Facilities Maintenance** 100,000 100,000 100,000 100,000

The recommended amount from the Game and Fish Fund would allow the department to perform repair and maintenance projects not eligible for Building Renewal monies. Examples of such projects include sewer system and parking lot repairs. The agency's immediate plans for the monies are to repave a parking lot at its Phoenix Headquarters. The Executive concurs.

**Mesa Office Expansion** 400,000 400,000 400,000 400,000

The department plans to embark upon a program to expand its regional offices in Mesa, Tucson, and Pinetop. The FY 1997 request from the Capital Improvement Fund would add 2,600 square feet of office space, 1,290 square feet of warehouse space, 2,160 square feet of covered boat storage space, and 9,000 square feet of additional paving to the Mesa Office. The department cites tremendous growth in staff as the primary reason for the request. However, since FY 1985, the department has only experienced an increase of 10 appropriated FTE Positions. The majority of staff growth has come from non-appropriated funds (Game and Fish Heritage Fund and federal funds). For example, non-appropriated FTE Positions are expected to grow from 258 in FY 1992 to 304 in FY 1997. Although the JLBC Staff believes that the expansion should be funded from the non-appropriated funds, the agency is prohibited from using Heritage Fund monies for construction. Likewise, if federal funds are used for construction, the U.S. Government will claim equity in the buildings. For these reasons, the JLBC Staff recommends appropriating the requested monies. However, the department should charge the Heritage Fund and federal funds for space in order to recoup the cost of construction. The Executive concurs.

**Lease-Purchase Payoff** 1,100,000 1,100,000 1,100,000 1,100,000

The recommended amount from the Game and Fish Fund would retire one-third of the remaining balance on the 1993 Certificates of Participation issued to lease-purchase the construction of 3 regional offices. If planned payments over the next 2 years are made, they would retire the issue 14 years ahead of schedule. The JLBC Staff supports this effort by the agency to retire the issue early and save on interest costs. The Executive concurs.

\* \* \*



**Joint Legislative Budget Committee - FY 1997 Capital Budget - Analysis and Recommendations**

**OTHER FUNDS**

JLBC: Phil Case  
 OSPB: Tom Betlach

Senate: Carol Springer  
 House: Bob Burns

Agency/Project Title	FY 1997			
	Request	CIP	OSPB	JLBC

**LEGISLATIVE COUNCIL**

<b>Old Capitol Repairs</b>	0	N/A	0	1,400,000
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The recommended amount from the Legislative, Executive, and Judicial Land Fund would finance repairs of the Old Capitol in preparation for the building's centennial celebration in the year 2001. Monies from the fund are available for the maintenance and repair of state buildings. The scope of work would include repairs to the roof, environmental controls, plaster, paint, woodwork, and grounds. The current cost estimate for the project is \$2,600,000, but costs are expected to rise. If the recommended amount is appropriated, the estimated balance at the end of FY 1997 would be about \$60,000. The JLBC Staff further recommends appropriating the annual earnings of the fund (approximately \$520,000) for each of the following 3 fiscal years (FY 1998-FY 2000) to cover the full costs of the work.

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**ARIZONA STATE LOTTERY COMMISSION**

<b>ADA Building Modifications</b>	27,000	27,000	0	27,000
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The recommended amount would allow the Lottery to complete alterations to its headquarters building lobby to comply with the Americans with Disabilities Act (ADA). The lobby is used by members of the public and is currently not easily accessible to some disabled individuals. The project would include alterations to the parking lot, entrance, claims area, and restrooms. For FY 1996, the Lottery was appropriated \$10,000 to address the most critical accessibility issues. The Executive does not recommend this issue.

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**DEPARTMENT OF TRANSPORTATION**

<b>Airport Planning and Development</b>	17,109,700	N/A	17,129,500	20,625,700
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The recommended amount would provide funding from the Aviation Fund for the department's airport construction program. The fund's revenues are generated from a flight property tax, aircraft lieu tax, and revenues from the operations of the Grand Canyon Airport. The JLBC Staff recommendation is higher than the Executive recommendation due to the JLBC Staff's lower operating budget recommendation.

\* \* \*

**Joint Legislative Budget Committee - FY 1997 Capital Budget - Analysis and Recommendations**

**HIGHWAY FUND**

JLBC: Phil Case  
OSPB: Tom Betlach

Senate: Carol Springer  
House: Bob Burns

Agency/Project Title	FY 1997			
	Request	CIP	OSPB	JLBC

**ARIZONA DEPARTMENT OF TRANSPORTATION**

<b>Petroleum Storage Tank Upgrades</b>	<b>800,000</b>	N/A	<b>800,000</b>	<b>800,000</b>
<p>The recommended amount would fund the removal, replacement, and upgrading of petroleum storage tanks throughout the state. Federal regulations require all storage tanks to comply with leak detection and containment provisions by December 1998. This project is part of a multi-year project for which the department has already been appropriated \$4,347,200. ADOT recently completed an extensive study of its 63 fuel storage sites and determined that 12 sites should be closed. The impact of these closures will be to save approximately \$1,150,000 from the expected costs of the project. The department expects to require an additional \$800,000 in FY 1998 and \$506,000 in FY 1999 to bring all of its remaining tanks into compliance. The Executive concurs.</p>				
<b>Statewide Spreader Racks</b>	<b>250,000</b>	N/A	<b>250,000</b>	<b>250,000</b>
<p>The recommended amount would fund the construction of 17 racks at 3 locations (Three Points [on Route 86 west of Tucson], Safford, and Globe). The racks are used to store spreaders which are carried on the backs of utility trucks in order to salt and sand roads during the winter. The existing racks are make-shift, constructed of wood or scrape metal, and are considered unsafe. This project is part of a multi-year project for which the department has already been appropriated \$178,000. ADOT expects to require \$250,000 in FY 1998 and \$250,000 in FY 1999 to complete the project. The Executive concurs.</p>				
<b>Nogales MVD Center</b>	<b>427,700</b>	N/A	<b>427,700</b>	<b>0</b>
<p>The Executive recommends \$427,700 for the renovation of the Nogales Drivers License Center into a full-service Motor Vehicle Service Center including Title and Registration functions. This project is a continuation of the effort, initiated by Project SLIM recommendations, to combine Divers License and Title and Registration functions in single locations. The JLBC Staff does not recommend this project because of the department's severe backlog of capital projects. The department has over \$4,000,000 in unexpended appropriations from FY 1994 or older projects. This backlog of projects must be addressed before substantial additional projects are approved. The department must either finish the projects or abandon them and revert the funds.</p>				
<b>ADOT Relocation</b>	<b>175,000</b>	N/A	<b>250,000</b>	<b>0</b>
<p>The Executive recommends \$250,000 for the reconfiguration and upgrading of the department's central office space to conform to its recent reorganization efforts. The Executive recommends that the department revert \$250,000 from an outstanding FY 1993 appropriation for modular walls to fund this project with no new monies. Again, the JLBC Staff does not recommend the project because of the severe backlog of existing capital projects. The department has over \$4,000,000 in unexpended appropriations from FY 1994 or older projects. This backlog of projects must be addressed before substantial additional projects are approved. The department must either finish the projects or abandon them and revert the funds.</p>				
<b>Statewide Highway Construction</b>	<b>117,978,000</b>	N/A	<b>125,054,000</b>	<b>136,094,000</b>
<p>The recommended amount would be available for statewide highway construction. The expenditure of these monies is determined by the Transportation Board which develops a 5-year plan. The JLBC Staff recommendation is higher than the Executive's due, in part, to the JLBC Staff's lower operation budget recommendation for the department.</p>				
<b>Controlled Access Highways</b>	<b>62,844,000</b>	N/A	<b>62,844,000</b>	<b>63,032,000</b>
<p>The Highway User Fund formula dedicates 15% of collections for the construction of urban freeways. The JLBC Staff projects that the Maricopa County Association of Governments (MAG) will receive \$47,274,000 and the Pima County Association of Governments (PAG) will receive \$15,758,000. The Executive projects total revenues of \$62,844,000 for controlled access highways.</p>				

**Joint Legislative Budget Committee - FY 1997 Capital Budget - Analysis and Recommendations**

**HIGHWAY FUND**

JLBC: Phil Case  
 OSPB: Tom Betlach

Senate: Carol Springer  
 House: Bob Burns

Agency/Project Title	FY 1997			
	Request	CIP	OSPB	JLBC

**ARIZONA DEPARTMENT OF TRANSPORTATION (Continued)**

<b>Debt Service</b>	<b>36,499,000</b>	<b>N/A</b>	<b>36,499,000</b>	<b>36,499,000</b>
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The department has over \$691,000,000 in outstanding bonds. The recommended amount would fund the appropriated portion of the debt service on the bonds. The Executive concurs.

**Construction-Related FTE Positions**

In order to better track the number of FTE Positions involved in capital projects, language has been added since FY 1995 to the Capital Outlay Bill prohibiting the expenditure of monies for Personal Services and Employee Related Expenditures, except where specified in the bill. To date, ADOT has not been exempted from these restrictions, yet has continued to hire FTE Positions using construction monies. The JLBC Staff recommends the authority for ADOT to hire up to 556 FTE Positions using construction monies in FY 1997. As of the publishing of these recommendations, ADOT has not been able to provide estimated Personal Services and Employee Related Expenditure data for FY 1997. The JLBC Staff recommends that ADOT continue to develop these estimates so that they may be incorporated into the FY 1997 Capital Outlay Bill.

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**Joint Legislative Budget Committee - FY 1997 Capital Budget - Analysis and Recommendations**

**LEASE-PURCHASE SUMMARY**

The Arizona Department of Administration, the Industrial Commission, Arizona State University, Northern Arizona 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, 1995: 1) the facility constructed or acquired; 2) the amount of the original issue, including pro rata costs associated with the issuance; 3) the required FY 1996 lease-purchase payment, which is included in the operating budgets for the various tenants<sup>1/</sup>; and 4) the General Fund, Other Appropriated Fund, and Non-Appropriated amounts for the FY 1997 payment.

<u>Department of Administration</u>	<u>Original Issue</u>	<u>FY 1997 Payment</u>	<u>General Fund</u>	<u>Other Appropriated</u>	<u>Non- Appropriated <sup>1/</sup></u>
ENSCO	\$55,080,000	\$4,585,000	\$4,585,000	\$ 0	\$ 0
Revenue Building	26,919,000	2,110,700	2,110,700	0	0
DES Group Homes	3,420,500	269,700	128,500	0	141,200
16th Ave. Parking Garage	5,390,000	367,200	367,200	0	0
Courts Building	40,440,000	3,279,400	3,083,300	33,200	162,900
Historical Society Museum	13,665,000	1,202,800	1,202,800	0	0
ASDB Food Service	3,765,000	364,300	364,300	0	0
DES West	36,205,000	2,883,000	1,860,200	0	1,022,800
Tucson Office Building	22,365,000	2,079,800	1,617,000	223,800	239,000
Capital Center	20,845,000	1,709,000	1,273,900	316,200	118,900
Welcome Center	490,000	67,400	67,400	0	0
Distressed Properties	15,625,000	2,213,800	1,447,800	317,000	449,000
DOC 1,450 Beds	44,770,000	12,037,800	0	12,037,800	0
Game and Fish Offices	2,927,300	178,500	0	178,500	0
Records Management Addition	2,441,900	143,800	143,800	0	0
Library for the Blind	1,405,100	79,800	79,800	0	0
ASDB H.S. and Auditorium	15,811,200	945,200	945,200	0	0
1616 West Adams	8,020,900	476,700	297,300	177,700	1,700
Tonto Natural Bridge	4,721,900	279,100	0	0	279,100
DOC 768 Beds	44,370,000	12,422,200	0	12,422,200	0
AHCCCS Buildings	12,000,000	2,887,000	1,299,100	0	1,587,900
Subtotal - ADOA	<u>\$380,677,800</u>	<u>\$50,582,200</u>	<u>\$20,873,300</u>	<u>\$25,706,400</u>	<u>\$4,002,500</u>
Industrial Commission Building	<u>\$17,000,000</u>	<u>\$ 1,250,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$1,250,000</u>
Universities					
Arizona State University	67,120,000	5,888,000	5,447,000	0	441,000
Northern Arizona University	1,774,000	145,600	0	0	145,600
University of Arizona	74,898,900	7,064,700	0	0	7,064,700
Subtotal - Universities	<u>\$143,792,900</u>	<u>\$13,098,300</u>	<u>\$ 5,447,000</u>	<u>\$ 0</u>	<u>\$7,651,300</u>
<b>TOTAL</b>	<u><b>\$541,470,700</b></u>	<u><b>\$64,930,500</b></u>	<u><b>\$26,320,300</b></u>	<u><b>\$25,706,400</b></u>	<u><b>\$12,903,800</b></u>

<sup>1/</sup> Non-appropriated funding sources do not appear in agency budgets.

**Joint Legislative Budget Committee - FY 1997 Capital Budget - Analysis and Recommendations**

**BONDING SUMMARY**

The Board of Regents, on behalf of the universities; the Arizona Department of Transportation; 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, 1995, the required debt service payments for FY 1997, and the sources of the payments are shown in the table below.

<b><u>Institution</u></b>	<b><u>Bonds Outstanding</u></b>	<b><u>FY 1997 Payment</u></b>	<b><u>Funding Source</u></b>
<b>Board of Regents</b>			
Arizona State University	\$ 377,770,000	\$ 24,453,000	Academic and Auxiliary Revenues
Northern Arizona University	126,630,000	10,212,100	Academic and Auxiliary Revenues
University of Arizona	<u>296,241,000</u>	<u>22,584,000</u>	Academic and Auxiliary Revenues
<b>SUBTOTAL - BOARD OF REGENTS</b>	<b><u>\$ 800,641,000</u></b>	<b><u>\$ 57,249,100</u></b>	
Department of Transportation <sup>1/</sup>	<u>\$ 691,000,000</u>	<u>\$ 77,300,000</u>	State Highway Fund and Non-Appropriated Funds
Arizona Power Authority	<u>79,105,000</u>	<u>5,416,300</u>	Non-Appropriated Funds
<b>TOTAL</b>	<b><u>\$1,570,746,000</u></b>	<b><u>\$139,965,400</u></b>	

<sup>1/</sup> Does not include issuances backed by the Regional Area Road Fund (RARF), with an outstanding amount of \$1,020,800,000.

Joint Legislative Budget Committee - FY 1997 Capital Budget - Analysis and Recommendations

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 the Department of Administration (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 major maintenance and repair 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 14 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 4 members of the Senate Appropriations Committee appointed by the President of the Senate and 4 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 1st Regular Session to the first day of the 2nd Regular Session of each Legislature, and the Chairman of the House of Representatives Appropriations Committee has a term from the first day of the 2nd Regular Session to the first day of the next regular session.

- **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).

## Joint Legislative Budget Committee - FY 1997 Capital Budget - Analysis and Recommendations

### STATE OF ARIZONA - CAPITAL BUDGET PROCESS - (Continued)

#### 7. Additional responsibilities of the 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. § 1-1651).
- Approving the issuance of revenue bonds by the Board of Regents (Sec. 15 of Ch. 85).

The JCCR is supported by the Joint Legislative Budget Committee (JLBC) Staff. The JLBC 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, 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. Recently, 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.



**NON-APPROPRIATED FUNDS**

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**NON-APPROPRIATED FUNDS**

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## INTRODUCTION

The Non-Appropriated Funds budget is a supplement to the budget prepared by the Staff of the Joint Legislative Budget Committee (JLBC). This publication displays revenues and expenditures from funding sources outside of the legislative appropriations process. More than one-half of these expenditures are federal funds. Most federal grants require certain levels of state funding or other support.

Total non-appropriated expenditures are estimated to be almost \$5.9 billion in FY 1997. The level of non-appropriated funding is projected to grow by almost 7% between FY 1995 and FY 1997. Non-federal non-appropriated funds are growing at a slightly faster rate than federal funds.

The information in this section provides the supporting details for the amounts shown on the Federal Funds and Other Non-Appropriated lines in the Proposed Budget FY 1997, Analysis and Recommendations section of this publication. There may be cases where there are differences between the amounts shown in the Proposed Budget and this publication. Such differences are directly attributable to timing, as this section of the publication is completed before the Proposed Budget is finalized.

### Elements of this Report

This report begins with the non-appropriated funds of annual major budget units. In the 1995 session, the Legislature approved FY 1996 funding for 14 major budget units. Most all other budget units received both a FY 1996 and FY 1997 appropriation. As a result, we have not included individual fund detail for these "biennial" budget units nor updated these biennial expenditures. We have included, however, each biennial agency fund in the summary of individual fund expenditures (Exhibit I on page iii). In this summary, the FY 1997 Estimated Expenditures for biennial agencies are the same amounts as were reported in our FY 1996 and FY 1997 Non-Appropriated Funds report. Furthermore, for the same reason, the FY 1995 biennial expenditures are estimates, as opposed to actual amounts.

In the non-appropriated individual fund detail, we provide a brief explanation of the fund's purpose and source(s) of revenue, the A.R.S. citation and the Arizona Financial Information System (AFIS) fund number. This document provides detail on 210 fund sources for annual agencies. (This number overstates the actual number of funds for several reasons. For example, some funds are shared by several agencies.)

Some funds contained in this publication include appropriated dollars. These funds have been included for specific reasons; for example, the Lottery Fund is included to show, in one place, the source and disposition of all Lottery monies. In order to avoid double counting of both appropriated and non-appropriated funds, appropriations are shown on a separate line and are not included in the expenditure total.

At the end of the document, there is a list of 295 other funds not detailed in this report and the reason for their exclusion. Many of these funds 1) are already appropriated; 2) represent clearing accounts which do not report separate expenditures, but exist for technical accounting reasons; or 3) include custodial monies which the state holds for some other party. Last year's report identified only 272 "excluded" funds. The number of "excluded" funds has grown as the Staff has identified more of the inactive and custodial funds in the DOA accounting system.

After the listing of excluded funds, there is a summary listing of our November 1, 1995 recommendation to eliminate 10% of all funds and appropriate 5% of all non-appropriated expenditures. See "Reporting Requirement" below for more details.

### Reporting Requirement

Laws 1994, Chapter 366 established a new requirement for the JLBC Staff to make annual recommendations to the JLBC on non-appropriated funds. We are required to recommend:

- the elimination or consolidation of a minimum of 10% of the total number of funds, and
- the conversion of at least 5% of the dollar value of all non-appropriated funds to appropriated status.

The legislation is an outgrowth of the Legislature's belief that it should exercise greater oversight of non-appropriated funds. The need for this oversight is demonstrated by the significant role of non-appropriated funds in the state budget. There are over 600 funds authorized specifically by law or in the state's accounting system. Of that number, only 120 are annually appropriated by the Legislature. In addition, 52% of the state's total spending authority is expended from non-appropriated sources.

For our November 1, 1995 recommendation, we determined that there are 625 separate funds and non-appropriated resources totaling \$4.35 billion. (We excluded Federal Title 19 resources since they are included in the General Appropriation Act.) As a result, we are required to recommend the elimination or consolidation of 63 funds (10%) and the transfer to appropriated status of funds with a dollar value of \$217.6 million (5%). Our baseline expenditures were derived from the original FY 1996 estimated expenditures in the FY 1996 and FY 1997 Non-Appropriated Funds report.

In our November 1 report, we recommended the elimination of 85 funds, or 14% of all funds. Of the 85 funds, 67 are inactive, duplicate another existing fund, or have already been statutorily repealed. We also recommended the transfer of \$278 million, or 6%, to appropriated status. We have chosen funds which would benefit from improved legislative oversight. The funds either finance basic agency operating costs or duplicate a General Fund subsidized program.

If an annual agency's fund is being recommended for elimination or transfer to appropriated status, the individual fund page in this report is footnoted to that effect. All funds, by agency, in our 5% and 10% recommendation are listed at the end of this report. The annual agencies recommendation are displayed first, followed by the recommendations for biennial agencies.

Other reports which together comprise the JLBC Staff Analysis and Recommendations for the FY 1997 budget include:

- A Summary of Recommendations and Economic and Revenue Forecast, and
- Analysis and Recommendations (agency operating and capital outlay budgets).

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES**  
**For Fiscal Years 1995, 1996 and 1997 1/**

	FY 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
<b>ANNUAL AGENCIES</b>			
<b>Department of Administration</b>			
Americans with Disabilities Act, Arizona	273,300	274,400	253,600
Office for	60,800	88,300	52,000
Co-Op State Purchasing Agreement	1,293,600	1,350,400	1,350,400
COP Building Operating & Maintenance Fund	5,410,900	5,971,300	6,237,500
Emergency Telecommunications Revolving	12,147,300	12,090,000	12,980,000
Employee Related Expenditures/Benefits Admin	572,400	629,100	629,100
Health Administration & Benefit Insurance Trust	6,287,100	7,590,700	-
Motor Pool Revolving	-	-	-
Public Buildings Land Earnings	188,441,900	200,059,200	204,663,700
Special Employee Health Insurance Trust	3,933,100	3,443,300	3,579,500
Special Services Revolving	207,200	235,100	205,800
State Employee Rideshare	318,300	276,900	283,300
Surplus Property - Federal	1,137,700	573,900	589,000
Surplus Property - State	2,885,700	13,793,200	-
Telecommunications	26,400	23,900	-
Vendor Services	-	-	-
<b>Department of Administration - Subtotal</b>	<b>\$222,995,700</b>	<b>\$246,399,700</b>	<b>\$230,823,900</b>
<b>AHCCCS</b>			
County Contributions	186,204,600	192,800,200	208,566,500
Federal Funds	978,691,700	1,063,210,600	1,125,280,200
Health Care Group Medical Premiums	18,803,300	29,843,200	46,087,500
Third Party Collections	5,252,400	5,879,500	6,223,000
Tobacco Tax & Health Care Fund	-	-	-
Tobacco Tax & Health Care Fund - Medically Needy Account	1,003,000	8,244,600	28,187,500
Tobacco Tax & Health Care Fund - Medically Needy & Medically Indigent Program Stab. Fund	-	-	-
<b>AHCCCS - Subtotal</b>	<b>\$1,189,955,000</b>	<b>\$1,299,978,100</b>	<b>\$1,414,344,700</b>
<b>State Board of Directors for Community Colleges</b>			
Certification Fund	-	-	-
Federal Grants	2,651,500	3,230,000	2,946,300
Les Aries Memorial	-	-	-
<b>State Board of Directors for Community College - Subtotal</b>	<b>\$2,651,500</b>	<b>\$3,230,000</b>	<b>\$2,946,300</b>
<b>State Department of Corrections</b>			
Alcohol Abuse Treatment	200,500	337,800	260,000
Arizona Correctional Industries Revolving	9,438,600	10,809,300	11,890,300
Corrections Fund - Adjustment Account	-	-	-
Criminal Justice Enhancement	2,428,200	2,450,000	2,465,100
Donations	15,800	15,800	15,800
Education Fund for Correctional Education, State	-	29,400	438,600
Federal	73,900	135,000	185,200
Indirect Cost Fund	10,500	5,000	2,000
Inmate Care Revolving	-	11,100	-
Penitentiary Land Earnings	19,300	27,300	-
Permanent Training	-	-	-
Risk Management Insurance Reimbursement	114,800	115,000	115,000
Special Services	11,473,200	12,191,800	12,792,200
State Charitable, Penal & Reform. Land Earnings	75,200	200,000	-
Victims' Rights Implementation Assistance	34,600	48,100	44,500
Workers' Compensation Loss Control Plan	16,700	8,300	-
<b>State Department of Corrections - Subtotal</b>	<b>\$23,901,300</b>	<b>\$26,383,900</b>	<b>\$28,208,700</b>
<b>Arizona State Schools for the Deaf and the Blind</b>			
Enterprise	33,100	68,300	73,300
Federal Grants	1,220,100	1,157,000	1,016,700
Non-Federal Grants	136,300	162,600	103,900
Regional Cooperatives	1,293,800	1,565,800	1,800,600
Trust	79,900	85,000	85,000
<b>Arizona State Schools for the Deaf and the Blind - Subtotal</b>	<b>\$2,763,200</b>	<b>\$3,038,700</b>	<b>\$3,079,500</b>

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES**  
For Fiscal Years 1995, 1996 and 1997 1/

	FY 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
<b>Department of Economic Security</b>			
AZ Industries for the Blind	5,698,500	7,434,300	7,434,300
Capital Investment	27,600	95,000	95,000
Child Abuse Prevention	842,500	796,400	793,700
Child Passenger Restraint	26,600	27,300	27,300
Child Support Enforcement	(1,659,600)	146,300	-
Child Support Enforcement Administration	10,686,800	11,431,700	10,578,600
DES Client Trust	601,300	1,461,300	1,791,300
Developmentally Disabled Client Services Trust	-	-	-
Domestic Violence Shelter	800,100	824,200	824,200
Economic Security Donations	14,400	37,900	37,900
Economic Security Special Administration	426,100	585,000	585,000
Federal Grants	1,005,657,200	1,049,230,400	1,038,768,000
Full-Employment Demonstration Project	-	1,119,900	746,600
Homeless Trust	36,100	35,000	35,000
Lease Purchases	-	-	-
Long Term Care (Federal)	121,044,200	124,598,800	139,474,900
Mesa Land	179,900	180,000	180,000
Neighbors Helping Neighbors	18,400	60,000	60,000
Private Donations & Resource Development	400	200	-
Rate Payor Assistance Trust	-	-	-
Special Olympics Tax Refund	73,600	70,000	70,000
Spinal & Head Injuries Trust	501,500	298,000	298,000
Unemployment Insurance Benefits	174,687,500	174,687,500	174,687,500
Utility Assistance	401,900	400,000	400,000
Dept. of Economic Security - Subtotal	<u>\$1,320,065,000</u>	<u>\$1,373,519,200</u>	<u>\$1,376,887,300</u>
<b>Department of Education</b>			
Certification Fingerprinting	45,400	53,500	54,700
Education Evaluation Review	24,400	27,500	27,500
Environmental Education	825,500	738,400	-
Federal Funds	373,869,800	447,922,200	405,146,000
Food Distribution	252,500	173,700	177,000
Permanent State School	63,842,800	62,903,400	65,907,000
Printing Revolving	2,414,600	2,239,200	2,179,900
Vocational & Technological Education Restructuring	-	-	-
Youth Farm Loan	15,400	20,000	20,000
Department of Education - Subtotal	<u>\$441,290,400</u>	<u>\$514,077,900</u>	<u>\$473,512,100</u>
<b>Department of Environmental Quality</b>			
Air Quality	3,536,000	5,687,400	3,683,800
Circle K Settlement	135,500	148,100	220,700
Federal	14,941,800	17,385,000	8,322,500
Indirect Cost Fund	5,630,300	5,633,400	5,691,900
Intergovernmental Agreements	82,200	77,400	-
Landfill Trust Fund	-	112,300	-
Small Water Systems	1,800	57,000	22,000
Solid Waste Recycling	814,900	2,186,400	1,282,800
UST Fund - Area A Assurance Account	12,365,900	18,369,900	5,334,900
UST Fund - Grant Account	57,000	3,448,400	3,423,700
UST Fund - Non-Maricopa County Assurance Account	10,629,300	22,694,000	13,373,600
UST Fund - Regulatory Account	992,000	992,400	1,007,100
Waste Tire Grant	150,800	148,900	-
Wastewater Treatment Revolving	204,400	393,100	394,300
Water Quality Assurance Revolving Fund	3,631,100	5,367,300	3,856,300
Department of Environmental Quality - Subtotal	<u>\$53,173,000</u>	<u>\$82,701,000</u>	<u>\$46,613,600</u>
<b>Department of Health Services</b>			
Alcohol Abuse Treatment	737,700	650,000	650,000
Arizona State Hospital - Donation	18,200	6,100	6,100
Arizona State Hospital - Endowment	135,000	247,500	247,500
Arizona State Hospital - Patient Benefit	33,500	33,500	33,500
Arizona State Hospital - Rental Income	498,300	500,000	500,000
Child Day Care Training	2,900	3,000	3,000
Clinical Lab Licensing Revolving Fund	-	500	500

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES**  
**For Fiscal Years 1995, 1996 and 1997 1/**

	FY 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
Donations	253,500	168,800	86,000
Environmental Lab Licensing Revolving Fund	839,100	1,029,900	1,029,900
Federal Grants	95,914,400	105,035,500	105,049,100
Indirect Costs	3,215,700	3,956,200	3,908,000
Liquor Services Fees	10,700	10,700	10,700
Medical Services Enhancement Fund (MSEF)	-0-	-0-	-0-
Newborn Screening Program Fund	498,100	1,062,300	1,185,200
Sanitarians' Fund	7,100	6,500	6,500
Southern Arizona Mental Health Center - Donation	1,000	25,500	-0-
Southern Arizona Mental Health Center - Patient Benefit	2,800	9,500	-0-
Substance Abuse Services	400,000	400,000	400,000
Tobacco Tax & Health Care Fund - Health Education Account	-0-	10,000,000	10,000,000
Tobacco Tax & Health Care Fund - Health Research Account	2,814,900	4,832,300	4,535,800
Tobacco Tax & Health Care Fund - Subsidiary Medically Needy Account	-0-	15,955,000	15,955,000
WIC Rebates	14,572,600	21,392,000	21,200,000
Department of Health Services - Subtotal	<u>\$119,955,500</u>	<u>\$165,324,800</u>	<u>\$164,806,800</u>
Judiciary - Supreme Court			
Alternative Dispute Resolution	183,600	212,300	212,300
Case Processing Assistance	1,108,600	1,758,400	1,758,400
Confidential Intermediary	186,300	147,500	147,500
County Public Defender Training	388,300	462,700	462,700
Defensive Driving School	1,623,200	4,194,200	1,649,800
Drug Enforcement Account	1,534,800	1,841,500	1,841,500
Drug Study	-0-	-0-	-0-
Grants and Special Revenue	1,487,700	4,644,200	722,900
Judicial Collection Enhancement	2,752,200	4,631,500	2,275,700
Juvenile Crime Reduction	1,965,200	2,386,000	2,199,000
Arizona Judiciary - Supreme Court - Subtotal	<u>\$11,229,900</u>	<u>\$20,278,300</u>	<u>\$11,269,800</u>
Department of Juvenile Corrections			
Criminal Justice Enhancement	-0-	-0-	-0-
Federal Funds	2,042,900	2,011,700	1,321,000
Juvenile Corrections	1,400	1,400	1,400
Parental Assessment and Restitution	-0-	-0-	-0-
Special Services	37,000	35,000	35,000
State Charitable, Penal & Reform. Land Earnings	-0-	-0-	-0-
Department of Juvenile Corrections - Subtotal	<u>\$2,081,300</u>	<u>\$2,048,100</u>	<u>\$1,357,400</u>
Arizona State Lottery Commission			
Economic Development Games	-0-	-0-	-0-
State Lottery	151,208,400	161,550,000	145,305,600
Arizona State Lottery Commission - Subtotal	<u>\$151,208,400</u>	<u>\$161,550,000</u>	<u>\$145,305,600</u>
Department of Public Safety			
AFIS	2,001,300	-0-	-0-
Anti-Driving Under the Influence	-0-	12,600	3,000
Anti-Racketeering	1,378,500	1,600,000	1,500,000
Arizona DNA Identification System	-0-	322,200	265,000
Crime Lab Assessment	267,300	214,400	213,500
Criminal Justice Enhancement - Pass Through	-0-	570,400	697,700
Donations	10,300	-0-	-0-
DPS Administration Fund	7,148,200	1,331,100	1,302,200
Federal Block Grants - Pass Through	1,126,900	1,359,600	1,312,500
Federal Grants - Gov's Office of Highway Safety	3,144,200	3,371,700	3,262,600
Federal Grants & Reimbursements	5,110,300	6,419,800	5,173,900
Fingerprint	2,272,900	2,669,700	2,921,200
Highway Patrol	5,118,200	4,389,500	4,547,700
Motor Carrier Safety Receiving Fund	21,600	400	-0-
Peace Officers Training Fund	3,374,800	4,419,500	3,601,900
Records Processing	141,000	174,100	184,000
Department of Public Safety - Subtotal	<u>\$31,115,500</u>	<u>\$26,855,000</u>	<u>\$24,985,200</u>



**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES**  
**For Fiscal Years 1995, 1996 and 1997 1/**

	FY 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
<b>Department of Transportation</b>			
Arizona Highways Magazine Enterprise	12,787,300	12,784,100	12,709,800
Aviation Federal Funds	383,100	1,810,000	1,810,000
Commercial Driver's License	669,400	709,800	727,100
County Auto License	10,693,800	23,991,700	-
Criminal Background Investigation	127,100	155,100	158,000
Economic Strength Project	710,400	1,073,800	1,073,800
Equipment Revolving	26,109,300	26,376,400	26,259,000
Federal Grants	227,353,400	199,831,500	203,994,500
Maricopa Regional Area Road	150,351,400	179,054,000	191,274,000
Motor Carrier Safety Revolving	21,600	31,600	42,400
Motor Vehicle Liability Insurance Enforcement	1,100,600	600,000	603,800
Motorcycle Education	63,200	63,200	64,500
Number Plate Replacement	894,100	939,600	986,600
Public Roads (Mineral Act)	-	-	-
Special Organization Plates	-	-	-
Underground Storage Tank Revolving	130,500	-	-
Department of Transportation - Subtotal	<u>431,395,200</u>	<u>447,565,000</u>	<u>439,848,800</u>
<b>Arizona Board of Regents</b>			
Collections Revolving	-	-	-
Federal	618,900	593,500	593,500
Regents Local Fund	379,100	517,200	545,600
Regents Postsecondary Local	1,742,600	-	-
Teacher Loan Forgiveness	22,500	-	-
University Land Funds	110,500	309,300	227,000
Arizona Board of Regents - Subtotal	<u>2,873,600</u>	<u>1,420,000</u>	<u>1,366,100</u>
<b>Arizona State University - Main Campus</b>			
Auxiliary	32,637,700	36,198,800	37,315,800
Designated Funds	46,316,300	49,074,900	50,547,100
Endowment and Life Income	-	-	-
Federal Grants	55,603,400	58,434,500	61,085,100
Federal Indirect Cost Recovery	-	-	-
Indirect Cost Recovery (Non-Federal)	204,300	155,000	156,600
Loan	428,900	550,000	575,000
Restricted Funds	24,868,600	25,317,500	25,878,200
Arizona State University - Main Campus - Subtotal	<u>160,059,200</u>	<u>169,730,700</u>	<u>175,557,800</u>
<b>Arizona State University - East Campus</b>			
Designated Funds	\$100	\$9,000	\$111,500
<b>Arizona State University - West Campus</b>			
Auxiliary	163,100	169,600	176,400
Designated Funds	1,309,100	1,348,400	1,388,800
Endowment and Life Income	-	-	-
Federal Grants	732,600	761,900	792,400
Federal Indirect Cost Recovery	-	-	-
Indirect Cost Recovery - Non-Federal	-	-	-
Loan	-	-	-
Restricted Funds	-	-	-
Arizona State University - West Campus - Subtotal	<u>126,800</u>	<u>128,900</u>	<u>131,100</u>
<b>Northern Arizona University</b>			
Auxiliary Enterprises	31,499,700	30,249,000	31,156,600
Designated Funds	22,374,400	24,376,500	25,107,900
Endowment	-	-	-
Federal Grants	19,404,500	19,732,200	20,632,900
Federal Indirect Cost Recovery	709,500	755,700	801,000
Indirect Cost Recovery (Non-Federal)	224,100	238,500	252,900
Loan	261,800	275,000	275,000
Restricted Fund (Excluding Federal Funds)	12,136,900	9,667,800	10,267,100
Northern Arizona University - Subtotal	<u>86,610,900</u>	<u>85,294,700</u>	<u>88,493,400</u>
<b>University of Arizona - Main Campus</b>			
Auxiliary Enterprise Funds	116,568,200	122,854,300	126,539,900

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES**  
For Fiscal Years 1995, 1996 and 1997 1/

	FY 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
Designated Funds	60,752,400	69,325,600	71,405,300
Endowment and Similar Funds	84,500	87,000	89,600
Federal Grants	126,089,100	129,448,300	131,833,200
Federal Indirect Cost Recovery	22,653,300	23,809,800	24,046,500
Loan	58,700	60,500	62,300
Restricted Funds	42,102,300	43,365,300	44,666,000
University of Arizona - Main Campus - Subtotal	<u>\$368,308,500</u>	<u>\$388,950,800</u>	<u>\$398,642,800</u>
University of Arizona - AZ Health Sciences Center			
Auxiliary Enterprise Funds	4,449,600	4,712,500	4,853,800
Designated Funds	9,017,100	5,454,900	5,618,700
Endowment and Similar Funds	53,900	55,500	57,200
Federal Grants and Contracts	39,451,000	40,769,900	41,761,800
Federal Indirect Cost Recovery	12,501,500	12,629,000	12,755,200
Restricted Funds	21,884,000	22,540,600	23,216,700
University of Arizona - AZ Health Sciences Ctr - Subtotal	<u>\$87,357,100</u>	<u>\$86,162,400</u>	<u>\$88,263,400</u>
<b>TOTAL - ANNUAL AGENCIES</b>	<b>\$4,711,321,900</b>	<b>\$5,106,926,100</b>	<b>\$5,118,913,400</b>
<b><u>BIENNIAL AGENCIES 1/</u></b>			
Arizona Department of Agriculture			
Administrative Support	206,400	186,700	186,700
Agriculture Laboratory	239,900	239,900	239,900
Arizona Wine Promotional	86,000	62,100	3,700
Beef Council	646,100	646,100	646,100
Citrus Research Council	108,400	74,600	74,600
Cotton Research and Protection Council	1,610,000	1,610,000	1,610,000
Dangerous Plants, Pests and Diseases	-0-	-0-	-0-
Donations	-0-	-0-	-0-
Equine Maintenance	-0-	-0-	-0-
Federal	148,400	175,900	175,900
Grain Research and Promotion Council	93,500	93,500	93,500
Iceberg Lettuce Promotion Council	-0-	-0-	-0-
Iceberg Lettuce Research Council	82,600	82,600	82,600
Intergovernmental Agreements	40,500	-0-	-0-
Native Plant Law	220,200	220,200	220,200
Seed Law	12,800	12,800	12,800
Seizure	8,300	7,300	7,300
Stray	57,400	55,300	55,300
Yuma County Citrus Pest Control	-0-	-0-	-0-
Arizona Department of Agriculture - Subtotal	<u>\$3,560,500</u>	<u>\$3,467,000</u>	<u>\$3,408,600</u>
AZ Commission on the Arts			
Arts Fund - Federal	877,900	759,200	750,000
Arts Special Revenues	145,500	110,000	95,000
Arts Trust	1,016,300	972,000	972,000
AZ Commission on the Arts - Subtotal	<u>\$2,039,700</u>	<u>\$1,841,200</u>	<u>\$1,817,000</u>
Attorney General - Department of Law			
Anti-Racketeering Revolving	1,362,500	962,500	962,500
Antitrust Enforcement Revolving	1,937,800	247,100	247,100
Attorney General Expendable Trust	1,000	1,000	1,000
Attorney General Special Fund	2,000	2,000	2,000
Civil Division	15,586,500	19,701,300	19,701,300
CJEF Distribution to County Attorneys	1,690,700	1,690,700	1,690,700
Consumer Protection Account	400,000	400,000	400,000
Consumer Protection - Consumer Fraud Revolving	652,300	652,300	652,300
Court-Ordered Trust	-0-	-0-	-0-
Federal Funds	4,000,700	3,743,300	3,743,300
Intergovernmental Agreements	3,900,400	3,867,000	3,867,000
Prisoner Litigation Revolving	-0-	-0-	-0-
AZ Prosecuting Attorneys Advisory Council	544,200	484,200	484,200
Public Accommodations	-0-	-0-	-0-
Rural Gasoline Antitrust Enforcement	-0-	-0-	-0-
Vehicle Emissions Test Funds	1,800,000	3,700,000	-0-

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES**  
**For Fiscal Years 1995, 1996 and 1997 1/**

	FY 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
Victim Witness	138,900	138,900	138,900
Attorney General - Department of Law - Subtotal	<u>\$32,017,000</u>	<u>\$35,590,300</u>	<u>\$31,890,300</u>
State Banking Department			
Escrow Recovery	2,672,400	34,000	67,000
Receivership Revolving	384,300	232,900	232,900
Revolving	130,800	132,900	132,900
State Banking Department - Subtotal	<u>\$3,187,500</u>	<u>\$399,800</u>	<u>\$432,800</u>
Department of Building and Fire Safety			
Arson Detection Reward	700	700	700
Building and Fire Safety Fund	308,900	308,900	308,900
Federal Grants	18,600	19,800	19,800
Manufactured Housing Cash Bond	9,400	9,400	9,400
Manufactured Housing Consumer Recovery	71,100	71,100	71,100
Mobile Home Relocation	120,000	120,000	120,000
Department of Building and Fire Safety - Subtotal	<u>\$528,700</u>	<u>\$529,900</u>	<u>\$529,900</u>
Arizona Coliseum & Exposition Center Board			
Capital Outlay	400,000	400,000	400,000
Coliseum Improvement Revenue Bond Reserve	-0-	-0-	-0-
Coliseum Improvement Special Sinking	-0-	-0-	-0-
Construction and Improvement Bond Interest	-0-	-0-	-0-
Enterprise	-0-	-0-	-0-
Arizona Coliseum & Exposition Center Board	<u>\$400,000</u>	<u>\$400,000</u>	<u>\$400,000</u>
Department of Commerce			
Alternative Fuel Delivery System Development	-0-	-0-	-0-
Commerce and Economic Development	4,514,000	3,484,600	1,479,600
Commerce and Solar Energy	500	1,000	1,000
Community Workshops	225,000	200,000	150,000
Donations	140,000	90,000	75,000
Federal Grants	14,703,200	15,329,200	15,329,200
Housing Finance Review	206,000	206,000	206,000
Housing Trust	5,000,000	4,500,000	4,000,000
International Development Authority, AZ	NA	NA	NA
Minority Business Fund	21,800	-0-	-0-
Oil Overcharge	6,687,900	7,819,100	6,014,400
Recycling	54,200	50,000	50,000
State Employee Rideshare	-0-	-0-	-0-
Work Force Recruitment and Job Training	74,800	54,900	53,700
Department of Commerce - Subtotal	<u>\$31,627,400</u>	<u>\$31,734,800</u>	<u>\$27,358,900</u>
Registrar of Contractors			
Contractors' Recovery	\$2,389,100	\$2,380,300	\$2,380,300
Corporation Commission			
Federal	90,000	90,000	70,300
Investment Mgmt Regulatory & Enforcement	399,100	534,000	-0-
Pipeline Safety Revolving	-0-	-0-	-0-
Public Access	1,176,700	954,000	997,000
Securities Regulatory & Enforcement	1,262,300	1,136,300	1,189,600
Corporation Commission - Subtotal	<u>\$2,928,100</u>	<u>\$2,714,300</u>	<u>\$2,256,900</u>
Arizona Criminal Justice Commission			
Arson Detection Reward	-0-	-0-	-0-
Drug Enforcement Account	9,400,400	11,192,500	11,101,000
High Intensity Drug Trafficking Areas	4,000,000	-0-	-0-
Statistical Analysis Center	48,400	50,400	51,000
Victims Assistance	500,000	500,000	450,000
Victims Compensation	1,126,000	1,226,000	1,226,000
Arizona Criminal Justice Commission - Subtotal	<u>\$15,074,800</u>	<u>\$12,968,900</u>	<u>\$12,828,000</u>
Department of Emergency & Military Affairs			
Camp Navajo	4,984,700	4,535,800	4,535,800
Emergency Management Training Fund	2,700	2,700	2,700
Federal Funds - Emergency	24,248,900	10,561,400	10,561,400
Federal Funds - Military	12,438,300	11,673,300	11,673,300
Freedom Academy	25,000	25,000	25,000
Department of Emergency & Military Affairs - Subtotal	<u>\$41,699,600</u>	<u>\$26,798,200</u>	<u>\$26,798,200</u>

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES**  
For Fiscal Years 1995, 1996 and 1997 1/

	FY 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
Commission on the Arizona Environment			
Donations Fund	32,900	-0-	-0-
Special Revolving	47,600	35,800	35,800
Commission on the Arizona Environment - Subtotal	<u>\$80,500</u>	<u>\$35,800</u>	<u>\$35,800</u>
State Compensation Fund 2/			
State Compensation Fund	\$473,579,700	\$449,000,000	\$478,000,900
Equal Opportunity, Governor's Office of			
Equal Employment & Economic Development	\$35,000	\$35,000	\$35,000
Board of Executive Clemency			
Federal Funds	-0-	-0-	-0-
Arizona Game & Fish Department			
Conservation Development	6,500	6,500	6,500
Donations	211,000	220,000	120,000
Federal Funds	10,773,300	10,706,000	10,147,600
Heritage	8,554,900	9,007,700	8,990,700
Off Highway Vehicle Recreation	570,300	576,700	576,700
Publications Revolving	165,000	170,000	170,000
Trust	439,600	443,500	443,500
Wildlife Theft Prevention	181,100	182,400	182,400
Arizona Game & Fish Department - Subtotal	<u>\$20,901,700</u>	<u>\$21,312,800</u>	<u>\$20,637,400</u>
Arizona Geological Survey			
Donations	3,000	-0-	-0-
Federal Grants	123,600	104,800	104,800
Intergovernmental Grants	4,600	4,600	4,800
Oil and Gas Drilling Bond	5,000	-0-	-0-
Printing Revolving	58,000	58,600	52,600
Arizona Geological Survey - Subtotal	<u>\$194,200</u>	<u>\$168,000</u>	<u>\$162,200</u>
Office of the Governor			
The Arizona Fund	-0-	-0-	-0-
County Fairs Livestock & Agricultural Promotion	1,206,200	1,205,800	1,205,800
Federal Grant	4,000,000	4,000,000	4,000,000
Governor's Endowment Partnership	-0-	-0-	-0-
Governor's Office for Children	-0-	-0-	-0-
Office for Excellence in Government	500,000	-0-	-0-
Office of the Governor - Subtotal	<u>\$5,706,200</u>	<u>\$5,205,800</u>	<u>\$5,205,800</u>
Arizona Council for the Hearing Impaired			
Donations	-0-	-0-	-0-
Federal Grants	50,000	50,000	50,000
Text Telephone Relay System and Distribution	4,079,600	4,192,500	4,192,500
Arizona Council for the Hearing Impaired - Subtotal	<u>\$4,129,600</u>	<u>\$4,242,500</u>	<u>\$4,242,500</u>
Arizona Historical Society			
Enterprise Funds	5,100	5,100	5,100
Grant Funds	161,900	137,200	137,200
Historical Society Magazine	44,300	42,300	42,300
Preservation and Restoration	27,200	27,200	27,200
Private Funds	354,600	225,700	225,700
Restricted Funds	388,000	180,700	180,700
Trust Funds	2,100	2,000	2,000
Arizona Historical Society - Subtotal	<u>\$983,200</u>	<u>\$620,200</u>	<u>\$620,200</u>
Prescott Historical Society of Arizona			
Sharlot Hall Historical Society	\$239,500	\$241,900	\$244,300
Arizona Commission of Indian Affairs			
Publications Fund	\$4,500	\$3,000	\$3,000
Industrial Commission of Arizona			
Federal Grants	1,288,700	1,288,700	1,288,700
Revolving	123,600	97,000	127,200
Special Fund	16,179,800	16,450,400	16,733,200
Industrial Commission of Arizona- Subtotal	<u>\$17,592,100</u>	<u>\$17,836,100</u>	<u>\$18,149,100</u>
Department of Insurance			
Computer System	473,400	81,300	-0-

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES**  
For Fiscal Years 1995, 1996 and 1997 1/

	FY 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
Examiners' Revolving	8,530,400	10,054,500	11,813,500
Joint Underwriting Plan	155,200	155,800	156,400
Life and Disability Insurance Guaranty	33,558,000	16,525,000	30,495,000
Property and Casualty Insurance Guaranty	5,615,000	3,906,000	3,900,000
Receivership Liquidation	263,700	266,100	266,100
Small Employer Reinsurance	33,000	14,000	12,500
Department of Insurance - Subtotal	<u>\$48,628,700</u>	<u>\$31,002,700</u>	<u>\$46,643,500</u>
State Land Department			
Cooperative Forestry Program	1,444,000	1,300,100	1,252,100
Development Planning Permit Applications Fund	-0-	-0-	-0-
Federal Reclamation Trust	926,200	325,000	225,000
Fire Suppression	1,106,000	500,000	500,000
Interagency Agreements	6,300	-0-	-0-
Legal Advertising Revolving	100,000	100,000	100,000
Quitclaim Deed Application Revolving	-0-	-0-	-0-
Resource Analysis Revolving	133,000	104,000	116,000
Riparian Acquisition Trust	-0-	-0-	-0-
Timber Suspense	48,000	32,600	-0-
Zoning Application Fees	56,000	20,000	-0-
State Land Department - Subtotal	<u>\$3,819,500</u>	<u>\$2,381,700</u>	<u>\$2,193,100</u>
Legislature - Auditor General			
Audit Services Revolving	\$999,100	\$1,053,100	\$1,053,400
Legislature - Dept. of Library, Archives & Public Records			
Donations	38,200	42,000	46,000
Federal Grants	1,874,200	1,874,700	1,874,700
Gift Shop Revolving	55,000	60,000	66,000
Miscellaneous Collections	100,000	104,000	30,000
Legislature - Dept. of Library, Archives & Pub. Rcds - Subtotal	<u>\$2,067,400</u>	<u>\$2,080,700</u>	<u>\$2,016,700</u>
Department of Liquor Licenses and Control			
Federal	98,700	25,500	-0-
Racketeering	15,600	6,000	-0-
Special Collections	1,104,400	286,900	329,500
Department of Liquor Licenses & Control - Subtotal	<u>\$1,218,700</u>	<u>\$318,400</u>	<u>\$329,500</u>
Board of Medical Examiners			
Physician Monitoring Fund	\$105,000	\$101,300	\$105,400
Board of Medical Student Loans			
Medical Student Loan	\$162,500	\$167,100	\$49,800
State Mine Inspector			
Federal Grants	\$263,000	\$246,200	\$166,200
Department of Mines & Mineral Resources			
Museum Donations	71,900	65,900	65,900
Print Revolving	11,000	10,000	10,000
Department of Mines & Mineral Resources - Subtotal	<u>\$82,900</u>	<u>\$75,900</u>	<u>\$75,900</u>
State Board of Nursing			
Nurse Aide Training & Registration	\$530,200	\$593,500	\$589,000
Arizona State Parks Board			
Arizona Conservation Corps	3,479,700	3,479,700	3,620,300
Donations	30,000	35,000	40,000
Federal Funds	1,550,900	1,157,200	1,007,200
Heritage	11,906,000	12,257,000	12,515,700
Land and Water Conservation Surcharge	103,800	79,900	79,900
Off Highway Vehicle	222,700	222,700	222,700
Publications and Souvenir Revolving	73,000	89,000	100,000
State Lake Improvement	7,092,900	8,092,900	8,192,900
State Parks Enhancement	3,397,800	3,277,000	3,279,100
Tonto Natural Bridge Revolving	14,800	30,000	30,000
Trails Grant	800	500	500
Arizona State Parks Board - Subtotal	<u>\$27,872,400</u>	<u>\$28,720,900</u>	<u>\$29,088,300</u>

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES**  
For Fiscal Years 1995, 1996 and 1997 1/

	FY 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
Arizona Pioneers' Home			
Donations	40,000	40,000	40,000
Miners Hospital Land Earnings	-0-	-0-	-0-
State Charitable, Penal & Reform. Land Earnings	1,067,500	1,070,000	1,070,000
Arizona Pioneers' Home - Subtotal	<u>\$1,107,500</u>	<u>\$1,110,000</u>	<u>\$1,110,000</u>
Commission for Postsecondary Education			
AZ Student Program Investing Resources			
In Education (ASPIRE)	-0-	6,200	23,700
AZ Teachers Incentive Program (ATIP)	-0-	16,200	-0-
Commission for Postsecondary Education - Subtotal	<u>\$0</u>	<u>\$22,400</u>	<u>\$23,700</u>
State Board of Private Postsecondary Education			
Student Tuition Recovery Fund	\$178,000	\$168,000	\$168,000
Public Safety Personnel Retirement System			
Administrative Expenses	\$1,258,400	\$1,283,600	\$1,309,300
Arizona Department of Racing			
Admin. of County Fairs Racing Betterment			
& Breeders Award	57,300	57,300	57,300
Arizona Breeders Award	801,600	800,000	800,000
County Fairs Racing Betterment	805,500	805,500	805,500
Greyhound Adoption Program	-0-	-0-	-0-
Stallion Award	137,800	40,000	40,000
Arizona Department of Racing - Subtotal	<u>\$1,802,200</u>	<u>\$1,702,800</u>	<u>\$1,702,800</u>
Radiation Regulatory Agency			
Federal Grants	\$271,700	\$271,700	\$271,700
State Real Estate Department			
Education Revolving	65,900	58,800	73,900
Housing Trust	37,900	-0-	-0-
Recovery	277,800	397,700	486,600
Subdivision Recovery	-0-	-0-	-0-
State Real Estate Department - Subtotal	<u>\$381,600</u>	<u>\$456,500</u>	<u>\$560,500</u>
Arizona State Retirement System			
Administration Account - All Other Expenditures	12,580,000	12,606,500	12,606,500
Administration Account - Legal Expenses	165,800	169,000	169,000
Administration Account - Outreach Education	679,200	166,800	-0-
Administration Account - Retiree Health Insurance	846,900	729,800	729,800
Arizona State Retirement System - Subtotal	<u>\$14,271,900</u>	<u>\$13,672,100</u>	<u>\$13,505,300</u>
Department of Revenue			
DOR Estate and Unclaimed Property	560,000	560,000	560,000
Escheated Estates	-0-	-0-	-0-
Liability Setoff Revolving	224,000	206,000	186,000
Revenue Publications Revolving	103,800	103,800	103,800
Special Collections	-0-	-0-	-0-
Waste Tire	4,058,100	4,159,500	4,159,500
Department of Revenue - Subtotal	<u>\$4,945,900</u>	<u>\$5,029,300</u>	<u>\$5,009,300</u>
Secretary of State - Department of State			
Arizona Blue Book	15,000	5,000	5,000
UCC Data Processing Upgrade	-0-	-0-	-0-
Secretary of State - Department of State - Subtotal	<u>\$15,000</u>	<u>\$5,000</u>	<u>\$5,000</u>
Structural Pest Control Commission			
Federal Certification and Enforcement Grant	\$98,100	\$98,100	\$98,100
Office of Tourism			
Tourism Workshop	\$140,000	\$140,000	\$140,000
Arizona Veterans' Service Commission			
Desert Storm Memorial	28,800	-0-	-0-
Federal Funds	178,600	182,100	189,600
Veterans' Native American Outreach Project	2,200	-0-	-0-
Arizona Veterans' Services Commission - Subtotal	<u>\$209,600</u>	<u>\$182,100</u>	<u>\$189,600</u>
Department of Water Resources			
Administrative	2,600	2,600	2,600
Augmentation and Conservation	2,450,800	1,950,800	1,950,800
Emergency Dam Repair	-0-	-0-	-0-
Federal Grants	1,137,700	584,500	584,500

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES  
For Fiscal Years 1995, 1996 and 1997 1/**

	<u>FY 1995</u> Actual	<u>FY 1996</u> Estimate	<u>FY 1997</u> Estimate
Flood Control Loan	-0-	-0-	-0-
Flood Warning System	150,000	75,000	75,000
General Adjudications	50,000	50,000	50,000
Groundwater Enforcement	66,100	66,100	66,100
Non-Emergency Dam Repair	400,000	900,000	60,000
State Water Storage	-0-	-0-	-0-
Surface/Groundwater Trust	727,100	550,700	550,700
Water Protection	-0-	-0-	-0-
Water Quality Assurance Fee Fund	-0-	-0-	-0-
Department of Water Resources - Subtotal	<u>\$4,984,300</u>	<u>\$4,179,700</u>	<u>\$3,339,700</u>
<b>TOTAL - BIENNIAL AGENCIES</b>	<b>\$775,197,200</b>	<b>\$713,487,600</b>	<b>\$748,079,900</b>
<b>TOTAL - FEDERAL AND OTHER NON- APPROPRIATED FUND EXPENDITURES</b>	<b>\$5,486,519,100</b>	<b>\$5,820,413,700</b>	<b>\$5,866,993,300</b>
Total - Other Funds	2,286,987,200	2,436,761,300	2,460,500,300
Total - Federal Funds	3,199,531,900	3,383,652,400	3,406,493,000
<b>TOTAL - FEDERAL AND OTHER NON-APPROPRIATED EXPENDITURES</b>	<b><u>\$5,486,519,100</u></b>	<b><u>\$5,820,413,700</u></b>	<b><u>\$5,866,993,300</u></b>

- 1/ The non-appropriated biennial budget information is included in this listing to provide a complete picture of these monies, but these numbers have not been updated since last year. As a result, the FY 1995 column for the biennial budget units reflects an estimate, not an actual figure.
- 2/ The Joint Legislative Budget Committee approves the State Compensation Fund operating budget. The FY 1995 and FY 1996 amounts represent spending for calendar years 1994 and 1995. The Committee approved only a half-year funding for calendar 1995 so as to consider appropriating the Fund on a fiscal year basis. To maintain comparability, however, the FY 1996 estimate has been adjusted to reflect funding for all of calendar year 1995.

NA - Expenditure estimates for this new fund are currently not available.



**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA DEPARTMENT OF ADMINISTRATION**

Agency Summary

ANALYST: Lynne Smith/Phil Case

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	68,553,400	83,823,500	48,397,400
Revenue	238,858,900	244,700,400	226,180,400
<b>TOTAL FUNDS AVAILABLE</b>	<u>307,412,300</u>	<u>328,523,900</u>	<u>274,577,800</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	189.9	181.5	101.0
Operating Subtotal	31,244,100	29,751,400	9,676,600
Special Line Items Total	191,751,600	216,648,300	221,147,300
<b>TOTAL FUNDS EXPENDED</b>	<u>222,995,700</u>	<u>246,399,700</u>	<u>230,823,900</u>
APPROPRIATIONS	3,100	2,156,000	1,200,000
TRANSFERS	590,000	1,390,500	1,410,000
BALANCE FORWARD	83,823,500	78,577,700	41,143,900

**ARIZONA OFFICE FOR AMERICANS WITH DISABILITIES ACT (ADA2000)**

A.R.S. § 35-142E

**Source of Revenue:** Federal grants and private contributions. The current Social Services Block Grant allocation from the Department of Economic Security expires in FY 1996.

**Purpose of Fund:** To assist the State of Arizona in the implementation and enforcement of the federal Americans with Disabilities Act (ADA). This includes providing resources and information to the private sector, serving as ADA coordinator for state agencies, and assisting other government entities.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	40,500	20,800	0
Revenue	253,600	253,600	253,600
<b>TOTAL FUNDS AVAILABLE</b>	<u>294,100</u>	<u>274,400</u>	<u>253,600</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	5.5	5.5	5.5
Operating Subtotal	273,300	274,400	253,600
<b>TOTAL FUNDS EXPENDED</b>	<u>273,300</u>	<u>274,400</u>	<u>253,600</u>
<b>BALANCE FORWARD</b>	20,800	0	0

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA DEPARTMENT OF ADMINISTRATION (Continued)**

**CO-OP STATE PURCHASING AGREEMENT (ADA4213)**

**A.R.S. § 35-142**

**Source of Revenue:** Annual subscription fees collected from local governments for microfiche published by the State Purchasing Office and fees collected from individuals for copies of public records.

**Purpose of Fund:** To provide microfiche of state purchasing information for local governments and to reproduce public records for local governments and the public.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	46,100	42,600	8,900
Revenue	<u>57,300</u>	<u>54,600</u>	<u>54,600</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>103,400</b>	<b>97,200</b>	<b>63,500</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>60,800</u>	<u>88,300</u>	<u>52,000</u>
<b>TOTAL FUNDS EXPENDED</b>	<b>60,800</b>	<b>88,300</b>	<b>52,000</b>
<b>BALANCE FORWARD</b>	42,600	8,900	11,500

**COP BUILDING OPERATING & MAINTENANCE FUND (ADA1025)**

**A.R.S. § 35-142**

**Source of Revenue:** Charges to agencies for operations and maintenance costs associated with the occupancy of state Certificate of Participation (COP) [lease-purchase] buildings located away from the Capitol Mall.

**Purpose of Fund:** To provide operations and maintenance services for state lease-purchase buildings located away from the Capitol Mall. This is a newly established fund.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	28,500	16,300
Revenue	<u>1,322,100</u>	<u>1,338,200</u>	<u>1,338,200</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>1,322,100</b>	<b>1,366,700</b>	<b>1,354,500</b>

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA DEPARTMENT OF ADMINISTRATION (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	18.0	15.0	15.0
Operating Subtotal	<u>1,293,600</u>	<u>1,350,400</u>	<u>1,350,400</u>
TOTAL FUNDS EXPENDED	<u>1,293,600</u>	<u>1,350,400</u>	<u>1,350,400</u>
BALANCE FORWARD	28,500	16,300	4,100

**EMERGENCY TELECOMMUNICATIONS REVOLVING (ADA2176)**

**A.R.S. § 41-702.01**

**Source of Revenue:** Receipts from the telecommunications services excise tax (up to 1½% of gross sales) levied against monthly telephone bills and remitted by the telephone companies, as authorized by A.R.S. § 41-1472, and interest which accrues to the fund.

**Purpose of Fund:** To implement and operate emergency telecommunication services (911) through political subdivisions of the state. The funds may be used for necessary equipment and services, consulting services (up to 3% of revenue), and monthly recurring costs for capital, maintenance, and operations.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward	3,433,800	3,897,300	4,032,000
Revenue	<u>5,874,400</u>	<u>6,106,000</u>	<u>6,225,500</u>
TOTAL FUNDS AVAILABLE	9,308,200	10,003,300	10,257,500
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Operating Subtotal	54,100	156,000	156,700
Distributions to Local Governments	5,356,800	5,815,300	6,080,800
TOTAL FUNDS EXPENDED	<u>5,410,900</u>	<u>5,971,300</u>	<u>6,237,500</u>
BALANCE FORWARD	3,897,300	4,032,000	4,020,000

**EMPLOYEE RELATED EXPENDITURES/BENEFITS ADMINISTRATION (AAA3035)**

**A.R.S. § 38-651**

**Source of Revenue:** Employer contributions for life, accident, and dismemberment insurance and employee contributions for a "cafeteria" employee benefit plan. The cafeteria plan includes vision, short-term disability, long-term disability, and supplemental life insurance.

**Purpose of Fund:** To pay claims for state employee benefit plans (other than health insurance).

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA DEPARTMENT OF ADMINISTRATION (Continued)**

**EMPLOYEE RELATED EXPENDITURES/BENEFITS ADMINISTRATION (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	2,134,200	2,016,800	2,026,800
Revenue	12,029,900	12,100,000	13,000,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>14,164,100</u>	<u>14,116,800</u>	<u>15,026,800</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Insurance Premiums	12,147,300	12,090,000	12,980,000
<b>TOTAL FUNDS EXPENDED</b>	<u>12,147,300</u>	<u>12,090,000</u>	<u>12,980,000</u>
<b>BALANCE FORWARD</b>	2,016,800	2,026,800	2,046,800

**HEALTH ADMINISTRATION & BENEFIT INSURANCE TRUST (AAA3161)** **A.R.S. § 38-652**

**Source of Revenue:** Monies received from insurance carriers and interest. Currently, this applies only to NAU's Blue Cross policy.

**Purpose of Fund:** To provide benefits for employees participating in health and accident insurance or to offset employee contributions.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	2,605,700	3,613,200	3,149,000
Revenue	1,579,900	164,900	141,700
<b>TOTAL FUNDS AVAILABLE</b>	<u>4,185,600</u>	<u>3,778,100</u>	<u>3,290,700</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	572,400	629,100	629,100
<b>TOTAL FUNDS EXPENDED</b>	<u>572,400</u>	<u>629,100</u>	<u>629,100</u>
<b>BALANCE FORWARD</b>	3,613,200	3,149,000	2,661,600

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA DEPARTMENT OF ADMINISTRATION (Continued)**

**MOTOR POOL REVOLVING (ADA4204)**

A.R.S. § 41-804

**This fund is recommended for transfer to appropriated status and is included in the FY 1997 JLBC Staff budget recommendations for the department.**

**Source of Revenue:** Charges to agencies for use of state motor pool vehicles and related services and receipts from the sale of assets.

**Purpose of Fund:** To acquire, maintain, and coordinate state motor pool vehicles for use by state agencies.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward <sup>1/</sup>	14,608,800	17,510,900	0
Revenue	<u>9,189,200</u>	<u>7,930,900</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>23,798,000</b>	<b>25,441,800</b>	<b>0</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>38.5</u>	<u>21.3</u>	<u>0.0</u>
Operating Subtotal	10,107,200	7,590,700	0
GAAP Offset <sup>2/</sup>	<u>(3,820,100)</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNDS EXPENDED</b>	<b>6,287,100</b>	<b>7,590,700</b>	<b>0</b>
<b>BALANCE FORWARD <sup>1/</sup></b>	<b>17,510,900</b>	<b>17,851,100</b>	<b>0</b>

<sup>1/</sup> The Balance Forward reflects the fund balance, which includes the value of assets. The FY 1995 year-end cash balance was \$3,171,300.

<sup>2/</sup> The GAAP Offset reflects adjustments made by the General Accounting Office to present the financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The adjustment in this fund primarily reflects the addition of assets.

**PUBLIC BUILDINGS LAND EARNINGS (ADA3127)**

A.R.S. § 37-525

**Source of Revenue:** Monies received from interest on the Legislative, Executive, and Judicial Public Buildings Land Fund, as established through Arizona's Enabling Act, Section 25, and monies derived from the lease of these lands.

**Purpose of Fund:** To provide a continuous source of monies for Legislative, Executive, or Judicial Buildings erected in the state. These monies are subject to legislative appropriation. The JLBC Staff is recommending \$1,200,000 from this fund in FY 1997 for renovations to the Old Capitol.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,969,500	2,489,200	804,600
Revenue	<u>522,800</u>	<u>471,400</u>	<u>471,800</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>2,492,300</b>	<b>2,960,600</b>	<b>1,276,400</b>

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA DEPARTMENT OF ADMINISTRATION (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL FUNDS EXPENDED	<u>0</u>	<u>0</u>	<u>0</u>
APPROPRIATIONS: GOVERNOR'S OFFICE	0	1,953,900 <u>✓</u>	0
SENATE	0	200,000 <u>✓</u>	0
SUPREME COURT	3,100	2,100 <u>✓</u>	0
LEGISLATURE-OLD CAPITOL	0	0	1,200,000
BALANCE FORWARD	2,489,200	804,600	76,400

1/ Reflects remaining expenditure authority from non-lapsing prior year appropriations of \$253,900 for the Governor's Office and \$200,000 for the Senate (Laws 1991, Chapter 287), as well as \$2,100 for the Supreme Court (Laws 1993, Chapter 1, 2nd Special Session). Also reflects a new appropriation of \$1,700,000 to the Governor's Office (Laws 1995, Chapter 2, 1st Special Session).

**SPECIAL EMPLOYEE HEALTH INSURANCE TRUST (AAA3015)**

**A.R.S. § 38-654**

**Source of Revenue:** Employer and employee medical and dental insurance contributions.

**Purpose of Fund:** To administer state employee benefit plans, pay claims for state employee health insurance plans, and operate the Wellness and Communications program.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward			
Revenue	38,077,400	40,005,700	37,523,700
TOTAL FUNDS AVAILABLE	<u>190,370,200</u>	<u>197,577,200</u>	<u>198,780,600</u>
	228,447,600	237,582,900	236,304,300
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	15.5	19.5	19.5
Operating Subtotal	<u>1,928,200</u>	<u>2,516,200</u>	<u>2,577,200</u>
Medical and Dental Insurance Premiums	186,513,700	197,543,000	202,086,500
TOTAL FUNDS EXPENDED	<u>188,441,900</u>	<u>200,059,200</u>	<u>204,663,700</u>
BALANCE FORWARD	40,005,700	37,523,700	31,640,600

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA DEPARTMENT OF ADMINISTRATION (Continued)**

**SPECIAL SERVICES REVOLVING (ADA4208)**

**A.R.S. § 35-193**

**Source of Revenue:** Charges or payments from agencies using various centralized services operated by the agency. In addition, administrative funds for operation of the State Boards' Office flow through this fund.

**Purpose of Fund:** To enable the Arizona Department of Administration to provide office supplies, printing, office services, and other administrative or management services for agencies of state government.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	780,400	157,400	213,800
Revenue	<u>3,310,100</u>	<u>3,499,700</u>	<u>3,674,600</u>
<b>TOTAL FUNDS AVAILABLE</b>	4,090,500	3,657,100	3,888,400
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>29.8</u>	<u>34.0</u>	<u>34.0</u>
Operating Subtotal	3,493,800	3,443,300	3,579,500
GAAP Offset <sup>1/</sup>	439,300	0	0
<b>TOTAL FUNDS EXPENDED</b>	<u>3,933,100</u>	<u>3,443,300</u>	<u>3,579,500</u>
<b>BALANCE FORWARD</b>	157,400	213,800	308,900

<sup>1/</sup> The GAAP Offset reflects adjustments made by the General Accounting Office to present the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

**STATE EMPLOYEE RIDESHARE (ADA2261)**

**A.R.S. § 41-101.03**

**Source of Revenue:** Appropriations, grants, gifts, federal funds, and fees.

**Purpose of Fund:** To establish, operate, and administer a ride sharing program for the transportation of state employees between residence and place of work.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	40,600	65,300	19,200
Revenue	<u>231,900</u>	<u>189,000</u>	<u>190,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	272,500	254,300	209,200



**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA DEPARTMENT OF ADMINISTRATION (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Operating Subtotal	<u>207,200</u>	<u>235,100</u>	<u>205,800</u>
 TOTAL FUNDS EXPENDED	 <u>207,200</u>	 <u>235,100</u>	 <u>205,800</u>
 BALANCE FORWARD	 65,300	 19,200	 3,400

**SURPLUS PROPERTY - FEDERAL (ADA4215)**

**A.R.S. § 41-2606**

**Source of Revenue:** Receipts from the sale of federal surplus property and interest which accrues to the fund.

**Purpose of Fund:** To collect, store and administer the sale of federal surplus property. Uncommitted monies in excess of \$50,000 at the close of the fiscal year shall be returned to eligible agencies in the following fiscal year through discounted service and handling charges.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward <sup>1/</sup>			
Revenue	211,000	202,200	227,500
TOTAL FUNDS AVAILABLE	<u>309,500</u>	<u>302,200</u>	<u>317,300</u>
	520,500	504,400	544,800
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	7.2	7.2	7.2
Operating Subtotal	<u>318,300</u>	<u>276,900</u>	<u>283,300</u>
 TOTAL FUNDS EXPENDED	 <u>318,300</u>	 <u>276,900</u>	 <u>283,300</u>
 BALANCE FORWARD <sup>1/</sup>	 202,200	 227,500	 261,500

<sup>1/</sup> The Balance Forward reflects the fund balance, which includes the value of assets. The FY 1995 year-end cash balance was \$76,900.

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA DEPARTMENT OF ADMINISTRATION (Continued)**

**A.R.S. § 41-2606**

**SURPLUS PROPERTY - STATE (ADA4214)**

**Source of Revenue:** Receipts from the sale of state surplus property. A portion of the revenue is retained to cover operating costs; the balance is returned to donor agencies.

**Purpose of Fund:** To collect, store and administer the sale of surplus property. All uncommitted monies in excess of \$100,000 at the close of the fiscal year revert to the General Fund.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward <sup>1/</sup>	1,257,100	690,000	375,600
Revenue	1,160,600	1,650,000	1,732,500
<b>TOTAL FUNDS AVAILABLE</b>	<u>2,417,700</u>	<u>2,340,000</u>	<u>2,108,100</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	8.8	12.8	12.8
Operating Subtotal	787,100	573,900	589,000
GAAP Offset <sup>2/</sup>	350,600	0	0
<b>TOTAL FUNDS EXPENDED</b>	<u>1,137,700</u>	<u>573,900</u>	<u>589,000</u>
TRANSFERS TO DONOR AGENCIES	590,000	690,500	710,000
TRANSFERS TO GENERAL FUND	0	700,000	700,000
BALANCE FORWARD <sup>1/</sup>	690,000	375,600	109,100

- <sup>1/</sup> The Balance Forward reflects the fund balance, which includes the value of assets. The FY 1995 year-end cash balance was \$520,200, which consists of payments owed to donor agencies. No uncommitted monies were available for transfer in FY 1995.
- <sup>2/</sup> The GAAP Offset reflects adjustments made by the General Accounting Office to present the financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The FY 1995 amount primarily reflects adjustments for fixed assets and back payments to donor agencies.

**TELECOMMUNICATIONS (ADA4206)**

**A.R.S. § 41-802**

**This fund is recommended for transfer to appropriated status and is included in the FY 1997 JLBC Staff budget recommendations for the department.**

**Source of Revenue:** Charges to state agencies for telecommunications equipment and services.

**Purpose of Fund:** To enable the Arizona Department of Administration to acquire, operate and maintain a central telecommunications system and pay costs incurred for long-distance services.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward <sup>1/</sup>	3,328,300	13,059,700	0
Revenue	12,617,100	13,062,700	0
<b>TOTAL FUNDS AVAILABLE</b>	<u>15,945,400</u>	<u>26,122,400</u>	<u>0</u>

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA DEPARTMENT OF ADMINISTRATION (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	59.6	59.2	0.0
Operating Subtotal	<u>12,121,700</u>	<u>12,593,200</u>	<u>0</u>
GAAP Offset <sup>2/</sup>	(9,236,000)	1,200,000	0
TOTAL FUNDS EXPENDED	<u>2,885,700</u>	<u>13,793,200</u>	<u>0</u>
BALANCE FORWARD <sup>1/</sup>	13,059,700	12,329,200	0

<sup>1/</sup> The Balance Forward reflects the fund balance, which includes the value of assets. The FY 1995 year-end cash balance was \$2,014,000.

<sup>2/</sup> The GAAP Offset reflects adjustments made by the General Accounting Office to present the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

**VENDOR SERVICES (AAA2401)**

**A.R.S. § 35-142E**

**Source of Revenue:** Receipt of monies from individuals and businesses who request reports on unclaimed state warrants.

**Purpose of Fund:** To cover the costs of providing public record information on unclaimed warrants against state funds. This information is requested by individuals and businesses which locate the owners of unclaimed warrants and help them claim the monies in return for a percentage of the recovered amount.

Effective July 1, 1994 the expiration date of state warrants changed from 2 years after the date of issuance to 6 months after issuance. The department expects that upon the expiration of all warrants issued with a 2-year life, this type of request for reports on unclaimed warrants will stop and this fund can be eliminated.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward			
Revenue	20,000	23,900	0
	30,300	0	0
TOTAL FUNDS AVAILABLE	<u>50,300</u>	<u>23,900</u>	<u>0</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>26,400</u>	<u>23,900</u>	<u>0</u>
TOTAL FUNDS EXPENDED	<u>26,400</u>	<u>23,900</u>	<u>0</u>
BALANCE FORWARD	23,900	0	0

**Fiscal Year 1997 Non-Appropriated Funds**

**AHCCCS**

**Agency Summary**

**ANALYST: Michael Bradley/Jeffrey Schmied**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE <sup>1/</sup></b>			
Balance Forward	5,159,500	43,949,200	94,862,500
Revenue	<u>1,228,744,700</u>	<u>1,380,596,400</u>	<u>1,472,557,400</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>1,233,904,200</b>	<b>1,424,545,600</b>	<b>1,567,419,900</b>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>1,127.8</u>	<u>1,128.5</u>	<u>1,147.5</u>
Operating Subtotal	42,495,900	49,679,200	50,405,200
Special Line Items Total	<u>1,147,459,100</u>	<u>1,250,298,900</u>	<u>1,363,939,500</u>
<b>TOTAL FUNDS EXPENDED</b>	<b>1,189,955,000</b>	<b>1,299,978,100</b>	<b>1,414,344,700</b>
 <b>TRANSFERS</b>	0	29,705,000	30,955,000
<b>BALANCE FORWARD</b>	43,949,200	94,862,500	122,120,200

<sup>1/</sup> From the Tobacco Tax and Health Care Fund (RVA1306), the summary includes only amounts transferred to the AHCCCS Medically Needy Account (HCA1306) and Medically Needy and Medically Indigent Program Stabilization Fund (HCA3037).

**COUNTY CONTRIBUTIONS (HCA2120/Acute Care)(HCA2223/Long Term Care)**

**A.R.S. § 36-2912/Acute Care  
36-2953/Long Term Care**

**Source of Revenue:** Counties' contributions.

**Purpose of Fund:** Statutorily prescribed county contributions for the provision of acute medical and long term care services to AHCCCS eligible populations. County contributions and state General Fund appropriations serve as the state match for federal Medicaid (Title XIX) dollars.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	<u>186,204,600</u>	<u>192,800,200</u>	<u>208,566,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>186,204,600</b>	<b>192,800,200</b>	<b>208,566,500</b>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Acute Care	74,099,400	66,689,500	66,689,500
Long Term Care	<u>112,105,200</u>	<u>126,110,700</u>	<u>141,877,000</u>
<b>TOTAL FUNDS EXPENDED</b>	<b>186,204,600</b>	<b>192,800,200</b>	<b>208,566,500</b>
 <b>BALANCE FORWARD</b>	0	0	0

**Fiscal Year 1997 Non-Appropriated Funds**

**AHCCCS (Continued)**

**FEDERAL FUNDS (HCA2120/Acute Care)(HCA2223/Long Term Care)** **A.R.S. § 36-2913/Acute Care  
36-2953/Long Term Care**

**Source of Revenue:** Federal government through the Department of Health & Human Services, Health Care Finance Administration.

**Purpose of Fund:** Federal match for AHCCCS administrative costs and for the provision of acute and long term care services to categorically eligible populations.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	978,691,700	1,063,210,600	1,125,280,200
<b>TOTAL FUNDS AVAILABLE</b>	<u>978,691,700</u>	<u>1,063,210,600</u>	<u>1,125,280,200</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	1,117.8	1,116.5	1,133.5
Operating Subtotal	<u>41,974,900</u>	<u>49,087,700</u>	<u>49,657,800</u>
Administration Special Line Items, CRS	19,288,700	21,154,200	20,761,000
Acute Care	695,511,400	746,597,000	778,042,400
Long Term Care	<u>221,916,700</u>	<u>246,371,700</u>	<u>276,819,000</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>978,691,700</u>	<u>1,063,210,600</u>	<u>1,125,280,200</u>
 <b>BALANCE FORWARD</b>	0	0	0

**HEALTH CARE GROUP MEDICAL PREMIUMS (HCA3197)** **A.R.S. § 36-2913**

**Source of Revenue:** Monthly administrative charge (\$4) and premiums paid by employers and employees enrolled in the Health Care Group.

**Purpose of Fund:** To pay administration costs of the Health Care Group, AHCCCS' health insurance plan for small business. Fund also used to pay medical claims of enrolled members.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	2,908,000	4,272,000	5,023,400
Revenue	20,167,300	30,594,600	47,351,300
<b>TOTAL FUNDS AVAILABLE</b>	<u>23,075,300</u>	<u>34,866,600</u>	<u>52,374,700</u>

**Fiscal Year 1997 Non-Appropriated Funds**

**AHCCCS (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	10.0	12.0	14.0
Operating Subtotal	521,000	591,500	747,400
Claims Payments	18,282,300	29,251,700	45,340,100
<b>TOTAL FUNDS EXPENDED</b>	<b>18,803,300</b>	<b>29,843,200</b>	<b>46,087,500</b>
<b>BALANCE FORWARD</b>	<b>4,272,000</b>	<b>5,023,400</b>	<b>6,287,200</b>

**THIRD PARTY COLLECTIONS (HCA3791/Acute Care)(HCA3019/Long Term Care)**

**A.R.S. § 36-2913**

**Source of Revenue:** Collections from third-party payors, and sanctions on counties for eligibility errors in the Medically Needy/Medically Indigent program.

**Purpose of Fund:** To provide acute medical services to AHCCCS members.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward	2,251,500	1,664,500	1,230,800
Revenue	4,665,400	5,445,800	5,715,400
<b>TOTAL FUNDS AVAILABLE</b>	<b>6,916,900</b>	<b>7,110,300</b>	<b>6,946,200</b>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Collection Agency Share	867,800	995,300	1,111,200
Returned to Health Plans	1,148,500	1,222,700	1,243,200
General Fund Offset	2,023,200	2,346,100	2,528,100
Federal Share/Other Disbursements	1,212,900	1,315,400	1,340,500
<b>TOTAL FUNDS EXPENDED</b>	<b>5,252,400</b>	<b>5,879,500</b>	<b>6,223,000</b>
<b>BALANCE FORWARD</b>	<b>1,664,500</b>	<b>1,230,800</b>	<b>723,200</b>

**Fiscal Year 1997 Non-Appropriated Funds**

**AHCCCS (Continued)**

**TOBACCO TAX AND HEALTH CARE FUND (RVA1306)**

**A.R.S. § 42-1241B**

**Source of Revenue:** The fund consists of all tax monies collected on cigarettes, cigars, smoking tobacco, plug tobacco, snuff and other forms of tobacco, and all interest earned on these monies, pursuant to A.R.S. § 42-1241B.

**Purpose of Fund:** The funds are distributed to the Arizona Health Care Cost Containment System (AHCCCS) for the Medically Needy Account (70%), the Arizona Department of Health Services (DHS) for the Health Education Account (23%) and the Health Research Account (5%), and the State Department of Corrections (DOC) for the Corrections Fund Adjustment Account (2%). Under A.R.S. § 41-1241C, the amount transferred to the Corrections Fund Adjustment Account is to reflect only the actual amount needed to offset decreases in the Corrections Fund resulting from lower tax revenues. Any unexpended Corrections Fund Adjustment Account amounts are to be transferred out proportionally to the other 3 accounts.

The following table summarizes the expenditures of each account receiving a distribution from the Tobacco Tax and Health Care Fund. The individual accounts are detailed in later sections: Corrections Fund in the State Department of Corrections; AHCCCS Medically Needy and AHCCCS Medically Needy and Medically Indigent (MNMI) Program Stabilization Accounts immediately following this table; DHS Health Education, DHS Health Research and DHS Medically Needy Accounts in the Department of Health Services.

<b>Tobacco Tax and Health Care Fund</b>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	50,805,400	102,810,300
Revenue	55,517,900	106,500,000	100,400,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>55,517,900</u>	<u>157,305,400</u>	<u>203,210,300</u>
<b>FUNDS EXPENDED</b>			
DOR Administration	380,500	426,800	329,400
<b>Corrections Fund</b>			
<b>FUNDS AVAILABLE</b>			
Transfer In - Tobacco Tax Fund <sup>1/</sup>	514,100	1,286,400	1,098,800
<b>AHCCCS Medically Needy Account</b>			
<b>FUNDS EXPENDED</b>			
Transplants	1,003,000	8,244,600	11,656,600
Private Hospital Reimbursement <sup>2/</sup>	0	0	10,000,000
Phase-Down of Quick Pay Discount <sup>2/</sup>	0	0	4,522,800
Offset Loss in Federal Funding <sup>2/</sup>	0	0	2,008,100
<b>TOTAL FUNDS EXPENDED</b>	<u>1,003,000</u>	<u>8,244,600</u>	<u>28,187,500</u>
<b>AHCCCS MNMI Stabilization Fund</b>			
<b>FUNDS AVAILABLE</b>			
Transfer In - Medically Needy Account <sup>3/</sup>	0	13,750,000	15,000,000
<b>DHS Health Education Account</b>			
<b>FUNDS EXPENDED</b>			
Administration and Program Costs	0	10,000,000	10,000,000
<b>DHS Health Research Account</b>			
<b>FUNDS EXPENDED</b>			
Disease Control Research Commission	2,814,900	4,832,300	4,535,800



**Fiscal Year 1997 Non-Appropriated Funds**

**AHCCCS (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>DHS Medically Needy Account</b>			
<b>FUNDS EXPENDED</b>			
Primary Care Programs	0	5,100,000	5,100,000
Qualifying Community Health Centers	0	5,100,000	5,100,000
Telemedicine	0	255,000	255,000
Mental Health Programs for Non-Title XIX	0	5,000,000	5,000,000
Detoxification Services	0	500,000	500,000
<b>TOTAL FUNDS EXPENDED</b>	<b>0</b>	<b>15,955,000</b>	<b>15,955,000</b>
<b>TOTAL EXPENDITURES</b>	<b>4,712,500</b>	<b>54,495,100</b>	<b>75,106,500</b>
<b>BALANCE FORWARD</b>	<b>50,805,400</b>	<b>102,810,300</b>	<b>128,103,800</b>

- 1/ These monies are transferred to the Corrections Fund where they are commingled with other revenue sources. Thus, these monies cannot be associated with a specific project's expenditures. They are included as expenditures for the purposes of this table.
- 2/ The JLBC Staff recommends funding these issues with Tobacco Tax monies in FY 1997. See AHCCCS - Acute Care narrative in the Proposed Budget FY 1997 Analysis and Recommendations for more details.
- 3/ These monies are transferred to the AHCCCS MNMI Program Stabilization Fund for use as outlined in Laws 1995, Chapter 275. The JLBC Staff is not currently projecting the expenditure of these monies but, they are included as expenditures for the purposes of this table.

**TOBACCO TAX AND HEALTH CARE FUND -  
MEDICALLY NEEDY ACCOUNT (HCA1306)**

**A.R.S. § 42-1241C**

**Source of Revenue:** The account receives 70 cents of each dollar deposited in the Tobacco Tax and Health Care Fund, administered by the Department of Revenue. The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account.

**Purpose of Fund:** Monies are used for health care services including, but not limited to, preventive care, transplants and the treatment of catastrophic illness or injury. Eligible recipients include persons statutorily determined to be medically indigent, medically needy, or low income children. A portion of the monies are transferred to the Department of Health Services (DHS) for statutorially established services, grant and pilot programs.

The JLBC Staff recommends using Tobacco Tax monies to eliminate the \$10,000,000 reduction of payments to private hospitals, to fund the state share of the Quick Pay Discount phase-down, and to offset the loss of federal funding due to a change in the federal matching rate. See AHCCCS - Acute Care narrative in the Proposed Budget FY 1997 Analysis and Recommendations for more details.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	38,012,700	74,858,300
Transfer In - DOR	39,015,700	74,795,200	70,644,000
<b>TOTAL FUNDS AVAILABLE</b>	<b>39,015,700</b>	<b>112,807,900</b>	<b>145,502,300</b>

**Fiscal Year 1997 Non-Appropriated Funds**

**AHCCCS (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Transplants	1,003,000	8,244,600	11,656,600
Private Hospital Reimbursement	0	0	10,000,000
Phase-Down of Quick Pay Discount	0	0	4,522,800
Offset Loss in Federal Funding	0	0	2,008,100
TOTAL FUNDS EXPENDED	<u>1,003,000</u>	<u>8,244,600</u>	<u>28,187,500</u>
TRANSFER TO AHCCCS-MNMI STABILIZATION	0	13,750,000	15,000,000
TRANSFER TO DHS	0	15,955,000	15,955,000
BALANCE FORWARD	38,012,700	74,858,300	86,359,800

<b>TOBACCO TAX AND HEALTH CARE FUND - MEDICALLY NEEDY AND MEDICALLY INDIGENT PROGRAM STABILIZATION FUND (HCA3037)</b>	<b>A.R.S. § 36-2922</b>
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**Source of Revenue:** Monthly transfer of \$1,250,000 from Tobacco Tax and Health Care Fund-Medically Needy Account.

**Purpose of Fund:** To offset unanticipated increases above the appropriated amount in the cost of providing health care services to persons statutorily determined to be medically indigent, medically needy or low income children.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward	0	0	13,750,000
Transfer In - AHCCCS-MEDICALLY NEEDY	0	13,750,000	15,000,000
TOTAL FUNDS AVAILABLE	<u>0</u>	<u>13,750,000</u>	<u>28,750,000</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL FUNDS EXPENDED	<u>0</u>	<u>0</u>	<u>0</u>
BALANCE FORWARD	0	13,750,000	28,750,000

**Fiscal Year 1997 Non-Appropriated Funds**

**STATE BOARD OF DIRECTORS FOR COMMUNITY COLLEGES**

Agency Summary

ANALYST: Bruce Groll/Lynne Smith

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	184,900	527,600	254,300
Revenue	<u>3,131,000</u>	<u>3,096,900</u>	<u>3,092,900</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>3,315,900</u>	<u>3,624,500</u>	<u>3,347,200</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>3.0</u>	<u>2.5</u>	<u>2.5</u>
Operating Subtotal	<u>2,651,500</u>	<u>3,230,000</u>	<u>2,946,300</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>2,651,500</u>	<u>3,230,000</u>	<u>2,946,300</u>
APPROPRIATIONS	136,800	140,200	140,600
<b>BALANCE FORWARD</b>	527,600	254,300	260,300

**CERTIFICATION FUND (CMA2009)**

**A.R.S. § 15-1425**

**Source of Revenue:** Fees from persons applying to be certified as instructional staff and eligible to teach at community colleges.

**Purpose of Fund:** To defray the costs of the certification process.

	<u>FY 1995</u>	<u>1/</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>				
Balance Forward	98,900		172,400	177,400
Revenue	<u>210,300</u>		<u>145,200</u>	<u>145,200</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>309,200</u>		<u>317,600</u>	<u>322,600</u>
<b>FUNDS EXPENDED</b>				
<i>Full Time Equivalent Positions</i>	<u>0.0</u>		<u>0.0</u>	<u>0.0</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>		<u>0</u>	<u>0</u>
APPROPRIATIONS	136,800		140,200	140,600
<b>BALANCE FORWARD</b>	172,400		177,400	182,000

1/ The Legislature appropriated the Certification Fund beginning FY 1995. See the Community Colleges section of the FY 1995 Appropriations Report for further detail.

**Fiscal Year 1997 Non-Appropriated Funds**

**STATE BOARD OF DIRECTORS FOR COMMUNITY COLLEGES (Continued)**

<b>FEDERAL GRANTS (CMA2000)</b>	<b>A.R.S. § 15-1424</b>
<b>Source of Revenue:</b> Federal Grants.	
<b>Purpose of Fund:</b> To fund various federal projects in the areas of adult training, articulation, literacy, vocational training, and English proficiency.	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	57,900	325,700	46,000
Revenue	2,919,300	2,950,300	2,946,300
<b>TOTAL FUNDS AVAILABLE</b>	<u>2,977,200</u>	<u>3,276,000</u>	<u>2,992,300</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	3.0	2.5	2.5
Operating Subtotal	<u>2,651,500</u>	<u>3,230,000</u>	<u>2,946,300</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>2,651,500</u>	<u>3,230,000</u>	<u>2,946,300</u>
<b>BALANCE FORWARD</b>	325,700	46,000	46,000

<b>LES ARIES MEMORIAL (CMA3321)</b>	<b>A.R.S. § 15-1424</b>
<b>Source of Revenue:</b> Interest on investment of principal, the source of which is private donations.	
<b>Purpose of Fund:</b> To provide scholarships to community college students pursuing an education in real estate.	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	28,100	29,500	30,900
Revenue	1,400	1,400	1,400
<b>TOTAL FUNDS AVAILABLE</b>	<u>29,500</u>	<u>30,900</u>	<u>32,300</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>BALANCE FORWARD</b>	29,500	30,900	32,300

**Fiscal Year 1997 Non-Appropriated Funds**

**STATE COMPENSATION FUND**

Agency Summary

ANALYST: Jeffrey Schmied

**STATE COMPENSATION FUND (NO FUND NUMBER)**

**A.R.S. § 23-981**

**Source of Revenue:** Workers' compensation insurance premiums; investment income, including capital gains; other income.

**Purpose of Fund:** The State Compensation Fund is established for the purpose of insuring employers against liability for workers' compensation, occupational disease compensation and medical, surgical and hospital benefits pursuant to the provisions of Arizona and federal statutes.

By statute, the State Compensation Fund's operating and capital outlay budget is prepared on a calendar year basis and submitted for review and approval by the Joint Legislative Budget Committee.

	<u>CY 1994</u>	<u>CY 1995</u>	<u>CY 1996</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	177,676,800	177,298,100	222,298,100
Revenue	473,201,000	494,000,000	517,800,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>650,877,800</u>	<u>671,298,100</u>	<u>740,098,100</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	728.0	734.0	744.0
Operating Subtotal	34,282,600	34,451,200	35,438,800
Special Line Items	10,728,200	12,927,500	13,562,100
Compensation and Medical Benefits	343,740,500	341,400,000	349,000,000
Policyholder Dividends	50,000,000	50,000,000	70,000,000
Accounting Adjustments	34,828,400	10,221,300	10,000,000
<b>TOTAL FUNDS EXPENDED</b>	<u>473,579,700</u>	<u>449,000,000</u>	<u>478,000,900</u>
 <b>BALANCE FORWARD</b>	177,298,100	222,298,100	262,097,200

**Fiscal Year 1997 Non-Appropriated Funds**

**STATE DEPARTMENT OF CORRECTIONS**

Agency Summary

ANALYST: Lorenzo Martinez/Karen Bock

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	6,581,100	7,176,900	10,920,800
Revenue	28,239,100	33,047,800	35,305,300
<b>TOTAL FUNDS AVAILABLE</b>	<u>34,820,200</u>	<u>40,224,700</u>	<u>46,226,100</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	63.0	64.0	68.0
Operating Subtotal	<u>21,443,300</u>	<u>23,904,300</u>	<u>25,712,200</u>
Special Line Items Total	2,458,000	2,479,600	2,496,500
<b>TOTAL FUNDS EXPENDED</b>	<u>23,901,300</u>	<u>26,383,900</u>	<u>28,208,700</u>
APPROPRIATIONS	2,658,000	1,000,000	1,200,000
TRANSFERS	1,084,000	1,920,000	1,800,000
BALANCE FORWARD	7,176,900	10,920,800	15,017,400

**ALCOHOL ABUSE TREATMENT (DCA2204)**

A.R.S. § 36-2005

**Source of Revenue:** Inmate earnings from work contracts with city, county, state, and federal governmental agencies. The average inmate labor charge is \$0.50 per hour.

**Purpose of Fund:** Monies are used for the treatment of Driving While Intoxicated inmates, including the purchase of necessary materials and related equipment. Specialized services are provided to inmates who are ordered by the courts to undergo such treatment programs, but do not have the financial ability to pay for their treatment.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	376,900	406,600	299,000
Revenue	230,200	230,200	230,200
<b>TOTAL FUNDS AVAILABLE</b>	<u>607,100</u>	<u>636,800</u>	<u>529,200</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>101,200</u>	<u>233,500</u>	<u>153,600</u>
Work Incentive Pay Plan	99,300	104,300	106,400
<b>TOTAL FUNDS EXPENDED</b>	<u>200,500</u>	<u>337,800</u>	<u>260,000</u>
<b>BALANCE FORWARD</b>	406,600	299,000	269,200

**Fiscal Year 1997 Non-Appropriated Funds**

**STATE DEPARTMENT OF CORRECTIONS (Continued)**

**ARIZONA CORRECTIONAL INDUSTRIES REVOLVING (DCA4002)**

**A.R.S. § 41-1624**

**Source of Revenue:** Sale of Arizona Correctional Industries (ACI) goods and services and interest earnings.

**Purpose of Fund:** Monies are used to compensate state employees and inmates employed at ACI; purchase materials for the manufacture of goods for resale, equipment, and supplies, maintain and repair ACI's buildings and equipment; and pay other associated ACI operational costs.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	2,946,700	3,125,700	5,289,700
Revenue	<u>9,617,600</u>	<u>12,973,300</u>	<u>14,265,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>12,564,300</b>	<b>16,099,000</b>	<b>19,555,200</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>58.0</u>	<u>59.0</u>	<u>63.0</u>
Operating Subtotal	<u>9,438,600</u>	<u>10,809,300</u>	<u>11,890,300</u>
<b>TOTAL FUNDS EXPENDED</b>	<b>9,438,600</b>	<b>10,809,300</b>	<b>11,890,300</b>
<b>BALANCE FORWARD</b>	<b>3,125,700</b>	<b>5,289,700</b>	<b>7,664,900</b>

**CORRECTIONS FUND - ADJUSTMENT ACCOUNT (RVA1306)**

**A.R.S. § 42-1241**

**Source of Revenue:** The account receives two cents of each dollar deposited in the Tobacco Tax and Health Care Fund administered by the Department of Revenue (DOR).

**Purpose of Fund:** Serves as a holding account for monies to be transferred to the Corrections Fund to compensate for decreases in the Corrections Fund resulting from lower tobacco tax revenues available under A.R.S. § 41-1204.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	<u>1,084,000</u>	<u>1,920,000</u>	<u>1,800,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>1,084,000</b>	<b>1,920,000</b>	<b>1,800,000</b>



**Fiscal Year 1997 Non-Appropriated Funds**

**STATE DEPARTMENT OF CORRECTIONS (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL FUNDS EXPENDED	<u>0</u>	<u>0</u>	<u>0</u>
TRANSFERS	1,084,000 <sup>1/</sup>	1,920,000 <sup>2/</sup>	1,800,000 <sup>2/</sup>
BALANCE FORWARD	0	0	0

<sup>1/</sup> Of this amount, \$514,100 was transferred to the Corrections Fund. See AHCCCS for more details.  
<sup>2/</sup> The Department of Revenue will determine the distribution, pursuant to statute, of these monies.

**CRIMINAL JUSTICE ENHANCEMENT (DCA2035)** A.R.S. § 41-2401

**Source of Revenue:** The fund receives 11.95% of Criminal Justice Enhancement Fund (CJEF) monies.

**Purpose of Fund:** Under the supervision of DOC, monies are distributed to counties for training of detention officers, county jail operational enhancements, and DOC administrative expenses.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward	29,900	15,100	15,100
Revenue	<u>2,413,400</u>	<u>2,450,000</u>	<u>2,450,000</u>
TOTAL FUNDS AVAILABLE	2,443,300	2,465,100	2,465,100
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Operating Subtotal	<u>69,500</u>	<u>74,700</u>	<u>75,000</u>
Distributions to Counties	2,358,700	2,375,300	2,390,100
TOTAL FUNDS EXPENDED	<u>2,428,200</u>	<u>2,450,000</u>	<u>2,465,100</u>
BALANCE FORWARD	15,100	15,100	0

**DONATIONS (DCA3147)** A.R.S. § 41-1605

**Source of Revenue:** Private grants and disposal of donated properties.

**Purpose of Fund:** General uses as specified by the particular donation.

**Fiscal Year 1997 Non-Appropriated Funds**

**STATE DEPARTMENT OF CORRECTIONS (Continued)**

**DONATIONS (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	3,400	13,800	24,200
Revenue	<u>26,200</u>	<u>26,200</u>	<u>26,200</u>
<b>TOTAL FUNDS AVAILABLE</b>	29,600	40,000	50,400
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	15,800	15,800	15,800
 <b>TOTAL FUNDS EXPENDED</b>	<u>15,800</u>	<u>15,800</u>	<u>15,800</u>
 <b>BALANCE FORWARD</b>	13,800	24,200	34,600

**STATE EDUCATION FUND FOR CORRECTIONAL EDUCATION (DCA2001)**

**A.R.S. § 15-1371**

**Source of Revenue:** State equalization assistance and other monies from the Department of Education.

**Purpose of Fund:** Provide education to pupils under the age of eighteen years and pupils with disabilities who are age twenty-one or younger and who are committed to the Department of Corrections.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	29,400	0
Revenue	<u>29,400</u>	<u>0</u>	<u>438,600</u>
<b>TOTAL FUNDS AVAILABLE</b>	29,400	29,400	438,600
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	0	29,400	438,600
 <b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>29,400</u>	<u>438,600</u>
 <b>BALANCE FORWARD</b>	29,400	0	0

**Fiscal Year 1997 Non-Appropriated Funds**

**STATE DEPARTMENT OF CORRECTIONS (Continued)**

<b>FEDERAL (DCA2000)</b>	<b>A.R.S. § 35-142</b>
<b>Source of Revenue:</b> Federal Grants.	
<b>Purpose of Fund:</b> Grant monies provide funding for inmate education including reading, math, and life skills, and school breakfast and lunch programs.	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	31,100	65,500	173,000
Revenue	108,300	242,500	293,700
<b>TOTAL FUNDS AVAILABLE</b>	<u>139,400</u>	<u>308,000</u>	<u>466,700</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Operating Subtotal	<u>73,900</u>	<u>135,000</u>	<u>185,200</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>73,900</u>	<u>135,000</u>	<u>185,200</u>
<b>BALANCE FORWARD</b>	65,500	173,000	281,500

<b>INDIRECT COST FUND (DCA2001)</b>	<b>A.R.S. § 41-1605</b>
<b>Source of Revenue:</b> Transfers from various federal grants.	
<b>Purpose of Fund:</b> Funds are used to cover overhead costs for various projects.	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	12,700	3,900	600
Revenue	1,700	1,700	1,700
<b>TOTAL FUNDS AVAILABLE</b>	<u>14,400</u>	<u>5,600</u>	<u>2,300</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>10,500</u>	<u>5,000</u>	<u>2,000</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>10,500</u>	<u>5,000</u>	<u>2,000</u>
<b>BALANCE FORWARD</b>	3,900	600	300

**Fiscal Year 1997 Non-Appropriated Funds**

**STATE DEPARTMENT OF CORRECTIONS (Continued)**

**INMATE CARE REVOLVING (DCA2089)**

**A.R.S. § 41-1605**

**Source of Revenue:** Funds received from state and federal governments for room and board of inmates being held in DOC institutions.

**Purpose of Fund:** Funds are used to support inmates through the interstate compact agreement, and for transportation of inmates to and from the sending entity.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	11,100	11,100	0
Revenue	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>11,100</b>	<b>11,100</b>	<b>0</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	0	11,100	0
<b>TOTAL FUNDS EXPENDED</b>	<b>0</b>	<b>11,100</b>	<b>0</b>
<b>BALANCE FORWARD</b>	<b>11,100</b>	<b>0</b>	<b>0</b>

**PENITENTIARY LAND EARNINGS (DCA3140)**

**A.R.S. § 37-525**

**Source of Revenue:** Monies received from interest on the Penitentiary Land Fund, as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.

In addition to the land earnings shown, land lease payments by the Adobe Mountain and Black Canyon Juvenile Institutions are deposited to this fund. The lease payments are funded by a General Fund appropriation. To avoid duplication of accounting, the General Fund amount of lease payments for the Adobe Mountain and Black Canyon Institutions have been excluded for the purposes of this presentation. The actual and estimated lease payments are: FY 1995 - \$907,000; FY 1996 - \$934,200; and FY 1997 - \$934,200.

**Purpose of Fund:** To provide a continuous source of monies for the benefit and support of state penitentiaries. The department uses appropriations from this fund for building maintenance.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	751,300	29,000	186,700
Revenue	<u>1,211,700</u>	<u>1,185,000</u>	<u>1,150,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>1,963,000</b>	<b>1,214,000</b>	<b>1,336,700</b>

**Fiscal Year 1997 Non-Appropriated Funds**

**STATE DEPARTMENT OF CORRECTIONS (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>19,300</u>	<u>27,300</u>	<u>0</u>
TOTAL FUNDS EXPENDED	<u>19,300</u>	<u>27,300</u>	<u>0</u>
APPROPRIATIONS	1,914,700 <sup>1/</sup>	1,000,000	1,000,000
BALANCE FORWARD	29,000	186,700	336,700

<sup>1/</sup> This amount includes \$914,700 from prior years' appropriations.

**PERMANENT TRAINING (DCA2215)** **A.R.S. § 41-1662**

**This fund is recommended for elimination.**

**Source of Revenue:** Federal monies received by the Department of Corrections (DOC) from Cochise Community College as a result of the Federal Job Training Partnership Act.

**Purpose of Fund:** Federal funds are passed to DOC, through Cochise Community College, to pay for assistance in training individuals certified eligible for the program. Funds are used to train individuals who have been forced from other career by layoffs or other economic hardship.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward	3,200	3,200	3,200
Revenue	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL FUNDS AVAILABLE	<u>3,200</u>	<u>3,200</u>	<u>3,200</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL FUNDS EXPENDED	<u>0</u>	<u>0</u>	<u>0</u>
BALANCE FORWARD	3,200	3,200	3,200

**Fiscal Year 1997 Non-Appropriated Funds**

**STATE DEPARTMENT OF CORRECTIONS (Continued)**

**RISK MANAGEMENT INSURANCE REIMBURSEMENT (DCA3748)**

**A.R.S. § 41-1605**

**Source of Revenue:** Funds from the Risk Management Revolving Fund administered by the Department of Administration.

**Purpose of Fund:** Reimbursements for losses of state property.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	43,700	42,600	37,600
Revenue	<u>113,700</u>	<u>110,000</u>	<u>110,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>157,400</u>	<u>152,600</u>	<u>147,600</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	<u>114,800</u>	<u>115,000</u>	<u>115,000</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>114,800</u>	<u>115,000</u>	<u>115,000</u>
<b>BALANCE FORWARD</b>	42,600	37,600	32,600

**SPECIAL SERVICES (DCA3187)**

**A.R.S. § 41-1604**

**Source of Revenue:** Profits from canteens, hobby shops, and commissions on telephone service.

**Purpose of Fund:** Fund monies are used for the benefit, education, and welfare of committed offenders, and operating expenses of canteens and hobby shops.

A major portion of the Special Service Fund is maintained in banks outside the state treasury system, and the transactions are not processed through the Arizona Financial Information System. As a result, the information for this fund is reported on an accrual accounting basis.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,264,100	2,812,100	4,184,700
Revenue	<u>13,021,200</u>	<u>13,564,400</u>	<u>14,224,900</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>14,285,300</u>	<u>16,376,500</u>	<u>18,409,600</u>

**Fiscal Year 1997 Non-Appropriated Funds**

**STATE DEPARTMENT OF CORRECTIONS (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>11,473,200</u>	<u>12,191,800</u>	<u>12,792,200</u>
TOTAL FUNDS EXPENDED	<u>11,473,200</u>	<u>12,191,800</u>	<u>12,792,200</u>
BALANCE FORWARD	2,812,100	4,184,700	5,617,400

**STATE CHARITABLE, PENAL, AND REFORMATORIES LAND EARNINGS (DCA3141)**

**A.R.S. § 37-525**

**Source of Revenue:** Twenty-five percent of monies received from interest on the State Charitable, Penal and Reformatory Institutions Land Fund, as established through Arizona's Enabling Act, Section 25, and 25% of monies derived from the rental of these lands and property.

**Purpose of Fund:** To provide a continuous source of monies for the benefit and support of state penal institutions.

Appropriations are used by the department for building maintenance.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward	1,107,000	607,000	707,000
Revenue	318,500	300,000	270,000
TOTAL FUNDS AVAILABLE	<u>1,425,500</u>	<u>907,000</u>	<u>977,000</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>75,200</u>	<u>200,000</u>	<u>0</u>
TOTAL FUNDS EXPENDED	<u>75,200</u>	<u>200,000</u>	<u>0</u>
APPROPRIATIONS	743,300 <sup>1/</sup>	0	200,000
BALANCE FORWARD	607,000	707,000	777,000

<sup>1/</sup> The amount includes \$743,300 from prior years' appropriations.

**Fiscal Year 1997 Non-Appropriated Funds**

**STATE DEPARTMENT OF CORRECTIONS (Continued)**

**VICTIMS' RIGHTS IMPLEMENTATION ASSISTANCE (DCA2001)**

**A.R.S. § 41-1605**

**Source of Revenue:** Grant from the Attorney General - Department of Law.

**Purpose of Fund:** Help offset the cost of notifying victims of inmate releases.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	3,600	0
Revenue	<u>38,200</u>	<u>44,500</u>	<u>44,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	38,200	48,100	44,500
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Operating Subtotal	34,600	48,100	44,500
<b>TOTAL FUNDS EXPENDED</b>	<u>34,600</u>	<u>48,100</u>	<u>44,500</u>
<b>BALANCE FORWARD</b>	3,600	0	0

**WORKERS' COMPENSATION LOSS CONTROL PLAN (DCA2001)**

**A.R.S. § 41-1605**

**Source of Revenue:** Loss control grant from the Department of Administration.

**Purpose of Fund:** Reduce Workers' Compensation costs through loss control and fully implement a more effective return to work program.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	8,300	0
Revenue	<u>25,000</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	25,000	8,300	0
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	16,700	8,300	0
<b>TOTAL FUNDS EXPENDED</b>	<u>16,700</u>	<u>8,300</u>	<u>0</u>
<b>BALANCE FORWARD</b>	8,300	0	0



**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND**

Agency Summary

ANALYST: Rachele Child/Stefan Shepherd

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	359,900	588,000	567,300
Revenue	<u>2,991,300</u>	<u>3,018,000</u>	<u>3,019,800</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>3,351,200</b>	<b>3,606,000</b>	<b>3,587,100</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>59.8</u>	<u>60.8</u>	<u>59.9</u>
Operating Subtotal	2,763,200	3,038,700	3,079,500
<b>TOTAL FUNDS EXPENDED</b>	<b>2,763,200</b>	<b>3,038,700</b>	<b>3,079,500</b>
<b>APPROPRIATIONS</b>	0	0	7,300
<b>BALANCE FORWARD</b>	588,000	567,300	500,300

**ENTERPRISE (SDA4222)**

A.R.S. § 15-1323

**Source of Revenue:** Monies received from fees, rentals and other charges from the non-school use of facilities.

**Purpose of Fund:** To defray the costs of renting those facilities (i.e. auditorium).

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,300	37,800	41,500
Revenue	<u>69,600</u>	<u>72,000</u>	<u>74,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>70,900</b>	<b>109,800</b>	<b>115,500</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Operating Subtotal	33,100	68,300	73,300
<b>TOTAL FUNDS EXPENDED</b>	<b>33,100</b>	<b>68,300</b>	<b>73,300</b>
<b>APPROPRIATIONS</b>	0	0	7,300
<b>BALANCE FORWARD</b>	37,800	41,500	34,900

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND (Continued)**

**FEDERAL GRANTS (SDA2000)**

**A.R.S. § 15-1303**

**Source of Revenue:** Federal Grants - Title I aid to schools; vocational rehabilitation; National School Lunch and Breakfast programs; Arizona deaf-blind project; preschool services; Arizona Early Intervention program.

**Purpose of Fund:** To be expended as stipulated by federal statutes authorizing the federal grants.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	245,200	334,400	406,700
Revenue	<u>1,309,300</u>	<u>1,229,300</u>	<u>934,300</u>
<b>TOTAL FUNDS AVAILABLE</b>	1,554,500	1,563,700	1,341,000
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>26.0</u>	<u>23.0</u>	<u>16.5</u>
Operating Subtotal	1,220,100	1,157,000	1,016,700
<b>TOTAL FUNDS EXPENDED</b>	<u>1,220,100</u>	<u>1,157,000</u>	<u>1,016,700</u>
<b>BALANCE FORWARD</b>	334,400	406,700	324,300

**NON-FEDERAL GRANTS (SDA2011)**

**A.R.S. § 15-1303**

**Source of Revenue:** Grants by private corporations and other state agencies.

**Purpose of Fund:** To accomplish specific projects of interest to the donor and the Arizona State Schools for the Deaf and the Blind.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	31,700	26,500	3,900
Revenue	<u>131,100</u>	<u>140,000</u>	<u>100,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	162,800	166,500	103,900
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>1.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	136,300	162,600	103,900
<b>TOTAL FUNDS EXPENDED</b>	<u>136,300</u>	<u>162,600</u>	<u>103,900</u>
<b>BALANCE FORWARD</b>	26,500	3,900	0

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND (Continued)**

**REGIONAL COOPERATIVES (SDA4221)**

**Laws 1987, Chapter 363**

**Source of Revenue:** Costs of educational and related services are paid by the school district in which the student resides through a tuition agreement. The costs of supplemental services are paid by all participating school districts through a basic membership agreement.

**Purpose of Fund:** Funds 3 regional service cooperatives for sensory impaired pupils. The cooperative program provides educational programs, related services, and supplemental services through the pooling of school district resources.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	81,700	189,300	115,200
Revenue	<u>1,401,400</u>	<u>1,491,700</u>	<u>1,826,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,483,100</u>	<u>1,681,000</u>	<u>1,941,700</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	31.8	36.8	42.4
Operating Subtotal	<u>1,293,800</u>	<u>1,565,800</u>	<u>1,800,600</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>1,293,800</u>	<u>1,565,800</u>	<u>1,800,600</u>
<b>BALANCE FORWARD</b>	189,300	115,200	141,100

**TRUST (SDA3148)**

**A.R.S. § 15-1303**

**Source of Revenue:** Monies received from private endowment, which are outside the control of the State Treasurer and are held by the ASDB Board.

**Purpose of Fund:** Spent at the discretion of Arizona State Schools for the Deaf and the Blind.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	<u>79,900</u>	<u>85,000</u>	<u>85,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>79,900</u>	<u>85,000</u>	<u>85,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>79,900</u>	<u>85,000</u>	<u>85,000</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>79,900</u>	<u>85,000</u>	<u>85,000</u>
<b>BALANCE FORWARD</b>	0	0	0

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ECONOMIC SECURITY**

Agency Summary

ANALYST: Marge Cawley/Rachelle Child

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	472,991,400	585,280,200	629,900,200
Revenue	<u>1,591,815,900</u>	<u>1,589,121,700</u>	<u>1,646,761,400</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>2,064,807,300</u>	<u>2,174,401,900</u>	<u>2,276,661,600</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>5,662.9</u>	<u>5,745.3</u>	<u>5,854.2</u>
Operating Subtotal	208,742,300	213,226,600	212,055,600
Special Line Items Total	<u>1,111,322,700</u>	<u>1,160,292,600</u>	<u>1,164,831,700</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>1,320,065,000</u>	<u>1,373,519,200</u>	<u>1,376,887,300</u>
APPROPRIATIONS	423,500	500,000	500,000
TRANSFERS	159,038,600	170,482,500	167,430,900
BALANCE FORWARD	585,280,200	629,900,200	731,843,400

**ARIZONA INDUSTRIES FOR THE BLIND (DEA4003)**

A.R.S. § 41-1975

**Source of Revenue:** Proceeds from sales of products of Arizona Industries for the Blind.

**Purpose of Fund:** To provide funds for the wages and salaries of production workers, inspectors, and other employees necessary for the operation of the training centers, workshops, or home industries; supplies, equipment or other incidental costs.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	723,400	533,500	540,000
Revenue	<u>5,149,500</u>	<u>7,440,800</u>	<u>7,440,800</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>5,872,900</u>	<u>7,974,300</u>	<u>7,980,800</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>65.0</u>	<u>65.0</u>	<u>65.0</u>
Operating Subtotal	2,039,000	2,466,900	2,466,900
Aid to Organizations	<u>3,659,500</u>	<u>4,967,400</u>	<u>4,967,400</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>5,698,500</u>	<u>7,434,300</u>	<u>7,434,300</u>
TRANSFERS	(359,100)	0	0
BALANCE FORWARD	533,500	540,000	546,500

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ECONOMIC SECURITY (Continued)**

**CAPITAL INVESTMENT (DEA2093)** **A.R.S. § 4-116**

**Source of Revenue:** Receipts received from club license and application fees by organizations selling spirituous liquor as defined in A.R.S. § 4-101.5.

**Purpose of Fund:** To be used by the Department of Mental Retardation (now DES, pursuant to A.R.S. § 36-551) for buildings, equipment and other capital investments.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward			
Revenue	144,400	206,300	173,200
	61,900	61,900	61,900
<b>TOTAL FUNDS AVAILABLE</b>	<b>206,300</b>	<b>268,200</b>	<b>235,100</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>			
Operating Subtotal	0.0	0.0	0.0
	27,600	95,000	95,000
<b>TOTAL FUNDS EXPENDED</b>	<b>27,600</b>	<b>95,000</b>	<b>95,000</b>
<b>TRANSFERS</b>	(27,600)	0	0
<b>BALANCE FORWARD</b>	206,300	173,200	140,100

**CHILD ABUSE PREVENTION (DEA2162)** **A.R.S. § 8-550.01**

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** A portion of the surcharge on the issuance of a marriage license or the filing for dissolution of marriage and all funds received through check-off contributions on the Arizona tax form.

**Purpose of Fund:** Provides financial assistance to community treatment programs benefitting abused children and their parents or guardians. Not more than 5% of the monies of the fund may be expended for administrative expenses related to the fund.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward			
Revenue	1,044,700	771,700	631,700
	656,400	656,400	656,400
<b>TOTAL FUNDS AVAILABLE</b>	<b>1,701,100</b>	<b>1,428,100</b>	<b>1,288,100</b>

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ECONOMIC SECURITY (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Operating Subtotal	52,000	52,000	52,000
Healthy Start	569,900	640,000	640,000
Other Prevention Activities	151,900	104,400	101,700
Administrative Adjustments	<u>68,700</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNDS EXPENDED</b>	<b>842,500</b>	<b>796,400</b>	<b>793,700</b>
TRANSFERS	86,900	0	0
BALANCE FORWARD	771,700	631,700	494,400

**CHILD PASSENGER RESTRAINT (DEA2192)**

**A.R.S. § 28-907**

**Source of Revenue:** Fines or penalties from parents, guardians or legal custodians who fail to sufficiently restrain children in motor vehicles, who are under the age of 4, or weigh less than 40 pounds.

**Purpose of Fund:** To purchase child passenger restraint systems and provide them to hospitals for loan to indigent persons.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	10,100	30,200	49,600
Revenue	<u>46,700</u>	<u>46,700</u>	<u>46,700</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>56,800</b>	<b>76,900</b>	<b>96,300</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Child Passenger Restraint Systems	26,600	27,300	27,300
<b>TOTAL FUNDS EXPENDED</b>	<b>26,600</b>	<b>27,300</b>	<b>27,300</b>
BALANCE FORWARD	30,200	49,600	69,000

**CHILD SUPPORT ENFORCEMENT (DEA3195)**

**A.R.S. § 46-406.A**

**Source of Revenue:** Funds received from child support collections through the Arizona Tracking and Locate Automated System (ATLAS).

**Purpose of Fund:** To provide for the distribution of child support collections to the appropriate recipients pursuant to court orders and other applicable laws. Fund will be eliminated once audited. Disposition of these funds will occur in the Child Support Enforcement Clearinghouse. The majority of these funds represent monies owed to the federal government.

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ECONOMIC SECURITY (Continued)**

**CHILD SUPPORT ENFORCEMENT (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	2,246,300	146,300	0
Revenue	(3,759,600)	0	0
<b>TOTAL FUNDS AVAILABLE</b>	<u>(1,513,300)</u>	<u>146,300</u>	<u>0</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Aid to Individuals	1,900	0	0
Administrative Adjustments	(1,661,500)	146,300	0
<b>TOTAL FUNDS EXPENDED</b>	<u>(1,659,600)</u>	<u>146,300</u>	<u>0</u>
<b>BALANCE FORWARD</b>	146,300	0	0

**CHILD SUPPORT ENFORCEMENT ADMINISTRATION (DEA2091)**

**A.R.S. § 46-406**

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** State Share of Retained Earnings from child support collections (SSRE) and federal incentives. Some SSRE is passed through to participating counties.

**Purpose of Fund:** To fund the statewide Child Support Enforcement Program.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	919,500	312,200	319,900
Revenue	10,079,500	11,439,400	10,578,600
<b>TOTAL FUNDS AVAILABLE</b>	<u>10,999,000</u>	<u>11,751,600</u>	<u>10,898,500</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>165.5</u>	<u>156.2</u>	<u>243.5</u>
Operating Subtotal	8,729,300	9,350,800	9,050,700
County Participation	337,500	1,430,400	1,527,900
Administrative Adjustments/Clearinghouse	1,039,700	193,200	0
Automation/Other	580,300	457,300	0
<b>TOTAL FUNDS EXPENDED</b>	<u>10,686,800</u>	<u>11,431,700</u>	<u>10,578,600</u>
<b>BALANCE FORWARD</b>	312,200	319,900	319,900

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ECONOMIC SECURITY (Continued)**

**A.R.S. § 41-1954**

**DES CLIENT TRUST (DEA3152)**

**Source of Revenue:** Monies collected from Social Security, Veterans' Administration benefits and other benefits payable to a child in the care, custody, or control of DES.

**Purpose of Fund:** To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,408,300	3,126,300	4,165,000
Revenue	3,232,300	2,500,000	2,500,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>4,640,600</u>	<u>5,626,300</u>	<u>6,665,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Aid to Individuals	570,700	1,461,300	1,791,300
Administrative Adjustments	30,600	0	0
<b>TOTAL FUNDS EXPENDED</b>	<u>601,300</u>	<u>1,461,300</u>	<u>1,791,300</u>
TRANSFERS	913,000	0	0
<b>BALANCE FORWARD</b>	3,126,300	4,165,000	4,873,700

**DEVELOPMENTALLY DISABLED CLIENT SERVICES TRUST (DEA2019)**

**A.R.S. § 36-572**

**Source of Revenue:** Proceeds from the sale or lease of the real property and buildings used by the department for the Arizona Training Program at Phoenix.

**Purpose of Fund:** To enhance services presently available to the developmentally disabled and to extend services to developmentally disabled persons not presently served.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	254,600	259,900	265,200
Revenue	5,300	5,300	5,300
<b>TOTAL FUNDS AVAILABLE</b>	<u>259,900</u>	<u>265,200</u>	<u>270,500</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>BALANCE FORWARD</b>	259,900	265,200	270,500



**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ECONOMIC SECURITY (Continued)**

**DOMESTIC VIOLENCE SHELTER (DES2160)**

**A.R.S. § 36-3001**

**Source of Revenue:** Fees from marriage licenses, marriage dissolutions and legal separations together with any federal monies or private grants, gifts or contributions.

**Purpose of Fund:** The monies in this fund are provided to qualified shelters for victims of domestic violence.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	436,900	524,400	0
Revenue	<u>887,600</u>	<u>299,800</u>	<u>824,200</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>1,324,500</b>	<b>824,200</b>	<b>824,200</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Grants to Providers	800,100	824,200	824,200
<b>TOTAL FUNDS EXPENDED</b>	<b>800,100</b>	<b>824,200</b>	<b>824,200</b>
<b>BALANCE FORWARD</b>	<b>524,400</b>	<b>0</b>	<b>0</b>

**ECONOMIC SECURITY DONATIONS (DEA3145)**

**A.R.S. § 36-571**

**Source of Revenue:** Grants, gifts, or bequests.

**Purpose of Fund:** Funds are disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest, and in accordance with A.R.S. § 35-149.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	76,900	79,400	70,300
Revenue	<u>28,400</u>	<u>28,800</u>	<u>28,800</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>105,300</b>	<b>108,200</b>	<b>99,100</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Aid to Individuals	13,300	37,900	37,900
Administrative Adjustments	1,100	0	0
<b>TOTAL FUNDS EXPENDED</b>	<b>14,400</b>	<b>37,900</b>	<b>37,900</b>
<b>TRANSFERS</b>	<b>11,500</b>	<b>0</b>	<b>0</b>
<b>BALANCE FORWARD</b>	<b>79,400</b>	<b>70,300</b>	<b>61,200</b>

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ECONOMIC SECURITY (Continued)**

**ECONOMIC SECURITY SPECIAL ADMINISTRATION (DEA2066)**

**A.R.S. § 23-705**

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** Interest charges and employers penalty fees assessed on late unemployment payments.

**Purpose of Fund:** To defray administration costs found not to have been properly and validly chargeable against federal grants or other funds. Through its decisions and actions, the U.S. Department of Labor considers the penalty funds to be state money and governed by state legislation.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	3,353,200	3,789,300	3,804,300
Revenue	<u>1,230,000</u>	<u>1,100,000</u>	<u>1,100,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>4,583,200</u>	<u>4,889,300</u>	<u>4,904,300</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>11.7</u>	<u>11.7</u>	<u>11.7</u>
Operating Subtotal	398,600	500,000	500,000
Employer Reimbursement	27,500	85,000	85,000
<b>TOTAL FUNDS EXPENDED</b>	<u>426,100</u>	<u>585,000</u>	<u>585,000</u>
<b>APPROPRIATIONS</b>	423,500	500,000	500,000
<b>TRANSFERS</b>	(55,700)	0	0
<b>BALANCE FORWARD</b>	3,789,300	3,804,300	3,819,300

**FEDERAL GRANTS (DEA2000)**

**A.R.S. § 41-101.01**

**Source of Revenue:** Federal grants.

**Purpose of Fund:** To be expended as stipulated by federal statutes authorizing the availability of the federal monies.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	26,686,200	56,974,700	0
Revenue	<u>1,193,931,500</u>	<u>1,162,738,200</u>	<u>1,206,198,900</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,220,617,700</u>	<u>1,219,712,900</u>	<u>1,206,198,900</u>

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ECONOMIC SECURITY (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	4,628.9	4,710.0	4,736.6
Operating Subtotal	<u>171,493,700</u>	<u>179,296,300</u>	<u>178,821,600</u>
Administrative Adjustments	465,478,500	465,478,500	465,478,500
Aid to Individuals	368,685,000	404,455,600	394,467,900
<b>TOTAL FUNDS EXPENDED</b>	<u>1,005,657,200</u>	<u>1,049,230,400</u>	<u>1,038,768,000</u>
<b>TRANSFERS</b>	157,985,800	170,482,500	167,430,900
<b>BALANCE FORWARD</b>	56,974,700	0	0

**FULL-EMPLOYMENT DEMONSTRATION PROJECT (NA)**

**A.R.S. § 41-2027**

**Source of Revenue:** Laws 1994, Chapter 301 established this fund to consist of legislative appropriations and federal monies. To avoid double counting, the legislative appropriations have not been included in this display, only the cash-out of Aid to Families with Dependent Children (AFDC) and Food Stamp benefits.

**Purpose of Fund:** To administer the 3-year Full Employment Demonstration Project, which replaces certain welfare benefits with guaranteed employment. The project will help people achieve self-sufficiency and be competitive in the work force.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	0	1,119,900	746,600
<b>TOTAL FUNDS AVAILABLE</b>	<u>0</u>	<u>1,119,900</u>	<u>746,600</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	4.0	4.0
Operating Subtotal	<u>0</u>	<u>1,119,900</u>	<u>746,600</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>1,119,900</u>	<u>746,600</u>
<b>BALANCE FORWARD</b>	0	0	0

**HOMELESS TRUST (DEA3026)**

**A.R.S. § 41-2021**

**Source of Revenue:** Unclaimed or void warrants, up to \$1 million, served as the initial source of financing. After the initial \$1 million, the sources of revenue will be donations and investment earnings.

**Purpose of Fund:** To provide funds for homeless shelter and supportive services. First year expenditures were limited to \$200,000. After the \$200,000 expenditure, yearly expenditures are limited to interest earned. Expenditures from this fund require a match of 25% by grantees.

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ECONOMIC SECURITY (Continued)**

**HOMELESS TRUST (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	889,700	875,500	883,800
Revenue	43,300	43,300	43,300
<b>TOTAL FUNDS AVAILABLE</b>	<u>933,000</u>	<u>918,800</u>	<u>927,100</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Aid to Organizations	31,400	35,000	35,000
Administrative Adjustment	4,700	0	0
<b>TOTAL FUNDS EXPENDED</b>	<u>36,100</u>	<u>35,000</u>	<u>35,000</u>
TRANSFERS	21,400	0	0
<b>BALANCE FORWARD</b>	875,500	883,800	892,100

**LEASE PURCHASES (ESA2197)**

**A.R.S. § 41-1958.01**

**This fund is recommended for elimination.**

**Source of Revenue:** Savings resulting from amounts budgeted for office space but not expended during the fiscal year due to the use of lease-purchasing financing. Other monies or proceeds designated for or appropriated to the fund by the Legislature.

**Purpose of Fund:** For initial and periodic payments of lease-purchase agreements the department entered into pursuant to A.R.S. § 41-1958.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	0	0	0
<b>TOTAL FUNDS AVAILABLE</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>BALANCE FORWARD</b>	0	0	0

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ECONOMIC SECURITY (Continued)**

<b>LONG TERM CARE (FEDERAL) (DEA2224)</b>	<b>A.R.S. § 36-2953</b>
<b>Source of Revenue:</b> Federal Title XIX monies, other federal monies, client revenue for room and board, third-party recovery, and interest.	
<b>Purpose of Fund:</b> To fund administrative and program costs associated with the Long Term Care System. Client Revenue is used to offset the cost of room and board, which is not reimbursed by the federal government.	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	15,577,000	7,030,400	7,030,400
Revenue	112,497,600	124,598,800	139,474,900
<b>TOTAL FUNDS AVAILABLE</b>	<u>128,074,600</u>	<u>131,629,200</u>	<u>146,505,300</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	790.6	797.2	792.2
Operating Subtotal	<u>25,994,500</u>	<u>20,337,700</u>	<u>20,314,800</u>
Aid to Individuals/Contract Costs	95,048,500	104,261,100	119,160,100
Administrative Adjustments	1,200	0	0
<b>TOTAL FUNDS EXPENDED</b>	<u>121,044,200</u>	<u>124,598,800</u>	<u>139,474,900</u>
 <b>BALANCE FORWARD</b>	 7,030,400	 7,030,400	 7,030,400

<b>MESA LAND (DEA3151)</b>	<b>A.R.S. § Laws 1976, Ch. 140</b>
<b>Source of Revenue:</b> Proceeds from the sale of donated land located in Mesa.	
<b>Purpose of Fund:</b> To be used for the establishment and operation of community-based, state-operated, residential group homes and/or habilitation and training facilities. The funds may not be used for the Arizona Training Centers in Coolidge and Tucson.	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	5,134,200	5,015,100	5,015,100
Revenue	240,800	180,000	180,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>5,375,000</u>	<u>5,195,100</u>	<u>5,195,100</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Room and Board	179,900	180,000	180,000
<b>TOTAL FUNDS EXPENDED</b>	<u>179,900</u>	<u>180,000</u>	<u>180,000</u>
 <b>TRANSFERS</b>	 180,000	 0	 0
<b>BALANCE FORWARD</b>	5,015,100	5,015,100	5,015,100

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ECONOMIC SECURITY (Continued)**

**NEIGHBORS HELPING NEIGHBORS (DEA2348)**

**A.R.S. § 46-749**

**Source of Revenue:** Includes contributions from income tax refunds and other donations, as well as interest earned on the fund's balance.

**Purpose of Fund:** To provide assistance in paying utility bills, conserving energy and weatherization to eligible individuals. Fund monies are available to designated community action or other agencies currently providing energy assistance services to eligible individuals. An amount of not more than 2% of the fund monies may be used by DES and an amount of not more than 8% of the fund monies may be used by the designated agencies for administrative costs.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	93,200	70,400	59,400
Revenue	<u>49,000</u>	<u>49,000</u>	<u>49,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>142,200</u>	<u>119,400</u>	<u>108,400</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Aid to Organizations	18,400	60,000	60,000
<b>TOTAL FUNDS EXPENDED</b>	<u>18,400</u>	<u>60,000</u>	<u>60,000</u>
TRANSFERS	53,400	0	0
BALANCE FORWARD	70,400	59,400	48,400

**PRIVATE DONATIONS AND RESOURCE DEVELOPMENT (DEA3202)**

**A.R.S. § 41-2013**

**Source of Revenue:** Private donations.

**Purpose of Fund:** Assist departmental programs that aid foster parents, volunteers, clients of the department and agencies, parents or guardians who care for clients of the department.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	500	200	0
Revenue	<u>100</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>600</u>	<u>200</u>	<u>0</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Aid to Individuals	0	200	0
Administrative Adjustments	400	0	0
<b>TOTAL FUNDS EXPENDED</b>	<u>400</u>	<u>200</u>	<u>0</u>
BALANCE FORWARD	200	0	0

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ECONOMIC SECURITY (Continued)**

**RATE PAYOR ASSISTANCE TRUST (DEA2347)**

**A.R.S. § 46-737**

**Source of Revenue:** A voluntary six-tenths of 1% annual mil assessment levied by participating utility companies and interest earned on their monies.

**Purpose of Fund:** Until FY 1999, any collected assessments will remain in the Trust Fund. After July 1, 1998, the interest earned on the monies in the Trust Fund in the prior fiscal year shall be transferred to a separate Rate Payor Assistance Fund. The Rate Payor Assistance Fund will assist eligible recipients who are in a crisis situation requiring utility bill assistance.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	0	0	0
<b>TOTAL FUNDS AVAILABLE</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>BALANCE FORWARD</b>	0	0	0

**SPECIAL OLYMPICS TAX REFUND (DEA3207)**

**A.R.S. § 41-173**

**Source of Revenue:** Includes contributions from income tax refunds and other donations, as well as interest earned on the fund's balance.

**Purpose of Fund:** To contract with a nonprofit entity for delivery of those services essential to the Arizona Special Olympics' programs and to cover the Department of Revenue's costs for administering the refund checkoff.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	73,600	70,000	70,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>73,600</u>	<u>70,000</u>	<u>70,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Aid to Individuals	73,600	70,000	70,000
<b>TOTAL FUNDS EXPENDED</b>	<u>73,600</u>	<u>70,000</u>	<u>70,000</u>
<b>BALANCE FORWARD</b>	0	0	0

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ECONOMIC SECURITY (Continued)**

**A.R.S. § 41-3203**

**SPINAL AND HEAD INJURIES TRUST (DEA2335)**

**Source of Revenue:** Revenues are generated from a 13% penalty assessment levied on every fine, penalty, and forfeiture collected by the Courts on traffic, motor vehicle, and game and fish statutes through the Medical Services Enhancement Fund (MSEF). The Spinal and Head Injuries Trust will receive 22% of the MSEF monies.

**Purpose of Fund:** Expended upon the approval of DES's Rehabilitation Services Administration only if other resources are not available or are not available in a timely manner for the following 5 purposes: 1) prevention and education; 2) rehabilitation, transitional living and equipment necessary for daily living activities; 3) a portion of the cost of the disease surveillance system and statewide referral services for those with head injuries and spinal cord injuries; 4) costs incurred by the Advisory Council on Spinal and Head Injuries; and 5) DES's administrative costs for administering the provisions.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	806,300	608,800	1,330,400
Revenue	304,000	1,019,600	1,032,200
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,110,300</u>	<u>1,628,400</u>	<u>2,362,600</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Aid to Individuals	519,100	298,000	298,000
Administrative Adjustment	(17,600)	0	0
<b>TOTAL FUNDS EXPENDED</b>	<u>501,500</u>	<u>298,000</u>	<u>298,000</u>
<b>BALANCE FORWARD</b>	608,800	1,330,400	2,064,600

**UNEMPLOYMENT INSURANCE BENEFITS (TRA9005)**

**A.R.S. § 23-703**

**Source of Revenue:** Employer contributions and interest earnings. The monies are maintained and tracked in two separate accounts: one by the U.S. Treasury and one by the state, which is used for clearing and paying benefits. The majority of the funds available are in the U.S. Treasury account. Total Funds Available include the monies in both accounts.

The U.S. Treasury tracks each state's account separately. DES, as federally required, deposits all employer contributions, other than those retained for immediate benefit payments, in the U.S. Treasury.

**Purpose of Fund:** To retain and invest formula-determined employer unemployment contributions to be used for payment of future unemployment benefits and refunds pursuant to § 903 of the Social Security Act.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	412,794,200	504,536,500	604,944,600
Revenue	266,429,800	275,095,600	275,095,600
<b>TOTAL FUNDS AVAILABLE</b>	<u>679,224,000</u>	<u>779,632,100</u>	<u>880,040,200</u>



**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ECONOMIC SECURITY (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
<b>Benefits</b>	174,687,500	174,687,500	174,687,500
<b>TOTAL FUNDS EXPENDED</b>	174,687,500	174,687,500	174,687,500
<b>BALANCE FORWARD</b>	504,536,500	604,944,600	705,352,700

**UTILITY ASSISTANCE (DEA3092)**

**A.R.S. § 46-731**

**Source of Revenue:** Unclaimed or abandoned utility deposits as defined under A.R.S. § 46-731B.

**Purpose of Fund:** To provide utility repair and deposit assistance to eligible recipients. Financial assistance to an individual shall not exceed \$450 per fiscal year. An amount of not more than 2% of the fund monies may be used by DES and an amount of not more than 8% of the fund monies may be used by the designated community action or other agency providing energy assistance for administrative costs.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward			
Revenue	391,800	389,100	617,300
<b>TOTAL FUNDS AVAILABLE</b>	628,200	628,200	628,200
	1,020,000	1,017,300	1,245,500
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.2	0.2	0.2
Operating Subtotal	7,600	8,000	8,000
Aid to Individuals	319,800	392,000	392,000
Administrative Adjustments	74,500	0	0
<b>TOTAL FUNDS EXPENDED</b>	401,900	400,000	400,000
<b>TRANSFERS</b>	229,000	0	0
<b>BALANCE FORWARD</b>	389,100	617,300	845,500

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF EDUCATION**

Agency Summary

ANALYST: Steve Schimpp/Justin Garosi

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	(4,964,900)	(981,700)	1,062,500
Revenue	446,736,600	516,143,200	473,632,900
<b>TOTAL FUNDS AVAILABLE</b>	<u>441,771,700</u>	<u>515,161,500</u>	<u>474,695,400</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	219.4	190.3	179.8
Operating Subtotal	9,923,500	13,760,700	10,575,000
Special Line Items Total	431,366,900	500,317,200	462,937,100
<b>TOTAL FUNDS EXPENDED</b>	<u>441,290,400</u>	<u>514,077,900</u>	<u>473,512,100</u>
TRANSFERS	1,463,000	21,100	0
BALANCE FORWARD	(981,700)	1,062,500	1,183,300

**CERTIFICATION FINGERPRINTING (EDA4211)**

A.R.S. § 15-534

**Source of Revenue:** Fees received from applicants for teacher certification.

**Purpose of Fund:** To defray costs incurred by the Department of Education for fingerprint processing of applicants for teacher certification.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	3,700	45,000	71,500
Revenue	89,900	80,000	80,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>93,600</u>	<u>125,000</u>	<u>151,500</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Operating Subtotal	45,400	53,500	54,700
<b>TOTAL FUNDS EXPENDED</b>	<u>45,400</u>	<u>53,500</u>	<u>54,700</u>
TRANSFERS	3,200	0	0
BALANCE FORWARD	45,000	71,500	96,800

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF EDUCATION (Continued)**

**EDUCATION EVALUATION REVIEW (EDA4211)**

**A.R.S. § N/A**

**Source of Revenue:** Department of Economic Security contract fee.

**Purpose of Fund:** To review and record requests for Special Education Placement and Residential Education Voucher funding for students.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	(12,500)	0
Revenue	16,400	40,000	27,500
<b>TOTAL FUNDS AVAILABLE</b>	<u>16,400</u>	<u>27,500</u>	<u>27,500</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Operating Subtotal	<u>24,400</u>	<u>27,500</u>	<u>27,500</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>24,400</u>	<u>27,500</u>	<u>27,500</u>
<b>TRANSFERS</b>	4,500	0	0
<b>BALANCE FORWARD</b>	(12,500)	0	0

**ENVIRONMENTAL EDUCATION (EDA2302)**

**A.R.S. § 15-1211**

**Source of Revenue:** Monies from legislative appropriations and donations from interested individuals and organizations. Also includes the FY 1994 ending balance forward of \$322,300 from the Environmental Special Plate Number fund (EDA 2354) which was transferred to this fund prior to the end of FY 1994.

**Purpose of Fund:** To assist school districts in implementing environmental education programs and to provide training.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	436,000	98,400	0
Revenue	1,409,900	640,000	0
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,845,900</u>	<u>738,400</u>	<u>0</u>

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF EDUCATION (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	1.0	0.0	0.0
Operating Subtotal	121,100	0	0
Assistance to Schools	704,400	738,400	0
<b>TOTAL FUNDS EXPENDED</b>	<b>825,500</b>	<b>738,400</b>	<b>0</b>
TRANSFERS	922,000	0	
BALANCE FORWARD	98,400	0	0

**A.R.S. § 35-142**

**FEDERAL FUNDS (EDA2000)**

**Source of Revenue:** Federal Grants including: Child Nutrition Assistance; Federal Impact Aid - Public Law 81-874; Chapter 1 Grants; Special Education - Title VIB; and Vocational Education.

**Purpose of Fund:** To be expended as stipulated by federal statutes authorizing the Federal Grants.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward	(7,915,700)	(2,038,300)	0
Revenue	379,748,300	449,981,600	405,146,000
<b>TOTAL FUNDS AVAILABLE</b>	<b>371,832,600</b>	<b>447,943,300</b>	<b>405,146,000</b>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	167.1	144.4	133.9
Operating Subtotal	8,470,000	12,453,600	9,282,700
Pass-through Funds to Non-State Agencies	326,584,600	419,068,900	391,611,800
Aid to Individuals	37,753,200	14,908,200	3,026,900
Indirect Costs	1,062,000	1,491,500	1,224,600
<b>TOTAL FUNDS EXPENDED</b>	<b>373,869,800</b>	<b>447,922,200</b>	<b>405,146,000</b>
TRANSFERS	1,100	21,100	0
BALANCE FORWARD	(2,038,300)	0	0

**A.R.S. § 15-1153**

**FOOD DISTRIBUTION (EDA4210)**

**Source of Revenue:** Fees from school districts participating in the federal food commodities program.

**Purpose of Fund:** To pay costs associated with administering the federal food commodities program.

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF EDUCATION (Continued)**

**FOOD DISTRIBUTION (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	213,500	213,300	213,300
Revenue	322,300	173,700	177,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>535,800</u>	<u>387,000</u>	<u>390,300</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	3.6	3.6	3.6
Operating Subtotal	<u>252,500</u>	<u>173,700</u>	<u>177,000</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>252,500</u>	<u>173,700</u>	<u>177,000</u>
<b>TRANSFERS</b>	70,000	0	0
<b>BALANCE FORWARD</b>	213,300	213,300	213,300

**PERMANENT STATE SCHOOL (EDA3138)** **A.R.S. § 37-521**

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** Monies received from leases of state school trust lands and interest earnings on the principal balance in the fund.

**Purpose of Fund:** The fund is dedicated to the support of common schools.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	554,500	0	0
Revenue	63,288,300	62,903,400	65,907,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>63,842,800</u>	<u>62,903,400</u>	<u>65,907,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Assistance to Schools	<u>63,842,800</u>	<u>62,903,400</u>	<u>65,907,000</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>63,842,800</u>	<u>62,903,400</u>	<u>65,907,000</u>
<b>BALANCE FORWARD</b>	0	0	0

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF EDUCATION (Continued)**

**PRINTING REVOLVING (EDA4211)**

**A.R.S. § 15-237**

**Source of Revenue:** Receipts from the sale of publications and printing charges.

**Purpose of Fund:** For printing and distributing publications of the department.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,354,800	319,900	385,200
Revenue	<u>1,841,900</u>	<u>2,304,500</u>	<u>2,275,400</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>3,196,700</b>	<b>2,624,400</b>	<b>2,660,600</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>44.7</u>	<u>39.3</u>	<u>39.3</u>
Operating Subtotal	1,010,100	1,052,400	1,033,100
Assistance to Schools	1,404,500	1,186,800	1,146,800
<b>TOTAL FUNDS EXPENDED</b>	<u><b>2,414,600</b></u>	<u><b>2,239,200</b></u>	<u><b>2,179,900</b></u>
<b>TRANSFERS</b>	462,200	0	0
<b>BALANCE FORWARD</b>	319,900	385,200	480,700

**VOCATIONAL & TECHNOLOGICAL EDUCATION RESTRUCTURING (EDA2352)**

**A.R.S. § 15-790.01**

**This fund is recommended for elimination.**

**Source of Revenue:** Private grants, gifts and contributions.

**Purpose of Fund:** The fund shall be used to establish comprehensive statewide model vocational and technological education programs in grades 7 through 12.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	0	0	0
<b>TOTAL FUNDS EXPENDED</b>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>0</b></u>
<b>BALANCE FORWARD</b>	0	0	0

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF EDUCATION (Continued)**

**YOUTH FARM LOAN (EDA2136)**

**A.R.S. § 15-1172; 15-1173**

**Source of Revenue:** The investment of trust funds held by the United States as trustee for the Arizona Rural Rehabilitation Corporation.

**Purpose of Fund:** To furnish financial assistance to deserving young persons, under 25 years of age, who are students or former students of vocational education or to young farmers in organized vocational agriculture classes who are interested in becoming established in farming. The financial assistance is provided as guaranteed loans for those who cannot obtain needed financing elsewhere.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	388,300	392,500	392,500
Revenue	19,600	20,000	20,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>407,900</u>	<u>412,500</u>	<u>412,500</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Assistance to Schools	15,400	20,000	20,000
<b>TOTAL FUNDS EXPENDED</b>	<u>15,400</u>	<u>20,000</u>	<u>20,000</u>
<b>BALANCE FORWARD</b>	392,500	392,500	392,500

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ENVIRONMENTAL QUALITY**

ANALYST: Renée E. Bahl

**Agency Summary**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	63,256,600	61,339,200	33,870,300
Revenue	66,917,200	63,501,100	51,612,600
<b>TOTAL FUNDS AVAILABLE</b>	<u>130,173,800</u>	<u>124,840,300</u>	<u>85,482,900</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	346.3	384.8	341.5
Operating Subtotal	28,167,900	34,536,900	25,244,500
Special Line Items Total	25,005,100	48,164,100	21,369,100
<b>TOTAL FUNDS EXPENDED</b>	<u>53,173,000</u>	<u>82,701,000</u>	<u>46,613,600</u>
<b>APPROPRIATIONS</b>	2,752,700	2,680,500	2,182,500
<b>TRANSFERS</b>	12,908,900	5,588,500	10,262,000
<b>BALANCE FORWARD</b>	61,339,200	33,870,300	26,424,800

**AIR QUALITY (EVA2226)**

**A.R.S. § 49-551**

**Source of Revenue:** The \$1.50 air quality fee collected for each vehicle with the annual vehicle registration.

**Purpose of Fund:** For air quality research programs to bring non-attainment into attainment and to improve air quality and ozone and particulate levels; transfers to the Highway User Revenue Fund (HURF) in the Department of Transportation (ADOT) to reimburse that fund for the amount of automobile fuel tax lost due to compressed natural gas (CNG) fuel sales; grants to the Regional Public Transit Authority (RPTA) to promote natural gas vehicles; and, transfers to the Alternative Fuel Delivery System Development (AFDSD) Fund in the Department of Commerce.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	4,874,600	4,083,000	1,447,800
Revenue	4,533,400	4,494,800	4,477,300
<b>TOTAL FUNDS AVAILABLE</b>	<u>9,408,000</u>	<u>8,577,800</u>	<u>5,925,100</u>



**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ENVIRONMENTAL QUALITY (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	21.4	23.6	23.6
Operating Subtotal	<u>3,536,000</u>	<u>5,687,400</u>	<u>3,683,800</u>
TOTAL FUNDS EXPENDED	<u>3,536,000</u>	<u>5,687,400</u>	<u>3,683,800</u>
APPROPRIATIONS TO:			
ADOT [A.R.S. § 49-551(C)(3)]	35,300	36,300	36,300
APPROPRIATED AIR QUALITY FEE FUND	122,300	125,300	0
WEIGHTS AND MEASURES	578,300	324,200	322,900
TRANSFERS TO:			
INDIRECT COST FUND	350,400	435,300	438,600
AFDSD FUND	581,200	0	0
CNG/HURF [A.R.S. § 49-551(C)(2)]	121,500	121,500	121,500
ADOT [A.R.S. § 49-551(E)]	0	400,000	400,000
BALANCE FORWARD	4,083,000	1,447,800	922,000

**CIRCLE K SETTLEMENT (EVA3003)**

**A.R.S. § 35-142; Court Settlement**

**Source of Revenue:** Circle K settlement monies.

**Purpose of Fund:** To fund clean up of leaking underground storage tanks (LUST) at Circle K properties.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward	186,600	285,500	336,800
Revenue	237,000	208,000	208,000
TOTAL FUNDS AVAILABLE	<u>423,600</u>	<u>493,500</u>	<u>544,800</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	0.5	0.5	0.5
Operating Subtotal	<u>6,900</u>	<u>20,300</u>	<u>20,700</u>
LUST Cleanup Reimbursement	128,600	127,800	200,000
TOTAL FUNDS EXPENDED	<u>135,500</u>	<u>148,100</u>	<u>220,700</u>
TRANSFER TO INDIRECT COST FUND	2,600	8,600	8,800
BALANCE FORWARD	285,500	336,800	315,300

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ENVIRONMENTAL QUALITY (Continued)**

**A.R.S. § 49-104**

**FEDERAL (EVA2000)**

**Source of Revenue:** Federal grants.

**Purpose of Fund:** The department receives numerous grants related to hazardous waste clean-ups, underground storage tank enforcement provisions, air pollution control, a variety of research projects, and other programs. NOTE: Because the federal fiscal year starts later than the state's, fund balances may appear negative.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	(902,200)	539,500	25,000
Revenue	<u>18,746,200</u>	<u>19,505,500</u>	<u>10,192,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>17,844,000</u>	<u>20,045,000</u>	<u>10,217,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>141.6</u>	<u>148.6</u>	<u>106.9</u>
Operating Subtotal	8,957,500	13,340,000	8,228,500
Aid to Organizations	5,824,300	4,045,000	94,000
Land Acquisitions and Capital Projects	160,000	0	0
<b>TOTAL FUNDS EXPENDED</b>	<u>14,941,800</u>	<u>17,385,000</u>	<u>8,322,500</u>
<b>TRANSFER TO INDIRECT COST FUND</b>	2,362,700	2,635,000	1,869,500
<b>BALANCE FORWARD</b>	539,500	25,000	25,000

**INDIRECT COST FUND (EVA7000)**

**A.R.S. § 49-104**

**Source of Revenue:** This fund consists of monies transferred from other ADEQ appropriated and non-appropriated funds, including federal grants. For FY 1997, the amount transferred from each other fund is 44.06% of Personal Services and Employee Related Expenditures of that fund.

**Purpose of Fund:** To pay department-wide administrative and overhead costs. Administrative expenditures include supporting the director's office, the deputy director's office, and other agencywide administrative functions. Overhead expenditures include rent, Risk Management, telephone contracts, copy service, data center charges, etc. Overhead is defined separately beginning in FY 1996.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	48,300	(50,400)	1,048,300
Revenue	<u>5,531,600</u>	<u>6,732,100</u>	<u>5,193,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>5,579,900</u>	<u>6,681,700</u>	<u>6,241,300</u>

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ENVIRONMENTAL QUALITY (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	64.7	81.1	83.0
Operating Subtotal	<u>5,630,300</u>	<u>2,862,700</u>	<u>3,091,200</u>
Overhead	0	2,770,700	2,600,700
 TOTAL FUNDS EXPENDED	 <u>5,630,300</u>	 <u>5,633,400</u>	 <u>5,691,900</u>
 BALANCE FORWARD	 (50,400)	 1,048,300	 549,400

**INTERGOVERNMENTAL AGREEMENTS (EVA2180)**

**A.R.S. § 49-104**

**Source of Revenue:** Grants and intergovernmental agreements from various public entities, including the Commission on the Arizona Environment, the Game and Fish Department, and the U.S. Department of Energy.

**Purpose of Fund:** To be used as specified in the grant or agreement.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward	25,800	28,800	0
Revenue	<u>107,700</u>	<u>80,000</u>	<u>0</u>
TOTAL FUNDS AVAILABLE	133,500	108,800	0
 FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	1.0	1.0	0.0
Operating Subtotal	<u>82,200</u>	<u>77,400</u>	<u>0</u>
 TOTAL FUNDS EXPENDED	 <u>82,200</u>	 <u>77,400</u>	 <u>0</u>
 TRANSFER TO INDIRECT COST FUND	 22,500	 31,400	
BALANCE FORWARD	28,800	0	0

**LANDFILL TRUST FUND (EVA3028)**

**Court Settlement; A.R.S. § 49-104**

**Source of Revenue:** Settlement monies related to a particular lawsuit against a landfill operation.

**Purpose of Fund:** For fencing, monitoring wells, remediation, or costs as necessary to legally and properly close the landfill.

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ENVIRONMENTAL QUALITY (Continued)**

**LANDFILL TRUST FUND (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	103,400	108,600	100
Revenue	<u>5,200</u>	<u>3,800</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	108,600	112,400	100
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	0	112,300	0
 <b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>112,300</u>	<u>0</u>
 <b>BALANCE FORWARD</b>	108,600	100	100

**SMALL WATER SYSTEMS (EVA2225)**

**A.R.S. § 49-355**

**Source of Revenue:** Penalties for violations related to potable water systems.

**Purpose of Fund:** To provide information and assistance to small water systems for improving compliance with drinking water system standards.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	32,700	90,600	54,400
Revenue	<u>59,700</u>	<u>20,800</u>	<u>20,800</u>
<b>TOTAL FUNDS AVAILABLE</b>	92,400	111,400	75,200
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	1,800	57,000	22,000
 <b>TOTAL FUNDS EXPENDED</b>	<u>1,800</u>	<u>57,000</u>	<u>22,000</u>
 <b>BALANCE FORWARD</b>	90,600	54,400	53,200

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ENVIRONMENTAL QUALITY (Continued)**

**SOLID WASTE RECYCLING (EVA2289)**

**A.R.S. § 49-837**

**Source of Revenue:** Landfill disposal (tipping) fees and special appropriations.

**Purpose of Fund:** For grants to local governments or others for developing recycling markets and programs; for public information and assistance on source reduction and recycling; and for revenue collection and fund administration.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,305,000	1,696,900	695,900
Revenue	<u>1,269,200</u>	<u>1,267,900</u>	<u>1,226,600</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>2,574,200</b>	<b>2,964,800</b>	<b>1,922,500</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>
Operating Subtotal	524,900	1,169,400	541,200
Grants	290,000	1,017,000	741,600
<b>TOTAL FUNDS EXPENDED</b>	<b>814,900</b>	<b>2,186,400</b>	<b>1,282,800</b>
TRANSFER TO INDIRECT COST FUND	62,400	82,500	83,300
BALANCE FORWARD	1,696,900	695,900	556,400

**NOTE:** The Underground Storage Tank (UST) Fund is displayed first as a fund summary then by individual account.

**UNDERGROUND STORAGE TANK (UST) FUND SUMMARY (EVA2271)**

**A.R.S. § 49-1015(A)**

**Source of Revenue:** See each account for specific revenue sources.

**Purpose of Fund:** See each account for specific account purpose.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	53,139,000	46,853,500	25,829,700
Revenue	<u>26,562,100</u>	<u>25,579,500</u>	<u>25,155,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>79,701,100</b>	<b>72,433,000</b>	<b>50,985,200</b>

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ENVIRONMENTAL QUALITY (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	65.0	74.8	75.3
Operating Subtotal	5,391,200	5,192,100	5,243,500
Reimbursements	18,596,000	37,628,300	15,188,800
State Lead Sites	0	2,544,000	2,544,000
Grants	57,000	140,300	163,000
<b>TOTAL FUNDS EXPENDED</b>	24,044,200	45,504,700	23,139,300
TRANSFER TO EMISSIONS FUND	8,000,000	0	5,518,800
TRANSFER TO INDIRECT COST FUND	803,400	1,098,600	1,125,500
BALANCE FORWARD	46,853,500	25,829,700	21,201,600

**UST FUND - GRANT ACCOUNT (EVA2271)**

**A.R.S. § 49-1071**

**Source of Revenue:** Ten percent of excise tax, one-time tank fees levied in 1990, and interest. The excise tax is a 1¢/gallon tax on regulated substances, such as gasoline. Amounts received from the excise tax are statutorily capped at \$5,600,000; the account reached this cap in August 1994.

**Purpose of Fund:** To make grants, up to \$100,000, to UST owners/operators for the purposes of: meeting tank performance standards, removing tanks for closure or replacement, or paying the portion of corrective action costs that are less than the deductible amount under the Assurance Fund. The Grant Program terminates on December 22, 2002 and any monies remaining in the account will be transferred to the Assurance Fund Account. The Grant Account was divided into the Area A and non-Maricopa County Accounts by Laws 1993, Chapter 1, 6th Special Session. The table below depicts the entire Grant Account.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	6,228,200	6,698,300	3,406,800
Revenue	529,800	199,800	70,600
<b>TOTAL FUNDS AVAILABLE</b>	6,758,000	6,898,100	3,477,400
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	1.5	2.4	2.9
Operating Subtotal	57,000	140,300	163,000
Grants	0	3,308,100	3,260,700
<b>TOTAL FUNDS EXPENDED</b>	57,000	3,448,400	3,423,700
TRANSFER TO INDIRECT COST FUND	2,700	42,900	53,700
BALANCE FORWARD	6,698,300	3,406,800	0

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ENVIRONMENTAL QUALITY (Continued)**

**UST FUND - AREA A ASSURANCE ACCOUNT (EVA2271) A.R.S. § 49-1051**

**Source of Revenue:** Area A (Maricopa County) excise tax revenues, cost recovery, and interest. The excise tax is a 1¢/gallon tax on regulated substances, such as gasoline.

**Purpose of Fund:** To provide partial coverage of corrective actions and to reimburse ADEQ if the state is required to take corrective action. The Assurance Account expires December 30, 2003, whereupon all remaining monies and the excise tax will be deposited into the General Fund. Laws 1993, Chapter 1, 6th Special Session divided this account into Area A and non-Maricopa County subaccounts. For FY 1995, this account transferred \$8,000,000 to the Emissions Inspection Fund and is scheduled to transfer 50% of all revenues and interest in FY 1997. Laws 1995, Chapter 1, 4th Special Session eliminated the \$8,000,000 transfer from UST Area A Account to the Emissions Inspection Fund for FY 1996. FY 1996 and FY 1997 reimbursements would exceed the projected amounts if sufficient revenues were available.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	16,569,900	7,512,700	0
Revenue	<u>11,490,400</u>	<u>11,037,700</u>	11,037,700
<b>TOTAL FUNDS AVAILABLE</b>	<u>28,060,300</u>	<u>18,550,400</u>	<u>11,037,700</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	12.3	11.3	11.3
Operating Subtotal	<u>1,808,300</u>	<u>1,294,200</u>	1,302,500
Reimbursements	10,557,600	16,531,700	3,488,400
State Lead Sites	0	544,000	544,000
<b>TOTAL FUNDS EXPENDED</b>	<u>12,365,900</u>	<u>18,369,900</u>	5,334,900
TRANSFERS TO EMISSIONS FUND	8,000,000	0	5,518,800
TRANSFER TO INDIRECT COST FUND	181,700	180,500	184,000
<b>BALANCE FORWARD</b>	7,512,700	0	0

**UST FUND - NON-MARICOPA COUNTY ASSURANCE ACCOUNT (EVA2271) A.R.S. § 49-1051**

**Source of Revenue:** Non-Maricopa County excise tax revenues, cost recovery, and interest. The excise tax is a 1¢/gallon tax on regulated substances, such as gasoline.

**Purpose of Fund:** To provide partial coverage of corrective actions and to reimburse ADEQ if the state is required to take corrective action. The Assurance Account expires December 30, 2003, whereupon all remaining monies and the excise tax will be deposited into the General Fund. Laws 1993, Chapter 1, 6th Special Session divided this account into Area A and non-Maricopa County subaccounts.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	29,598,700	32,041,900	22,095,100
Revenue	<u>13,484,500</u>	<u>13,379,900</u>	13,125,400
<b>TOTAL FUNDS AVAILABLE</b>	<u>43,083,200</u>	<u>45,421,800</u>	<u>35,220,500</u>

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ENVIRONMENTAL QUALITY (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	32.0	41.9	41.9
Operating Subtotal	2,590,900	2,905,500	2,933,900
Reimbursements	8,038,400	17,788,500	8,439,700
State Lead Sites	0	2,000,000	2,000,000
<b>TOTAL FUNDS EXPENDED</b>	<b>10,629,300</b>	<b>22,694,000</b>	<b>13,373,600</b>
TRANSFER TO INDIRECT COST FUND	412,000	632,700	645,300
BALANCE FORWARD	32,041,900	22,095,100	21,201,600

**UST FUND - REGULATORY ACCOUNT (EVA2271)**

**A.R.S. § 49-1015**

**Source of Revenue:** Annual tank fees (\$100/tank) and interest.

**Purpose of Fund:** To carry out the state regulatory program, state-initiated corrective actions, and cost recovery activities.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward	742,200	600,600	327,800
Revenue	1,057,400	962,100	921,800
<b>TOTAL FUNDS AVAILABLE</b>	<b>1,799,600</b>	<b>1,562,700</b>	<b>1,249,600</b>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	19.2	19.2	19.2
Operating Subtotal	992,000	992,400	1,007,100
<b>TOTAL FUNDS EXPENDED</b>	<b>992,000</b>	<b>992,400</b>	<b>1,007,100</b>
TRANSFER TO INDIRECT COST FUND	207,000	242,500	242,500
BALANCE FORWARD	600,600	327,800	0

**WASTE TIRE GRANT (EVA2290)**

**A.R.S. § 44-1305**

**Source of Revenue:** Transfers in from the Department of Revenue collections on surcharges of new tire purchases and penalties for violations.

**Purpose of Fund:** For grants to local governments for waste tire management as well as for state waste tire management. The Department of Revenue collects the tire fees and transfers 3.5% of receipts to the Department of Environmental Quality for program administration.



**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ENVIRONMENTAL QUALITY (Continued)**

**WASTE TIRE GRANT (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	166,700	100,100	0
Revenue	120,000	143,600	0
<b>TOTAL FUNDS AVAILABLE</b>	<u>286,700</u>	<u>243,700</u>	<u>0</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	3.0	3.0	0.0
Operating Subtotal	<u>150,800</u>	<u>117,600</u>	<u>0</u>
Waste Tire Emergency Response	0	31,300	0
<b>TOTAL FUNDS EXPENDED</b>	<u>150,800</u>	<u>148,900</u>	<u>0</u>
TRANSFER TO INDIRECT COST FUND	35,800	43,200	0
TRANSFER TO SOLID WASTE FEE FUND	0	51,600 <sup>1/</sup>	0
<b>BALANCE FORWARD</b>	100,100	0	0

<sup>1/</sup> Beginning in FY 1997, the Waste Tire Grant Fund is consolidated into the newly created Solid Waste Fee Fund. This new appropriated fund consists of waste tire, used oil, special waste, landfill registration, and plan review fees.

**WASTEWATER TREATMENT REVOLVING (EVA2254)** **A.R.S. § 49-374**

**Source of Revenue:** Federal capitalization grants, appropriations, bond proceeds, loan repayments, penalties, interest, and donations. Also includes bond issuance fees, loan-origination fees and loan-servicing fees.

**Purpose of Fund:** For administering loans to political subdivisions and Indian tribes for wastewater treatment plan capital improvements. There were no federal grants for construction loans in FY 1995 or in FY 1996. Federal grants for FY 1997 have not been designated by Congress yet. These grants are distributed through the Wastewater Management Authority. Also for debit refinancing and bond insurance assistance related to wastewater plants, and for fund administration.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	633,800	667,900	581,100
Revenue	282,900	362,200	373,200
<b>TOTAL FUNDS AVAILABLE</b>	<u>916,700</u>	<u>1,030,100</u>	<u>954,300</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	3.5	3.0	3.0
Operating Subtotal	<u>204,400</u>	<u>393,100</u>	<u>394,300</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>204,400</u>	<u>393,100</u>	<u>394,300</u>
TRANSFERS	44,400	55,900	54,600
<b>BALANCE FORWARD</b>	667,900	581,100	505,400

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF ENVIRONMENTAL QUALITY (Continued)**

**A.R.S. § 45-282**

**WATER QUALITY ASSURANCE REVOLVING FUND (EVA2200)**

**Source of Revenue:** Criminal and civil penalties; recovered remedial action costs; fees and taxes related to water use, pesticides, fertilizers, and aquifer protection permits; appropriations from the General Fund; and other sources. Laws 1992, Chapter 290 requires an annual appropriation of \$2,900,000 from the General Fund to the Water Quality Assurance Revolving Fund (WQARF). This appropriation was never made; however, \$1,550,000 from the General Fund is included in FY 1995 and FY 1996, and \$1,823,300 is included in FY 1997. The FY 1997 General Fund amount includes \$118,300 for the 10% federal Superfund Match.

**Purpose of Fund:** The fund may be used for the following: to undertake remedial action at contaminated sites if the responsible party is absent; to assess the affects of hazardous substance releases; to administer the water quality monitoring program; to issue Aquifer Protection Permits; and for other measures for preventing the threat of groundwater contamination. ADEQ keeps separate accounts for certain sites, including Bank One, Ray Road, and Quality Printed Circuits (QPC). Bank One and Ray Road are voluntary clean-up sites. These entities have paid ADEQ for WQARF oversight or clean-up. QPC monies have been accounted for separately, but the monies expended are from the state.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	3,642,900	6,935,200	3,851,200
Revenue	<u>9,462,200</u>	<u>5,102,900</u>	<u>4,766,200</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>13,105,100</u>	<u>12,038,100</u>	<u>8,617,400</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	39.8	43.3	43.3
Operating Subtotal	<u>3,624,900</u>	<u>5,367,300</u>	<u>3,856,300</u>
Bank One	5,900	0	0
Ray Road and QPC	300	0	0
<b>TOTAL FUNDS EXPENDED</b>	<u>3,631,100</u>	<u>5,367,300</u>	<u>3,856,300</u>
<b>APPROPRIATIONS TO:</b>			
AQUIFER PROTECTION PERMIT	466,800	644,700	0 <sup>1/</sup>
GENERAL FUND	1,550,000	1,550,000	1,823,300
TRANSFER TO INDIRECT COST FUND	522,000	624,900	641,400
<b>BALANCE FORWARD</b>	6,935,200	3,851,200	2,296,400

<sup>1/</sup> Beginning in FY 1997, Aquifer Protection Permit (APP) registrations fees will be deposited into the new Water Quality Fee Fund. Therefore, WQARF will no longer receive APP revenue nor appropriate monies to the APP program.

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF HEALTH SERVICES**

Agency Summary

ANALYST: Jason Hall/Jennifer Vermeer

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	(833,500)	18,588,200	32,918,300
Revenue	<u>146,916,000</u>	<u>187,996,400</u>	<u>186,227,900</u>
<b>TOTAL FUNDS AVAILABLE</b>	146,082,500	206,584,600	219,146,200
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>329.1</u>	<u>342.5</u>	<u>339.9</u>
Operating Subtotal	20,762,600	33,498,800	33,018,400
Special Line Items Total	99,192,900	131,826,000	131,788,400
<b>TOTAL FUNDS EXPENDED</b>	<u>119,955,500</u>	<u>165,324,800</u>	<u>164,806,800</u>
<b>TRANSFERS</b>	7,538,800	8,269,400	8,249,500
<b>BALANCE FORWARD</b>	18,588,200	32,990,400	46,089,900

**ALCOHOL ABUSE TREATMENT (HSA2227)**

A.R.S. § 36-2005

This fund is recommended for transfer to appropriated status.

**Source of Revenue:** The fund received 16.9% of the Medical Services Enhancement Fund (MSEF) created by Laws 1994, Chapter 243, (H.B. 2088). However, Laws 1995, Chapter 179, (H.B. 2091) decreased the distribution to this fund to 14.2% of MSEF monies. The MSEF contains monies collected from an 11% surcharge on a broad category of criminal violations and traffic offenses.

**Purpose of Fund:** To provide alcohol abuse treatment and rehabilitation services for persons convicted of driving while under the influence who have been ordered to obtain alcohol abuse treatment but cannot afford services.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	132,200	196,000	204,100
Revenue	<u>801,500</u>	<u>658,100</u>	<u>666,300</u>
<b>TOTAL FUNDS AVAILABLE</b>	933,700	854,100	870,400
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Alcohol Abuse Provider Services	737,700	650,000	650,000
<b>TOTAL FUNDS EXPENDED</b>	<u>737,700</u>	<u>650,000</u>	<u>650,000</u>
<b>BALANCE FORWARD</b>	196,000	204,100	220,400

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF HEALTH SERVICES (Continued)**

**ARIZONA STATE HOSPITAL - DONATION (HSA3115)**

**A.R.S. § 36-204**

**Source of Revenue:** Individual donations and interest.

**Purpose of Fund:** As designated by donor. Funds not designated for a specific purpose are expended for the benefit of the Arizona State Hospital.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	29,700	17,800	18,000
Revenue	<u>6,300</u>	<u>6,300</u>	<u>6,300</u>
<b>TOTAL FUNDS AVAILABLE</b>	36,000	24,100	24,300
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	18,200	6,100	6,100
<b>TOTAL FUNDS EXPENDED</b>	<u>18,200</u>	<u>6,100</u>	<u>6,100</u>
<b>BALANCE FORWARD</b>	17,800	18,000	18,200

**ARIZONA STATE HOSPITAL - ENDOWMENT (HSA3128)**

**A.R.S. § 36-211**

**Source of Revenue:** Monies received from interest on the Arizona State Hospital's Permanent Land Fund, as established through Arizona's Enabling Act, Section 25, and the monies derived from the lease of these lands and miscellaneous revenue.

**Purpose of Fund:** For the benefit and support of the Arizona State Hospital.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	114,800	227,300	227,300
Revenue	<u>247,500</u>	<u>247,500</u>	<u>247,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	362,300	474,800	474,800
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	135,000	247,500	247,500
<b>TOTAL FUNDS EXPENDED</b>	<u>135,000</u>	<u>247,500</u>	<u>247,500</u>
<b>BALANCE FORWARD</b>	227,300	227,300	227,300

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF HEALTH SERVICES (Continued)**

**ARIZONA STATE HOSPITAL - PATIENT BENEFIT (HSA3173)**

**A.R.S. § 36-213**

**Source of Revenue:** Net profits derived from the operation of the store/canteen at the Arizona State Hospital.

**Purpose of Fund:** The monies are to be expended for the benefit of the patients residing at the Arizona State Hospital.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	113,700	92,200	70,700
Revenue	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>125,700</b>	<b>104,200</b>	<b>82,700</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	33,500	33,500	33,500
<b>TOTAL FUNDS EXPENDED</b>	<b>33,500</b>	<b>33,500</b>	<b>33,500</b>
<b>BALANCE FORWARD</b>	92,200	70,700	49,200

**ARIZONA STATE HOSPITAL - RENTAL INCOME (HSA2144)**

**A.R.S. § 36-211**

**Source of Revenue:** Rental of buildings located on the grounds of the Arizona State Hospital.

**Purpose of Fund:** For facilities maintenance and operation at the Arizona State Hospital.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	31,600	126,400
Revenue	<u>529,900</u>	<u>594,800</u>	<u>594,800</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>529,900</b>	<b>626,400</b>	<b>721,200</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	498,300	500,000	500,000
<b>TOTAL FUNDS EXPENDED</b>	<b>498,300</b>	<b>500,000</b>	<b>500,000</b>
<b>BALANCE FORWARD</b>	31,600	126,400	221,200

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF HEALTH SERVICES (Continued)**

**CHILD DAY CARE TRAINING (HSA2165)**

**A.R.S. § 36-891**

**This fund is recommended for elimination.**

**Source of Revenue:** The fund receives late filing fees and civil penalties charged to those applying for Day Care Training licenses. Revenues over \$20,000 are deposited into the state General Fund.

**Purpose of Fund:** Funds are to be used for day care center training programs and information assistance.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	4,400	5,500	6,500
Revenue	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	8,400	9,500	10,500
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	2,900	3,000	3,000
 <b>TOTAL FUNDS EXPENDED</b>	<u>2,900</u>	<u>3,000</u>	<u>3,000</u>
 <b>BALANCE FORWARD</b>	5,500	6,500	7,500

**CLINICAL LAB LICENSING REVOLVING FUND (HSA2268)**

**A.R.S. § 36-468**

**This fund is recommended for elimination.**

**Source of Revenue:** Clinical laboratory conference fees, collections of clinical laboratory licensing fees from laboratories covered under state law (but not federal law) and donations.

**Purpose of Fund:** To pay for expenses associated with conducting conferences.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	2,800	2,800	2,300
Revenue	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	2,800	2,800	2,300

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF HEALTH SERVICES (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>0</u>	<u>500</u>	<u>500</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>500</u>	<u>500</u>
<b>BALANCE FORWARD</b>	2,800	2,300	1,800

<b>DONATIONS (HSA3010)</b>	<b>A.R.S. § 36-132</b>
<b>Source of Revenue:</b> Individual donations for various health related purposes.	
<b>Purpose of Fund:</b> Provides funding for specific purposes. Includes donations related to: Cholesterol Standards, CRS, McDonalds Sealant, Newborn Intensive Care, and Honeywell Health Start.	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward			
Revenue	462,100	273,000	113,300
	<u>64,400</u>	<u>9,100</u>	<u>4,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>526,500</u>	<u>282,100</u>	<u>117,800</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>101,800</u>	<u>152,000</u>	<u>86,000</u>
Provider Contracts	151,700	15,000	0
Administrative Adjustments	0	1,800	0
<b>TOTAL FUNDS EXPENDED</b>	<u>253,500</u>	<u>168,800</u>	<u>86,000</u>
<b>BALANCE FORWARD</b>	273,000	113,300	31,800

<b>ENVIRONMENTAL LAB LICENSING REVOLVING FUND (HSA3017)</b>	<b>A.R.S. § 36-495.15</b>
<b>Source of Revenue:</b> Monies from gifts, grants, donations, fees derived from department sponsored workshops, conferences and seminars and fees collected for environmental laboratory licensure.	
<b>Purpose of Fund:</b> For costs associated with licensing environmental laboratories by the Department of Health Services.	

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF HEALTH SERVICES (Continued)**

**ENVIRONMENTAL LAB LICENSING REVOLVING FUND (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	669,200	620,600	393,400
Revenue	<u>790,500</u>	<u>802,700</u>	<u>850,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>1,459,700</b>	<b>1,423,300</b>	<b>1,243,400</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>15.0</u>	<u>15.0</u>	<u>15.0</u>
Operating Subtotal	665,000	736,700	736,700
Provider Contracts	174,100	293,200	293,200
<b>TOTAL FUNDS EXPENDED</b>	<b>839,100</b>	<b>1,029,900</b>	<b>1,029,900</b>
<b>BALANCE FORWARD</b>	<b>620,600</b>	<b>393,400</b>	<b>213,500</b>

**FEDERAL GRANTS (HSA2000)**

**A.R.S. § No Citation**

**Source of Revenue:** Grants and reimbursements from the federal government.

**Purpose of Fund:** To provide health services in accordance with the terms of each specific grant.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	(9,131,600)	0	0
Revenue	<u>107,720,000</u>	<u>108,459,700</u>	<u>108,445,900</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>98,588,400</b>	<b>108,459,700</b>	<b>108,445,900</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>214.6</u>	<u>218.7</u>	<u>216.0</u>
Operating Subtotal	15,253,500	16,668,200	16,435,000
Provider Contracts	80,660,900	88,367,300	88,614,100
<b>TOTAL FUNDS EXPENDED</b>	<b>95,914,400</b>	<b>105,035,500</b>	<b>105,049,100</b>
<b>TRANSFERS</b>	<b>2,674,000</b>	<b>3,424,200</b>	<b>3,396,800</b>
<b>BALANCE FORWARD</b>	<b>0</b>	<b>0</b>	<b>0</b>



**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF HEALTH SERVICES (Continued)**

**INDIRECT COSTS (HSA4202)** **A.R.S. § 35-142**

**Source of Revenue:** Indirect costs are charges made to federal funds and interagency agreements in order to reimburse the agency for a portion of the administrative costs of programs.

**Purpose of Fund:** These funds are used to pay for a portion of the administrative personnel and overhead costs associated with various federal programs and interagency agreements.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	682,900	999,500	634,300
Revenue	<u>3,761,500</u>	<u>3,591,000</u>	<u>3,591,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>4,444,400</b>	<b>4,590,500</b>	<b>4,225,300</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>84.5</u>	<u>77.9</u>	<u>77.9</u>
Operating Subtotal	3,633,100	4,148,000	4,158,000
Administrative Adjustments	(417,400)	(191,800)	(250,000)
<b>TOTAL FUNDS EXPENDED</b>	<b>3,215,700</b>	<b>3,956,200</b>	<b>3,908,000</b>
TRANSFERS	229,200	0	0
BALANCE FORWARD	999,500	634,300	317,300

**LIQUOR SERVICES FEES (HSA2144)** **A.R.S. § 4-203.02**

**Source of Revenue:** Fees collected from temporary special event licenses authorizing the sale of spirituous liquor for consumption on the premises where sold.

**Purpose of Fund:** To provide evaluation and treatment of persons impaired by alcoholism.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	52,400	44,000	35,800
Revenue	<u>2,300</u>	<u>2,500</u>	<u>2,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>54,700</b>	<b>46,500</b>	<b>38,300</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Provider Contracts	10,700	10,700	10,700
<b>TOTAL FUNDS EXPENDED</b>	<b>10,700</b>	<b>10,700</b>	<b>10,700</b>
BALANCE FORWARD	44,000	35,800	27,600

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF HEALTH SERVICES (Continued)**

**MEDICAL SERVICES ENHANCEMENT FUND (MSEF)**

**A.R.S. § 36-2219.01**

**Source of Revenue:** An 11% penalty on fines and forfeitures imposed by the courts for criminal and civil motor vehicle statute violations.

**Purpose of Fund:** Monies are distributed on a percentage basis to various non-appropriated funds. See page for each individual non-appropriated fund for detailed information on each recipient.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>% OF MSEF</u>	<u>APPROP.</u>
<b>FUNDS AVAILABLE</b>					
Balance Forward	2,450,200	2,450,200	2,450,200		
Revenue	<u>4,635,600</u>	<u>4,634,600</u>	<u>4,692,000</u>		
<b>TOTAL FUNDS AVAILABLE</b>	7,085,800	7,084,800	7,142,200		
<b>FUNDS EXPENDED</b>					
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>		
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>0</u>	<u>0</u>		
<b>TRANSFERS TO:</b>					
Department of Economic Security					
Spinal and Head Injuries Trust	304,000	1,019,600	1,032,200	22.0	no
Department of Health Services					
EMS Operating	2,755,300	2,266,300	2,294,400	48.9	yes
Substance Abuse Services	531,100	435,700	441,000	9.4	no
Alcohol Abuse Treatment	801,500	658,100	666,300	14.2	no
General Fund	243,700	254,900	258,100	<u>5.5</u>	yes
<b>BALANCE FORWARD</b>	2,450,200	2,450,200	2,450,200	100.0	

**NEWBORN SCREENING PROGRAM FUND (HSA2184)**

**A.R.S. § 36-694**

**Source of Revenue:** The department collects a fee of \$20 for each child tested for a battery of disorders when born in Arizona.

**Purpose of Fund:** The fund provides monies for the centralized testing of all newborns in the state for a battery of metabolic disorders. Every 4 years the department solicits bids for the contracting of these tests. The state health lab holds the current contract.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	467,200	444,300
Revenue	<u>965,300</u>	<u>1,250,000</u>	<u>1,250,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	965,300	1,717,200	1,694,300

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF HEALTH SERVICES (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>
Operating Subtotal	413,600	977,800	805,600
Provider Contracts	84,500	84,500	379,600
<b>TOTAL FUNDS EXPENDED</b>	<u>498,100</u>	<u>1,062,300</u>	<u>1,185,200</u>
TRANSFERS	0	210,600	160,700
BALANCE FORWARD	467,200	444,300	348,400

**SANITARIANS FUNDS (HSA2063)**

**This fund is recommended for elimination.**

**A.R.S. § 36-136.02**

**Source of Revenue:** Registration fees and application fees collected from applicants for the classification of sanitarians, and interest.

**Purpose of Fund:** To defray the costs of registering sanitarians.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	24,800	24,800	25,400
Revenue	<u>7,100</u>	<u>7,100</u>	<u>7,100</u>
<b>TOTAL FUNDS AVAILABLE</b>	31,900	31,900	32,500
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	7,100	6,500	6,500
<b>TOTAL FUNDS EXPENDED</b>	<u>7,100</u>	<u>6,500</u>	<u>6,500</u>
BALANCE FORWARD	24,800	25,400	26,000

**SOUTHERN ARIZONA MENTAL HEALTH CENTER - DONATION (HSA3115)**

**A.R.S. § 36-132B**

**Source of Revenue:** Donations from community organizations and interest from a trust fund.

**Purpose of Fund:** As designated by donor. Funds not designated for a specific purpose are expended for the benefit of the Southern Arizona Mental Health Clinic (SAMHC).

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF HEALTH SERVICES (Continued)**

**SOUTHERN ARIZONA MENTAL HEALTH CENTER - DONATION (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	68,200	76,200	0
Revenue	<u>9,000</u>	<u>10,000</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	77,200	86,200	0
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	600	19,000	0
Provider Contracts	400	6,500	0
<b>TOTAL FUNDS EXPENDED</b>	<u>1,000</u>	<u>25,500</u>	<u>0</u>
<b>BALANCE FORWARD</b>	76,200	60,700 <u>1/</u>	0

1/ SAMHC service and facilities will be privatized by the close of FY 1996. The disposition of this fund balance has yet to be determined.

**SOUTHERN ARIZONA MENTAL HEALTH CENTER - PATIENT BENEFIT (HSA3116)**

**A.R.S. § 36-216**

**Source of Revenue:** Fees charged for parking at the Southern Arizona Medical Health Center facility and miscellaneous receipts.

**Purpose of Fund:** Funds are to be expended for purposes which benefit the patients of the center.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	11,900	15,000	0
Revenue	<u>5,900</u>	<u>5,900</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	17,800	20,900	0
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Assistance to Others	2,800	9,500	0
<b>TOTAL FUNDS EXPENDED</b>	<u>2,800</u>	<u>9,500</u>	<u>0</u>
<b>BALANCE FORWARD</b>	15,000	11,400 <u>1/</u>	0

1/ SAMHC service and facilities will be privatized by the close of FY 1996. The disposition of this fund balance has yet to be determined.

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF HEALTH SERVICES (Continued)**

**SUBSTANCE ABUSE SERVICES (HSA2144)**

**A.R.S. § 36-2219.01**

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** The fund previously received 11.2% of the Medical Services Enhancement Fund (MSEF). Laws 1995, Chapter 179 (H.B. 2091) decreased the distribution of revenues to this fund to 9.4% of MSEF monies. The MSEF contains monies collected from an 11% surcharge on a broad category of criminal and traffic offenses.

**Purpose of Fund:** For use in administering the provisions of A.R.S. § 36-141 which authorizes the director to contract for the development and maintenance of alcohol and drug abuse services. When expending any new or existing undedicated monies, priority shall be given to providing services to pregnant abusers of drugs and/or alcohol.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	120,700	251,800	287,500
Revenue	<u>531,100</u>	<u>435,700</u>	<u>441,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	651,800	687,500	728,500
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Provider Contracts	400,000	400,000	400,000
<b>TOTAL FUNDS EXPENDED</b>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
<b>BALANCE FORWARD</b>	251,800	287,500	328,500

**TOBACCO TAX AND HEALTH CARE FUND - HEALTH EDUCATION ACCOUNT (HSA1306)**

**A.R.S. § 41-1241C**

**Source of Revenue:** The account receives 23 cents of each dollar deposited in the Tobacco Tax and Health Care Fund administered by the Department of Revenue (DOR). The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account.

**Purpose of Fund:** Monies are used for community based education and evaluation, and other programs to discourage tobacco use among the general public, specifically targeting minors and culturally diverse populations.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	12,820,600	27,396,500
Revenue	<u>12,820,600</u>	<u>24,575,900</u>	<u>23,212,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	12,820,600	37,396,500	50,608,500

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF HEALTH SERVICES (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	7.0	7.0
Operating Subtotal	<u>0</u>	<u>10,000,000</u>	<u>10,000,000</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>10,000,000</u>	<u>10,000,000</u>
<b>BALANCE FORWARD</b>	12,820,600	27,396,500	40,608,500

**TOBACCO TAX AND HEALTH CARE FUND - HEALTH RESEARCH ACCOUNT (HSA1306)**

**A.R.S. § 42-1241C**

**Source of Revenue:** The account receives 5 cents of each dollar deposited in the Tobacco Tax and Health Care Fund administered by the Department of Revenue (DOR). The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account.

**Purpose of Fund:** Monies are used for research into the prevention and treatment of tobacco-related disease and addiction.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	(27,900)	482,300
Revenue	<u>2,787,000</u>	<u>5,342,500</u>	<u>5,046,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>2,787,000</u>	<u>5,314,600</u>	<u>5,528,300</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>
Disease Control Research Commission	2,814,900	4,832,300	4,535,800
<b>TOTAL FUNDS EXPENDED</b>	<u>2,814,900</u>	<u>4,832,300</u>	<u>4,535,800</u>
<b>BALANCE FORWARD</b>	(27,900)	482,300	992,500

**TOBACCO TAX AND HEALTH CARE FUND - SUBSIDIARY MEDICALLY NEEDED ACCOUNT (No Number Available)**

**A.R.S. § 42-1241C**

**Source of Revenue:** The account receives funding from the Medically Needy account of the Tobacco Tax and Health Care Fund, which is managed by AHCCCS.

**Purpose of Fund:** Monies are used for 5 health programs. DHS contracts with the following: (1) community providers for medical service primary care; (2) community health centers for basic medical care for residents with incomes below 200% Federal Poverty Level; (3) an entity for a 3 year contract to provide telemedicine services on under served area; (4) contractors to provide on-going services or demonstration projects for non-Title 19 patients; and (5) 3 or fewer rural counties to provide a 2-year detoxification pilot program.

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF HEALTH SERVICES (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	0	15,955,000	15,955,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>0</u>	<u>15,955,000</u>	<u>15,955,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>8.9</u>	<u>8.9</u>
Primary Care Programs	0	5,100,000	5,100,000
Qualifying Community Health Centers	0	5,100,000	5,100,000
Telemedicine	0	255,000	255,000
Mental Health Programs for Non-Title 19	0	5,000,000	5,000,000
Detoxification Services	0	500,000	500,000
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>15,955,000</u>	<u>15,955,000</u>
<b>BALANCE FORWARD</b>	0	0	0

**WIC REBATES (HSA2100)**

**A.R.S. § No Citation**

**Source of Revenue:** Rebates from formula-milk manufacturers in exchange for every unit of formula purchased by a mother enrolled in the WIC program.

**Purpose of Fund:** The federal government requires states to contract with formula providers for rebates on the purchase of infant formula. The state collects the formula receipts for a period and submits these for rebates from the manufacturer. All fund deposits are used to provide additional food for the program's clients.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	3,358,100	0	0
Revenue	11,214,500	21,392,000	21,200,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>14,572,600</u>	<u>21,392,000</u>	<u>21,200,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Provider Contracts	14,572,600	21,392,000	21,200,000
<b>TOTAL FUNDS EXPENDED</b>	<u>14,572,600</u>	<u>21,392,000</u>	<u>21,200,000</u>
<b>BALANCE FORWARD</b>	0	0	0

**Fiscal Year 1997 Non-Appropriated Funds**

**JUDICIARY - SUPREME COURT**

Agency Summary

ANALYST: Brad Beranek/Marge Cawley

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	3,264,700	4,598,600	(3,306,200)
Revenue	<u>14,310,800</u>	<u>14,120,500</u>	<u>14,047,900</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>17,575,500</b>	<b>18,719,100</b>	<b>10,741,700</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>76.8</u>	<u>67.9</u>	<u>67.9</u>
Operating Subtotal	3,033,600	6,255,500	2,334,200
Disbursed to Cities, Counties, and Courts	8,196,300	14,022,800	8,935,600
<b>TOTAL FUNDS EXPENDED</b>	<b>11,229,900</b>	<b>20,278,300</b>	<b>11,269,800</b>
TRANSFERS	1,747,000	1,747,000	1,747,000
BALANCE FORWARD	4,598,600	(3,306,200)	(2,275,100)

**ALTERNATIVE DISPUTE RESOLUTION (SPA3245)**

A.R.S. § 12-135

**Source of Revenue:** Fee collections on civil case filings: \$2 on each Class A and B filing and \$1 on each Class C and D filing.

**Purpose of Fund:** To supplement local courts' funding for alternative dispute resolution programs.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	111,800	143,200	107,100
Revenue	<u>215,000</u>	<u>176,200</u>	<u>176,200</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>326,800</b>	<b>319,400</b>	<b>283,300</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>
Operating Subtotal	20,800	22,900	22,900
Assistance to Courts	162,800	189,400	189,400
<b>TOTAL FUNDS EXPENDED</b>	<b>183,600</b>	<b>212,300</b>	<b>212,300</b>
BALANCE FORWARD	143,200	107,100	71,000



**Fiscal Year 1997 Non-Appropriated Funds**

**JUDICIARY - SUPREME COURT (Continued)**

**A.R.S. § 41-2401**

**CASE PROCESSING ASSISTANCE (SPA2075)**

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** 6.15% of the Criminal Justice Enhancement Fund.

**Purpose of Fund:** To enhance the ability of the courts to process criminal and delinquency cases.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	672,500	1,065,900	631,600
Revenue	<u>1,502,000</u>	<u>1,324,100</u>	<u>1,316,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>2,174,500</b>	<b>2,390,000</b>	<b>1,948,100</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>12.0</u>	<u>12.9</u>	<u>12.9</u>
Operating Subtotal	97,600	104,200	104,200
Assistance to Courts	1,011,000	1,654,200	1,654,200
<b>TOTAL FUNDS EXPENDED</b>	<u><b>1,108,600</b></u>	<u><b>1,758,400</b></u>	<u><b>1,758,400</b></u>
<b>BALANCE FORWARD</b>	<b>1,065,900</b>	<b>631,600</b>	<b>189,700</b>

**A.R.S. § 8-135**

**CONFIDENTIAL INTERMEDIARY (SPA2276)**

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** A \$30 surcharge on adoption of children who are not wards of the Court and are in the custody of the Department of Economic Security and a \$1 surcharge on fees for all certified copies of birth certificates.

**Purpose of Fund:** Funding source for the Supreme Court to administer and implement the Confidential Intermediary program, which became effective April 1, 1993. This program provides for an individual or an adoption agency, as specified by the Court, to act as a contact between an adoptive parent or guardian and an adoptee or a birth parent in locating confidential information or establishing contact between them.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	119,900	92,900	104,700
Revenue	<u>159,300</u>	<u>159,300</u>	<u>159,300</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>279,200</b>	<b>252,200</b>	<b>264,000</b>

**Fiscal Year 1997 Non-Appropriated Funds**

**JUDICIARY - SUPREME COURT (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	3.4	3.2	3.2
Operating Subtotal	<u>186,300</u>	<u>147,500</u>	<u>147,500</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>186,300</u>	<u>147,500</u>	<u>147,500</u>
<b>BALANCE FORWARD</b>	92,900	104,700	116,500

**COUNTY PUBLIC DEFENDER TRAINING (SPA3013)**

**A.R.S. § 12-117**

**Source of Revenue:** \$2 of the \$8 surcharge on each person paying a court order penalty, fine or sanction on a time-payment basis.

**Purpose of Fund:** Allocated to each county Public Defender Office exclusively for training.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	67,200	141,700	141,800
Revenue (Transfer from JCEF)	<u>462,800</u>	<u>462,800</u>	<u>462,800</u>
<b>TOTAL FUNDS AVAILABLE</b>	530,000	604,500	604,600
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.5	0.5	0.5
Operating Subtotal	<u>30,000</u>	<u>25,300</u>	<u>25,300</u>
Disbursed to Public Defenders	358,300	437,400	437,400
<b>TOTAL FUNDS EXPENDED</b>	<u>388,300</u>	<u>462,700</u>	<u>462,700</u>
<b>BALANCE FORWARD</b>	141,700	141,800	141,900

**DEFENSIVE DRIVING SCHOOL (SPA2247)**

**A.R.S. § 28-493**

**Source of Revenue:** Fee, not to exceed \$15, imposed on each person who attends a defensive driving school by court order.

**Purpose of Fund:** To supervise the use of defensive driving schools by the courts in Arizona and to expedite the processing of all offenses, prescribed in A.R.S. Title 28, Chapter 6, Articles 2 through 15 related to highway traffic.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	2,388,300	2,674,600	266,400
Revenue	<u>1,909,500</u>	<u>1,786,000</u>	<u>1,786,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	4,297,800	4,460,600	2,052,400

**Fiscal Year 1997 Non-Appropriated Funds**

**JUDICIARY - SUPREME COURT (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	<u>25.2</u>	<u>24.7</u>	<u>24.7</u>
Operating Subtotal	320,100	272,600	272,600
Assistance to Courts	1,303,100	903,200	617,200
Arizona Court Automation Project	0	1,798,400	710,000
Other Automation Commitments	<u>0</u>	<u>1,220,000</u>	<u>50,000</u>
TOTAL FUNDS EXPENDED	1,623,200	4,194,200	1,649,800
BALANCE FORWARD	2,674,600	266,400	402,600

**DRUG ENFORCEMENT ACCOUNT (SPA2075)**

**A.R.S. § 41-2402**

**Source of Revenue:** Distribution from the Drug Enforcement Account.

**Purpose of Fund:** To fund programs and agencies by the Arizona Criminal Justice Commission to enhance the ability of the courts to process drug offenses and related cases.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward	75,600	27,300	27,300
Revenue	<u>1,486,500</u>	<u>1,841,500</u>	<u>1,841,500</u>
TOTAL FUNDS AVAILABLE	1,562,100	1,868,800	1,868,800
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	<u>3.3</u>	<u>3.3</u>	<u>3.3</u>
Operating Subtotal	123,200	66,700	66,700
Assistance to Cities and Counties	1,411,600	1,774,800	1,774,800
TOTAL FUNDS EXPENDED	<u>1,534,800</u>	<u>1,841,500</u>	<u>1,841,500</u>
BALANCE FORWARD	27,300	27,300	27,300

**DRUG STUDY (SPA2088)**

**A.R.S. § Laws 1987, Chapter 307**

**Source of Revenue:** Appropriation from the Corrections Fund.

**Purpose of Fund:** Preparation and implementation of a plan for post-arrest, pre-release and pre-trial drug testing for adults and juveniles.

**Fiscal Year 1997 Non-Appropriated Funds**

**JUDICIARY - SUPREME COURT (Continued)**

**DRUG STUDY (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	38,500	38,500	38,500
Revenue	0	0	0
<b>TOTAL FUNDS AVAILABLE</b>	<u>38,500</u>	<u>38,500</u>	<u>38,500</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>BALANCE FORWARD</b>	38,500	38,500	38,500

**GRANTS AND SPECIAL REVENUE (SPA2084)**

**This fund is recommended for transfer to appropriated status.**

**A.R.S. § 41-101.01**

**Source of Revenue:** Monies provided from various sources, private and public, for specific programs and projects.

**Purpose of Fund:** Expended by the courts as specified in the agreement for the specific programs and projects.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	(3,137,200)	(2,808,100)	(5,635,500)
Transfer (JCEF)	1,284,200	1,284,200	1,284,200
Revenue	532,600	532,600	532,600
<b>TOTAL FUNDS AVAILABLE</b>	<u>(1,320,400)</u>	<u>(991,300)</u>	<u>(3,818,700)</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	5.2	2.4	2.4
Operating Subtotal	1,436,400	4,644,200	722,900
Assistance to Courts	51,300	0	0
<b>TOTAL FUNDS EXPENDED</b>	<u>1,487,700</u>	<u>4,644,200</u>	<u>722,900</u>
<b>BALANCE FORWARD <sup>1/</sup></b>	(2,808,100)	(5,635,500)	(4,541,600)

<sup>1/</sup> Negative fund balance due to a \$7,383,314 liability related to Arizona Court Automation Project (ACAP) financing.

**Fiscal Year 1997 Non-Appropriated Funds**

**JUDICIARY - SUPREME COURT (Continued)**

**JUDICIAL COLLECTION ENHANCEMENT (SPA2246)**

**A.R.S. § 12-113**

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** \$7 of a \$12 surcharge on each person paying a court ordered penalty, fine or sanction on a time-payment basis; 15% of all Superior Court filing and appearance fees; \$5 from each defensive driving school attendee.

**Purpose of Fund:** To improve, maintain and enhance the ability of the courts to collect and manage monies assessed or received by the courts, according to plans approved by the Supreme Court.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	2,286,800	2,507,900	668,700
Revenue	<u>4,720,300</u>	<u>4,539,300</u>	<u>4,539,300</u>
<b>TOTAL FUNDS AVAILABLE</b>	7,007,100	7,047,200	5,208,000
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>16.3</u>	<u>11.5</u>	<u>11.5</u>
Operating Subtotal	281,300	273,100	273,100
Assistance to Courts	1,378,300	1,543,400	1,195,100
Arizona Court Automation Project (ACAP)	942,500	1,944,300	687,500
Appellate Court Automation Project	<u>150,100</u>	<u>870,700</u>	<u>120,000</u>
<b>TOTAL FUNDS EXPENDED</b>	2,752,200	4,631,500	2,275,700
TRANSFER (Grants and Special Revenue Fund)	1,284,200	1,284,200	1,284,200
TRANSFER (Public Defender)	462,800	462,800	462,800
<b>BALANCE FORWARD</b>	2,507,900 <sup>1/</sup>	668,700 <sup>1/</sup>	1,185,300 <sup>1/</sup>

<sup>1/</sup> After other commitments, this is the amount available to continue funding large volume courts through ACAP.

**JUVENILE CRIME REDUCTION (SPA2075)**

**A.R.S. § 41-2401**

**Source of Revenue:** 9.55% of the Criminal Justice Enhancement Fund.

**Purpose of Fund:** Development and implementation of statewide programs to reduce juvenile crime.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	641,300	714,700	343,200
Revenue	<u>2,038,600</u>	<u>2,014,500</u>	<u>1,949,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	2,679,900	2,729,200	2,292,700
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>10.4</u>	<u>8.9</u>	<u>8.9</u>
Operating Subtotal	537,900	699,000	699,000
Assistance to Courts	1,427,300	1,687,000	1,500,000
<b>TOTAL FUNDS EXPENDED</b>	<u>1,965,200</u>	<u>2,386,000</u>	<u>2,199,000</u>
<b>BALANCE FORWARD</b>	714,700	343,200	93,700

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF JUVENILE CORRECTIONS**

Agency Summary

ANALYST: Karen Bock/Lorenzo Martinez

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	156,700	257,600	319,700
Revenue	2,902,700	2,771,000	2,177,800
<b>TOTAL FUNDS AVAILABLE</b>	<u>3,059,400</u>	<u>3,028,600</u>	<u>2,497,500</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	32.0	30.0	23.0
Operating Subtotal	1,873,300	2,048,000	1,357,400
Special Line Items Total	208,000	100	0
<b>TOTAL FUNDS EXPENDED</b>	<u>2,081,300</u>	<u>2,048,100</u>	<u>1,357,400</u>
<b>APPROPRIATIONS</b>	720,500	660,800	617,000
<b>BALANCE FORWARD</b>	257,600	319,700	523,100

**CRIMINAL JUSTICE ENHANCEMENT (DJA2281)**

**A.R.S. § 41-2401**

**Source of Revenue:** The department is allocated 1.65% of Criminal Justice Enhancement (CJEF) monies, which consist of fines and penalties imposed by courts for certain criminal and civil motor vehicle violations.

**Purpose of Fund:** These monies are appropriated for substance abuse rehabilitation services within Community Care.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward			
Revenue	136,400	69,600	102,800
<b>TOTAL FUNDS AVAILABLE</b>	<u>333,200</u>	<u>333,200</u>	<u>333,200</u>
	469,600	402,800	436,000
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>APPROPRIATIONS</b>	400,000	300,000	300,000
<b>BALANCE FORWARD</b>	69,600	102,800	136,000

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF JUVENILE CORRECTIONS (Continued)**

**A.R.S. § 35-142**

**FEDERAL FUNDS (DJA2000)**

**Source of Revenue:** Federal funds received through the Arizona Department of Education.

**Purpose of Fund:** Funds are used for the National School Breakfast and Lunch Program, Special Education, Job Training Partnership Act (JTPA), substance abuse, and other federal programs.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	(66,700)	110,000	175,900
Revenue	<u>2,219,600</u>	<u>2,077,600</u>	<u>1,484,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>2,152,900</b>	<b>2,187,600</b>	<b>1,660,400</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>32.0</u>	<u>30.0</u>	<u>23.0</u>
Operating Subtotal	1,834,900	2,011,600	1,321,000
Indirect Cost Allocation	208,000	100	0
<b>TOTAL FUNDS EXPENDED</b>	<u>2,042,900</u>	<u>2,011,700</u>	<u>1,321,000</u>
<b>BALANCE FORWARD</b>	110,000	175,900	339,400

**JUVENILE CORRECTIONS (DJA3024)**

**A.R.S. § 41-2810**

**Source of Revenue:** Revenue consists of donations by individuals and businesses.

**Purpose of Fund:** Used for additional supplies and department conferences, or for purposes agreed upon by donors and agency director.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	8,400	14,500	17,700
Revenue	<u>7,500</u>	<u>4,600</u>	<u>4,600</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>15,900</b>	<b>19,100</b>	<b>22,300</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	1,400	1,400	1,400
<b>TOTAL FUNDS EXPENDED</b>	<u>1,400</u>	<u>1,400</u>	<u>1,400</u>
<b>BALANCE FORWARD</b>	14,500	17,700	20,900

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF JUVENILE CORRECTIONS (Continued)**

<b>PARENTAL ASSESSMENT AND RESTITUTION (DJA2185)</b>	<b>A.R.S. § 41-2812 (Repealed)</b>
<b>This fund is recommended for elimination.</b>	
<b>Source of Revenue:</b> Revenue consists of court-ordered assessments from parents of committed youth.	
<b>Purpose of Fund:</b> For partial reimbursement of youths' room and board costs. Parents are assessed according to financial ability. Monies in the fund are currently used for repair projects at the institutions and to supplement the Work-Incentive Pay Plan (WIPP).	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	86,100	43,600	0
Revenue	18,000	17,200	17,400
<b>TOTAL FUNDS AVAILABLE</b>	<u>104,100</u>	<u>60,800</u>	<u>17,400</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>APPROPRIATIONS</b>	60,500	60,800	17,000
<b>BALANCE FORWARD</b>	43,600	0	400

<b>SPECIAL SERVICES (DJA3735)</b>	<b>A.R.S. § 41-2807</b>
<b>This fund is recommended for consolidation in the Department of Juvenile Corrections Fund.</b>	
<b>Source of Revenue:</b> Formerly consisted of proceeds from vending machines, fund-raising efforts, and the like. Currently, revenues consist of pass-through monies and interagency agreement monies.	
<b>Purpose of Fund:</b> Per statute, this fund is for "the benefit, education, and welfare of committed youth" including operation of a commissary or hobby shop, and was formerly used for special student activities and related awards, trophies, or other special activity expenses. Currently, it is used to execute interagency agreements or grant programs.	
<b>NOTE:</b> Each Department of Juvenile Corrections facility maintains a bank trust account for monies related to commissary sales.	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	4,700	14,000	14,000
Revenue	46,300	35,000	35,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>51,000</u>	<u>49,000</u>	<u>49,000</u>



**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF JUVENILE CORRECTIONS (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>37,000</u>	<u>35,000</u>	<u>35,000</u>
TOTAL FUNDS EXPENDED	<u>37,000</u>	<u>35,000</u>	<u>35,000</u>
BALANCE FORWARD	14,000	14,000	14,000

**STATE CHARITABLE, PENAL, AND REFORMATORIES  
LAND EARNINGS (DJA3029)**

**A.R.S. § 37-525**

**Source of Revenue:** Revenue consists of 25% of monies received from interest on the State Charitable, Penal and Reformatories Land Fund as established through Arizona's Enabling Act, Section 25; and 25% of monies derived from the rental of these lands and property.

**Purpose of Fund:** To provide a continuous funding resource for state reformatories. Most of the monies are used for reformatory land-lease costs.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward	(12,200)	5,900	9,300
Revenue	<u>278,100</u>	<u>303,400</u>	<u>303,100</u>
TOTAL FUNDS AVAILABLE	265,900	309,300	312,400
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL FUNDS EXPENDED	<u>0</u>	<u>0</u>	<u>0</u>
APPROPRIATIONS	260,000	300,000	300,000
BALANCE FORWARD	5,900	9,300	12,400

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA STATE LOTTERY COMMISSION**

Agency Summary

ANALYST: Phil Case

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	3,188,900	3,172,600	2,168,000
Revenue	292,463,000	311,803,400	282,075,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>295,651,900</u>	<u>314,976,000</u>	<u>284,243,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Special Line Items Total	151,208,400	161,550,000	145,305,600
<b>TOTAL FUNDS EXPENDED</b>	<u>151,208,400</u>	<u>161,550,000</u>	<u>145,305,600</u>
APPROPRIATIONS	44,237,900	49,188,000	44,095,500
TRANSFERS	97,033,000	102,070,000	91,194,000
BALANCE FORWARD	3,172,600	2,168,000	3,647,900

**ECONOMIC DEVELOPMENT GAMES (LOA2122)**

A.R.S. § 5-504

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** Sales of lottery tickets from 2 dedicated instant ticket games per year.

**Purpose of Fund:** A minimum of 32.5% of revenues are deposited into the Economic Development Fund for use in efforts to develop the Arizona economy. Beginning in FY 1995, the Lottery Commission's policy is to transfer all remaining monies to the Lottery Fund.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	8,294,800	8,200,000	9,000,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>8,294,800</u>	<u>8,200,000</u>	<u>9,000,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>0</u>	<u>0</u>
TRANSFER TO LOTTERY FUND	5,660,300	5,535,000	6,075,000
TRANSFER TO ECONOMIC DEV. FUND	2,634,500	2,665,000	2,925,000
BALANCE FORWARD	0	0	0

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA STATE LOTTERY (Continued)**

**A.R.S. § 5-521**

**STATE LOTTERY (LOA2122)**

**Source of Revenue:** Sales of lottery tickets, retailer license fees, and transfers from the Economic Development Games Fund.

**Purpose of Fund:** The fund pays for all operating costs of Arizona State Lottery Commission through legislative appropriation. After all expenses are paid, \$23,000,000 is distributed to the Local Transportation Assistance Fund, \$7,650,000 to the County Assistance Fund, \$20,000,000 to the Heritage Fund, at least \$45,000,000 to the General Fund, and up to \$18,000,000 to the Local Transportation Assistance Fund-Mass Transit, revenues permitting.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	3,188,900	3,172,600	2,168,000
Revenue	284,168,200	303,603,400	273,075,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>287,357,100</u>	<u>306,776,000</u>	<u>275,243,000</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Prizes	151,208,400	161,550,000	145,305,600
 <b>TOTAL FUNDS EXPENDED</b>	<u>151,208,400</u>	<u>161,550,000</u>	<u>145,305,600</u>
<b>APPROPRIATIONS</b>	44,237,900	49,188,000	44,095,500
<b>TRANSFERS TO:</b>			
LOCAL TRANSPORTATION ASST. FUND	23,000,000	23,000,000	23,000,000
COUNTY ASSISTANCE FUND	7,650,000	7,650,000	7,650,000
HERITAGE FUND	20,000,000	20,000,000	20,000,000
GENERAL FUND	38,088,200	43,220,000	31,544,000
MASS TRANSIT TRANSFER	0	0	0
<b>BALANCE FORWARD</b>	3,172,600	2,168,000	3,647,900

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF PUBLIC SAFETY**

Agency Summary

ANALYST: Jason Hall/Jim Hillyard

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	9,144,000	6,050,100	2,820,800
Revenue	<u>37,613,200</u>	<u>34,085,600</u>	<u>32,854,400</u>
<b>TOTAL FUNDS AVAILABLE</b>	46,757,200	40,135,700	35,675,200
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>199.0</u>	<u>166.5</u>	<u>158.5</u>
Operating Subtotal	24,219,300	19,347,100	17,525,300
Special Line Items Total	6,896,200	7,507,900	7,459,900
<b>TOTAL FUNDS EXPENDED</b>	31,115,500	26,855,000	24,985,200
APPROPRIATIONS	9,591,200	8,915,000	7,123,000
TRANSFERS	400	1,544,900	802,300
BALANCE FORWARD	6,050,100	2,820,800	2,764,700

**AFIS (PSA2286)**

A.R.S. § 41-2414

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** Beginning January 1, 1994, this fund receives 6.6% of the Criminal Justice Enhancement Fund (CJEF) revenues as enacted by Laws 1993, Chapter 243. CJEF receives revenue from a 46% surcharge on a wide variety of criminal and traffic offenses.

**Purpose of Fund:** Monies in the fund are for: purchase and installation of fingerprint identification equipment; operation and maintenance of the system and remote terminals; and cost of administering the system.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	3,529,900	1,007,400	945,400
Revenue	<u>1,333,000</u>	<u>1,300,000</u>	<u>1,300,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	4,862,900	2,307,400	2,245,400
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	2,001,300	0	0
<b>TOTAL FUNDS EXPENDED</b>	2,001,300	0	0
APPROPRIATIONS	1,854,200	1,362,000	1,362,000
BALANCE FORWARD	1,007,400	945,400	883,400

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF PUBLIC SAFETY (Continued)**

<b>ANTI-DRIVING UNDER THE INFLUENCE (PSA2353)</b>	<b>A.R.S. § 28-697.02</b>
<b>This fund is recommended for elimination.</b>	
<b>Source of Revenue:</b> Money received from sale of vehicles forfeited under A.R.S. § 28-697, as a result of a DUI conviction.	
<b>Purpose of Fund:</b> Fifty percent to be used for enforcement and prosecution of any offense under A.R.S. § 28-692 and A.R.S. § 28-697; 50% to be used for education and treatment programs on driving under the influence of alcohol or other drugs.	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	8,800	10,100	0
Revenue	<u>1,300</u>	<u>2,500</u>	<u>3,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>10,100</u>	<u>12,600</u>	<u>3,000</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	<u>0</u>	<u>12,600</u>	<u>3,000</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>12,600</u>	<u>3,000</u>
 <b>BALANCE FORWARD</b>	10,100	0	0

<b>ANTI-RACKETEERING (PSA3123)</b>	<b>A.R.S. § 13-2314</b>
<b>Source of Revenue:</b> Any monies obtained as a result of a Department of Public Safety seizure and a forfeiture by the Attorney General are deposited into this fund. The forfeitures are made under the Racketeering Influenced and Corrupt Organization (RICO) laws.	
<b>Purpose of Fund:</b> To fund gang prevention programs, substance abuse prevention programs and substance abuse education programs. The funds can also be used for the investigation and prosecution of any offense relating to racketeering.	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,034,000	98,400	203,800
Revenue	<u>442,900</u>	<u>1,705,400</u>	<u>1,500,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,476,900</u>	<u>1,803,800</u>	<u>1,703,800</u>

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF PUBLIC SAFETY (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	10.5	12.5	12.5
Operating Subtotal	<u>1,378,500</u>	<u>1,600,000</u>	<u>1,500,000</u>
 TOTAL FUNDS EXPENDED	 <u>1,378,500</u>	 <u>1,600,000</u>	 <u>1,500,000</u>
 BALANCE FORWARD	 98,400	 203,800	 203,800

**ARIZONA DNA IDENTIFICATION SYSTEM (PSA2337)**

**A.R.S. § 41-2419**

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** The fund consists of fees collected from individuals that are tested and from Criminal Justice Enhancement Fund (CJEF) monies. This fund receives 1.3125% of CJEF revenues. CJEF receives revenue from a 46% surcharge on a wide range of criminal and traffic offenses.

**Purpose of Fund:** The funds will be used to implement and operate a state Deoxyribonucleic Acid (DNA) identification program.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward	0	0	0
Revenue	0	322,200	265,000
TOTAL FUNDS AVAILABLE	<u>0</u>	<u>322,200</u>	<u>265,000</u>
 FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	0.0	3.0	3.0
Operating Subtotal	<u>0</u>	<u>322,200</u>	<u>265,000</u>
 TOTAL FUNDS EXPENDED	 <u>0</u>	 <u>322,200</u>	 <u>265,000</u>
 BALANCE FORWARD	 0	 0	 0

**CRIME LAB ASSESSMENT (PSA2282)**

**A.R.S. § 41-2411**

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** This fund receives 2.35% of the Criminal Justice Enhancement Fund (CJEF). CJEF receives revenue from a 46% surcharge on a wide range of criminal and traffic offenses.

**Purpose of Fund:** To provide enhanced crime laboratory services through the purchase and maintenance of scientific equipment. Publicly supported crime laboratories must employ at least 1 forensic scientist, and be registered as an analytical laboratory with the Drug Enforcement Administration.

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF PUBLIC SAFETY (Continued)**

**CRIME LAB ASSESSMENT (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	116,300	2,000	0
Revenue	<u>479,700</u>	<u>474,500</u>	<u>474,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>596,000</u>	<u>476,500</u>	<u>474,500</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	267,300	214,400	213,500
 <b>TOTAL FUNDS EXPENDED</b>	<u>267,300</u>	<u>214,400</u>	<u>213,500</u>
<b>APPROPRIATIONS</b>	326,700	262,100	261,000
 <b>BALANCE FORWARD</b>	2,000	0	0

**CRIMINAL JUSTICE ENHANCEMENT PASS-THROUGH (PSA3702)**

**A.R.S. § 41-2401**

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** This fund receives 7.44% of the Criminal Justice Enhancement Fund (CJEF). The CJEF receives revenue from a 46% surcharge on a wide variety of criminal and traffic offenses.

**Purpose of Fund:** For allocations to state and local law enforcement authorities for: a) enhancement of projects designed to prevent residential and commercial burglaries, control street crime, and locate missing children; and b) to provide support to the fingerprint identification system.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	400,000
Revenue	<u>0</u>	<u>1,922,000</u>	<u>1,500,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>0</u>	<u>1,922,000</u>	<u>1,900,000</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.5</u>	<u>0.5</u>
Operating Subtotal	0	570,400	697,700
 <b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>570,400</u>	<u>697,700</u>
 <b>TRANSFERS</b>	0	951,600	802,300
<b>BALANCE FORWARD</b>	0	400,000	400,000

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF PUBLIC SAFETY (Continued)**

**DONATIONS (PSA3123)**

**A.R.S. § 41-1833**

**Source of Revenue:** Private gifts, grants, contributions and bequests.

**Purpose of Fund:** For general uses consistent with the terms of specific donations.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	14,200	5,600	0
Revenue	7,400	0	0
<b>TOTAL FUNDS AVAILABLE</b>	<u>21,600</u>	<u>5,600</u>	<u>0</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>10,300</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>10,300</u>	<u>0</u>	<u>0</u>
<b>APPROPRIATIONS</b>	5,700	5,600	0
<b>BALANCE FORWARD</b>	5,600	0	0

**DPS ADMINISTRATION FUND (PSA2322)**

**A.R.S. § 41-1713**

**Source of Revenue:** State and local grants.

**Purpose of Fund:** Collection of accounts for administering state and local grants such as Emergency Medical Services Communications (EMSCOM), Arizona Criminal Justice Commission (ACJC), Forensics, Fines Management and CPS Criminal Justice Enhancement Fund (CJEF) project, as well as for operational costs for the Criminal Justice Information System.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	414,400	828,100	46,600
Revenue	8,139,400	1,245,700	1,306,700
<b>TOTAL FUNDS AVAILABLE</b>	<u>8,553,800</u>	<u>2,073,800</u>	<u>1,353,300</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	50.5	13.0	13.0
Operating Subtotal	<u>7,148,200</u>	<u>1,331,100</u>	<u>1,302,200</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>7,148,200</u>	<u>1,331,100</u>	<u>1,302,200</u>
<b>APPROPRIATIONS</b>	577,500	479,200	0
<b>TRANSFERS</b>	0	216,900	0
<b>BALANCE FORWARD</b>	828,100	46,600	51,100



**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF PUBLIC SAFETY (Continued)**

**FEDERAL BLOCK GRANTS - PASS THROUGH (PSA2000)**

**A.R.S. § 41-1832**

**Source of Revenue:** Federal block grant.

**Purpose of Fund:** Department of Justice-Victims of Crime Act (VOCA) funds are passed through to private nonprofit and governmental agencies to provide services to Arizona victims of crime. The Department of Public Safety only serves as a pass-through agency and is not a recipient of these funds.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	(8,300)	(14,500)	0
Revenue	<u>1,120,700</u>	<u>1,374,100</u>	<u>1,312,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,112,400</u>	<u>1,359,600</u>	<u>1,312,500</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Pass Through to Other Agencies	1,126,900	1,359,600	1,312,500
<b>TOTAL FUNDS EXPENDED</b>	<u>1,126,900</u>	<u>1,359,600</u>	<u>1,312,500</u>
<b>BALANCE FORWARD</b>	(14,500)	0	0

**FEDERAL GRANTS - GOVERNOR'S OFFICE OF HIGHWAY SAFETY (PSA2000)**

**A.R.S. § 41-1832**

**Source of Revenue:** Federal grants from Federal Highway Administration (FHWA).

**Purpose of Fund:** Administer and provide federal funds to state and local jurisdictions for the promotion of highway safety and related issues throughout the State of Arizona.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	458,500	437,900	396,200
Revenue	<u>3,123,600</u>	<u>3,330,000</u>	<u>3,250,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>3,582,100</u>	<u>3,767,900</u>	<u>3,646,200</u>

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF PUBLIC SAFETY (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	8.0	9.0	9.0
Operating Subtotal	840,800	1,039,600	987,600
Pass Through to Other Agencies	2,303,400	2,332,100	2,275,000
<b>TOTAL FUNDS EXPENDED</b>	<u>3,144,200</u>	<u>3,371,700</u>	<u>3,262,600</u>
<b>BALANCE FORWARD</b>	437,900	396,200	383,600

**FEDERAL GRANTS AND REIMBURSEMENTS (PSA2000)**

**A.R.S. § 41-1833**

**Source of Revenue:** Federal grants for various activities to include: High Intensity Drug Trafficking Area (HDTA) program; drug control and system improvements; organized crime financial investigations; Rocky Mountain Information Network (RMIN); Project DARE (Drug Abuse Resistance Education) and many other functions.

**Purpose of Fund:** To provide public safety services consistent with the terms of specific grants.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	30,600	299,900	2,200
Revenue	5,380,000	6,122,600	5,171,700
<b>TOTAL FUNDS AVAILABLE</b>	<u>5,410,600</u>	<u>6,422,500</u>	<u>5,173,900</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	82.5	80.0	77.0
Operating Subtotal	4,792,400	6,040,900	4,934,400
Indirect Costs	231,100	179,500	179,500
Pass Through to Other Agencies	86,800	199,400	60,000
<b>TOTAL FUNDS EXPENDED</b>	<u>5,110,300</u>	<u>6,419,800</u>	<u>5,173,900</u>
<b>TRANSFERS</b>	400	500	0
<b>BALANCE FORWARD</b>	299,900	2,200	0

**FINGERPRINT (PSA2159)**

**A.R.S. § 41-1750**

**Source of Revenue:** Fees collected from state regulatory agencies and political subdivisions for fingerprint processing by the Department of Public Safety.

**Purpose of Fund:** To provide a separate accounting for the collections and payment of fees for fingerprint processing. Charges by the federal government for fingerprint processing are paid from this fund. Monies in the fund may also be used for administrative costs. Any excess monies may be used by the department for administrative costs.

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF PUBLIC SAFETY (Continued)**

**FINGERPRINT (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	202,000	436,600	516,900
Revenue	2,514,400	2,750,000	3,000,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>2,716,400</u>	<u>3,186,600</u>	<u>3,516,900</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	4.0	5.0	6.0
Operating Subtotal	2,272,900	2,669,700	2,921,200
<b>TOTAL FUNDS EXPENDED</b>	<u>2,272,900</u>	<u>2,669,700</u>	<u>2,921,200</u>
APPROPRIATIONS	6,900	0	0
BALANCE FORWARD	436,600	516,900	595,700

**HIGHWAY PATROL (PSA2032)**

**A.R.S. § 28-1891**

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** Monies distributed from the Arizona Highway User Revenue Fund by the Legislature, insurance premium taxes, service fees, awards, insurance recoveries and receipts from the sale or disposal of property held by the Arizona Highway Patrol. Beginning in FY 1995, fees from Concealed Weapon Permits were made part of this fund.

**Purpose of Fund:** To administer the provisions of laws relating to the Highway Patrol and the Arizona Highway Patrol Reserve. Beginning in FY 1995, the fund is also being used for concealed weapon permit processing.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	2,700,200	1,976,000	63,800
Revenue	11,194,000	9,653,200	10,050,500
<b>TOTAL FUNDS AVAILABLE</b>	<u>13,894,200</u>	<u>11,629,200</u>	<u>10,114,300</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	11.5	11.5	11.5
Operating Subtotal	1,970,200	952,200	914,800
Public Safety Retirement System	3,148,000	3,437,300	3,632,900
<b>TOTAL FUNDS EXPENDED</b>	<u>5,118,200</u>	<u>4,389,500</u>	<u>4,547,700</u>
APPROPRIATIONS	6,800,000	6,800,000	5,500,000
TRANSFERS	0	375,900	0
BALANCE FORWARD	1,976,000	63,800	66,600

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF PUBLIC SAFETY (Continued)**

**MOTOR CARRIER SAFETY RECEIVING FUND (PSA2380)** **A.R.S. § 28-2415**

**Source of Revenue:** Monies appropriated by the Legislature, designated private grants and donations, and funds remaining in the Cargo Tank Administration Revolving Fund.

**Purpose of Fund:** Enforce the Motor Carrier Safety provisions of the Motor Carrier Safety Act and any rules adopted by the Motor Vehicle Division.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	400	0
Revenue	22,000	0	0
<b>TOTAL FUNDS AVAILABLE</b>	22,000	400	0
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	21,600	400	0
<b>TOTAL FUNDS EXPENDED</b>	21,600	400	0
<b>BALANCE FORWARD</b>	400	0	0

**PEACE OFFICERS TRAINING FUND (PSA2049)** **A.R.S. § 41-1825**

**Source of Revenue:** This fund receives 17% of the Criminal Justice Enhancement Fund (CJEF). The CJEF receives revenue from a 46% surcharge on a wide variety of criminal and traffic offenses.

**Purpose of Fund:** For training costs, including the operation of the Arizona Law Enforcement Officers Academy, grants to state agencies, cities and towns, and counties for training law enforcement officers and the operation of the Arizona Law Enforcement Officers Advisory Council.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	623,000	956,100	245,900
Revenue	3,707,900	3,709,300	3,536,500
<b>TOTAL FUNDS AVAILABLE</b>	4,330,900	4,665,400	3,782,400

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF PUBLIC SAFETY (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	30.0	30.0	24.0
Operating Subtotal	<u>3,374,800</u>	<u>4,419,500</u>	<u>3,601,900</u>
TOTAL FUNDS EXPENDED	<u>3,374,800</u>	<u>4,419,500</u>	<u>3,601,900</u>
BALANCE FORWARD	956,100	245,900	180,500

**RECORDS PROCESSING (PSA2278)**

**A.R.S. § 41-1750**

**Source of Revenue:** Fees charged to other agencies and local political subdivisions for costs of processing criminal records information requests.

**Purpose of Fund:** Revenues provide an offset of additional records processing costs due to outside requests.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward	20,400	6,100	0
Revenue	<u>146,900</u>	<u>174,100</u>	<u>184,000</u>
TOTAL FUNDS AVAILABLE	167,300	180,200	184,000
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Operating Subtotal	<u>141,000</u>	<u>174,100</u>	<u>184,000</u>
TOTAL FUNDS EXPENDED	<u>141,000</u>	<u>174,100</u>	<u>184,000</u>
APPROPRIATIONS	20,200	6,100	0
BALANCE FORWARD	6,100	0	0

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF TRANSPORTATION**

Agency Summary

ANALYST: Bob Hull

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	117,171,900	143,064,400	143,808,400
Revenue	457,674,500	451,655,600	438,115,300
<b>TOTAL FUNDS AVAILABLE</b>	<u>574,846,400</u>	<u>594,720,000</u>	<u>581,923,700</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	597.0	939.0	366.0
Operating Subtotal	<u>59,239,200</u>	<u>73,770,100</u>	<u>49,607,400</u>
Special Line Items Total	372,156,000	373,794,900	390,241,400
<b>TOTAL FUNDS EXPENDED</b>	<u>431,395,200</u>	<u>447,565,000</u>	<u>439,848,800</u>
<b>TRANSFERS</b>	386,800	3,346,600	323,100
<b>BALANCE FORWARD</b>	143,064,400	143,808,400	141,751,800

**ARIZONA HIGHWAYS MAGAZINE ENTERPRISE (DTA2031)**

A.R.S. § 28-1884

**Source of Revenue:** The fund consists of monies appropriated by the Legislature from the State Highway Fund, not to exceed \$500,000 annually. Monies are received by sales of subscriptions, maps, pamphlets and other materials, and interest earnings.

**Purpose of Fund:** Provides for production and sales of subscriptions, maps, pamphlets, etc. Remaining balances in this revolving fund at the end of a fiscal year shall not revert to the State General or State Highway Funds and expenditures are exempt from provision of A.R.S. § 35-173, "Allotment of appropriations' limitations' exceptions."

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	6,136,500	5,453,200	5,138,300
Revenue	12,104,000	12,469,200	12,737,700
<b>TOTAL FUNDS AVAILABLE</b>	<u>18,240,500</u>	<u>17,922,400</u>	<u>17,876,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	82.0	83.0	83.0
Operating Subtotal	<u>12,787,300</u>	<u>12,784,100</u>	<u>12,709,800</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>12,787,300</u>	<u>12,784,100</u>	<u>12,709,800</u>
<b>BALANCE FORWARD</b>	5,453,200	5,138,300	5,166,200

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF TRANSPORTATION (Continued)**

**AVIATION FEDERAL FUNDS (DTA2267)**

**A.R.S. § 28-108**

**Source of Revenue:** Federal Grants.

**Purpose of Fund:** To develop Grand Canyon Airport; to update the State Aviation System Plan; to conduct FAA Airport Inspection Program.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	<u>383,100</u>	<u>1,810,000</u>	<u>1,810,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>383,100</b>	<b>1,810,000</b>	<b>1,810,000</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal			
Pass Through (to Non-St. Agencies)	0	10,000	10,000
Land Acquisition and Capital Projects	<u>383,100</u>	<u>1,800,000</u>	<u>1,800,000</u>
<b>TOTAL FUNDS EXPENDED</b>	<b>383,100</b>	<b>1,810,000</b>	<b>1,810,000</b>
 <b>BALANCE FORWARD</b>	 0	 0	 0

**COMMERCIAL DRIVER'S LICENSE (DTA2251)**

**A.R.S. § 28-478**

**This fund is recommended for consolidation in the State Highway Fund and for transfer to appropriated status.**

**Source of Revenue:** The fund is established with fees collected pursuant to A.R.S. § 28-205, for certain instruction permits, driver's license applications, renewals and tests including specific endorsements (e.g., bus, hazardous materials, tank vehicles, double-triple trailers, etc., otherwise known as commercial). Interest may be earned on inactive balance.

**Purpose of Fund:** The funds enable the department to carry out commercial driver's licensing function and to cover the administrative costs of commercial operator driving tests. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations. Balances exceeding \$200,000 at the end of a fiscal year revert to the State Highway Fund.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	217,800 <sup>1/</sup>	200,000	200,000
Revenue	<u>837,500</u>	<u>835,200</u>	<u>834,200</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>1,055,300</b>	<b>1,035,200</b>	<b>1,034,200</b>

<sup>1/</sup> Includes encumbrance of \$17,800.

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF TRANSPORTATION (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	10.0	10.0	10.0
Operating Subtotal	<u>669,400</u>	<u>709,800</u>	<u>727,100</u>
 TOTAL FUNDS EXPENDED	 <u>669,400</u>	 <u>709,800</u>	 <u>727,100</u>
TRANSFERS	185,900	125,400	107,100
BALANCE FORWARD	200,000	200,000	200,000

**COUNTY AUTO LICENSE (DTA2937)**

A.R.S. § 28-301.03

This fund is recommended for consolidation in the State Highway Fund and for transfer to appropriated status and is included in the FY 1997 JLBC Staff budget recommendation for the department.

**Source of Revenue:** The fund consists of taxes retained pursuant to A.R.S. § 28-159(VLT), fees assessed for Title and Registration, an Air Quality fee, collegiate plate fees, etc., and interest earnings.

**Purpose of Fund:** The fund enables the department to carry out duties relative to vehicular titling and registration (Maricopa County was added July, 1995), cover costs associated with air quality compliance and administrative costs of collegiate plates and environmental number plates. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations. Balances in excess of \$100,000 per county contracting with the State pursuant to A.R.S. § 28-301.02 at the end of the fiscal year revert to the State Highway Fund.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward	1,251,800	1,310,100	0
Revenue	10,752,100	25,694,900	0
TOTAL FUNDS AVAILABLE	<u>12,003,900</u>	<u>27,005,000</u>	<u>0</u>
 FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	251.0	573.0	0.0
Operating Subtotal	<u>10,693,800</u>	<u>23,991,700</u>	<u>0</u>
 TOTAL FUNDS EXPENDED	 <u>10,693,800</u>	 <u>23,991,700</u>	 <u>0</u>
TRANSFERS	0	3,013,300	0
BALANCE FORWARD	1,310,100	0	0



**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF TRANSPORTATION (Continued)**

**CRIMINAL BACKGROUND INVESTIGATION (DTA2291)**

**A.R.S. § 28-1331**

**This fund is recommended for consolidation in the State Highway Fund and for transfer to appropriated status.**

**Source of Revenue:** The fund consists of fees collected for dealer's, manufacturer's, distributor's, factory branch's, distributor branch's or wrecker's license applications pursuant to A.R.S. § 28-205, paragraph 6.

**Purpose of Fund:** Monies in the fund are utilized for processing applications and for the requisite criminal background investigations pursuant to A.R.S. Title 28, Chapter 8, Article 1. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations. Any monies in excess of \$200,000, in the fund at the close of a fiscal year, revert to the Highway User Revenue Fund.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	28,400	84,000	120,700
Revenue	<u>182,700</u>	<u>191,800</u>	<u>201,400</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>211,100</b>	<b>275,800</b>	<b>322,100</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
Operating Subtotal	127,100	155,100	158,000
<b>TOTAL FUNDS EXPENDED</b>	<b>127,100</b>	<b>155,100</b>	<b>158,000</b>
<b>BALANCE FORWARD</b>	<b>84,000</b>	<b>120,700</b>	<b>164,100</b>

**ECONOMIC STRENGTH PROJECT (DTA2244)**

**A.R.S. § 28-1895.01**

**Source of Revenue:** The fund receives \$1,000,000 each June 15 distributed by the department from the Highway User Revenue Fund and interest from investment of inactive balances.

**Purpose of Fund:** The fund provides monies for economic strength highway projects recommended by the Commerce and Economic Development Commission and approved by the State Transportation Board. Monies remaining in the Economic Strength Project Fund at the end of a fiscal year do not revert to the State General Fund.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,109,700	1,473,100	1,473,100
Revenue	<u>1,073,800</u>	<u>1,073,800</u>	<u>1,073,800</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>2,183,500</b>	<b>2,546,900</b>	<b>2,546,900</b>

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF TRANSPORTATION (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Economic Strength Highway Projects	710,400	1,073,800	1,073,800
<b>TOTAL FUNDS EXPENDED</b>	<u>710,400</u>	<u>1,073,800</u>	<u>1,073,800</u>
<b>BALANCE FORWARD</b>	1,473,100	1,473,100	1,473,100

**EQUIPMENT REVOLVING (DTA2071)** **A.R.S. § 28-1831**

**Source of Revenue:** The fund consists of monies appropriated by the Legislature (for purchase, repairs and maintenance); equipment rental; sale at auction; insurance recoveries; donations and interest earnings.

**Purpose of Fund:** Provides for ownership, maintenance, service or repair of equipment and consumable material including salaries/benefits. Remaining balances in this revolving fund at the end of a fiscal year shall not revert to the State General or State Highway Funds.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	9,568,000	7,961,400	6,705,000
Revenue	<u>24,502,700</u>	<u>25,120,000</u>	<u>26,150,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>34,070,700</u>	<u>33,081,400</u>	<u>32,855,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>211.0</u>	<u>229.0</u>	<u>229.0</u>
Operating Subtotal	26,109,300	26,376,400	26,259,000
<b>TOTAL FUNDS EXPENDED</b>	<u>26,109,300</u>	<u>26,376,400</u>	<u>26,259,000</u>
<b>BALANCE FORWARD</b>	7,961,400	6,705,000	6,596,000

**FEDERAL GRANTS (DTA2097)** **A.R.S. § 28-108**

**Source of Revenue:** Federal Grants, other than Aviation Federal Grants.

**Purpose of Fund:** Federal highway construction; fatal accident reporting; purchase of equipment for urban mass transit; assistance to elderly and handicapped; rural public transit; other planning; technical studies; rail planning/replacement of cross ties; highway statistical reporting; commercial driver's license; youth safety; library updates; and pupil transportation.

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF TRANSPORTATION (Continued)**

**FEDERAL GRANTS (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	244,200	94,400	25,900
Revenue	<u>227,203,600</u>	<u>199,763,000</u>	<u>203,991,300</u>
<b>TOTAL FUNDS AVAILABLE</b>	227,447,800	199,857,400	204,017,200
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>8.0</u>	<u>13.0</u>	<u>13.0</u>
Operating Subtotal	6,577,100	7,892,200	7,828,700
Pass Through (to Non-St. Agencies)	71,015,100	72,569,100	59,042,500
Land Acquisition and Capital Projects	149,761,200	119,370,200	137,123,300
	<u>227,353,400</u>	<u>199,831,500</u>	<u>203,994,500</u>
<b>BALANCE FORWARD</b>	94,400	25,900	22,700

**MARICOPA REGIONAL AREA ROAD (DTA2029)**

A.R.S. § 28-1594.01

**Source of Revenue:** The fund consists of all transportation excise taxes collected pursuant to A.R.S. § 42-1482 and A.R.S. § 42-1482.01 that are designated for deposit in the Regional Area Road Fund in a county with a population of 1.2 million or more, proceeds from the sale of bonds, rents, and interest earnings.

**Purpose of Fund:** The monies in the bond proceeds and construction account may be obligated or expended with certain restrictions for bond related expenses and for the design, purchase of right-of-way or construction of controlled access highways which are included in the county's regional transportation plan and accepted into the state highway system.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	97,062,100	125,569,300	129,215,300
Revenue	<u>178,858,600</u>	<u>182,700,000</u>	<u>189,200,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	275,920,700	308,269,300	318,415,300
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Operating Subtotal	65,200	82,200	82,200
Construction	43,786,600	35,917,800	47,917,800
Regional Transportation System	6,844,100	6,654,000	6,874,000
Debt Service	<u>99,655,500</u>	<u>136,400,000</u>	<u>136,400,000</u>
<b>TOTAL FUNDS EXPENDED</b>	150,351,400	179,054,000	191,274,000
<b>BALANCE FORWARD</b>	125,569,300	129,215,300	127,141,300

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF TRANSPORTATION (Continued)**

**MOTOR CARRIER SAFETY REVOLVING (DTA2380)**

**A.R.S. § 28-2415**

**Source of Revenue:** The fund consists of monies appropriated by the Legislature; fines, forfeitures, fees and taxes deposited pursuant to A.R.S. Title 28, Chapter 19, "Motor Carrier Safety" which applies to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste; and monies received from private grants or donations.

**Purpose of Fund:** ADOT's MVD, the Attorney General, and DPS use the funds to carry out the provisions of the chapter. DPS conducts investigations, MVD administers hearings, and the Attorney General enforces civil penalties. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	61,300	25,200	37,600
Revenue	<u>(14,500) <sup>1/</sup></u>	<u>44,000</u>	<u>44,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	46,800	69,200	81,600
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>21,600</u>	<u>31,600</u>	<u>42,400</u>
<b>TOTAL FUNDS EXPENDED</b>	21,600	31,600	42,400
<b>BALANCE FORWARD</b>	25,200	37,600	39,200

<sup>1/</sup> Includes receipts of \$46,700 less refunds to motor carriers of \$61,200.

**MOTOR VEHICLE LIABILITY INSURANCE ENFORCEMENT (DTA2285)**

**A.R.S. § 28-1262.J**

**Source of Revenue:** The fund consists of fees received by the department pursuant to A.R.S. Title 28, Chapter 7, Article 8 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.

**Purpose of Fund:** The fund provides monies for the department to enforce the provisions of A.R.S. Title 28, Chapter 7, Article 8 regarding mandatory motor vehicle liability insurance.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,209,700	584,000	584,000
Revenue	<u>474,900</u>	<u>600,000</u>	<u>660,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	1,684,600	1,184,000	1,244,000

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF TRANSPORTATION (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>23.0</u>	<u>19.0</u>	<u>19.0</u>
Operating Subtotal	1,100,600	600,000	603,800
<b>TOTAL FUNDS EXPENDED</b>	<u>1,100,600</u>	<u>600,000</u>	<u>603,800</u>
<b>BALANCE FORWARD</b>	584,000	584,000	640,200

**A.R.S. § 28-208**

**MOTORCYCLE EDUCATION (DTA2094)**  
**This fund is recommended for consolidation in the State Highway Fund and for transfer to appropriated status.**

**Source of Revenue:** The fund receives \$1 from each motorcycle registration fee collected, pursuant to A.R.S. § 28-205, relating to motor vehicle fees.

**Purpose of Fund:** These funds are utilized to implement a motorcycle testing and education program, which may include contracting for education services.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	75,800	71,600	70,400
Revenue	<u>59,000</u>	<u>62,000</u>	<u>65,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	134,800	133,600	135,400
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Operating Subtotal	63,200	63,200	64,500
<b>TOTAL FUNDS EXPENDED</b>	<u>63,200</u>	<u>63,200</u>	<u>64,500</u>
<b>BALANCE FORWARD</b>	71,600	70,400	70,900

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF TRANSPORTATION (Continued)**

**NUMBER PLATE REPLACEMENT (DTA2250)**

**A.R.S. § 28-308**

**This fund is recommended for consolidation in the State Highway Fund and for transfer to appropriated status.**

**Source of Revenue:** The fund is composed of \$.25 of each vehicle registration fee collected. These monies are in addition to fees authorized to be kept by A.R.S. § 28-301 and A.R.S. § 28-301.03.

**Purpose of Fund:** The funds provide for the systematic replacement of license plates that are no longer readable. Interest earned on fund monies remains in the Highway User Revenue Fund. Monies in excess of \$110,000 as of June 30 of each year must be deposited into the Highway User Revenue Fund.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	110,000	110,000	110,000
Revenue	<u>1,050,000</u>	<u>1,102,500</u>	<u>1,157,600</u>
<b>TOTAL FUNDS AVAILABLE</b>	1,160,000	1,212,500	1,267,600
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	894,100	939,600	986,600
<b>TOTAL FUNDS EXPENDED</b>	<u>894,100</u>	<u>939,600</u>	<u>986,600</u>
<b>TRANSFERS</b>	155,900	162,900	171,000
<b>BALANCE FORWARD</b>	110,000	110,000	110,000

**PUBLIC ROADS (MINERAL ACT) (DTA2030)**

**A.R.S. § 37-741**

**Source of Revenue:** The fund consists of 50% of the state's share of fees collected by the U.S. Government through "an Act to promote the mining of coal, phosphate, oil, oil shale, gas and sodium on the public domain."

**Purpose of Fund:** At the beginning of each fiscal year, the balance in the fund is transferred to the State Highway Fund to be expended for secondary roads.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	45,000	45,000	45,000

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF TRANSPORTATION (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL FUNDS EXPENDED	<u>0</u>	<u>0</u>	<u>0</u>
TRANSFERS	45,000	45,000	45,000
BALANCE FORWARD	0	0	0

**SPECIAL ORGANIZATION PLATES (DTA3731)**

**A.R.S. § 28-373**

**Source of Revenue:** The fund consists of application fees for special organizational plates and any interest earnings on the monies.

**Purpose of Fund:** The fund is used to refund application fees for a particular organization plate if too few people apply to pay for the production and program costs of the plates. If the plates are issued, \$8 of each fee is transmitted to the County Auto License Fund established by A.R.S. § 28-301.03 to cover administrative costs. The fund is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE <sup>1/</sup>			
Balance Forward	0	0	0
Revenue	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL FUNDS AVAILABLE	0	0	0
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL FUNDS EXPENDED	<u>0</u>	<u>0</u>	<u>0</u>
BALANCE FORWARD	0	0	0

<sup>1/</sup> There has been no activity to date.

**Fiscal Year 1997 Non-Appropriated Funds**

**DEPARTMENT OF TRANSPORTATION (Continued)**

**UNDERGROUND STORAGE TANK REVOLVING (DTA2030)**

**A.R.S. § 28-1599.45.G**

**Source of Revenue:** The fund consists of Underground Storage Tank Taxes paid by persons liable for motor/aviation fuel taxes; or persons who refine, manufacture or produce compounds, blend or import diesel (liquid petroleum).

**Purpose of Fund:** Per subsections A and B of A.R.S. § 28-1599.45, "the director acts only as a collecting agent for the director of the department of environmental quality and assumes no responsibility for the underlying tax liability." The department retains only administrative costs as determined by an intergovernmental agreement between the Arizona Department of Transportation and the Department of Environmental Quality.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	96,600	128,100	128,100
Revenue	<u>162,000</u>	<u>144,200</u>	<u>145,300</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>258,600</u>	<u>272,300</u>	<u>273,400</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Operating Subtotal	<u>130,500</u>	<u>144,200</u>	<u>145,300</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>130,500</u>	<u>144,200</u>	<u>145,300</u>
<b>BALANCE FORWARD</b>	128,100	128,100	128,100



**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA BOARD OF REGENTS**

ANALYST: Bruce Groll

**Agency Summary of Combined Funds**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	523,100	469,200	381,800
Revenue	6,610,900	3,483,500	3,483,600
<b>TOTAL FUNDS AVAILABLE</b>	<u>7,134,000</u>	<u>3,952,700</u>	<u>3,865,400</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	9.8	6.0	7.0
Operating Subtotal	996,500	533,400	561,800
Special Line Items Total	1,877,100	886,600	804,300
<b>TOTAL FUNDS EXPENDED</b>	<u>2,873,600</u>	<u>1,420,000</u>	<u>1,366,100</u>
<b>TRANSFERS</b>	3,791,200	2,150,900	2,126,000
<b>BALANCE FORWARD</b>	469,200	381,800	373,300

**ARIZONA BOARD OF REGENTS**

ANALYST: Bruce Groll

**Agency Summary of Local Funds**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	504,900	469,200	381,800
Revenue	4,543,600	2,890,000	2,890,100
<b>TOTAL FUNDS AVAILABLE</b>	<u>5,048,500</u>	<u>3,359,200</u>	<u>3,271,900</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	9.8	6.0	7.0
Operating Subtotal	980,300	517,200	545,600
Special Line Items Total	1,274,400	309,300	227,000
<b>TOTAL FUNDS EXPENDED</b>	<u>2,254,700</u>	<u>826,500</u>	<u>772,600</u>
<b>TRANSFERS</b>	2,324,600	2,150,900	2,126,000
<b>BALANCE FORWARD</b>	469,200	381,800	373,300

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA BOARD OF REGENTS (Continued)**

**COLLECTIONS REVOLVING (BRA2183)**

**A.R.S. § 15-1746**

**Source of Revenue:** Retention of Western Interstate Commission for Higher Education (WICHE) repayments.

**Purpose of Fund:** A forward funding mechanism for new WICHE students entering participating professional schools.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	10,000	20,200	10,000
Revenue	9,300	10,000	10,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>19,300</u>	<u>30,200</u>	<u>20,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>REVERSION TO GENERAL FUND</b>	(900)	20,200	10,000
<b>BALANCE FORWARD</b>	20,200	10,000	10,000

**REGENTS LOCAL FUND (ASU Account)**

**A.R.S. § 15-1621**

**Source of Revenue:** University Local Funds

**Purpose of Fund:** The Arizona Board of Regents supplements its operating budget with the local fund contributions from the 3 universities.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	226,500	352,000	371,800
Revenue	504,600	537,000	537,100
<b>TOTAL FUNDS AVAILABLE</b>	<u>731,100</u>	<u>889,000</u>	<u>908,900</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>3.0</u>	<u>6.0</u>	<u>7.0</u>
Operating Subtotal	<u>379,100</u>	<u>517,200</u>	<u>545,600</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>379,100</u>	<u>517,200</u>	<u>545,600</u>
<b>BALANCE FORWARD</b>	352,000	371,800	363,300

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA BOARD OF REGENTS (Continued)**

**REGENTS POSTSECONDARY LOCAL (BRA2139)**

**A.R.S. § 15-1601**

**Source of Revenue:** State Student Incentive Grants (SSIG), State Postsecondary Review Entity (SPRE) funds, Arizona Student Program Investing Resources in Education (ASPIRE) donations, and interest earnings.

**Purpose of Fund:** The SSIG program establishes a federal-state-local partnership, which provides financial assistance in the form of grants to students who have demonstrated financial need.

	<u>FY 1995</u>	<u>1/</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>				
Balance Forward	227,700		0	0
Revenue	1,684,600		0	0
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,912,300</u>		<u>0</u>	<u>0</u>
<b>FUNDS EXPENDED</b>				
<i>Full Time Equivalent Positions</i>	6.8		0.0	0.0
Operating Subtotal	601,200		0	0
State Student Incentive Grants (SSIG)	1,141,400		0	0
<b>TOTAL FUNDS EXPENDED</b>	<u>1,742,600</u>		<u>0</u>	<u>0</u>
TRANSFER TO POSTSECONDARY COMMISSION	169,700		0	0
BALANCE FORWARD	0		0	0

1/ Fund transferred to the Arizona Commission for Postsecondary Education, which became a separate agency in FY 1995.

**TEACHER LOAN FORGIVENESS (BRA2249)**

**A.R.S. § 15-1640**

**Source of Revenue:** Transfer of General Fund appropriations to non-appropriated fund and repayment loan.

**Purpose of Fund:** The Arizona Teacher Incentive Program (ATIP) is an incentive program to encourage students to accept teaching positions in underserved areas of the state.

	<u>FY 1995</u>		<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>				
Balance Forward	34,700		0	0
Revenue	4,000		0	0
<b>TOTAL FUNDS AVAILABLE</b>	<u>38,700</u>		<u>0</u>	<u>0</u>

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA BOARD OF REGENTS (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Grants	22,500	0	0
<b>TOTAL FUNDS EXPENDED</b>	<u>22,500</u>	<u>0</u>	<u>0</u>
TRANSFER TO POSTSECONDARY COMMISSION	16,200 <sup>1/</sup>	0	0
BALANCE FORWARD	0	0	0

<sup>1/</sup> Fund transferred to the Arizona Commission for Postsecondary Education, which became a separate agency in FY 1995.

<b>UNIVERSITY LAND FUNDS (BRA3134/3184)</b>	<b>A.R.S. § 15-1662</b>
<b>Source of Revenue:</b> University Land Fund; Normal Schools Land Fund; Agricultural and Mechanical Colleges Land Fund; Military Institutes Land Fund; and University Matching Grant Fund.	
<b>Purpose of Fund:</b> The funds are distributed to universities for the use of the universities.	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	6,000	97,000	0
Revenue	<u>2,341,100</u>	<u>2,343,000</u>	<u>2,343,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>2,347,100</u>	<u>2,440,000</u>	<u>2,343,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Eminent Scholar Matching Grant	110,500	309,300	227,000
<b>TOTAL FUNDS EXPENDED</b>	<u>110,500</u>	<u>309,300</u>	<u>227,000</u>
TRANSFER TO UNIVERSITIES	2,139,600	2,130,700	2,116,000
BALANCE FORWARD	97,000	0	0

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA BOARD OF REGENTS (Continued)**

**A.R.S. § 15-1620**

**FEDERAL (No Fund Number)**

**Source of Revenue:** Federal Grants: State Student Incentive Grant (SSIG), Paul Douglas Teacher Scholarship, Eisenhower Math/Science Education.

**Purpose of Fund:** To provide financial assistance to students who have demonstrated financial need (SSIG), seeking teaching professions (Paul Douglas), and assistance to enhance teachers' math and science skills.

	<u>FY 1995</u>	<u>1/</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>				
Balance Forward	18,200		0	0
Revenue	2,067,300		593,500	593,500
<b>TOTAL FUNDS AVAILABLE</b>	<u>2,085,500</u>		<u>593,500</u>	<u>593,500</u>
 <b>FUNDS EXPENDED</b>				
<i>Full Time Equivalent Positions</i>	<u>0.0</u>		<u>0.0</u>	<u>0.0</u>
Operating Subtotal	16,200		16,200	16,200
Grants	602,700		577,300	577,300
 <b>TOTAL FUNDS EXPENDED</b>	<u>618,900</u>		<u>593,500</u>	<u>593,500</u>
 <b>TRANSFERS</b>	1,466,600		0	0
<b>BALANCE FORWARD</b>	0		0	0

1/ State Student Incentive Grant (SSIG) and Paul Douglas Teacher Scholarship programs were transferred to the Arizona Commission for Postsecondary Education, which became a separate agency in FY 1995.

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - MAIN CAMPUS**

Agency Summary of Combined Funds

ANALYST: John Lee/Bruce Groll

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	70,247,800	80,639,100	92,194,500
Revenue	204,475,800	212,836,900	212,991,600
<b>TOTAL FUNDS AVAILABLE</b>	<u>274,723,600</u>	<u>293,476,000</u>	<u>305,186,100</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	1,643.9	1,643.9	1,646.6
Operating Subtotal	<u>160,059,200</u>	<u>169,730,700</u>	<u>175,557,800</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>160,059,200</u>	<u>169,730,700</u>	<u>175,557,800</u>
 <b>TRANSFERS</b>	34,025,300	31,550,800	33,701,000
<b>BALANCE FORWARD</b>	80,639,100	92,194,500	95,927,300

**ARIZONA STATE UNIVERSITY - MAIN CAMPUS**

Agency Summary of Local Funds

ANALYST: John Lee/Bruce Groll

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	69,858,000	79,432,700	90,013,500
Revenue	139,052,000	138,221,100	141,319,800
<b>TOTAL FUNDS AVAILABLE</b>	<u>208,910,000</u>	<u>217,653,800</u>	<u>231,333,300</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	1,095.7	1,095.7	1,095.7
Operating Subtotal	<u>104,455,800</u>	<u>111,296,200</u>	<u>114,472,700</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>104,455,800</u>	<u>111,296,200</u>	<u>114,472,700</u>
 <b>TRANSFERS</b>	25,021,500	16,344,100	23,066,000
<b>BALANCE FORWARD</b>	79,432,700	90,013,500	93,794,600

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - MAIN CAMPUS (Continued)**

**AUXILIARY (No Fund Number)** **A.R.S. § 15-1601**

**Source of Revenue:** The source of revenue is derived from sales and services from substantially self-supporting activities.

**Purpose of Fund:** The purpose of the fund is to account for transactions of substantially self-supporting activities that primarily provide services for students, faculty, and staff. Auxiliary enterprises include, but are not limited to, residence halls, food services, bookstore and intercollegiate athletics.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	5,020,600	4,995,800	4,939,500
Revenue	46,864,600	47,161,000	48,575,800
<b>TOTAL FUNDS AVAILABLE</b>	51,885,200	52,156,800	53,515,300
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	404.1	404.1	404.1
Operating Subtotal	32,637,700	36,198,800	37,315,800
<b>TOTAL FUNDS EXPENDED</b>	32,637,700	36,198,800	37,315,800
<b>TRANSFERS</b>	14,251,700	11,018,500	11,238,900
<b>BALANCE FORWARD</b>	4,995,800	4,939,500	4,960,600

**DESIGNATED FUNDS (No Fund Number)** **A.R.S. § 15-1601**

**Source of Revenue:** The sources of revenue are tuition and fees retained by the university, summer session fees, administrative costs of student aid, and unrestricted gifts.

**Purpose of Fund:** The purpose of the fund is primarily to account for transactions related to academic year tuition and fees retained by the university, the summer sessions programs, the recovery of administrative costs of student aid, and the use of unrestricted gifts. The resources in this fund have been designated for specific purposes by the university. Indirect cost recovery, which is part of designated funds, is presented separately.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	28,283,400	35,190,700	37,817,400
Revenue	64,462,000	63,277,200	64,542,700
<b>TOTAL FUNDS AVAILABLE</b>	92,745,400	98,467,900	102,360,100

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - MAIN CAMPUS (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	431.6	431.6	431.6
Operating Subtotal	<u>46,316,300</u>	<u>49,074,900</u>	<u>50,547,100</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>46,316,300</u>	<u>49,074,900</u>	<u>50,547,100</u>
TRANSFER	11,238,400	11,575,600	11,922,800
BALANCE FORWARD	35,190,700	37,817,400	39,890,200

**ENDOWMENT AND LIFE INCOME (No Fund Number) A.R.S. § 15-1601**

**Source of Revenue:** The primary sources of revenue are gifts, investment income, and financial aid trust fund fees assessed to students.

**Purpose of Fund:** Permanent endowment funds are subject to the restrictions of donor gift instrument requiring that the principal be invested in perpetuity and that only the income be used for current operations. Term endowments provide that, upon the passage of a stated period of time, all or part of the principal may be expended. Quasi-endowments have been established by the university for the same purposes as endowment funds. Life income funds are used to account for cash or other property contributed to the university subject to the requirements that the university periodically pay the income earned on such assets to designated beneficiaries.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	21,308,000	23,283,300	30,958,400
Revenue	<u>1,673,600</u>	<u>1,690,300</u>	<u>1,690,300</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>22,981,600</u>	<u>24,973,600</u>	<u>32,648,700</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>0</u>	<u>0</u>
TRANSFERS	(301,700)	(5,984,800)	15,300
BALANCE FORWARD	23,283,300	30,958,400	32,633,400

**INDIRECT COST RECOVERY - NON-FEDERAL (No Fund Number) A.R.S. § 15-1601**

**Source of Revenue:** Indirect costs recovered from non-federal sponsored research programs.

**Purpose of Fund:** To account for transactions designated for various activities that assist or promote sponsored research.



**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - MAIN CAMPUS (Continued)**

**INDIRECT COST RECOVERY - NON-FEDERAL (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	79,200	230,900	354,800
Revenue	1,850,100	1,674,700	1,708,200
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,929,300</u>	<u>1,905,600</u>	<u>2,063,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>204,300</u>	<u>155,000</u>	<u>156,600</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>204,300</u>	<u>155,000</u>	<u>156,600</u>
<b>TRANSFERS</b>	1,494,100	1,395,800	1,550,000
<b>BALANCE FORWARD</b>	230,900	354,800	356,400

**LOAN (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** The source of revenue is primarily interest on student loans for programs funded by the federal government.

**Purpose of Fund:** The purpose of the fund is to account for loans to students. Provisions of the federal loan program stipulate that: The university matches one-third of the capital contributions; and a portion of the loan principal and interest (ranging from 15% to 30% per year) can be canceled and absorbed by the federal government, if the recipient completes certain employment requirements.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	13,092,700	13,226,000	13,099,800
Revenue	563,400	425,000	450,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>13,656,100</u>	<u>13,651,000</u>	<u>13,549,800</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>428,900</u>	<u>550,000</u>	<u>575,000</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>428,900</u>	<u>550,000</u>	<u>575,000</u>
<b>TRANSFERS</b>	1,200	1,200	1,200
<b>BALANCE FORWARD</b>	13,226,000	13,099,800	12,973,600

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - MAIN CAMPUS (Continued)**

**A.R.S. § 15-1601**

**RESTRICTED FUNDS (No Fund Number)**

**Source of Revenue:** The primary source of revenues are grants from private donors and non-federal agencies.

**Purpose of Fund:** The purpose of the fund is to account for current funds expended for operating purposes but restricted by donors or non-federal agencies as to the specific purpose for which they may be expended.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	2,074,100	2,506,000	2,843,600
Revenue	23,638,300	23,992,900	24,352,800
<b>TOTAL FUNDS AVAILABLE</b>	<u>25,712,400</u>	<u>26,498,900</u>	<u>27,196,400</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	260.0	260.0	260.0
Operating Subtotal	<u>24,868,600</u>	<u>25,317,500</u>	<u>25,878,200</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>24,868,600</u>	<u>25,317,500</u>	<u>25,878,200</u>
<b>TRANSFERS</b>	(1,662,200)	(1,662,200)	(1,662,200)
<b>BALANCE FORWARD</b>	2,506,000	2,843,600	2,980,400

**ARIZONA STATE UNIVERSITY - MAIN CAMPUS**

**Agency Summary of Federal Funds**

**ANALYST: John Lee/Bruce Groll**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	389,800	1,206,400	2,181,000
Revenue	65,423,800	74,615,800	71,671,800
<b>TOTAL FUNDS AVAILABLE</b>	<u>65,813,600</u>	<u>75,822,200</u>	<u>73,852,800</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	548.2	548.2	550.9
Operating Subtotal	<u>55,603,400</u>	<u>58,434,500</u>	<u>61,085,100</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>55,603,400</u>	<u>58,434,500</u>	<u>61,085,100</u>
<b>TRANSFERS</b>	9,003,800	15,206,700	10,635,000
<b>BALANCE FORWARD</b>	1,206,400	2,181,000	2,132,700

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - MAIN CAMPUS (Continued)**

**FEDERAL GRANTS (No Fund Number)** **A.R.S. § 15-1601**

**Source of Revenue:** The source of revenue is grants from the federal government.

**Purpose of Fund:** The purpose of the fund is to account for current operating funds restricted in use by the federal government.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	149,400	167,300	156,300
Revenue	55,682,100	64,484,400	61,135,200
<b>TOTAL FUNDS AVAILABLE</b>	<b>55,831,500</b>	<b>64,651,700</b>	<b>61,291,500</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	548.2	548.2	550.9
Operating Subtotal	55,603,400	58,434,500	61,085,100
<b>TOTAL FUNDS EXPENDED</b>	<b>55,603,400</b>	<b>58,434,500</b>	<b>61,085,100</b>
<b>TRANSFERS</b>	60,800	6,060,900	61,500
<b>BALANCE FORWARD</b>	167,300	156,300	144,900

**FEDERAL INDIRECT COST RECOVERY (No Fund Number)** **A.R.S. § 15-1601**

**Source of Revenue:** The source of revenue is indirect costs recovered from federal sponsored research programs.

**Purpose of Fund:** The purpose of the fund is to account for transactions designated for various activities that assist or promote sponsored research.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	240,400	1,039,100	2,024,700
Revenue	9,741,700	10,131,400	10,536,600
<b>TOTAL FUNDS AVAILABLE</b>	<b>9,982,100</b>	<b>11,170,500</b>	<b>12,561,300</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
<b>TOTAL FUNDS EXPENDED</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TRANSFERS</b>	8,943,000	9,145,800	10,573,500
<b>BALANCE FORWARD</b>	1,039,100	2,024,700	1,987,800

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - EAST CAMPUS**

**Agency Summary**

**ANALYST: John Lee/Bruce Groll**

**DESIGNATED FUNDS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** The sources of revenue are tuition and fees retained by the university, summer session fees, administrative costs of student aid, and unrestricted gifts.

**Purpose of Fund:** The purpose of the fund is primarily to account for transactions related to academic year tuition and fees retained by the university, the summer sessions programs, the recovery of administrative costs of student aid, and the use of unrestricted gifts. The resources in this fund have been designated for specific purposes by the university.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	300	300
Revenue	400	9,000	111,500
<b>TOTAL FUNDS AVAILABLE</b>	<u>400</u>	<u>9,300</u>	<u>111,800</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	100	9,000	111,500
<b>TOTAL FUNDS EXPENDED</b>	<u>100</u>	<u>9,000</u>	<u>111,500</u>
<b>BALANCE FORWARD</b>	300	300	300

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - WEST CAMPUS**

**Agency Summary of Combined Funds**

**ANALYST: John Lee/Bruce Groll**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,251,600	1,475,200	1,676,600
Revenue	3,182,200	3,288,300	3,397,300
<b>TOTAL FUNDS AVAILABLE</b>	<u>4,433,800</u>	<u>4,763,500</u>	<u>5,073,900</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	19.1	19.1	21.0
Operating Subtotal	<u>2,331,600</u>	<u>2,408,800</u>	<u>2,488,700</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>2,331,600</u>	<u>2,408,800</u>	<u>2,488,700</u>
TRANSFERS	627,000	678,100	697,400
BALANCE FORWARD	1,475,200	1,676,600	1,887,800

**ARIZONA STATE UNIVERSITY - WEST CAMPUS**

**Agency Summary of Local Funds**

**ANALYST: John Lee/Bruce Groll**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,251,600	1,468,200	1,660,400
Revenue	2,360,100	2,433,300	2,508,100
<b>TOTAL FUNDS AVAILABLE</b>	<u>3,611,700</u>	<u>3,901,500</u>	<u>4,168,500</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	9.3	9.3	10.5
Operating Subtotal	<u>1,599,000</u>	<u>1,646,900</u>	<u>1,696,300</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>1,599,000</u>	<u>1,646,900</u>	<u>1,696,300</u>
TRANSFERS	544,500	594,200	602,400
BALANCE FORWARD	1,468,200	1,660,400	1,869,800

**AUXILIARY (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** The source of revenue is primarily sales and services from substantially self-supporting activities.

**Purpose of Fund:** The purpose of the fund is to account for transactions of substantially self-supporting activities that primarily provide services for students, faculty, and staff.

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - WEST CAMPUS (Continued)**

**AUXILIARY (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	542,200	385,000	414,300
Revenue	455,000	473,200	492,100
<b>TOTAL FUNDS AVAILABLE</b>	<u>997,200</u>	<u>858,200</u>	<u>906,400</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	3.3	3.3	4.0
Operating Subtotal	<u>163,100</u>	<u>169,600</u>	<u>176,400</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>163,100</u>	<u>169,600</u>	<u>176,400</u>
TRANSFERS	449,100	274,300	282,500
BALANCE FORWARD	385,000	414,300	447,500

**DESIGNATED FUNDS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** The sources of revenue are primarily summer sessions fees, tuition and fees retained by the university, and miscellaneous local funds.

**Purpose of Fund:** The purpose of the fund is primarily to account for transactions related to summer session and other miscellaneous local funds that have been designated for specific purposes by the university.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	518,800	815,900	900,900
Revenue	1,701,600	1,752,600	1,805,200
<b>TOTAL FUNDS AVAILABLE</b>	<u>2,220,400</u>	<u>2,568,500</u>	<u>2,706,100</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	5.5	5.5	6.0
Operating Subtotal	<u>1,309,100</u>	<u>1,348,400</u>	<u>1,388,800</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>1,309,100</u>	<u>1,348,400</u>	<u>1,388,800</u>
TRANSFERS	95,400	319,200	319,200
BALANCE FORWARD	815,900	900,900	998,100

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - WEST CAMPUS (Continued)**

**ENDOWMENT AND LIFE INCOME (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Student fees set aside in a permanent endowment.

**Purpose of Fund:** To accumulate a pool of funds so that future earnings can be used for financial aid.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	205,600	264,000	324,200
Revenue	<u>58,400</u>	<u>60,200</u>	<u>62,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>264,000</u>	<u>324,200</u>	<u>386,200</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>BALANCE FORWARD</b>	264,000	324,200	386,200

**INDIRECT COST RECOVERY - NON-FEDERAL (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Indirect costs recovered from nonfederal sponsored research programs.

**Purpose of Fund:** To account for transactions designated for various activities that assist or promote sponsored research at the university.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	100
Revenue	<u>0</u>	<u>800</u>	<u>800</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>0</u>	<u>800</u>	<u>900</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TRANSFERS</b>	0	700	700
<b>BALANCE FORWARD</b>	0	100	200

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - WEST CAMPUS (Continued)**

<b>LOAN (No Fund Number)</b>	<b>A.R.S. § 15-1601</b>
<b>Source of Revenue:</b> The source of revenue is primarily donations for short-term loan programs.	
<b>Purpose of Fund:</b> The purpose of the fund is to provide short-term loans to students at the West Campus.	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,800	2,300	2,800
Revenue	<u>500</u>	<u>500</u>	<u>500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>2,300</u>	<u>2,800</u>	<u>3,300</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>0</u>	<u>0</u>
 <b>BALANCE FORWARD</b>	2,300	2,800	3,300

<b>RESTRICTED FUNDS (No Fund Number)</b>	<b>A.R.S. § 15-1601</b>
<b>Source of Revenue:</b> The source of revenue is primarily the state appropriated match for the Financial Aid Trust Fund and non-federal grants and contracts.	
<b>Purpose of Fund:</b> The purpose of the fund is to account for current funds expended for operating purposes but restricted for current financial aid or other purposes specified by donors.	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	(16,800)	1,000	18,100
Revenue	<u>144,600</u>	<u>146,000</u>	<u>147,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>127,800</u>	<u>147,000</u>	<u>165,600</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>
Operating Subtotal	<u>126,800</u>	<u>128,900</u>	<u>131,100</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>126,800</u>	<u>128,900</u>	<u>131,100</u>
 <b>BALANCE FORWARD</b>	1,000	18,100	34,500



**Fiscal Year 1997 Non-Appropriated Funds**

ARIZONA STATE UNIVERSITY - WEST CAMPUS (Continued)

<b>ARIZONA STATE UNIVERSITY - WEST CAMPUS</b>	
<b>Agency Summary of Federal Funds</b>	<b>ANALYST: John Lee/Bruce Groll</b>

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	7,000	16,200
Revenue	822,100	855,000	889,200
<b>TOTAL FUNDS AVAILABLE</b>	<u>822,100</u>	<u>862,000</u>	<u>905,400</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	9.8	9.8	10.5
Operating Subtotal	<u>732,600</u>	<u>761,900</u>	<u>792,400</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>732,600</u>	<u>761,900</u>	<u>792,400</u>
<b>TRANSFERS</b>	82,500	83,900	95,000
<b>BALANCE FORWARD</b>	7,000	16,200	18,000

<b>FEDERAL GRANTS (No Fund Number)</b>	<b>A.R.S. § 15-1601</b>
<b>Source of Revenue:</b> The source of revenue is grants from the federal government.	
<b>Purpose of Fund:</b> The purpose of the fund is to account for current funds expended for operating purposes but restricted as to use by the federal government agencies. Operating expenditures include indirect cost recovery charges.	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	732,600	761,900	792,400
<b>TOTAL FUNDS AVAILABLE</b>	<u>732,600</u>	<u>761,900</u>	<u>792,400</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	9.8	9.8	10.5
Operating Subtotal	<u>732,600</u>	<u>761,900</u>	<u>792,400</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>732,600</u>	<u>761,900</u>	<u>792,400</u>
<b>BALANCE FORWARD</b>	0	0	0

**Fiscal Year 1997 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - WEST CAMPUS (Continued)**

**FEDERAL INDIRECT COST RECOVERY (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Indirect costs recovered from sponsored federal research programs.

**Purpose of Fund:** To account for transactions designated for various activities that assist or promote sponsored research at the university.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	7,000	16,200
Revenue	<u>89,500</u>	<u>93,100</u>	<u>96,800</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>89,500</u>	<u>100,100</u>	<u>113,000</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>0</u>	<u>0</u>
 <b>TRANSFERS</b>	82,500	83,900	95,000
<b>BALANCE FORWARD</b>	7,000	16,200	18,000

**Fiscal Year 1997 Non-Appropriated Funds**

<b>NORTHERN ARIZONA UNIVERSITY</b>		
<b>Agency Summary of Combined Funds</b>	<b>ANALYST: John Lee/Bruce Groll</b>	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	31,925,900	35,540,100	35,313,000
Revenue	121,490,100	108,761,300	112,652,400
<b>TOTAL FUNDS AVAILABLE</b>	<u>153,416,000</u>	<u>144,301,400</u>	<u>147,965,400</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	735.0	716.0	760.0
Operating Subtotal	<u>86,610,900</u>	<u>85,294,700</u>	<u>88,493,400</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>86,610,900</u>	<u>85,294,700</u>	<u>88,493,400</u>
<b>TRANSFERS</b>	31,265,000	23,693,700	24,404,500
<b>BALANCE FORWARD</b>	35,540,100	35,313,000	35,067,500

<b>NORTHERN ARIZONA UNIVERSITY</b>		
<b>Agency Summary of Local Funds</b>	<b>ANALYST: John Lee/Bruce Groll</b>	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	31,244,600	34,815,200	34,610,500
Revenue	101,332,500	88,295,800	91,242,200
<b>TOTAL FUNDS AVAILABLE</b>	<u>132,577,100</u>	<u>123,111,000</u>	<u>125,852,700</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	554.0	528.0	565.0
Operating Subtotal	<u>66,496,900</u>	<u>64,806,800</u>	<u>67,059,500</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>66,496,900</u>	<u>64,806,800</u>	<u>67,059,500</u>
<b>TRANSFERS</b>	31,265,000	23,693,700	24,404,500
<b>BALANCE FORWARD</b>	34,815,200	34,610,500	34,388,700

**AUXILIARY ENTERPRISES (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Revenues primarily from sales and services through substantially self-supporting activities.

**Purpose of Fund:** The Auxiliary Enterprises Fund accounts for transactions of substantially self-supporting, noneducational activities that primarily provide a service to students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstore, student unions, intercollegiate athletics, internal service operations and others.

**Fiscal Year 1997 Non-Appropriated Funds**

**NORTHERN ARIZONA UNIVERSITY (Continued)**

**AUXILIARY ENTERPRISES (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward	9,497,900	10,997,800	10,633,200
Revenue	43,160,700	36,013,800	37,094,300
TOTAL FUNDS AVAILABLE	<u>52,658,600</u>	<u>47,011,600</u>	<u>47,727,500</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	248.0	226.0	250.0
Operating Subtotal	<u>31,499,700</u>	<u>30,249,000</u>	<u>31,156,600</u>
TOTAL FUNDS EXPENDED	<u>31,499,700</u>	<u>30,249,000</u>	<u>31,156,600</u>
TRANSFERS	10,161,100	6,129,400	6,313,300
BALANCE FORWARD	10,997,800	10,633,200	10,257,600

**DESIGNATED FUNDS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Revenues from summer session fees, tuition and fees retained by the university, and administrative cost recovery from student aid and unrestricted gifts and grants.

**Purpose of Fund:** To account for the university's summer session programs, the recovery of administrative programs, the recovery of administrative costs of student aid, and the use of unrestricted gifts and grants.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward	8,635,500	10,221,700	10,038,500
Revenue	45,063,000	41,757,600	43,010,300
TOTAL FUNDS AVAILABLE	<u>53,698,500</u>	<u>51,979,300</u>	<u>53,048,800</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	203.0	224.0	231.0
Operating Subtotal	<u>22,374,400</u>	<u>24,376,500</u>	<u>25,107,900</u>
TOTAL FUNDS EXPENDED	<u>22,374,400</u>	<u>24,376,500</u>	<u>25,107,900</u>
TRANSFERS	21,102,400	17,564,300	18,091,200
BALANCE FORWARD	10,221,700	10,038,500	9,849,700

**Fiscal Year 1997 Non-Appropriated Funds**

**NORTHERN ARIZONA UNIVERSITY (Continued)**

<b>ENDOWMENT (No Fund Number)</b>	<b>A.R.S. § 15-1601</b>
<b>Source of Revenue:</b> Receipts include funds from the state, student fees for the financial aid trust, new donations, and interest earnings.	
<b>Purpose of Fund:</b> The Endowment Fund consists of endowment and quasi-endowment funds. Endowment funds are subject to restrictions of the donor gift instruments, requiring that the principal be invested in perpetuity and that only the income be utilized.	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	4,631,600	4,948,600	5,298,600
Revenue	<u>317,000</u>	<u>350,000</u>	<u>350,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>4,948,600</u>	<u>5,298,600</u>	<u>5,648,600</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>0</u>	<u>0</u>
 <b>BALANCE FORWARD</b>	4,948,600	5,298,600	5,648,600

<b>INDIRECT COST RECOVERY - NON-FEDERAL (No Fund Number)</b>	<b>A.R.S. § 15-1601</b>
<b>Source of Revenue:</b> Indirect costs recovered from non-federal sponsored research projects and grants.	
<b>Purpose of Fund:</b> These resources account for transactions related to the summer session programs, the recovery of indirect costs of sponsored research programs, the recovery of administrative programs, the recovery of administrative costs of student aid, and the use of unrestricted gifts and grants.	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	191,000	204,700	197,800
Revenue	<u>237,800</u>	<u>231,600</u>	<u>245,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>428,800</u>	<u>436,300</u>	<u>443,300</u>

**Fiscal Year 1997 Non-Appropriated Funds**

**NORTHERN ARIZONA UNIVERSITY (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	2.0	3.0	3.0
Operating Subtotal	<u>224,100</u>	<u>238,500</u>	<u>252,900</u>
TOTAL FUNDS EXPENDED	<u>224,100</u>	<u>238,500</u>	<u>252,900</u>
BALANCE FORWARD	204,700	197,800	190,400

**A.R.S. § 15-1601**

**LOAN (No Fund Number)**

**Source of Revenue:** Interest earned on student loans for programs funded by the federal government.

**Purpose of Fund:** The Loan Fund, primarily financed by the federal government, is for loans to students. Interest is recorded on an accrual basis. This is a "revolving loan fund," and if the program ended, approximately \$5 million would be returned to the federal government.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward	6,397,000	6,408,100	6,408,100
Revenue	<u>274,400</u>	<u>275,000</u>	<u>275,000</u>
TOTAL FUNDS AVAILABLE	6,671,400	6,683,100	6,683,100
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>261,800</u>	<u>275,000</u>	<u>275,000</u>
TOTAL FUNDS EXPENDED	<u>261,800</u>	<u>275,000</u>	<u>275,000</u>
TRANSFERS	1,500	0	0
BALANCE FORWARD	6,408,100	6,408,100	6,408,100

**A.R.S. § 15-1601**

**RESTRICTED FUND (Excluding Federal Funds) (No Fund Number)**

**Source of Revenue:** Grants from other than federal sources.

**Purpose of Fund:** The Restricted Fund is used to account for current funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purposes for which they may be expended.

**Fiscal Year 1997 Non-Appropriated Funds**

**NORTHERN ARIZONA UNIVERSITY (Continued)**

**RESTRICTED FUND (Excluding Federal Funds) (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,891,600	2,034,300	2,034,300
Revenue	12,279,600	9,667,800	10,267,100
<b>TOTAL FUNDS AVAILABLE</b>	<u>14,171,200</u>	<u>11,702,100</u>	<u>12,301,400</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	101.0	75.0	81.0
Operating Subtotal	<u>12,136,900</u>	<u>9,667,800</u>	<u>10,267,100</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>12,136,900</u>	<u>9,667,800</u>	<u>10,267,100</u>
<b>BALANCE FORWARD</b>	2,034,300	2,034,300	2,034,300

**NORTHERN ARIZONA UNIVERSITY**

**Agency Summary of Federal Funds**

ANALYST: John Lee/Bruce Groll

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	681,300	724,900	702,500
Revenue	20,157,600	20,465,500	21,410,200
<b>TOTAL FUNDS AVAILABLE</b>	<u>20,838,900</u>	<u>21,190,400</u>	<u>22,112,700</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	181.0	188.0	195.0
Operating Subtotal	<u>20,114,000</u>	<u>20,487,900</u>	<u>21,433,900</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>20,114,000</u>	<u>20,487,900</u>	<u>21,433,900</u>
<b>BALANCE FORWARD</b>	724,900	702,500	678,800

**Fiscal Year 1997 Non-Appropriated Funds**

NORTHERN ARIZONA UNIVERSITY (Continued)

**FEDERAL GRANTS (No Fund Number)**

A.R.S. § 15-1601

**Source of Revenue:** Federal Grants.

**Purpose of Fund:** Federal grants are used for operating purposes but restricted by federal agencies as to the specific purpose for which they may be expended.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward	0	0	0
Revenue	19,404,500	19,732,200	20,632,900
<b>TOTAL FUNDS AVAILABLE</b>	<u>19,404,500</u>	<u>19,732,200</u>	<u>20,632,900</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	173.0	179.0	185.0
Operating Subtotal	19,404,500	19,732,200	20,632,900
<b>TOTAL FUNDS EXPENDED</b>	<u>19,404,500</u>	<u>19,732,200</u>	<u>20,632,900</u>
 BALANCE FORWARD	 0	 0	 0

**FEDERAL INDIRECT COST RECOVERY (No Fund Number)**

A.R.S. § 15-1601

**Source of Revenue:** Overhead charges for federal research projects and grants.

**Purpose of Fund:** Overhead charges partially support related administrative costs of research programs.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE			
Balance Forward	681,300	724,900	702,500
Revenue	753,100	733,300	777,300
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,434,400</u>	<u>1,458,200</u>	<u>1,479,800</u>
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	8.0	9.0	10.0
Operating Subtotal	709,500	755,700	801,000
<b>TOTAL FUNDS EXPENDED</b>	<u>709,500</u>	<u>755,700</u>	<u>801,000</u>
 BALANCE FORWARD	 724,900	 702,500	 678,800



**Fiscal Year 1997 Non-Appropriated Funds**

**UNIVERSITY OF ARIZONA - MAIN CAMPUS**

Agency Summary of Combined Funds

ANALYST: John Lee/Bruce Groll

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	107,615,700	129,962,300	121,539,500
Revenue	437,557,300	421,347,200	448,391,800
<b>TOTAL FUNDS AVAILABLE</b>	<u>545,173,000</u>	<u>551,309,500</u>	<u>569,931,300</u>
<b>TOTAL FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	3,111.2	3,124.4	3,142.4
Operating Subtotal	<u>368,308,500</u>	<u>388,950,800</u>	<u>398,642,800</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>368,308,500</u>	<u>388,950,800</u>	<u>398,642,800</u>
<b>TRANSFERS</b>			
BALANCE FORWARD	46,902,200	40,819,200	41,125,800
	129,962,300	121,539,500	130,162,700

**UNIVERSITY OF ARIZONA - MAIN CAMPUS**

Agency Summary of Local Funds

ANALYST: John Lee/Bruce Groll

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	96,722,200	113,706,600	121,539,500
Revenue	283,452,700	284,344,800	292,512,100
<b>TOTAL FUNDS AVAILABLE</b>	<u>380,174,900</u>	<u>398,051,400</u>	<u>414,051,600</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	1,953.6	1,994.7	2,016.0
Operating Subtotal	<u>219,566,100</u>	<u>235,692,700</u>	<u>242,763,100</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>219,566,100</u>	<u>235,692,700</u>	<u>242,763,100</u>
<b>TRANSFERS</b>			
BALANCE FORWARD	46,902,200	40,819,200	41,125,800
	113,706,600	121,539,500	130,162,700

**AUXILIARY ENTERPRISE FUNDS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Revenues are primarily from sales and services offered to the students, faculty, staff and public, but are not themselves educational activities, including revenues from student housing, bookstores, student union, intercollegiate athletics, and others.

**Purpose of Fund:** The Auxiliary Enterprise Funds account for the revenues and expenditures of revenue-producing and substantially self-supporting activities that perform a service to the student body, faculty, and public, but are not themselves educational activities.

**Fiscal Year 1997 Non-Appropriated Funds**

**UNIVERSITY OF ARIZONA - MAIN CAMPUS (Continued)**

**AUXILIARY ENTERPRISE FUNDS (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	19,689,500	21,900,800	22,290,600
Revenue	<u>132,073,800</u>	<u>133,580,600</u>	<u>137,555,100</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>151,763,300</b>	<b>155,481,400</b>	<b>159,845,700</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>902.6</u>	<u>919.8</u>	<u>929.6</u>
Operating Subtotal	116,568,200	122,854,300	126,539,900
<b>TOTAL FUNDS EXPENDED</b>	<b>116,568,200</b>	<b>122,854,300</b>	<b>126,539,900</b>
TRANSFERS	13,294,300	10,336,500	10,336,500
BALANCE FORWARD	21,900,800	22,290,600	22,969,300

**DESIGNATED FUNDS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Revenues are derived from summer session, Extended University, the Alumni Association, conferences, Administrative Service charge, unrestricted gifts, income from short-term investments, and tuition and fees retained by the university.

**Purpose of Fund:** The Designated Funds provide current operating funds that are limited for a specific purpose by specific action of the Arizona Board of Regents or by an administrative unit of the university authorized by the board to designate funds.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	21,101,600	29,635,900	30,812,600
Revenue	<u>101,576,200</u>	<u>99,666,600</u>	<u>102,521,400</u>
<b>TOTAL FUNDS AVAILABLE</b>	<b>122,677,800</b>	<b>129,302,500</b>	<b>133,334,000</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>675.8</u>	<u>708.9</u>	<u>716.5</u>
Operating Subtotal	60,752,400	69,325,600	71,405,300
<b>TOTAL FUNDS EXPENDED</b>	<b>60,752,400</b>	<b>69,325,600</b>	<b>71,405,300</b>
TRANSFERS	32,289,500	29,164,300	29,470,900
BALANCE FORWARD	29,635,900	30,812,600	32,457,800

**Fiscal Year 1997 Non-Appropriated Funds**

**UNIVERSITY OF ARIZONA - MAIN CAMPUS (Continued)**

**ENDOWMENT AND SIMILAR FUNDS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Revenues from donors to create new endowments and interest on established endowments.

**Purpose of Fund:** The Endowment and Similar Funds account for private gifts that require the principal to be permanently invested and only the income be utilized for general or specified requirements.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	40,819,800	43,345,300	45,929,800
Revenue	3,083,200	3,144,700	3,208,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>43,903,000</u>	<u>46,490,000</u>	<u>49,137,800</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>84,500</u>	<u>87,000</u>	<u>89,600</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>84,500</u>	<u>87,000</u>	<u>89,600</u>
TRANSFERS	473,200	473,200	473,200
BALANCE FORWARD	43,345,300	45,929,800	48,575,000

**LOAN (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Revenues from federally funded or privately sponsored student loan programs.

**Purpose of Fund:** For loans made to assist students in the financing of their education.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	823,900	907,700	989,700
Revenue	143,300	143,300	147,600
<b>TOTAL FUNDS AVAILABLE</b>	<u>967,200</u>	<u>1,051,000</u>	<u>1,137,300</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>58,700</u>	<u>60,500</u>	<u>62,300</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>58,700</u>	<u>60,500</u>	<u>62,300</u>
TRANSFERS	800	800	800
BALANCE FORWARD	907,700	989,700	1,074,200

**Fiscal Year 1997 Non-Appropriated Funds**

**UNIVERSITY OF ARIZONA - MAIN CAMPUS (Continued)**

**A.R.S. § 15-1601**

**RESTRICTED FUNDS (No Fund Number)**

**Source of Revenue:** Grants or contracts from private organizations, state and local government entities.

**Purpose of Fund:** The Restricted Funds account for governmental and private gifts, grants and contracts. The purposes are restricted by the donor or supporting agency. Funds not used for the restricted purposes revert to the sponsor or donor.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	14,287,400	17,916,900	21,516,800
Revenue	<u>46,576,200</u>	<u>47,809,600</u>	<u>49,080,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>60,863,600</u>	<u>65,726,500</u>	<u>70,596,800</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>375.2</u>	<u>366.0</u>	<u>369.9</u>
Operating Subtotal	<u>42,102,300</u>	<u>43,365,300</u>	<u>44,666,000</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>42,102,300</u>	<u>43,365,300</u>	<u>44,666,000</u>
<b>TRANSFERS</b>	844,400	844,400	844,400
<b>BALANCE FORWARD</b>	17,916,900	21,516,800	25,086,400

**UNIVERSITY OF ARIZONA - MAIN CAMPUS**

**Agency Summary of Federal Funds**

**ANALYST: John Lee/Bruce Groll**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	10,893,500	16,255,700	0
Revenue	<u>154,104,600</u>	<u>137,002,400</u>	<u>155,879,700</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>164,998,100</u>	<u>153,258,100</u>	<u>155,879,700</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>1,157.6</u>	<u>1,129.7</u>	<u>1,126.4</u>
Operating Subtotal	<u>148,742,400</u>	<u>153,258,100</u>	<u>155,879,700</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>148,742,400</u>	<u>153,258,100</u>	<u>155,879,700</u>
<b>BALANCE FORWARD</b>	16,255,700	0	0

**Fiscal Year 1997 Non-Appropriated Funds**

**UNIVERSITY OF ARIZONA - MAIN CAMPUS (Continued)**

**FEDERAL GRANTS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Grants or contracts from federal government agencies.

**Purpose of Fund:** Federal grants and contracts are used for purposes specified by granting agencies. The purposes are restricted by the supporting agency. Funds not used for the restricted purpose revert to the sponsor.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	10,893,500	16,255,700	0
Revenue	131,451,300	113,192,600	131,833,200
<b>TOTAL FUNDS AVAILABLE</b>	<u>142,344,800</u>	<u>129,448,300</u>	<u>131,833,200</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	1,157.6	1,129.7	1,126.4
Operating Subtotal	<u>126,089,100</u>	<u>129,448,300</u>	<u>131,833,200</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>126,089,100</u>	<u>129,448,300</u>	<u>131,833,200</u>
<b>BALANCE FORWARD</b>	16,255,700	0	0

**FEDERAL INDIRECT COST RECOVERY (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Indirect Cost revenue is derived by charging certain federal sponsored grant and contract entities a negotiated rate of overhead.

**Purpose of Fund:** The Indirect Cost Recovery Fund provides the source of funds utilized by the institution to cover those costs indirectly associated with grant and contract activity. The fund supplements the general administrative and operating expenses for the university and affected departments.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	22,653,300	23,809,800	24,046,500
<b>TOTAL FUNDS AVAILABLE</b>	<u>22,653,300</u>	<u>23,809,800</u>	<u>24,046,500</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>22,653,300</u>	<u>23,809,800</u>	<u>24,046,500</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>22,653,300</u>	<u>23,809,800</u>	<u>24,046,500</u>
<b>BALANCE FORWARD</b>	0	0	0

**Fiscal Year 1997 Non-Appropriated Funds**

**UNIVERSITY OF ARIZONA - ARIZONA HEALTH SCIENCES CENTER**

**Agency Summary of Combined Funds**

ANALYST: John Lee/Bruce Groll

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	52,161,500	47,247,700	48,733,300
Revenue	84,738,600	89,056,500	91,687,200
<b>TOTAL FUNDS AVAILABLE</b>	<u>136,900,100</u>	<u>136,304,200</u>	<u>140,420,500</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	823.5	797.5	799.8
Operating Subtotal	87,357,100	86,162,400	88,263,400
<b>TOTAL FUNDS EXPENDED</b>	<u>87,357,100</u>	<u>86,162,400</u>	<u>88,263,400</u>
TRANSFERS	2,295,300	1,408,500	1,408,500
BALANCE FORWARD	47,247,700	48,733,300	50,748,600

**UNIVERSITY OF ARIZONA - HEALTH SCIENCES CENTER**

**Agency Summary of Local Funds**

ANALYST: John Lee/Bruce Groll

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	46,889,700	46,778,100	48,733,300
Revenue	37,588,300	36,127,200	37,170,200
<b>TOTAL FUNDS AVAILABLE</b>	<u>84,478,000</u>	<u>82,905,300</u>	<u>85,903,500</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	339.7	316.8	318.7
Operating Subtotal	35,404,600	32,763,500	33,746,400
<b>TOTAL FUNDS EXPENDED</b>	<u>35,404,600</u>	<u>32,763,500</u>	<u>33,746,400</u>
TRANSFERS	2,295,300	1,408,500	1,408,500
BALANCE FORWARD	46,778,100	48,733,300	50,748,600

**AUXILIARY ENTERPRISE FUNDS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Revenues from student housing, bookstores, student union, stores, intercollegiate athletics, and others.

**Purpose of Fund:** The Auxiliary Enterprise Funds account for the revenues and expenditures of revenue producing and substantially self-supporting activities that perform a service to the student body, faculty and public, but are not themselves educational activities.

**Fiscal Year 1997 Non-Appropriated Funds**

**UNIVERSITY OF ARIZONA - ARIZONA HEALTH SCIENCES CENTER (Continued)**

**AUXILIARY ENTERPRISE FUNDS (Continued)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,001,400	1,445,400	1,728,400
Revenue	4,906,100	5,004,800	5,154,900
<b>TOTAL FUNDS AVAILABLE</b>	<u>5,907,500</u>	<u>6,450,200</u>	<u>6,883,300</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	38.1	39.7	39.9
Operating Subtotal	4,449,600	4,712,500	4,853,800
<b>TOTAL FUNDS EXPENDED</b>	<u>4,449,600</u>	<u>4,712,500</u>	<u>4,853,800</u>
TRANSFERS OUT	12,500	9,300	9,300
BALANCE FORWARD	1,445,400	1,728,400	2,020,200

**DESIGNATED FUNDS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Revenues are generated from summer session, conferences, and unrestricted gifts.

**Purpose of Fund:** The Designated Funds provide current operating funds that are limited for a specific purpose by specific action of the Arizona Board of Regents or by an administrative unit of the university authorized by the board to designate funds.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	12,230,900	8,400,100	7,737,500
Revenue	6,611,300	5,333,700	5,487,300
<b>TOTAL FUNDS AVAILABLE</b>	<u>18,842,200</u>	<u>13,733,800</u>	<u>13,224,800</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	95.7	72.1	72.6
Operating Subtotal	9,017,100	5,454,900	5,618,700
<b>TOTAL FUNDS EXPENDED</b>	<u>9,017,100</u>	<u>5,454,900</u>	<u>5,618,700</u>
TRANSFERS OUT	1,425,000	541,400	541,400
BALANCE FORWARD	8,400,100	7,737,500	7,064,700

**Fiscal Year 1997 Non-Appropriated Funds**

**UNIVERSITY OF ARIZONA - ARIZONA HEALTH SCIENCES CENTER (Continued)**

<b>ENDOWMENT AND SIMILAR FUNDS (No Fund Number)</b>	<b>A.R.S. § 15-1601</b>
<b>Source of Revenue:</b> Revenues are received from donors to create new endowments and interest on established endowments.	
<b>Purpose of Fund:</b> The Endowment and Similar Funds account for private gifts that require the principal to be permanently invested and only the income be utilized for general or specified requirements.	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	22,880,600	25,138,000	26,409,000
Revenue	<u>2,481,200</u>	<u>1,496,400</u>	<u>1,512,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>25,361,800</u>	<u>26,634,400</u>	<u>27,921,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	53,900	55,500	57,200
<b>TOTAL FUNDS EXPENDED</b>	<u>53,900</u>	<u>55,500</u>	<u>57,200</u>
TRANSFERS	169,900	169,900	169,900
BALANCE FORWARD	25,138,000	26,409,000	27,693,900

<b>RESTRICTED FUNDS (No Fund Number)</b>	<b>A.R.S. § 15-1601</b>
<b>Source of Revenue:</b> Grants or contracts from private organizations, state and local governmental entities.	
<b>Purpose of Fund:</b> The Restricted Funds account for governmental and private gifts, grants and contracts. The purposes are restricted by the donor or supporting agency. Funds not used for the restricted purpose revert to the sponsor or donor.	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	10,776,800	11,794,600	12,858,400
Revenue	<u>23,589,700</u>	<u>24,292,300</u>	<u>25,016,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>34,366,500</u>	<u>36,086,900</u>	<u>37,874,400</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>205.9</u>	<u>205.0</u>	<u>206.2</u>
Operating Subtotal	21,884,000	22,540,600	23,216,700
<b>TOTAL FUNDS EXPENDED</b>	<u>21,884,000</u>	<u>22,540,600</u>	<u>23,216,700</u>
TRANSFERS OUT	687,900	687,900	687,900
BALANCE FORWARD	11,794,600	12,858,400	13,969,800



**Fiscal Year 1997 Non-Appropriated Funds**

**UNIVERSITY OF ARIZONA - ARIZONA HEALTH SCIENCES CENTER (Continued)**

<b>UNIVERSITY OF ARIZONA - ARIZONA HEALTH SCIENCES CENTER</b>	
<b>Agency Summary of Federal Funds</b>	<b>ANALYST: John Lee/Bruce Groll</b>

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	5,271,800	469,600	0
Revenue	47,150,300	52,929,300	54,517,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>52,422,100</u>	<u>53,398,900</u>	<u>54,517,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	483.8	480.7	481.1
Operating Subtotal	<u>51,952,500</u>	<u>53,398,900</u>	<u>54,517,000</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>51,952,500</u>	<u>53,398,900</u>	<u>54,517,000</u>
<b>BALANCE FORWARD</b>	469,600	0	0

<b>FEDERAL GRANTS AND CONTRACTS (No Fund Number)</b>	<b>A.R.S. § 15-1601</b>
<b>Source of Revenue:</b> Federal grants and contracts.	
<b>Purpose of Fund:</b> Federal Funds account for governmental grants and contracts. The purposes are restricted by the donor or supporting agency. Funds not used for the restricted purpose revert to the sponsor or donor.	

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	5,271,800	469,600	0
Revenue	34,648,800	40,300,300	41,761,800
<b>TOTAL FUNDS AVAILABLE</b>	<u>39,920,600</u>	<u>40,769,900</u>	<u>41,761,800</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	483.8	480.7	481.1
Operating Subtotal	<u>39,451,000</u>	<u>40,769,900</u>	<u>41,761,800</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>39,451,000</u>	<u>40,769,900</u>	<u>41,761,800</u>
<b>BALANCE FORWARD</b>	469,600	0	0

**Fiscal Year 1997 Non-Appropriated Funds**

**UNIVERSITY OF ARIZONA - ARIZONA HEALTH SCIENCES CENTER (Continued)**

**FEDERAL INDIRECT COST RECOVERY (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Indirect Cost Revenue is derived by charging federal agencies' certain sponsored grant and contract activities a negotiated rate of overhead.

**Purpose of Fund:** The Indirect Cost Recovery Fund provides the source of funds utilized by the institution to cover those costs indirectly associated with grant and contract activity related to departmental and general administration, sponsored projects administration, operation and maintenance of plant, library, student services, equipment use, building use and interest expense.

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	<u>12,501,500</u>	<u>12,629,000</u>	<u>12,755,200</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>12,501,500</u>	<u>12,629,000</u>	<u>12,755,200</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>12,501,500</u>	<u>12,629,000</u>	<u>12,755,200</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>12,501,500</u>	<u>12,629,000</u>	<u>12,755,200</u>
 <b>BALANCE FORWARD</b>	0	0	0

**STATUS OF OTHER FUNDS**

## STATUS OF OTHER FUNDS

This list includes those Non-General Funds which do not have a separate fund summary in this book and the reason for their exclusion.

Detailed information on some inactive funds has appeared in prior year volumes of the Non-Appropriated Funds book. In those circumstances, we have listed the fiscal year of the last Non-Appropriated Funds book in which this information appeared.

Each agency's 3-letter identification code and each fund's 4-digit fund number are shown in parenthesis. These identification codes correspond with those in the statewide accounting system.

FUND	REASON FOR EXCLUSION
<b>ANNUAL BUDGET UNITS</b>	
Arizona Department of Administration (ADA) <sup>1/</sup>	
Admin - AFIS II Collections (4203)	Clearing Account
Automation (4201)	Appropriated
Bus Card Plus Replacement Fund (AAA 1027)	Clearing Account
Capital Outlay Stabilization (1600)	Appropriated
Capital Project Stabilization (AAA 1001)	Inactive
Certificates of Participation (AAA 5005)	Clearing Account
D.O.A. Loss Control Projects (2303)	Clearing Account
D.O.A. - Merit Award Fund (3190)	Inactive
Indirect Cost Recovery Fund (9000)	Clearing
Permanent Risk Management Revolving (4215)	Appropriated
Personnel Division (1107)	Appropriated
Plan Deposits (3196)	Custodial
Risk Management Insurance Reimbursement (AAA 3748)	Inactive
Statewide Payroll Fund (AAA 9200)	Clearing Account
Warrant Conversion Fund (AAA 3300/3310)	Inactive
Workers' Compensation Loss Control (2243)	Clearing Account
Workers' Compensation (4218)	Appropriated
AHCCCS (HCA)	
Health Plan Performance Bond (3734)	Custodial Monies
Long-Term Care Reinsurance (2222)	Inactive
Arizona State Schools for the Deaf and the Blind (SDA)	
Deaf & Blind Land Earnings (3139)	Appropriated
Deaf & Blind Special Education (2142)	Appropriated
Board of Directors for Community Colleges (CMA)	
Les Arie Memorial Earnings (3172)	Trust Fund
Governmental Services (2009)	Inactive (FY 1996)

<sup>1/</sup> The Arizona Department of Administration's 3-letter code is ADA. All funds used for statewide accounting are placed under this agency as well. All statewide funds' 3-letter codes are AAA and noted where applicable.

<b>FUND</b>	<b>REASON FOR EXCLUSION</b>
Department of Corrections (DCA)	
Corrections (2088)	Appropriated
Penitentiary Land (3140)	Appropriated (Trust-Earnings)
Research and Evaluation Programs Revolving (N/A)	Inactive
Judiciary - Court of Appeals	
Division I - State Funds (COA 2086)	Inactive
Division II - State Funds (CTA 2072)	Inactive
Judiciary - Superior Court (SPA)	
Court Appointed Special Advocate (2275)	Appropriated
Juvenile Probation (2139)	Receives only Appropriated Funds
Department of Economic Security (DEA)	
Child Support Enforcement (3022)	Custodial Monies
Children and Family Services Training Program (2173)	Appropriated
DES Administrative Adjustment (1018)	Clearing Account
DES Flood Relief (3186)	Inactive
Governmental Services (2182)	Clearing Account
Prelayoff Assistance Services (N/A)	Inactive
Public Assistance and Administration Revolving (2217)	Funds accounted for elsewhere
Public Assistance Collections (2217)	Appropriated
Rate Payer Assistance Fund (2347)	Inactive until FY 1999
Revenue from State or Local Agency (3193)	Clearing Account
Department of Education (EDA)	
Academic Contests Fund (2582)	Receives only Appropriated Monies
Arizona Comprehensive School Health Fund (2345)	Inactive
At Risk Preschool Pilot (2101)	Inactive
Charter School Stimulus Fund (1007)	Appropriated
Education Donation Trust (3205)	Inactive
Environmental Special Plate Number Fund (2354)	Inactive
Internal Services Fund (4209)	Clearing Account
Permanent Special Education Instit. Voucher Fund (1005)	Receives only Appropriated Monies
Spec. Educ. Plcemnt & Resident. Educ. Voucher Fund (1009)	Receives only Appropriated Monies
Tuition Fund (1008)	Receives only Appropriated Monies
Department of Environmental Quality (EVA)	
ADEQ Payroll Fund (9210)	Clearing Account
Air Permits Administration (2328)	Appropriated
Building Lease Fund (3216)	Inactive
Emissions Inspection (2082)	Appropriated
Hazardous Waste (2178)	Appropriated
Solid Waste Fee Fund (New)	Appropriated
Special Waste (2330)	Appropriated
Used Oil (2288)	Appropriated

FUND	REASON FOR EXCLUSION
Water Quality Fee Fund (New)	Appropriated
Department of Health Services (HSA)	
Alcohol Facilities (3194)	Inactive
AZ Special Supplemental Food Program (2182)	Clearing Account
Arizona State Hospital Disproportionate Share Payments (2370)	Appropriated
Child Abuse Prevention Fund (2161)	Inactive, once funds transferred to DES
Child Fatality Review (3036)	Appropriated
Child Vaccination Revolving (2146)	Inactive (FY 1994)
DHS Pass Through (3716)	Clearing Account
Disease Control Research (NA)	Inactive
Emergency Medical Services Operating (2171)	Appropriated
Medical Services Enhancement Fund (NA)	Partially Appropriated (See individual page)
Nursing Care Institution Resident Protection Revolving (2329)	Inactive (FY 1994)
Prenatal Care Education (3009)	Inactive (FY 1994)
Residency Training (2208)	Inactive
State Hospital Land Earnings (3128)	Appropriated (Trust-Earnings)
State Hospital Revolving (3115)	Funds accounted for elsewhere
Tuberculosis Care (NA)	Inactive
Department of Juvenile Corrections (DJA)	
Juvenile Education (2323)	Appropriated
Parental Assessment (2185)	Partially Appropriated (See individual page)
Special Grants (3735)	Inactive (FY 1996)
Training Institute Fund (2001)	Inactive (FY 1996)
Arizona State Lottery Commission (LOA)	
Lottery - Interest Earnings (3179)	Clearing Account
Lottery Prize Fund Instant (9004)	Clearing Account
Department of Public Safety (PSA)	
Anti-Driving Under the Influence (2353)	Inactive (FY 1994)
Arizona Highway Patrol (2032)	Partially Appropriated (See individual page)
DPS Joint Fund - Control (2085)	Clearing Account
DPS Luxury Tax Controlled Substances (2187)	Inactive
Department of Transportation (DTA)	
Abandoned Vehicle (2099)	Appropriated
ADOT Bond Proc. M/RARF 87A (3800)	Inactive (Clearing Account)
ADOT Bond Proc. - 90 (3801)	Inactive (Clearing Account)
ADOT Bond Pro. M/RARF 91A (3802)	Inactive (Clearing Account)
ADOT Bond Proc. 92A (3803)	Inactive (Clearing Account)
ADOT Bond Proc. - 93 (3805)	Inactive (Clearing Account)
ADOT Bond Proceeds M/RARF (Series 3804, 3806)	Inactive (Clearing Account)
ADOT Concentrate Bank System (3093)	Inactive (Clearing Account)

**FUND****REASON FOR EXCLUSION**

ADOT Donations Fund (3080)  
 ADOT Highway Right of Way Acquisition (3112)  
 ADOT MVD Clearing Fund (3153)  
 ADOT - Pima Regional Area Road Fund (2293)  
 ADOT Warehouse (4212)  
 Air Service Development Revolving (N/A)  
 Cash Deposits Fund (2266)  
 Contract Counsel Revolving (N/A)  
 Dealer Enforcement (2292)  
 Fiber Optics Cable Repair Escrow (5007)  
 Highway Debt Service (5004)  
 Highway User Revenue Fund (3113)  
 HURF Bond Proceeds, 1991A (3915)  
 HURF Bond Proceeds, 1993A (3916)  
 Local Agency Deposits Fund (3701)  
 Maricopa/RARF Debt Service (5008)  
 Mobile Home (2040)  
 Rental Tax & Bond Deposit (3737)  
 State Aviation (2005)  
 State Highway (2030)

Clearing Account  
 Clearing Account  
 Clearing Account  
 Inactive  
 Clearing Account  
 Inactive  
 Clearing Account  
 Clearing Account  
 Appropriated  
 Clearing Account  
 Inactive (Clearing Account)  
 Appropriated  
 Inactive (Clearing Account)  
 Inactive (Clearing Account)  
 Clearing Account  
 Clearing Account  
 Inactive (FY 1996)  
 Clearing Account  
 Appropriated  
 Appropriated

## Universities

## Board of Regents (BRA)

A & M College Land Earnings (3131)  
 Bd of Regents Land - Base (3185)  
 Bd of Regents Univ. Land-Matching (3184)  
 Collegiate Plates (NA)

Military Institute Land Earnings (3132)  
 Normal School Land Earnings (3136)

Arizona State University - Main Campus (ASA)  
 Collections (1410/1411)

Arizona State University - West Campus (ASA)  
 Collections (1410/1411)

University of Arizona-Main Campus (UAA)  
 Collections (1400)  
 School of Mines Land Earnings (3133)  
 U of A Local Payroll Clearing (9204)

Northern Arizona University (NAA)  
 Collections (1420/1421)

University of Arizona - Health Sciences Center (UAA)  
 Collections (1403)

Trust-Earnings (See University Land Fund)  
 Trust-Earnings (See University Land Fund)  
 Trust-Earnings (See University Land Fund)  
 Accounted for in individual  
 universities' restricted funds.  
 Trust-Earnings (See University Land Fund)  
 Trust-Earnings (See University Land Fund)

Appropriated

Appropriated

Trust-Earnings  
 Clearing Account

Appropriated

Appropriated

**FUND****REASON FOR EXCLUSION****BIENNIAL BUDGET UNITS****Department of Agriculture (AHA)**

Agriculture & Horticulture (2003)  
 Agriculture Fruit & Vegetable Revolving (2025)  
 Aquaculture (2297)  
 Beef Council of Arizona (2083)  
 Citrus, Fruit and Vegetable Revolving (2260)  
 Commercial Feed (2012)  
 Egg Inspection (2022)  
 Equine Maintenance Fund (3114)  
 Fertilizers Materials (2081)  
 Organic Certification (2342)  
 Pesticide (2051)  
 Ratite Control Fund (New)

Inactive  
 Inactive (duplicates another fund)  
 Appropriated  
 Inactive (duplicates another fund)  
 Appropriated  
 Appropriated  
 Appropriated  
 Inactive (duplicates another fund)  
 Appropriated  
 Inactive (FY 1994)  
 Appropriated  
 Appropriated

**Arizona Commission on the Arts (HUA)**

Donations (A.R.S. § 41-985)

Inactive

**Attorney General - Department of Law (AGA)**

Attorney General's Trust Fund (3102)  
 Collection Enforcement Revolving (2132)  
 State Grand Jury Fund (3215)  
 Victims' Rights Implementation Revolving (3215)

Custodial Monies  
 Appropriated  
 Receives only Appropriated Funds  
 Appropriated

**Automotive Theft Prevention Authority (AT 2060)**

Inactive (FY 1994)

**Department of Building & Fire Safety (M.A.)**

Manufactured Housing Application Suspense (3724)

Inactive

**Arizona Coliseum and Exposition Center Board (CLA)**

Permanent Revolving (NA)

Funds accounted for elsewhere

**Department of Commerce (EPA)**

OEPAD - Word Processing (4217)  
 Bond (2196)  
 Solar Energy Projects (2325)  
 Solar Qualification Assurance (2324)

Inactive  
 Appropriated  
 Inactive  
 Appropriated

**Registrar of Contractors (RGA)**

License Application Suspense (3723)  
 License Contractor Bond Fund (3721)

Clearing Account  
 Custodial Monies



<b>FUND</b>	<b>REASON FOR EXCLUSION</b>
Corporation Commission (CCA) Universal Services Fund (A.R.S. § 40-330)	Newly Created. Will appear in FY 1998 Non-Appropriated Funds Book.
Utility Regulation Revolving (2172)	Appropriated
Utility Siting (2076)	Clearing Account
Arizona Criminal Justice Commission (JCA) Criminal Justice Enhancement Fund (NA)	Partially Appropriated (See individual page)
Resource Center Fund (2280)	Clearing Account
Department of Emergency and Military Affairs (MAA) Clifton Flood Control Project (1236)	Appropriated
Emergency Response Fund (3031)	Appropriated
National Guard Fund (2140)	Receives only Appropriated Funds
Advisory Council on Environmental Education (EEA) Environmental Awareness Education (2102)	Inactive (FY 1994)
Game and Fish Department (GFA) Capital Improvement (2203)	Appropriated
Game and Fish Big Game Permit (3712)	Clearing Account
Game and Fish California Stamp (3709)	Clearing Account
Game and Fish Fund (2027)	Appropriated
Game and Fish Kaibab Co-op (3714)	Clearing Account
Game and Fish Nevada Stamp (3708)	Clearing Account
Game and Fish Utah Stamp (3710)	Clearing Account
Game, Non-Game, Fish and Endangered Species (2127)	Appropriated
Revolving (2028)	Clearing Account
Watercraft Licensing (2079)	Appropriated
Waterfowl Conservation (2209)	Appropriated
Wildlife Endowment (2279)	Appropriated
Arizona Geological Survey (GSA) Oil & Gas Conservation (2045)	Appropriated
Office of the Governor (GVA) Arizona Public Interest Fund (3016)	Inactive
Gang and Substance Abuse Prevention (2327)	Inactive (FY 1994)
Office of Excellence in Government Fund (2403)	Appropriated beginning in FY 1996
Statewide Long Term Improved Management (SLIM) (2103)	Appropriated
Arizona Historical Society (HIA) AZ Historical Society - Education Materials (2153)	Inactive
Historical Society (2190)	Inactive
Historical Society Discretionary (3159)	Clearing Account
Insurance Replacement (3160)	Inactive

**FUND**

Industrial Commission of Arizona (ICA)  
 Administration (2177)  
 Industrial Commission Donation (3144)  
 Industrial Commission Employment Deposit (3303)

Department of Insurance (IDA)  
 Insurance Computer System Fund (2320)  
 Insurance Joint Insurance Guaranty (2121)  
 Insurance Tax Premium Clearing (3727)

Department of Liquor Licenses & Control (LLA)  
 Bonds & Certificates of Deposit (3230)

State Land Department (LDA)  
 CAP Municipal and Industrial Repayment (N/A)  
 Cooperative Fire Control Program (2195)  
 Fire Suppression Fund (2360)  
 Fire Suspense (3091)  
 Floodplain Land Exchange (N/A)  
 Land - Advertise/Appraisals (3733)  
 Land Clearance (3732)  
 State Grants (2011)

State Parks Board (PRA)  
 Law Enforcement and Boating Safety (2111)  
 Reservation Surcharge Revolving (1304)

Pioneers' Home (PIA)  
 Miners Fund (3130)

Arizona Department of Racing (RCA)  
 County Fair Racing (2170)  
 Permanent Tribal State Compact (2340)  
 Racing Commission Bond Deposit (3720)

Radiation Regulatory Agency (AEA)  
 Nuclear Emergency Management (2138)  
 Radiation Regulatory and Perpetual Care (3118)  
 Radiologic Technologist Certification (2061)

Residential Utility Consumer Office (UOA)  
 RUCO Revolving (2175)

Arizona State Retirement System (RTA)  
 Arizona State Retirement System Trust Fund (NA)  
 Long-Term Disability Trust Fund (NA)

**REASON FOR EXCLUSION**

Appropriated  
 Inactive  
 Custodial Monies

Inactive (expired Jan. 1, 1993)  
 Inactive  
 Clearing Account

Custodial Monies

Inactive until after FY 2000  
 Inactive  
 Inactive  
 Inactive  
 Inactive  
 Inactive  
 Custodial Monies  
 Inactive

Appropriated  
 Appropriated

Appropriated (Trust-Earnings)

Appropriated  
 Appropriated  
 Custodial Monies

Appropriated  
 Inactive  
 Appropriated

Appropriated

Custodial Monies  
 Custodial Monies

<b>FUND</b>	<b>REASON FOR EXCLUSION</b>
Department of Revenue (RVA)	
D.O.R. Excise & Privilege (1510)	Clearing Account
Revenue Income Tax (2069)/Tax Refund Fund (A.R.S. § 42-128)	Clearing Account
Revenue Urban Sharing (2074)	Clearing Account
Tax Protest Resolution Fund (3718)	Clearing Account
Secretary of State (STA)	
Special Fund for Reimbursement of County Recorders (NA)	Reimbursed from appropriated funds
Structural Pest Control Commission (SBA)	
SPCC Fund (2050)	Appropriated
SPCC Inspection Support (2039)	Appropriated
Office of Tourism (TOA)	
Tourism (2236)	Receives only appropriated funds
State Treasurer (TRA)	
Ag & Mech. Colleges Land (3301)	Trust
A.S.U./N.A.U. State College Land (3314)	Trust
Budget Stabilization Fund (3034)	Receives Appropriated Funds
County Assistance Fund (3751)	See Lottery Fund Distribution
County Long-Term Care Fund (3749)	Inactive
County Reimbursement Control (3752)	Inactive
Deaf & Blind School (3313)	Trust
Disproportionate Share (1019)	Custodial Monies
East Maricopa Floodway (3753)	Custodial Monies
Executive, Legislative, Judicial Land (3305)	Trust
Fire Fighters/Emergency Paramedics, AZ (3033)	Inactive
Forest Reserve (3730)	Clearing Account
Garnishment & Levies (3164)	Custodial Monies
Local Government Investment Pool (3166)	Custodial Monies
Local Transportation Assistance (3747)	See Lottery Fund Distribution
McFarland Memorial Fund (1404)	Inactive
Military Institutions Land (3307)	Inactive
Miners Hospital Land (3316)	Trust
Miners Hospital Land 1929 (3308)	Trust
Peace Officers Memorial Fund, Arizona (3191)	Trust
Penitentiary Land (3311)	Inactive
Permanent School Land (3312)	Trust
Plan Six Facility Fund - CAWCD (3792)	Trust
Political Parties Trust (3202)	Custodial Monies
Public Roads & Education (2059)	Clearing Account
Riparian Acquisition Trust (3322)	Clearing Account
Risk Management Pool Fund (3794)	Trust
School District Housing Facility Fund (3750)	Custodial Monies
School of Mines Land (3309)	Inactive
	Trust

**FUND**

SRPMIC City Exchange Trust (3797)  
 State Charitable, Penal and Reformatories Land (3302)

State Hospital Land (3304)  
 Taylor Grazing Act (3729)  
 Telephone Solicitation Cash Bond (3798)  
 Treasurer Administrative (3736)  
 Treasurer's Arbitrage Earnings (3012)  
 Treasurer's Condemnation (3157)  
 Treasurer's Fund (7090)  
 Treasurer's Warrant Note Redemption (3183)  
 University Land (3315)  
 University Land 1881 (3317)  
 Urban In Lieu Payment Fund (3715)

Veterans' Service Commission (VSA)  
 State Home for Veterans Trust (2355)  
 Veterans' Cemetery (2167)  
 Veterans' Conservatorship (2077)  
 Veterans' Fiduciary (3218)

Department of Water Resources (WCA)  
 Purchase and Retirement (NA)  
 Water Resources Black Mesa (3706)

Department of Weights and Measures (WMA)  
 Used Oil (2310)

**Ninety-Ten Agencies**

Board of Accountancy Fund (ABA 2001)  
 Board of Appraisal Fund (APA 2270)  
 Board of Barber Examiners Fund (BBA 2007)  
 Board of Behavioral Health Examiners Fund (BHA 2256)  
 Board of Chiropractic Examiners Fund (CEA 2010)  
 Board of Cosmetology Fund (CBA 2017)  
 Board of Dental Examiners Fund (DXA 2020)  
 Board of Funeral Directors and Embalmers Fund (FDA 2026)  
 Board of Homeopathic Medical Examiners Fund (HEA 2041)  
 State Medical Examiners Board Fund (MEA 2038)  
 Board of Naturopathic Physicians Examiners Fund (NBA 2042)  
 Nursing Board Fund (BNA 2044)  
 Board of Nursing Care Institution Administrators Fund (NCA 2043)  
 Occupational Therapy Board Fund (OTA 2263)

**REASON FOR EXCLUSION**

Inactive (Custodial Monies)  
 Trust  
 Appropriated (Trust-Earnings to Department of Corrections, Department of Youth Treatment and Rehabilitation and Pioneers' Home)  
 Trust  
 Clearing Account  
 Custodial Monies  
 Custodial Monies  
 Clearing Account  
 Custodial Monies  
 Clearing Account  
 Clearing Account  
 Trust  
 Trust  
 Clearing Account

Appropriated  
 Inactive (FY 1994)  
 Appropriated  
 Custodial Monies

Inactive until 2006  
 Inactive

Appropriated

Appropriated  
 Appropriated  
 Appropriated  
 Appropriated  
 Appropriated  
 Appropriated  
 Appropriated  
 Appropriated  
 Appropriated  
 Appropriated  
 Appropriated  
 Appropriated  
 Appropriated  
 Appropriated

**FUND**

Board of Dispensing Opticians Fund (DOA 2046)  
Board of Optometry Fund (OBA 2023)  
Board of Osteopathic Examiners Fund (OSA 2048)  
Board of Pharmacy Fund (PMA 2052)  
Board of Physical Therapy Examiners Fund (PTA 2053)  
Board of Podiatry Examiners Fund (POA 2055)  
Board of Private Postsecondary Education Fund (PVA 2056)  
    Private Postsecondary Education Cash (3150)  
Board of Psychologist Examiners Fund (SYA 2058)  
Board of Respiratory Care Examiners Fund (RBA 2269)  
Board of Technical Registration Fund (TEA 2070)  
Board of Veterinary Medical Examining Fund (VTA 2078)

**REASON FOR EXCLUSION**

Appropriated  
Appropriated  
Appropriated  
Appropriated  
Appropriated  
Appropriated  
Appropriated  
Custodial Monies  
Appropriated  
Appropriated  
Appropriated  
Appropriated

**OTHER**

Multi-County Water Conservation District (WTA)  
    Fund for Acquiring and Conserving Supplemental  
    Water (A.R.S. § 48-3715.01)  
    Replenishment Obligations (A.R.S. § 48-3773)

Non-state funds  
Non-state funds

Document Storage and Retrieval Conversion &  
    Maint. Fund (A.R.S. § 11-475.01)

Non-State Fund (Board of Supervisors  
Administer Fund)

**RECOMMENDATIONS TO ELIMINATE OR  
CONSOLIDATE 10% OF ALL FUNDS  
AND  
TO CONVERT 5% OF NON-APPROPRIATED FUND  
EXPENDITURES TO APPROPRIATED STATUS**

**RECOMMENDATIONS TO  
ELIMINATE OR CONSOLIDATE  
10% OF ALL FUNDS**

Reason

ANNUAL BUDGET UNITS <sup>1/</sup>

Administration, Arizona Department of

- Loss Control (ADA 2243)
- Warrant Conversion (AAA 3300)

Duplicates another fund: Inactive.  
Inactive

Corrections, Department of (DCA)

- Permanent Training (2215)
- Research and Evaluation Program Revolving (NA)

Inactive  
Inactive

Economic Security, Department of (DEA)

- Lease Purchases (2197)

Inactive

Education, Department of (EDA)

- Comprehensive School Health (2345)
- Donation Trust (3205)
- Vocational and Technological Education Restructuring (2352)

Inactive  
Inactive  
Inactive

Health Services, Department of (HSA)

- Alcohol Facilities (3194)
- Child Day Care Training (2165)
- Child Vaccine Revolving (2146)
- Clinical Lab Licensing Revolving (2268)
- Nursing Care Institution Protection (2329)
- Prenatal Care Education (3009)
- Sanitarian's (2063)
- Tuberculosis Care (NA)

Inactive  
Deposit fees into the General Fund.  
Inactive  
Deposit fees into the General Fund.  
Deposit fees into the General Fund.  
Inactive  
Deposit fees into the General Fund.  
Inactive

Juvenile Corrections, Department of (DJA)

- Parental Assessment and Restitution (2185)
- Special Services (3735)

No current statutory authority for fund.  
Deposit fees into General Fund.  
Consolidate with Department of Juvenile  
Corrections Fund.

Public Safety, Department of (PSA)

- Anti-Driving Under the Influence (2353)
- Luxury Tax Controlled Substances (2187)

Deposit fees into the General Fund.  
Agency already deposit fees into General  
Fund.

Transportation, Department of (DTA)

- Air Service Development Revolving (NA)
- 8 Bond Proceeds Funds (3800-05,15,16)
- Cargo Tank Administration (2284)
- Commercial Drivers License (2251)
- Concentrated Bank System (3093)
- County Auto License Fund (2137)
- Criminal Background Investigation (2291)
- Fiber Optics Cable Repair Escrow (5007)
- Highway Debt Service (5004)

Inactive  
Inactive  
Inactive. Already statutorily repealed.  
Consolidate with State Highway Fund.  
Inactive  
Consolidate with State Highway Fund.  
Consolidate with State Highway Fund.  
Inactive  
Inactive

- Mobile Home Administration (2040)
- Motorcycle Education (2094)
- Number Plate Replacement (2250)
- Pima Regional Area Road Fund (2293)

**Reason**

Inactive. Already statutorily repealed.  
 Consolidate with State Highway Fund.  
 Consolidate with State Highway Fund.  
 Inactive. Already statutorily repealed.

**Universities (BRA)**

- Board of Regents -- Telecommunication Study (2252)

Inactive

**BIENNIAL BUDGET UNITS**

**Agriculture, Arizona Department of (AHA)**

- Agriculture and Horticulture (2003)
- Agriculture Fruit and Vegetable Revolving (2025)
- Arizona Iceberg Lettuce Promotion (2258)
- Beef Council of Arizona (2008)
- Equine Maintenance (2344)
- Equine Maintenance (3114), Seizure Fund (2065), and Stray Fund (2067)

Inactive. Already statutorily repealed.  
 Duplicates another fund; Inactive.  
 Inactive. Already statutorily repealed.  
 Duplicates another fund; Inactive.  
 Duplicates another fund; Inactive.  
 Consolidate into a new Livestock Custody Fund.

**Arts, Arizona Commission on the (HUA)**

- Donations Fund (NA)

Duplicates another existing fund.

**Attorney General - Department of Law (AGA)**

- Special Fund (2118)

Deposit fees into General Fund.

**Boxing Commission, Arizona State (ACA)**

- Boxing Fund (2004)

Inactive. Already statutorily repealed.

**Building and Fire Safety, Department of (MMA)**

- Manufactured Housing Application Suspense (3724)

Inactive

**Coliseum and Exposition Center Board, Arizona (CLA)**

- Coliseum Improvement Revenue Bond Reserve (5002)
- Coliseum Improvement Special Sinking (5003)
- Construction Bond Interest (5001)

Inactive  
 Inactive  
 Inactive

**Commerce, Department of (EPA)**

- Solar Energy Project (2325)
- State Employee Rideshare (2214)
- Word Processing (4217)

Inactive  
 Inactive  
 Inactive

**Corporation Commission (CCA)**

- Limited Liability Company (2332)

Inactive. Already statutorily repealed.

**Geological Survey, Arizona (GSA)**

- Oil and Gas Conservation Fund (2045)
- Publications Revolving Fund (2130)

Deposit fees into the General Fund.  
 Inactive

**Governor, Office of the (GVA)**

- Public Interest Fund (3016)

Inactive

**Historical Society, Arizona (HIA)**

- Historical Society--Education Materials (2153)
- Hubbell Revolving Fund (2190)
- Insurance Replacement (3160)

Duplicates another fund: Inactive.

Inactive  
 Inactive



	<u>Reason</u>
<u>Industrial Commission of Arizona (ICA)</u>	
• Donation (3144)	Inactive
<u>Insurance, Department of (IDA)</u>	
• Insurance Computer System (2216, 2320)	Inactive. Already statutorily repealed.
• Joint Insurance Guaranty (2121)	Inactive. Replaced by 2 funds outside state accounting system.
<u>Land Department, State (LDA)</u>	
• Cooperative Fire Control Program (2195), Fire Suppression (2189), Fire Suspense (3019), and State Grants Funds (2011)	Duplicated by a new Fire Suppression Fund.
• Development Planning and Permit Application (2231)	Inactive
<u>Parks, State Board of (PRA)</u>	
• Tonto Natural Bridge Revolving Fund (4012)	Consolidate with Publications & Souvenir Revolving Fund.
<u>Revenue, Department of (RVA)</u>	
• Bingo Administration (2194)	Inactive. Already statutorily repealed.
<u>Secretary of State - Department of State (STA)</u>	
• Uniform Commercial Code Data Processing Upgrade (2255)	Inactive. Already statutorily repealed.
<u>Treasurer, State (TRA)</u>	
• County Long-Term Care Fund (3749)	Inactive. Already statutorily repealed.
• County Reimbursement Control (3752)	Inactive. Already statutorily repealed.
• SRPMIC City Exchange Trust Fund (3797)	Inactive
<u>Veterans' Service Commission, Arizona (VSA)</u>	
• Veterans' Cemetery (2167)	Inactive. Already statutorily repealed.
• Veterans' Native Outreach Project (3001)	Inactive
<u>Water Resources, Department of (WCA)</u>	
• Alternate Flood Control Assistance (3320)	Inactive
• Black Mesa Monitoring (3706)	Inactive
• Grandfathered Water Rights (2109)	Inactive

Total Number of Funds to Eliminate: 85

1/ Each agency's 3-letter agency identification code and each fund's 4-digit fund number are shown in parentheses. These identification codes correspond with those in the statewide accounting system.

**RECOMMENDATIONS TO CONVERT 5%  
OF NON-APPROPRIATED FUND EXPENDITURES TO  
APPROPRIATED STATUS**

**ANNUAL BUDGET UNITS** <sup>1/</sup>

Administration, Arizona Department of (ADA)

- Motor Pool (4204) 10,954,000
- Telecommunications (4206) 12,593,100

Economic Security, Department of (DEA)

- Child Abuse Prevention (2162) 796,400
- Child Support Enforcement Administration Fund (2091, 2000) 47,038,200
- Federal Social Services Block Grant (2000) 42,344,600
- Special Administration Fund (2066) 1,085,000

Education, Department of (EDA)

- Permanent State School (3138) 57,200,000

Health Services, Department of (HSA)

- Alcohol Abuse Treatment Fund (2227) 650,000
- Federal Mental Health Block Grant (2000) 3,913,500
- Federal Substance Abuse Block Grant (2000) 18,151,200
- Substance Abuse Services (2144) 400,000

Judiciary (SPA)

- Case Processing Assistance (2075) 1,758,400
- Confidential Intermediary (2276) 147,500
- Judicial Collection Enhancement Fund (2246) 5,915,700
- Juvenile Crime Reduction (2139) 2,386,000

Lottery Commission, Arizona State (LOA)

- Economic Development Games (2122) 634,800

Public Safety, Department of (PSA)

- Arizona DNA Identification System (NA) 322,200
- Arizona Fingerprint Identification Network Operating (2286) 543,600
- Crime Lab Assessment Fund (2282) 267,300
- Direct CJEF Distribution for Operating Expenses (3702) 70,400
- Highway Patrol Fund (2030) 4,389,500

Transportation, Department of (DTA)

- State Highway Fund (2030) - Consolidate 5 non-appropriated funds into the existing appropriated State Highway Fund (Commercial Drivers License (2251), County Auto License (2137), Criminal Background Investigation (2291), Motorcycle Education (2094), and the Number Plate Replacement Funds (2250)) 25,762,700

## BIENNIAL BUDGET UNITS

### Agriculture, Department of (AHA)

- Dangerous Plants, Pests, Diseases (2054) 2,400
- Native Plant Law (2298) 168,600
- Seed Law (2064) 16,000

### Attorney General (AGA)

- Antitrust Enforcement Revolving (2016) 500,000
- Intergovernmental Agreements (2157) 4,205,000

### Automobile Theft Prevention Authority (ATA)

- Automobile Theft Prevention Authority Fund (2060) 57,000

### Commerce, State Department of (CMA)

- Community Development Block Grant (2000) 7,500,000

### Corporation Commission (CCA)

- Public Access (2333) 1,176,700
- Securities Regulatory and Enforcement (2264) 1,262,300

### Criminal Justice Commission, Arizona (JCA)

- Victims Assistance (2199) 450,000
- Victims Compensation (2198) 1,305,000

### Hearing Impaired, Arizona Council for the (DFA)

- Text Telephone Relay System and Distribution Fund (2047) 4,615,900

### Land Department, State (LDA)

- Environmental Special Plate (EDA 2354) 350,000

### Medical Examiners, Board of (MEA)

- Physician Monitoring (2150) 105,000

### Medical Student Loans, Board of (MSA)

- Medical Student Loans (3306) 205,800

### Pioneers' Home, Arizona (PIA)

- State Charitable, Penal & Reformatories Land Earnings (3129) 955,000

### Retirement System, Arizona State (RTA)

- Administration Account (1405) 17,565,900

### Revenue, Department of (RVA)

- Estate and Unclaimed Property (1520) 560,000

TOTAL

\$278,324,700

1/ Each agency's 3-letter agency identification code and each fund's 4-digit fund number are shown in parenthesis. These identification codes correspond with those in the statewide accounting system.